

STATE OF MARYLAND

FISCAL YEAR ENDED JUNE 30, 2011



COMPREHENSIVE ANNUAL

# FINANCIAL

REPORT





STATE OF MARYLAND  
Comprehensive Annual Financial Report

*For the fiscal year ended June 30, 2011*

EXECUTIVE

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*Governor*

Anthony G. Brown  
*Lieutenant Governor*

Peter Franchot  
*Comptroller*

Douglas F. Gansler  
*Attorney General*

Nancy K. Kopp  
*Treasurer*

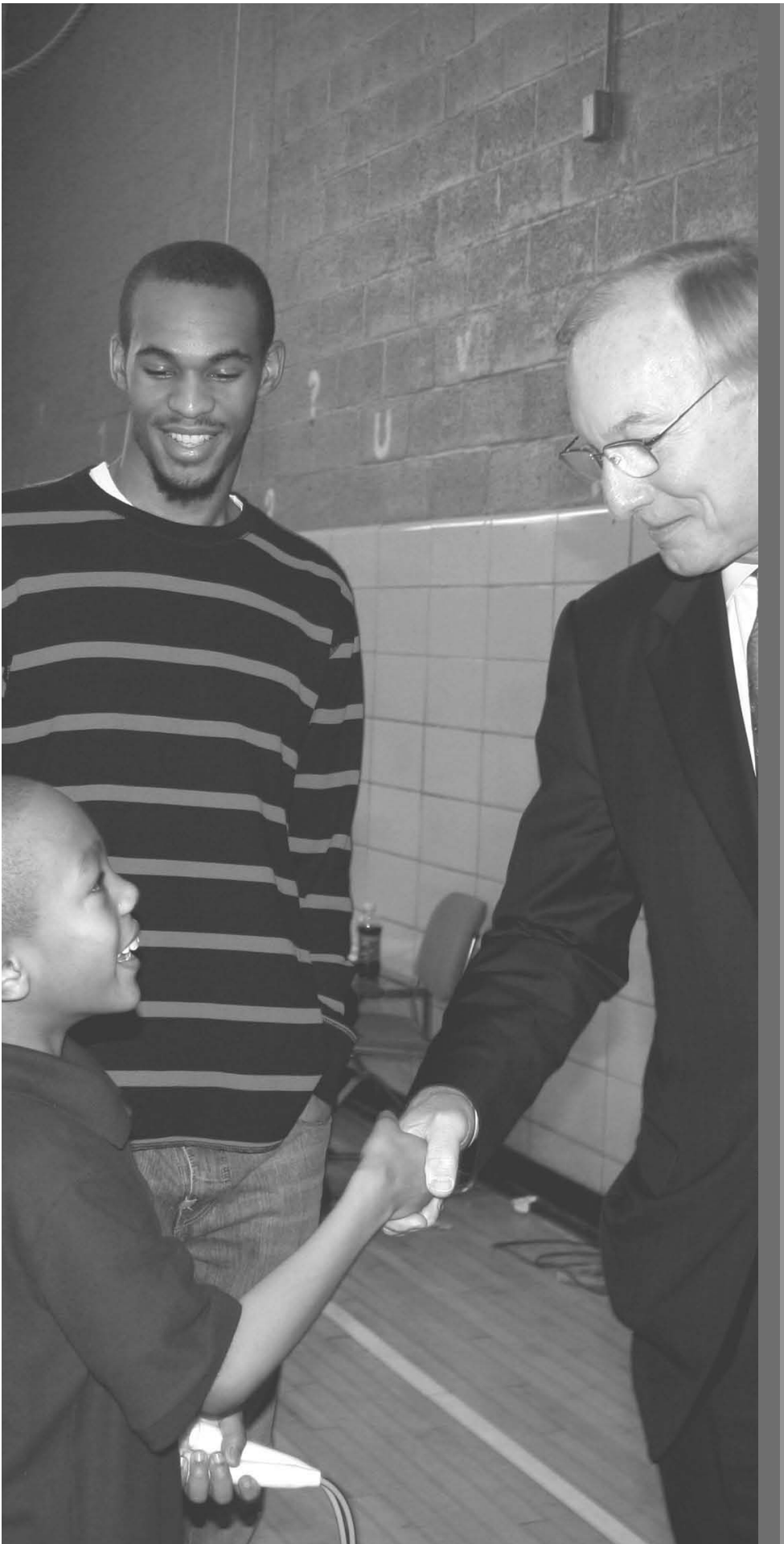
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*President of the Senate*

