

Accounts and Notes Receivable:

An allowance for doubtful receivables is provided for estimated losses expected to be incurred in collection. The estimated losses are based on historical collection experience and a review of the status of existing receivables.

Inventories:

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

Plant:

Property, plant and equipment is stated principally at cost at date of acquisition or fair value at date of donation in the case of gifts. Consistent with generally accepted accounting principles for colleges and universities, depreciation is not provided for the cost of plant assets, except for those of the hospital. Depreciation of the cost of the hospital's plant for 1982, in the amount of \$3,628,000 is computed on the straight-line method over the estimated useful lives of 40 years for buildings, 20 years for building improvements and 10 years for equipment. The balance of the fund groups in the plant funds includes \$3,074,000 of unexpended plant funds at June 30, 1982.

Operating Transfers from State's General Fund:

A substantial portion of the higher education and university hospital fund's current unrestricted expenses, including current payments for retirement costs and fringe benefits, are funded through appropriations from the general fund at the time the expenses are encumbered or paid. The excess of retirement costs provided over the amounts currently funded (\$7,839,000 in the current year and \$72,140,000 since July 1, 1978) has been accrued in the balance sheet of the higher education and university hospital fund. The resources for payment of the accrued retirement costs, which are expected to be funded principally through future state appropriations, are not expected to be provided until the retirement costs are paid.

Included in current unrestricted fund expenses and operating transfers from the State's general fund is \$55,215,000 which represents the amount of pension and fringe benefits costs paid during the 1982 fiscal year by the Department of Personnel on behalf of the higher education and university hospital fund.

3. Budgeting and Budgetary Control:

The Maryland Constitution requires the Governor to submit to the General Assembly an annual balanced budget for the following fiscal year. This budget is prepared and adopted for the following three Budgetary Funds:

General Fund:

The General Fund is the fund in which all general transactions of the State are recorded, unless otherwise directed to be included in another fund.

Special Fund:

The Special Fund includes all of the transportation activities of the State (except for the Maryland Transportation Authority which is not accounted for in the budgetary system), dedicated funds such as university and college students' fees, fishery and wildlife funds, shared taxes and payments of debt service on general obligation bonds.

Federal Fund:

The Federal Fund is the fund in which principally all grants from the Federal government are recorded.

In addition to the annual budget the General Assembly adopts authorizations for the issuance of general obligation bonds and the expenditures of the funds obtained thereby are accounted for in the capital projects fund. Because capital projects fund authorizations are not part of the annual budget, capital projects fund activities are not presented in the Combined Statement of Revenues, Expenditures and Encumbrances, Other Sources and Uses of Financial Resources and Changes in Fund Balances—Budget and Actual—Budgetary General, Special and Federal Funds.