

The State enters into long-term contracts for construction of major capital projects and records the commitments as encumbrances. Since the fund's resources are received, in many cases, after the long-term contracts are executed and recorded as encumbrances, the undesignated fund balance of the capital projects fund reflects a deficit. This deficit will be funded by future bond proceeds and capital appropriations from the general fund.

PROPRIETARY FUND TYPE

Enterprise Funds:

Transactions related to commercial activities operated by the State are accounted for in the enterprise funds. The proprietary fund type differs from governmental fund types in that the focus is on the flow of economic resources which, together with the maintenance of equity, is an important financial indicator. The enterprise funds include:

1. Economic Development, which consists of direct loan and loan insurance programs of the Maryland Departments of Housing and Community Development, Economic and Employment Development, and Environment.
2. Maryland State Lottery Agency, which operates the State Lottery.
3. State Use Industries, which utilizes inmate labor from State correctional institutions to manufacture goods, wares and merchandise to be sold to State agencies, political subdivisions, and charitable, civic, educational, fraternal or religious associations or institutions.
4. Maryland Deposit Insurance Fund Corporation, which insured the deposits of member State-chartered savings and loan associations.

FIDUCIARY FUND TYPES

Transactions related to assets held by the State in a trustee or agency capacity are accounted for in fiduciary fund types. Fiduciary fund types include:

1. The expendable trust fund, which reflects the transactions, assets, liabilities and fund equity of the Unemployment Insurance Program. This fund is used to account for the unemployment taxes collected from employers, federal revenue received and remittance of benefits to the unemployed, and is accounted for on a flow of current financial resources measurement focus.
2. The Maryland State Retirement System, a blended component unit, which reflects the transactions, assets, liabilities and fund equities of the State administered retirement and pension systems, and is accounted for using the flow of economic resources measurement focus.
3. The agency funds, which are custodial in nature and do not present the results of operations or have a measurement focus. The State uses agency funds to account for the receipt and disbursement of various taxes collected by the State for distribution to the Federal government and political subdivisions, patient and prisoner accounts, amounts withheld from employees' payroll, amounts collected to pay medical insurance claims and amounts withheld from employees and invested in the Deferred Compensation Plan as directed by the employee. The GASB has adopted Statement Number 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which becomes effective for fiscal years beginning after June 15, 1994. The State plans to implement Statement Number 10 during the fiscal year ending June 30, 1995. The State has not completely analyzed the effects of this Statement and thus has not determined its impact on the financial statements; however, the State's self insured medical insurance program will no longer be reported in the agency fund.

ACCOUNT GROUPS

Account groups are used to establish accounting control and accountability for the State's general fixed assets and the unmatured principal of its general long-term debt and other long-term obligations of governmental fund types. General fixed assets do not represent financial resources available for appropriation and expenditure, nor does the unmatured principal of general long-term obligations require current appropriation and expenditure of governmental fund financial resources.