

**STATE OF MARYLAND**  
**Notes to Combined Financial Statements**

**1. Financial Statements and Descriptions of Funds and Account Groups:**

*A. Financial Statements:*

The accompanying financial statements of the State of Maryland present the financial position of the various fund types and account groups, the results of operations of the various fund types, and the changes in financial position of the other enterprise funds, nonexpendable trust funds and pension trust funds. The financial statements are presented as of June 30, 1980 and for the year then ended, except for the Maryland State Employees Deferred Compensation Plan, which constitutes 7% of the assets and 3% of the revenues of the expendable trust funds, which is presented as of December 31, 1979 and for the year then ended (its fiscal year).

The financial statements include the various departments, agencies and other organizational units governed by the General Assembly and/or constitutional officers of the State of Maryland.

*B. Fund Accounting:*

The financial activities are recorded in individual funds classified by type and described below, each of which is deemed to be a separate accounting entity. The financial position and operations of each fund are accounted for in separate self-balancing accounts which represent the fund's assets, liabilities, equity, revenues and expenditures or expenses.

**GOVERNMENTAL FUND TYPES**

*General Fund:*

Transactions related to resources obtained and used for those services traditionally provided by a state government, which are not accounted for in other funds, are accounted for in the general fund. These services include, among other things, general government, public safety and judicial, health and mental hygiene, human resources, licensing and regulation, and education (other than higher education institutions). Resources obtained from federal grants and used for activities accounted for in the general fund consistent with applicable legal requirements are recorded in the general fund.

*Special Revenue Funds:*

Transactions related to resources obtained, the uses of which are restricted to specific purposes, are accounted for in special revenue funds. Special revenue funds include, among others, transactions related to Federal Revenue Sharing entitlements, resources restricted to support certain regulatory functions (such as utility regulation), and resources used for operations (other than debt service) of the Maryland Department of Transportation Trust Fund, including construction or improvement of transportation facilities.

*Debt Service Funds:*

Transactions related to resources obtained and used for the payment of interest and principal on general long-term debt obligations and transportation debt (other than Maryland Transportation Authority revenue bonds) are accounted for in debt service funds.

*Capital Projects Funds:*

Transactions related to resources obtained and used for the acquisition, construction or improvement of certain capital facilities, including those provided to political subdivisions and other public organizations are accounted for in capital projects funds. Such resources are derived principally from proceeds of general obligation bond issues, federal grants and operating transfers from the State's general fund.

The State enters into long-term contracts for construction of major capital projects and records the commitments as encumbrances. The State pays the cost of capital projects principally from resources obtained from general obligation bond proceeds, operating transfers from the general fund and federal grants. These resources are received, in many cases, after the long-term contracts are executed and recorded as encumbrances. Accordingly, the undesignated fund balance of capital projects funds reflects a deficit.