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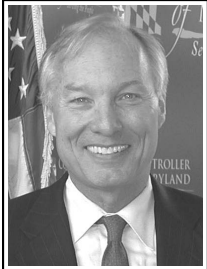
*Jeffrey R. Emer*

Executive Director



# HELLO

## A MESSAGE FROM COMPTROLLER PETER FRANCHOT



Our state and our nation continue to try and claw its way out of this crippling recession. While many predicted 2011 would signal an uptick in the country's fiscal strength, the tea leaves were wrong. In fact, experts now agree that the national economy has lost momentum in recent months and that a double-dip recession is far more possible now than it was six months ago.

Most troubling is the fact that the three legs of the stool in a consumer-powered economy: jobs, housing and consumer confidence are all headed in the wrong direction.

While this picture remains bleak, I believe there is a solution to move Maryland into prosperity.

I propose a **Four Point Prescription** for creating jobs and investment:

- No new taxes, and no change to current taxes, for at least two years to help everyday Marylanders;
- Balance state and local budgets honestly and look for efficiencies;
- Redefine the relationship between state government and the businesses we serve by producing a fair and predictable tax and regulatory climate and being more responsive to their needs; and
- Improve financial literacy among our next generation of Marylanders.

Maryland is a special place, full of extraordinary people. This great state is comprised of a powerful knowledge-based economy coupled with thriving age-old industries like manufacturing and farming. We also have the benefit of housing an innovative private sector whose willingness to assume unfathomable risks and push the envelope of progress have made Maryland the wealthiest state in the union.

While the weight of our challenges may be great; the strength of our resiliency is far greater. With courage, conviction and a shared obligation toward the greater good, we can, we must, and we will solve the challenges we face.

*Peter Franchot*  
Comptroller Peter Franchot

### Comptroller of Maryland

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*Comptroller*

**Linda L. Tanton**  
*Deputy Comptroller*

**Len Foxwell**  
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**Jerome Klasmeier**  
*Assistant Comptroller*

**Brian L. Oliner, Esquire**  
*Counsel to the Comptroller*

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*Administration and Finance Office*

