

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 Transfer:

Revenues and prizes of the Maryland State Lottery Agency 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 expenditures 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.

Enterprise Funds Reserved Retained Earnings:

Retained earnings of the Maryland State Lottery Agency in the amount of \$4,258,000 are reserved for the payment of unclaimed prizes.

Retained earnings of the Maryland Environmental Service in the amount of \$1,491,000 are reserved for furtherance of program development activities.

Statement of Cash Flows:

The State has adopted Statement No. 9 of the Governmental Accounting Standards Board, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting", for the purpose of presenting its 1990 financial statements.

D. Higher Education Fund:

Basis of Accounting:

The accounts of the higher education institutions are maintained and reported on the accrual basis of accounting except as explained below concerning the recognition of tuition and fees revenue and depreciation.

Fund Accounting:

The financial activities of the higher education institutions are recorded in funds which classify the various transactions by specified activities or objectives. Fund balances of current restricted, loan and endowment funds are reported as reserved for higher education programs and higher education general endowment funds.