

*Escheat Property:*

Escheat property is property that reverts to the State's general fund in the absence of legal claimants or heirs. The escheat activity is reported in the general fund and a liability is recognized for the estimated amount that ultimately will be reclaimed and paid.

*Intergovernmental Expenditures:*

General, special revenue and capital projects fund resources paid 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.

*C. Enterprise Funds and Pension Trust Funds:*

*Basis of Accounting:*

The accounts of the enterprise funds and pension trust funds 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. For the enterprise funds the state has selected the option to apply all applicable GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

*Grants:*

Revenues from federal reimbursement type grants are recorded when the related expenses 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 enterprise funds 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. Construction period interest is capitalized. Repairs and maintenance are charged to operations in the period incurred. Replacements, additions and betterments are capitalized.

*Lottery Revenues, Prizes and Operating Transfers:*

Revenues and prizes of the Maryland State Lottery Agency (Lottery) are primarily 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 law requires the Lottery to transfer to the State revenues in excess of amounts allocated to prize awards, operating expenses and capital expenditures. The excess revenues from selected games are transferred to the Maryland Stadium Authority, a blended component unit. 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 insuring 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.

*Inventories:*

Inventories of the enterprise funds are stated at the lower of cost, using the first-in, first-out method, or market.