

A portion of the special revenue fund balance, in the amount of \$973,000 at June 30, 1991, has been reserved 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 Funds:*

*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 Agency, 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.

The Maryland Transportation Authority (Authority) accounts for toll facilities 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. The Authority is required, by trust agreement covenants, to at all times maintain the facilities in good repair and in sound operating condition and make all necessary repairs, renewals and replacements. Essentially, the majority of the Authority's assets (bridges, tunnels and turnpikes) have an indefinite life. These policies are consistent with practices followed by similar entities within the toll bridge, turnpike and tunnel industry.

*Lottery Revenues, Prizes and Operating Transfers:*

Revenues and prizes of the Maryland State Lottery Agency (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. State of Maryland law requires the Lottery to transfer to the State revenues in excess of amounts allocated to prize awards, operating expenses and capital expenditure payments. The excess revenues from selected games are transferred to the Maryland Stadium Authority. The excess revenues from all other games are transferred to the State's general fund.

*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.

*Inventories:*

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