

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.

Federal Fund:

The Federal Fund accounts for substantially all grants from the Federal government.

Higher Education Fund:

The Higher Education Fund includes the Current Unrestricted Fund which accounts for unrestricted revenue used or available for use in carrying out the current operations and the Current Restricted Fund of the State's colleges and universities which accounts for restricted gifts, grants and other restricted resources.

Budgetary Fund Equities and Other Accounts:

In addition to the annual budget, the General Assembly adopts authorizations for the issuance of general obligation bonds. The