

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 are accounted for in loan funds. Resources dedicated to the acquisition of 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, these amounts 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 resources are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and that only the income be utilized.

Grant Revenues:

Revenues from Federal reimbursement type grants are recorded when the related expenditures are incurred in the restricted and unrestricted current funds. A portion of the fund balance of the restricted current fund represents cash received in excess of grant expenditures and is subject to refund to the Federal government if not expended for its intended purpose.

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, 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.

Inventories:

Inventories are stated at the lower of cost or market, using the first-in, first-out method.

Property, Plant and Equipment:

Property, plant and equipment are stated principally at cost as of the date of acquisition or fair value as of the date of donation in the case of gifts. Consistent with generally accepted accounting principles for governmental colleges and universities, depreciation expense related to property, plant and equipment is not recorded.

Operating Transfers from the State:

A substantial portion of the higher education fund's current unrestricted and plant fund expenditures are funded through appropriations from the State's general fund and capital projects fund, respectively.

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 five budgetary funds.

General Fund:

The General Fund includes all transactions of the State, unless otherwise directed to be included in another fund.

Special Fund:

The Special Fund includes the transportation activities of the State, fishery and wildlife funds, shared taxes and payments of debt service on general obligation bonds. In contrast, the GAAP special revenue funds include only the operations (other than debt service and pension activities) of the Maryland Department of Transportation and Maryland Transportation Authority.