

ARTHUR ANDERSEN LLP

November 7, 1998

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Honorable Robert L. Swann,
Comptroller of the Treasury of Maryland:

We have audited the accompanying general purpose financial statements of the State of Maryland as of June 30, 1998, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the State of Maryland's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of (1) Maryland State Lottery Agency; (2) Maryland Water Quality Financing Administration; (3) State Use Industries; (4) State Retirement and Pension System of Maryland; (5) Maryland Local Government Investment Pool; (6) Maryland Stadium Authority; (7) Maryland Food Center Authority; and the (8) Maryland Environmental Service, which represent the percentages of the total assets, operating revenues or additions, and expenditures, expenses or deductions of the fund types listed below.

<u>Agency</u>	<u>Percentage of Total Fund Type</u>		
	<u>Total Assets</u>	<u>Operating Revenues or Additions</u>	<u>Expenditures Expenses or Deductions</u>
Enterprise Fund	22.4%	81.6%	75.0%
— One Loan Program			
— Maryland State Lottery Agency			
— State Use Industries			
Pension Trust Fund	99.8	99.5	99.1
— State Retirement and Pension System of Maryland			
Agency Fund	37.3	N/A	N/A
— Maryland Local Government Investment Pool			
Component Unit Propriety Fund	95.1	99.8	98.6
— Maryland Stadium Authority			
— Maryland Food Center Authority			
— Maryland Environmental Service			

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above mentioned agencies and component units, is based solely on the reports of other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial