

STATE OF MARYLAND
Notes to Combined Financial Statements
for the year ended June 30, 1985

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 enterprise funds, nonexpendable trust fund and pension trust fund.

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. The following criteria, as defined by the Governmental Accounting Standards Board, were utilized to determine the entity for the State of Maryland: selection of governing authority, appointment of management, constitutional officers' ability to significantly influence operations, accountability for fiscal operations and scope of public service.

The Maryland Deposit Insurance Fund Corporation (see Note 14) was created on May 18, 1985 and is included in the accompanying financial statements as of June 30, 1985 and for the period from May 18 to June 30, 1985. Effective July 1, 1984, the University of Maryland Medical System Corporation became an independent, self-governing unit and is no longer a component of the University of Maryland. The fund balances (deficit) as of July 1, 1984 pertaining to the University Hospital are no longer included in the Higher Education Fund and the beginning fund balances (deficit) have been restated.

B. Fund Accounting:

The financial activities are recorded in individual funds classified by type and described below. 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. The 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 Fund:

Transactions related to resources obtained, the uses of which are restricted to specific purposes, are accounted for in the special revenue fund. The special revenue fund includes resources used for operations (other than debt service) of the Maryland Department of Transportation Trust Fund, including construction or improvement of transportation facilities and mass transit operations.

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 Fund:

Transactions related to resources obtained and used for the acquisition, construction or improvement of