

Patient revenues are recognized at the time of service, net of allowances applicable to third party payers, charity and bad debts.

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, 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 1981, in the amount of \$3,434,000 is computed on the straight-line method over the estimated useful lives of the assets. The balance of the fund groups in the plant funds includes \$8,545,000 of unexpended plant funds at June 30, 1981, after expenditures for plant facilities of \$1,155,000 during the year.

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 (\$4,317,000 in the current year and \$64,301,000 since July 1, 1978) has been accrued in the combined 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 \$55,108,000 which represents the amount of pension and fringe benefits costs paid during the 1981 fiscal year by the Department of Personnel on behalf of the higher education and University Hospital fund.

Restatement of Fund Balances:

Fund balances at June 30, 1980 have been restated from the amounts previously reported to reflect the following:

- A retroactive credit of \$3,678,000 to adjust the current unrestricted fund balance for additional reimbursement of costs to be received from sponsoring agencies as a result of cost audits of prior years.
- A transfer of \$2,381,000 from the current restricted fund to the unrestricted to reflect the nature of income earned on sponsored projects in prior years.

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 Budgetary Funds: