

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, using the first-in, first-out method, or market.

*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.

*E. Component Units — Proprietary Funds:*

*Basis of Accounting:*

Transactions related to the financial activities combined in the proprietary fund type of the component units are reported similar to other commercial activities of the State using the flow of economic resources measurement focus and the accrual basis of accounting.

*F. Use of Estimates:*

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenditures and expenses in the financial statements and in the disclosures of contingent assets and liabilities. While actual results could differ from those estimates, management believes that actual results will not be materially different from amounts provided in the accompanying general purpose financial statements.

*G. Reclassifications:*

Certain reclassifications have been made to certain June 30, 1995 fund balances to conform to the current year presentation or to reflect the change in funds in which activities are reported.