

FINANCIAL INFORMATION

The State has issued guidelines to its agencies for establishing an effective system of internal control. Internal control is the overall plan of organization and all the coordinate methods used to safeguard assets; ensure the reliability of the accounting data; promote efficient operations and ensure compliance with established governmental policies, laws, regulations and contracts. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met.

As a recipient of federal assistance, the State is responsible for ensuring compliance with laws and regulations related to such assistance. This is accomplished through the internal control guidelines. Additionally, the State, excluding higher education institutions, is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U. S. Office of Management and Budget Circular A-128. The State's higher education institutions single audit is required under Circular A-110. Detail information related to these single audits are included in separate reports.

The Maryland Constitution requires the Governor to submit to the General Assembly an annual balanced budget for the following year. The General Assembly cannot increase the budget except in certain organizational units. The budget currently uses a legally mandated budgetary fund structure but migration to a fund structure based on generally accepted accounting principles has begun starting with the higher education funds. Each state agency is provided appropriations at a program level at which expenditures cannot legally exceed the appropriations. The State also utilizes an encumbrance system to serve as a tool for managing available appropriations.

Maryland maintains its accounts to conform to generally accepted accounting principles and also to comply with the legally mandated budget. Financial control is generally exercised under the budgetary system.

General Governmental Functions

Revenues of the general governmental functions (excluding capital projects) totaled \$8,815,849,000 for the fiscal year ended June 30, 1989. This represents an increase of 7.7 percent over revenues for the fiscal year 1988. Income tax, the largest source of revenue, produced 34.5 percent of general governmental revenues compared to 32.7 percent last year. The revenues from various sources and the changes from last year are shown in the following tabulation (amounts expressed in thousands):

<u>Revenue Source</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) Over 1988 Actual</u>	
			<u>Amount</u>	<u>Percent</u>
Income taxes	\$3,037,900	34.5%	\$361,687	13.5%
Sales and use taxes	1,507,053	17.1	83,468	5.9
Motor vehicle taxes and fees	963,119	10.9	14,711	1.6
Other taxes	861,758	9.8	37,968	4.6
Other licenses and fees	109,523	1.2	(1,930)	(1.7)
Charges for services	333,342	3.8	(19,928)	(5.6)
Interest and other investment income	125,551	1.4	35,515	39.4
Other	184,314	2.1	1,347	.7
Federal revenue	<u>1,693,289</u>	<u>19.2</u>	<u>114,536</u>	<u>7.3</u>
Total	<u>\$8,815,849</u>	<u>100.0%</u>	<u>\$627,374</u>	<u>7.7%</u>

Of the total income tax revenue for fiscal year 1989, \$2,761,066,000 was produced by the individual income tax and \$276,834,000 by the corporate income tax, representing increases of \$343,206,000 and \$18,481,000, respectively, compared to the prior year. The increase in individual income tax revenues of 14.2 percent over the prior year is attributable to population growth and a higher personal income level for the State's taxpayers. The increase in the corporate income tax revenues of 7.2 percent from the prior year is attributable to the improvement in the national economy.