

A portion of the special fund balance, in the amount of \$31,000,000 at June 30, 1988, has been designated for the Maryland Emergency Medical Services System, which was established to provide funds to be used for the procurement of new helicopters and related equipment, ground support equipment and other capital equipment related to the helicopters, and for equipment related to the Emergency Medical Services' Communication System.

*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. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

*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 certain 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, Maryland Stadium Authority 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.

The Maryland Transportation Authority's policy of accounting for toll facilities is pursuant to "betterment accounting", whereby property costs represent a historical accumulation of costs expended to acquire rights-of-way and to construct, reconstruct, and place in operation the various projects and related facilities. Costs also include the cost of improvement, enlargement, betterments and certain general and administrative expenses incurred during the construction phase. Subsequent betterments are capitalized. All such costs are not reduced for subsequent replacements, as such replacements are accounted for as a period cost. Such period costs are included in operation and maintenance of facilities. Depreciation of the projects and related facilities is not included as an operating expense or otherwise provided. These policies are consistent with practices followed by similar entities within the toll bridge, turnpike and tunnel industry.

*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.

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. The liability for anticipated claims and claims expenses is discounted to present value.