

Unrestricted revenue is accounted for in the current unrestricted fund. Restricted gifts, grants, endowment income and other restricted resources are accounted for in the current restricted fund, loan funds, endowment and plant funds. Revenue and expenditures are reported in the current restricted fund when financial resources are used for the current operating purposes for which they have been provided. Transactions related to the various student loan programs operated by the educational institutions are accounted for in loan funds. Resources dedicated to the acquisition and investment in property, plant and equipment are accounted for in the plant funds. To the extent current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt repayment and interest, and equipment renewals and replacements; and (3) transfers of a nonmandatory nature in all other cases.

General endowment funds are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and that only the income be utilized. Term endowment funds are similar to general endowment funds except, upon the passage of a stated period of time or the occurrence of a particular event, all or part of the principal may be expended. Quasi-endowment funds have been established by the institutions for the same purpose as general endowment funds, except any portion of quasi-endowment funds may be expended. The balances of the fund groups which comprise the endowment funds are general endowment, \$42,323,000; term endowments, \$104,000; and quasi-endowments, \$7,294,000.

Student Revenues:

Student tuition and fees are fully recognized as revenues in the fiscal year in which the related courses or activities are principally conducted. Student tuition and fees applicable to future courses and activities and collected as of the end of the fiscal year are recorded as deferred revenue.

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.

Property, Plant and Equipment:

Property, plant and equipment are 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.

Operating Transfers from State:

A substantial portion of the higher education fund's current unrestricted and plant fund expenditures are funded through appropriations from the general fund and capital projects fund, respectively, at the time the expenditures are encumbered or paid.

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 five 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.