

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 cost, which is determined using the first-in, first-out method.

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 1980, in the amount of \$2,598,000 is computed on the straight-line method over the estimated useful lives of the assets. The balance of the fund groups in the plant fund includes \$29,265,000 of unexpended plant funds at June 30, 1980, after expenditures for plant facilities of \$29,318,000 during the year.

Operating Transfers from State's General Fund:

A substantial portion of the higher education and University Hospital funds' current unrestricted expenses, including substantially all current payments for retirement costs, are funded through appropriations from the general fund at the time the expenses are paid. The excess of retirement costs provided over the amounts currently funded, in the amount of \$59,984,000, has been accrued in the combined balance sheet of the higher education and University Hospital funds; however, the resources for payment of the accrued retirement costs are not expected to be provided until the retirement costs are paid. Accordingly, the deficiency in the higher education and University Hospital funds' current unrestricted fund balance, to the extent it remains at an amount lower than the accrued retirement costs, is expected to be funded through future operating transfers from the general fund.

3. Budgeting and Budgetary Control:

Summarization of the budgets adopted by the General Assembly for the "budgetary" general, special and federal funds are presented in the combined statement of revenues, expenditures and encumbrances, other sources and uses of financial resources and changes in fund balance—budget and actual—budgetary general, special and federal funds. For purposes of budgeting, the State's budgetary fund structure and accounting principles differ from those utilized to present financial statements in conformity with generally accepted accounting principles. A summarization of the material differences (amounts expressed in thousands) for the year ended June 30, 1980 follows:

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| Deficiency of revenues over expenditures, encumbrances and other sources and uses of financial resources — budgetary general, special and federal funds | \$ (73,875) |
| Deficiency of budgetary revenues over expenditures, encumbrances and other sources and uses of financial resources classified in proprietary funds in the financial statements | 35,321 |
| Excess of revenues over expenditures of transportation debt service funds not included in budgetary funds | 54,539 |
| Net change in encumbrances included in budgetary funds | 6,788 |
| Transfer from Maryland Transportation Authority, recorded as an equity transfer in the financial statements and revenue in the budgetary funds | (13,000) |
| Net deferral of tax revenues | (22,575) |
| Intergovernmental revenues recognized in the financial statements and not recognized in the budgetary funds | 23,444 |
| Other revenues recognized in the financial statements not recognized in the budgetary funds | 17,396 |
| Expenditures recognized in the financial statements not recognized in the budgetary funds | (15,468) |
| Loans and notes receivable repayments received by debt service fund included in budgetary revenues | (14,899) |
| Deficiency of revenues over expenditures and net other sources (uses) of financial resources — general, special revenue and debt service funds | <u>\$ (2,329)</u> |