

### *Capital Projects Fund:*

Transactions related to resources obtained and used for the acquisition, construction or improvement of certain capital facilities, including those provided to political subdivisions and other public organizations are accounted for in the capital projects fund. Such resources are derived principally from proceeds of general obligation bond issues, federal grants and operating transfers from the State's general fund.

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 insures 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 the following.

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 State Retirement and Pension System of Maryland, a blended component unit, which reflects the transactions, assets, liabilities and fund equities of the State administered retirement and pension plans, and is accounted for using the flow of economic resources measurement focus. The GASB has adopted Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans," which becomes effective for fiscal years beginning after June 15, 1996, and Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers," which becomes effective for fiscal years beginning after June 15, 1997. The State is currently analyzing the effects of these statements and thus has not determined their impact on the financial statements.
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, and amounts withheld from employees and invested in the Deferred Compensation Plan as directed by the employee. Prior to July 1, 1994 the State accounted for its self-insurance employee health benefits program in an agency fund. On July 1, 1994 the State adopted GASB Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues" and transferred the self-insurance health benefits program's assets and liabilities to the general fund. With the adoption of Statement No. 10, all self-insurance activity is accounted for in the general fund.