

Capital Outlays:

Principally all capital expenditures for the acquisition or construction of State general fixed assets are reported as capital outlays in the capital projects fund.

Reserved and Designated General Fund and Special Revenue Fund Balances:

Loans receivable maturing after June 30, 1988, in the amounts of \$1,945,000 are deemed to be not available for current operations; accordingly, the amount has been reflected as a reservation of general fund balance.

A portion of the general fund balance and the special revenue fund balance, in the amount of \$125,090,000 and \$6,616,000, respectively, at June 30, 1987, representing special budgetary and nonbudgeted agency resources, was designated for agency activities and programs.

A portion of the general fund balance, in the amount of \$50,000,000 at June 30, 1987, has been designated for revenue stabilization. The revenue stabilization account is designed to retain State revenues for future needs and reduce the need for future tax increases by moderating revenue growth.

Expendable Trust Fund Balances:

The fund balance of the expendable trust fund is restricted to the purpose of the fund.

C. Enterprise Funds and Nonexpendable and Pension Trust Funds:

Basis of Accounting:

The accounts of the enterprise funds, nonexpendable trust fund and pension trust fund are maintained and reported using the accrual basis of accounting.

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 is charged to operations in the period acquired. Such amounts are not material.

Depreciation of the cost of property, plant and equipment of the Maryland Food Center Authority, Maryland State Lottery, Maryland Environmental Service, State Use Industries, Maryland Higher Education Loan Corporation, Maryland Deposit Insurance Fund Corporation and the nonexpendable trust fund 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.

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.

The Maryland Deposit Insurance Fund Corporation provides for insurance losses at the time a member savings and loan association requires financial assistance or when such assistance is anticipated. These amounts are reviewed periodically and adjusted as required based on the financial and economic conditions at the time.