

Inventories:

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

Enterprise Funds Reserved Retained Earnings:

Retained earnings of Maryland Environmental Service in the amount of \$2,954,000 are reserved for furtherance of program development activities as determined by its board of directors.

D. Higher Education Fund:

Basis of Accounting:

The accounts of the higher education institutions are maintained and reported on the accrual basis of accounting except, as explained below, the recognition of tuition and fees revenue, and depreciation.

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 current restricted, loan and endowment funds are reported as reserved for higher education programs and higher education general endowment 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 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.

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 year-end receivables.

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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 property, plant and equipment.

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.