

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 similar funds and plant funds. Revenue and expenses 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) expenses, 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 the principal be invested in perpetuity and 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 for the same purposes as general endowment funds, except any portion of quasi-endowment funds may be expended. The balances of the fund groups which comprise the endowment and similar funds are general endowment \$15,279,000, term endowments \$34,000, quasi-endowments \$3,742,000, and unallocated gain on sale of investments \$7,043,000.

Investments:

Investments of the higher education institutions are stated at cost, adjusted for amortization of premiums and accretion of discounts, plus accrued income.

Student and Patient Revenues:

Student tuition and fees, net of allowances for bad debts, 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.

Patient revenues are recognized at the time of service, net of allowances applicable to third-party payers, charity and bad debts in the amount of \$27,285,000.

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 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, except for those of the hospital. Depreciation of the cost of the hospital's plant for 1984, in the amount of \$4,075,000, is computed on the straight-line method over the estimated useful lives of the assets.

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 current year funding exceeded the retirement expense by \$1,361,000; this excess reduced the liability for retirement costs recorded in the higher education and university hospital fund. Accrued retirement costs are expected to be funded principally through future state appropriations.

Included in current unrestricted fund expenses and operating transfers from the State's general fund is \$85,554,000, which represents the amount of pension and fringe benefits costs paid during the 1984 fiscal year by the Department of Personnel on behalf of the higher education and university hospital fund.