

Intergovernmental Expenditures:

Expenditures of general, special revenue and capital projects fund revenues designated for payment to political subdivisions and bond proceeds granted to political subdivisions and other public organizations are recorded as intergovernmental expenditures. Direct grants and other payments to, or on behalf of, political subdivisions are recorded as current expenditures.

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, 1990, in the amounts of \$4,295,000 are 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 \$138,578,000 and \$2,612,000 respectively, at June 30, 1989, 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 \$210,279,000 at June 30, 1989, has been designated for the State Reserve Fund. The State Reserve Fund is comprised of a Dedicated Purpose Account, an Economic Development Opportunities Program Fund and a Revenue Stabilization Account with balances of \$113,290,000, \$5,000,000 and \$91,989,000 respectively, at June 30, 1989. The Dedicated Purpose Account is designed to retain appropriations for major multi-year expenditures and to meet contingency requirements. The major use of the account has been the accumulation of reserves to meet the State's commitment to make payments to insured account holders of certain State chartered savings and loans in receivership (see Note 15). The Economic Development Opportunities Program Fund is to be used for extraordinary economic development opportunities and only as a supplement to existing programs. The Revenue Stabilization Account is designed to retain State revenues for future needs and reduce the need for future tax increases.

A portion of the special revenue fund balance, in the amount of \$19,889,000 at June 30, 1989, 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.

C. Enterprise Funds and Pension Trust Fund:

Basis of Accounting:

The accounts of the enterprise funds 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.

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 and the Maryland Stadium 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.