

Effective July 1, 1990, in accordance with legislation enacted, the Community College of Baltimore, which previously was an agency of the City of Baltimore, became an agency of the State of Maryland under the name New Community College of Baltimore. Accordingly, the balances and related activity are now reported in the Higher Education Fund.

The following are excluded from the reporting entity:

Maryland Health and Higher Education Facilities Authority—The fiscal operations and management are outside of the State system, the State does not have the ability to significantly influence operations and has no legal liability for deficits or loan defaults, and the governing board selects management staff.

Maryland Automobile Insurance Fund (Fund)—The governing board members are selected equally by the governor and the insurance industry. The board then selects a chairperson. The Fund operates and is managed similar to companies in the insurance industry.

Injured Workers' Insurance Fund (Fund)—The Fund was established to provide workers' compensation insurance for participating employers in the State, including the State of Maryland. Legislation was enacted, effective July 1, 1988, that made the Fund independent of all State agencies, and not subject to any law affecting governmental public entities, with certain exceptions. The commissioners of the Fund have control of its fiscal affairs. They are selected from employers, employees or other citizens of the State by the Governor to serve a 5-year term, indicating that the commissioners are not policy making instruments of any one Governor. The Fund is independent of the authority of any State official. There are no special financing relationships between the State and the Fund. Accordingly, the Injured Workers' Insurance Fund is autonomous and is not included in the financial reporting entity.

There are various other entities which are non-state agencies that have been excluded from the reporting entity. These entities, which include the Maryland School for the Blind, Blind Industries and Services of Maryland, Maryland Economic Development Corporation, Maryland National Capital Park and Planning Commission, State Employees Credit Union and the Maryland Credit Union Insurance Corporation, are governed and controlled by their boards, members or by-laws. The scope of public service is limited in many cases and there are no special financial relationships with the State.

B. Fund Accounting:

The State uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts which represent the fund's assets, liabilities, equity, revenues and expenditures or expenses. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is then divided into separate "fund types".

GOVERNMENTAL FUND TYPES

Transactions related to the acquisition and use of the government's expendable financial resources received and used for those services traditionally provided by a state government are accounted for in governmental funds. The governmental fund measurement focus is on determination of financial position (sources, uses and balances of financial resources), rather than on net income determination. Governmental funds include:

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 governmental 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 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.

At June 30, 1991, the general fund balance reflected a deficit. The Executive and Legislative branches of the State have been, and are continuing to develop and take measures to address the deficit.