

Short term investments of the State Accident Fund are stated at cost, adjusted for amortization of premiums and accretion of discounts, plus accrued income. Short term investments aggregating \$35,841,000 (which approximates market) at June 30, 1982, consisting of U. S. Treasury Bills and commercial paper, are reported as cash and short term investments. Other investments of the State Accident Fund which are held for trading purposes and are not intended to be held until maturity are stated at their market value of \$91,874,000. Realized gains and losses from the sale of other investments are credited or charged to income. Changes in unrealized market appreciation or depreciation are credited or charged to fund equity. Unrealized market appreciation or depreciation on other investments is reflected as a reservation of fund equity.

Property, Plant and Equipment:

Significant property, plant and equipment of enterprise funds are stated at cost.

The cost of property, plant and equipment used in the administration of Economic Development activities and the Maryland State Lottery is charged to operations in the period acquired. Such amounts are not material.

Depreciation of the cost of property, plant and equipment of the State Use Industries and Maryland Food Center Authority is provided on the straight-line basis over estimated useful lives of 25 to 50 years for depreciable real property, 5 to 10 years for building improvements and 3 to 10 years for equipment. Repairs and maintenance are charged to operations in the period incurred. Replacements, additions and betterments are capitalized.

In accordance with retirement-replacement-betterment accounting principles the cost of toll facilities is not depreciated. Repairs, maintenance and replacements are charged to operations in the period incurred. Additions and betterments are capitalized.

The cost of property, plant and contributed equipment of the Maryland Environmental Service is not depreciated and such amount is not material in relation to the combined enterprise funds. Depreciation of the cost of purchased equipment is provided on the straight-line basis over an estimated useful life of three years. Repairs and maintenance are charged to operations in the period incurred. Replacements, additions and betterments are capitalized.

Depreciation of the cost of equipment of the Maryland Higher Education Loan Corporation is provided on the straight-line basis over estimated useful lives of 5 to 10 years.

Depreciation on equipment of the nonexpendable trust fund is provided on the straight-line basis over estimated useful lives of 4 to 10 years.

Lottery Revenues and Prizes:

Revenues and prizes of the Maryland State Lottery are generally recognized as drawings are held. Certain prizes are payable in deferred installments. Such liabilities are recorded at the present value of amounts payable in the future.

Provisions for Insurance and Loan Losses:

Current provisions are made for estimated losses resulting from insurance of loans and uncollectible loans. Loss provisions are based on the current status of insured and direct loans, including delinquencies, economic conditions, loss experience, estimated value of collateral and other factors which may affect their realization.

Workers' compensation claims are recognized as expenses in the period incurred. Annually, the consulting actuary for the State Accident Fund estimates the liability for injuries incurred but not reported, the future liability on claims before the commission, and permanent awards. These liabilities are reported as accrued insurance losses.

Inventories:

Inventories of the Maryland Transportation Authority, State Use Industries and the nonexpendable trust fund are stated at the lower of cost, using the first-in, first-out method, or market.