

E. Component Units — Proprietary Funds:

Basis of Accounting:

Transactions related to the financial activities combined in the proprietary fund type of the component units are reported similar to other commercial activities of the State using the flow of economic resources measurement focus and the accrual basis of accounting.

3. Budgeting and Budgetary Control:

The Maryland Constitution requires the Governor to submit to the General Assembly an annual balanced budget for the following fiscal year. This budget is prepared and adopted for the following five budgetary funds.

General Fund:

The General Fund includes all transactions of the State, unless otherwise directed to be included in another fund.

Special Fund:

The Special Fund includes the transportation activities of the State, fishery and wildlife funds, shared taxes and payments of debt service on general obligation bonds. In contrast, the GAAP special revenue funds include only the operations (other than debt service and pension activities) of the Maryland Department of Transportation and Maryland Transportation Authority.

Federal Fund:

The Federal Fund accounts for substantially all grants from the Federal government.

Higher Education Funds:

The Higher Education Fund includes the Current Unrestricted Fund which accounts for unrestricted revenue used or available for use in carrying out the current operations of the State's colleges and universities and the Current Restricted Fund which accounts for restricted gifts, grants and other restricted resources.

Budgetary Fund Equities and Other Accounts:

In addition to the annual budget, the General Assembly adopts authorizations for the issuance of general obligation bonds. The expenditures of the resources obtained thereby are accounted for in the capital projects fund. Because capital projects fund authorizations are not part of the annual budget, capital projects fund activities are not presented in the Combined Statement of Revenues, Expenditures and Encumbrances, Other Sources and Uses of Financial Resources, and Changes in Fund Balances — Budget and Actual — for the year ended June 30, 1995.

All State budgetary expenditures for the general, special, federal, current unrestricted and current restricted funds are made pursuant to appropriations in the annual budget, as amended from time to time by budget amendments. State governmental departments and independent agencies may, with the Governor's approval, amend the appropriations by major function within the budgetary general fund, provided they do not exceed their total general fund appropriations as contained in the annual budget. Increases in the total general fund appropriations must be approved by the General Assembly. For the fiscal year ended June 30, 1995, the General Assembly approved increases in General Fund appropriations aggregating \$134,113,184. Appropriations for programs funded in whole or in part from the special, federal, current unrestricted or current restricted funds may permit expenditures in excess of original special, federal, current unrestricted or current restricted funds appropriations to the extent that actual revenues exceed original budget estimates and such additional expenditures are approved by the Governor or, in the case of the University of Maryland System, the Board of Public Works. Unexpended appropriations from the general fund may be carried over to succeeding years to the extent encumbrances are approved by the Department of Budget and Fiscal Planning; all other appropriations lapse as of the end of the fiscal year. Unexpended appropriations from special, federal, current unrestricted and current restricted funds may be carried over to the extent of (a) available resources, and (b) encumbrances approved by the Department of Budget and Fiscal Planning.

The amended budget adopted by the General Assembly for the general, special and federal funds is presented in the Combined Statement of Revenues, Expenditures and Encumbrances, Other Sources and Uses of Financial