

Inventories:

Inventories of the Maryland Transportation Authority, Maryland State Lottery, State Use Industries and the nonexpendable trust fund are stated at the lower of cost, using the first-in, first-out method, or market.

Enterprise Funds Reserved Retained Earnings:

Retained earnings of the Maryland Transportation Authority in the amount of \$104,786,000 are reserved for the payment of debt service related to the revenue bonds, major project maintenance, project requirements and improvements, betterments, enlargements, or capital additions.

Retained earnings of the Maryland State Lottery in the amount of \$3,764,000 are reserved for the payment of unclaimed prizes.

Retained earnings of Maryland Environmental Service in the the amount of \$112,000 are reserved for furtherance of program development activities.

Nonexpendable and Pension Trust Fund Balances:

Fund balances of nonexpendable and pension trust funds are restricted to the purpose of the fund.

D. Higher Education Fund:

Basis of Accounting:

The accounts of the higher education institutions are maintained and reported on the accrual basis of accounting.

Fund Accounting:

The financial activities of the higher education institutions are recorded in funds which classify the various transactions by specified activities or objectives. Fund balances of such funds are reported as reserved for higher education programs and higher education general endowment and similar funds.

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 endowments 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 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 and similar funds are general endowment \$32,668,000, term endowments \$76,000, and quasi-endowments \$5,732,000.

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.