

PROPRIETARY FUND TYPE

Enterprise Funds:

Transactions related to commercial types of activities operated by the State are accounted for in the enterprise funds. The proprietary fund types differ from governmental fund types in that the focus is on the flow of economic resources which, together with the maintenance of equity, is an important financial indicator. The enterprise funds include:

1. Economic Development, which consists of direct loan and loan insurance programs of the Maryland Departments of Housing and Community Development and Business and Economic Development.
2. Maryland State Lottery Agency, which operates the State Lottery.
3. State Use Industries, which utilizes inmate labor from State correctional institutions to manufacture goods, wares and merchandise to be sold to State agencies, political subdivisions and charitable, civic, educational, fraternal or religious associations or institutions.

FIDUCIARY FUND TYPES

Transactions related to assets held by the State in a trustee or agency capacity are accounted for in fiduciary fund types. Fiduciary fund types include the following:

1. The expendable trust fund, which reflects the transactions, assets, liabilities and fund equity of the Unemployment Insurance Program and the Deferred Compensation Plan and is accounted for on a flow of current financial resources measurement focus. The Unemployment Insurance Program is used to account for the unemployment taxes collected from employers, federal revenue received and remittance of benefits to the unemployed. The Deferred Compensation Plan accounts for participant earnings deferred in accordance with Internal Revenue Code Sections 457, 403(b), and 401(k). Amounts deferred are invested through an independent agent and are not subject to federal income taxes until paid to participants upon termination or retirement from employment, death or for an unforeseeable emergency. During fiscal year 1998, all assets of the fund were no longer property of the State, but held in trust for the exclusive benefit of the participants and their beneficiaries. Effective July 1, 1997, the State adopted GASB Statement No. 32 "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," and the fund has been reclassified from an agency to an expendable trust fund in accordance with this Statement.
2. The State Retirement and Pension System of Maryland and the Mass Transit Administration Pension Plan, which reflect the transactions, assets, liabilities and fund equities of the retirement and pension plans administered by the State and the Mass Transit Administration and are accounted for using the flow of economic resources measurement focus.
3. The agency funds, which are custodial in nature and do not present the results of operations or have a measurement focus. The State uses agency funds to account for the receipt and disbursement of patient and prisoner accounts, the amounts the State invests for political subdivisions on a pooled basis, various taxes collected by the State for distribution to the Federal government and political subdivisions and amounts withheld from employees' payroll.

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, leased under capital lease agreements 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 when acquired. These fixed assets are stated at cost or estimated historical cost. Donated fixed assets are recorded at their fair value at the time donated. Depreciation is not provided for general fixed assets, and interest incurred