

at the time donated. Depreciation is not provided for general fixed assets, and interest incurred during construction is not capitalized. 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:

Investments:

Investments are recorded at fair value in the combined balance sheet and changes in fair value are recognized as revenue in the combined statement of revenues, expenditures, other sources and uses of financial resources and changes in fund balances.

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.

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 which are 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 50 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.

"Total Memorandum Only" Columns:

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.

Use of Estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenditures and expenses in the financial statements and in the disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

New pronouncements:

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. The Statement establishes financial reporting standards for state and local governments. It establishes that the basic financial statements and required supplementary information for general purpose governments should consist of management's discussion and analysis, basic financial statements,