

Management of financial resources is exercised through the legally mandated budgetary system of the State. The budgetary system produced a positive general fund balance at June 30, 1988. For information on differences between GAAP and the budgetary system, see footnote 3 to the financial statements.

The special revenue unreserved fund balance of \$102,205,000 decreased \$34,251,000 from the preceding year primarily because of the capital outlays. The debt service unreserved fund balance of \$149,270,000 increased \$11,942,000 over the prior year. This increase is occurring to meet future debt requirements.

Capital Projects Fund

Proceeds of general obligation bond issues are accounted for in the capital projects fund. Completed projects and uncompleted construction in progress at year end which are assets of the State are capitalized in the general fixed assets account group, the appropriate enterprise fund for self-supporting projects or the higher education fund. During fiscal year 1988, state projects costing \$211,185,000, were completed. State grants for capital projects of local governments and other public organizations amounted to \$153,093,000 in the fiscal year, an increase of \$14,369,000 over 1987.

Authorized but unissued general obligation bonds at June 30, 1988 totaled \$870,499,000.

General Fixed Assets

The general fixed assets of the State are those used in the performance of general governmental functions and exclude the fixed assets of the proprietary fund type, fiduciary fund types and the higher education fund. As of June 30, 1988, the general fixed assets of the State amounted to \$3,725,321,000. This amount represents the actual or estimated cost of the assets. Depreciation of general fixed assets is not recognized in the State's accounting system. Infrastructure assets, consisting principally of highways, roads and bridges are not recorded in the general fixed assets.

Enterprise, Fiduciary, and Higher Education Funds

All enterprise funds with the exception of Maryland Deposit Insurance Fund Corporation reported retained earnings for the year ended June 30, 1988. The Economic Development Loan Programs and the Maryland State Lottery reported a decline in retained earnings during the year. Overall retained earnings for enterprise funds increased during 1988 by \$49,722,000 as compared to a decline of \$78,658,000 in 1987.

Fiduciary fund types include expendable and nonexpendable trust funds, pension trust fund, and agency funds. Agency funds are custodial in nature and do not report fund balances. All other fiduciary fund types reported fund balances of \$8,832,204,000 at June 30, 1988, as compared to \$6,823,680,000 at June 30, 1987.

The Maryland Retirement and Pension Systems (System) was established to provide pension benefits for State employees, the employees of the University of Maryland Medical System (a private, nonprofit, nonstock corporation) and employees of 98 participating municipal corporations within the State. The operations of the System improved dramatically during 1988. In October, 1987, the System sold equity and fixed investments. New fixed income securities were purchased so that interest income and the proceeds from the investments upon maturity would match the projected benefit payments for all retired members (excluding retirees of participating municipalities) as of June 30, 1987. This resulted in a gain of \$961,800,000 for the System. The annual actuarial valuation continues to reflect a positive trend in the government's and employees' funding of the System.

The total fund balance for the higher education fund was \$1,414,086,000 at June 30, 1988, as compared to \$1,285,332,000 at June 30, 1987.