

designated by the Governor, and seven members appointed by the Secretary of the Department of Business and Economic Development and approved by the Governor. The Authority provides financial assistance to enterprises seeking to locate or expand operations in Maryland.

The Maryland Stadium Authority and the Maryland Industrial Development Financing Authority were previously reported as blended component units for fiscal year 1995. The presentation of these entities was changed from blended component unit presentation basis to discrete presentation, as this more accurately reflects their relationship to the State of Maryland.

Complete financial statements of the individual component units may be requested from the Comptroller of the Treasury of the State of Maryland.

B. Fund Accounting:

The State uses funds, account groups, and component units to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities. Funds are separate accounting entities, each with a self-balancing set of accounts which represent the funds' assets, liabilities, equity (deficit), revenues and expenditures or expenses. There are three categories of "fund types": governmental, proprietary and fiduciary.

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 governments are accounted for in governmental funds. The governmental fund measurement focus is the flow of current financial resources and financial position (sources, uses and balances). Governmental funds include the following:

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. These services include, among other items, 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.

Special Revenue Funds:

Transactions related to resources obtained, the uses of which are restricted for specific purposes, are accounted for in the special revenue funds. The special revenue funds account for resources used for operations (other than debt service and pension activities) of the Maryland Department of Transportation and the Maryland Transportation Authority, including construction or improvement of transportation facilities and mass transit operations.

Debt Service Funds:

Transactions related to resources obtained and used for the payment of interest and principal on general long-term debt obligations, transportation debt and Maryland Transportation Authority debt are accounted for in the debt service funds.

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 related commitments as encumbrances. Since the fund's resources are received, in many cases, after 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.