**Joseph Shapiro, Director**  
*Communications Office*

**Steven Barzal, Acting Director**  
*Office of Personnel Services*

**Robert J. Murphy, Director**  
*Central Payroll Bureau*

**Sharonne R. Bonardi, Director**  
*Compliance Division*

**Vinnie Lee, Acting Director**  
*Information Technology Division*

**Jeffrey A. Kelly, Director**  
*Field Enforcement Division*

**Rhea Reed, Director**  
*Revenue Administration Division*

**David F. Roose, Director**  
*Bureau of Revenue Estimates*

**This report published by:**  
**General Accounting Division**

**J. Michael Dougherty, Jr., CPA**  
*Director*

**Accounting Operations and  
Financial Reporting**  
Kenneth Henschen, CPA  
*Assistant Director*

**Reporting Managers**  
George Cherupil  
Aneka Johnson  
Kenneth Thompson

**Administrative Support**  
Brenda Brady

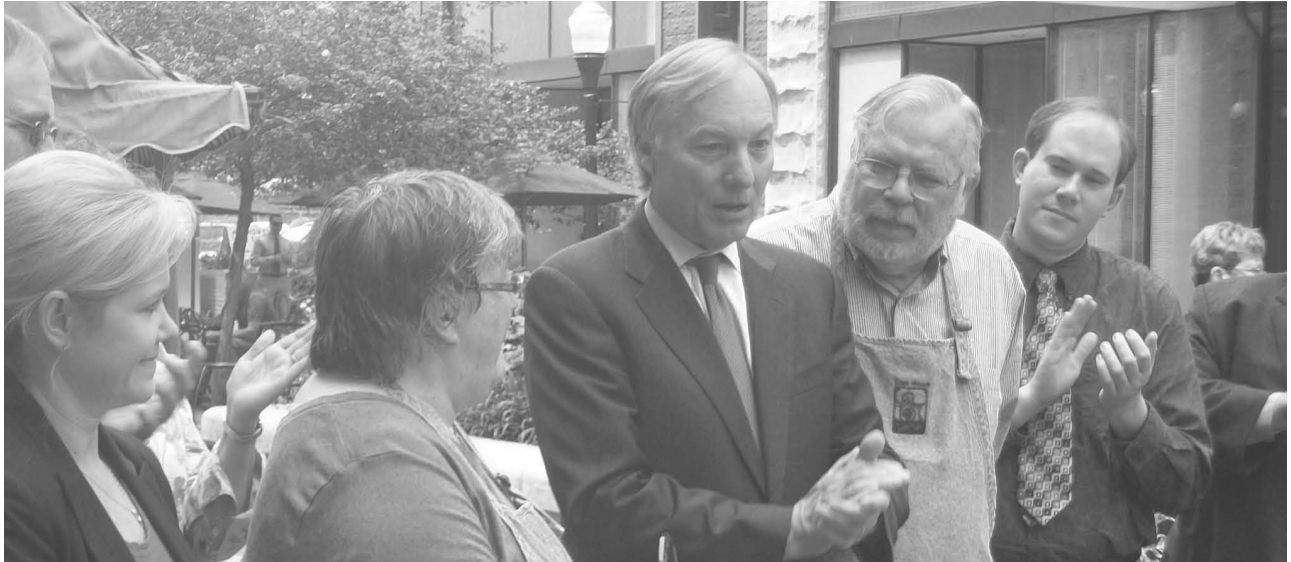
**Accountants**  
Leon Booker  
Sai Gbesso  
Rosemary Gorsche  
Tania Ivanova  
Andrews Philip  
Mariana Shaker  
Mark Sindt  
Priscilla Wicker



# HELPING

MARYLANDERS AND MARYLAND BUSINESSES

**The Comptroller's Office is committed** to doing its part to help all Marylanders weather these tough economic times by helping reunite Marylanders with lost money, returning millions to the state's general fund in previously uncollectable taxes and ensuring that all businesses are operating on a level playing field.



## **Returning Unclaimed Property and Back Child Support Payments**

The agency's Unclaimed Property Division settled more than 49,000 claims last year, returning more than \$48 million in unclaimed funds and property to taxpayers in the process. That's in addition to the more than \$1 million the Comptroller's Office identified and sent to the children and spouses of those who owed back child support payments.

## **Ensuring Tax Fairness**

The agency has helped support the state's general fund by remaining one of the most aggressive comptroller's offices in the nation by ensuring tax fairness and recovering delinquent taxes that are owed to the state of Maryland.

The Comptroller's Office collected more than \$2.25 billion in delinquent taxes over the last five years. The newly-established data warehouse has already enabled the office to collect more than \$70 million in delinquent tax payments. Once this new system is

fully implemented, it will recapture more than \$100 million in outstanding tax debts per year.

## **Building A Level Playing Field For Businesses**

The Comptroller's Office continues to aggressively ensure that large corporations pay their fair share, recovering hundreds of millions of dollars to date as a result of our successful efforts to crack down on Delaware Holding Companies. Additionally, more than \$24 million has been collected thanks to our efforts to disallow the Captive Real Estate Investment Trust (REIT) deduction. Finally, approximately \$1.8 million in delinquent sales and use tax was collected by the office, all of which goes to the state's general fund.

The agency also aggressively works to stop the illegal sale of untaxed alcohol and cigarettes which destabilizes sales at legitimate businesses, and ultimately weakens the economy. In Fiscal Year 2011, agents confiscated more than 181,000 packs of contraband cigarettes valued at nearly \$1.2 million.



# PROMOTING

## FISCAL RESPONSIBILITY AND IMPROVING EFFICIENCIES

**Taking a lesson from the private sector** and everyday Marylanders, Comptroller Franchot believes that government needs to exercise fiscal responsibility by living within its means.

As a member of the Board of Public Works, the Comptroller takes his role as an independent voice seriously. He has routinely opposed wasteful and indiscriminate spending and has also been a leading advocate for cost-effective initiatives such as geothermal energy and improved school maintenance.

In addition, he has been a staunch advocate for fiscal restraint, calling for state leaders to proceed with the highest possible degree of caution as they prepare the upcoming budget and gear up for the 2012 legislative session. He also urged officials to put any surplus into the state's Rainy Day Fund.

Comptroller Franchot believes state and local governments need to conduct a review of what they are spending and what kind of product is being received for its tax dollars. He recognizes that more money doesn't always equal better results and the private sector is demonstrating how to operate smarter with a better result.



In fact, through his “**2011 Better with Less**” program, the Comptroller acknowledged private sector organizations that have been able to find innovative ways to achieve better results at lower costs. Winning businesses include:

**Tree House Toy Shop**, Allegany County  
**Chesapeake Light Craft**, Anne Arundel County  
**Rich Roofing**, Baltimore City  
**Helion**, Baltimore County  
**Running Hare Vineyards**, Calvert County  
**Tanglewood Conservatories**, Caroline County  
**America's Remote Help Desk**, Carroll County  
**Union Hospital**, Cecil County  
**Beacon Printing**, Charles County  
**Cambridge International**, Dorchester County  
**Stulz-ATS**, Frederick County  
**Lakeside Creamery**, Garrett County

**Pairings Bistro**, Harford County  
**E-Structors**, Howard County  
**Benchworks**, Kent County  
**LiveHealthier**, Montgomery County  
**Club One Fitness**, Queen Anne's County  
**Handy's International**, Somerset County  
**Walden Sierra Corporation (Hope House)**, St. Mary's County  
**Irish Traditions**, Talbot County  
**Beachley Furniture**, Washington County  
**NavTrak, Inc.**, Wicomico County  
**BJ's on the Water**, Worcester County



# PARTNERING

WITH THE BUSINESS COMMUNITY



**Comptroller Franchot believes** we must reinvent and reinvigorate the state's relationship with the business community. He firmly believes that the private sector is the key to real economic recovery, not federal stimulus money.

## THE COMPTROLLER ADVOCATES THAT:

- Government is a support structure – not a foundation – for sustainable economic growth.
- Time is money for Marylanders and they deserve a responsive, fair and predictable government.
- Assuming public debt to finance operating costs or passing the buck along to local government is neither responsible nor sustainable.

**In the last year, government and the private sector came together** in two specific ways to build economic activity and protect consumers.

After nearly a decade of stalemate and with the support of the business community, Maryland passed historic direct wine shipping legislation which allows consumers to have wine shipped to their homes. This new law is not only consumer-friendly, but it also creates new markets for Maryland's burgeoning wine industry.

Additionally, and without the need for a government mandate, the state's alcoholic beverage

industry voluntarily agreed to end the sale and distribution of caffeinated alcoholic drinks that were proving to be a public health danger. The Comptroller and alcohol industry saw the need to get these products off the shelves of Maryland stores and immediately took action.

Through redefining the relationship between state government and the businesses it serves, creating a fair and predictable tax and regulatory climate, and being more responsive on everything from permitting reviews to simple questions, the state can create a true partnership with the private sector for economic recovery.





# IMPROVING

FINANCIAL LITERACY FOR MARYLAND STUDENTS



**Our nation's economic crisis** has painfully reminded us of the consequences of risky and uninformed financial decisions. While predatory lending practices and reckless management on Wall Street were the primary causes of the crisis, we must also recognize that far too many Marylanders lack an understanding of the fundamental principles of personal finance.

In fact, a U.S. Treasury report suggests that a lack of financial literacy may have been a factor in the devastating effects of the sub-prime mortgage and resulting foreclosure mess that our nation finds itself in.

Alarming, members of Generation Y, today's teens and 20-somethings, are likely to be the first generation in U.S. history to end up less financially well-off than their parents, according to news reports.

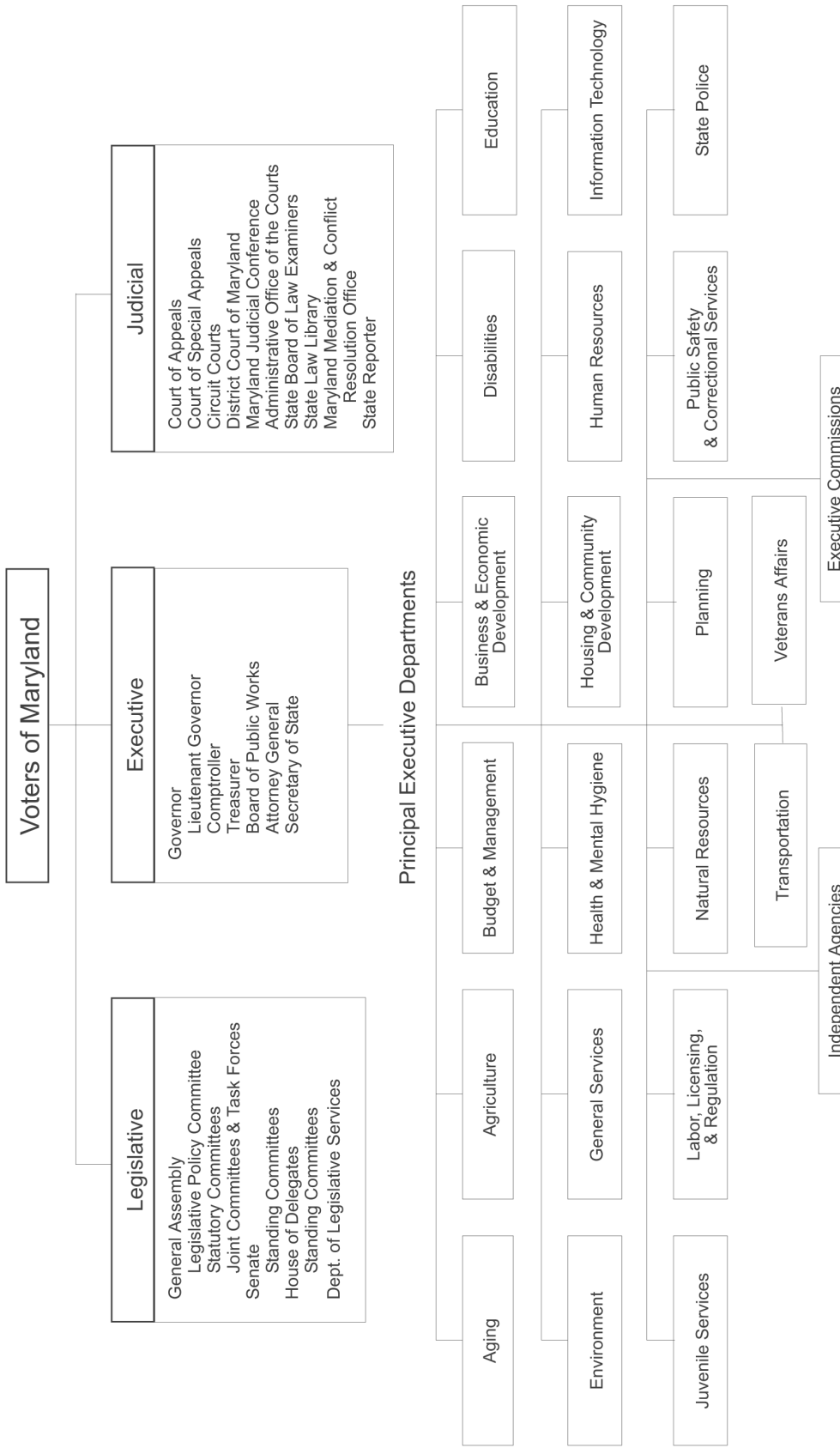
To that end, the Comptroller believes that all Maryland students should master the basic concepts

of financial literacy before they graduate from high school in order to lead successful lives. Young people should learn the building blocks of saving and investing, uses of credit, as well as techniques for managing money, identifying and avoiding fraud and assessing risk.

He is calling for all students to take a standalone course in personal finance before graduation and has created a bi-partisan coalition of parents, students, teachers, business leaders and consumer advocates to fight for this initiative. Currently, four Maryland counties mandate such a requirement, they are: Allegany, Carroll, Charles and Talbot.

To learn more about the Comptroller's effort and to show your support, visit his Web site at [www.marylandtaxes.com](http://www.marylandtaxes.com).

# OVERVIEW OF MARYLAND STATE GOVERNMENT



# STATE OF MARYLAND

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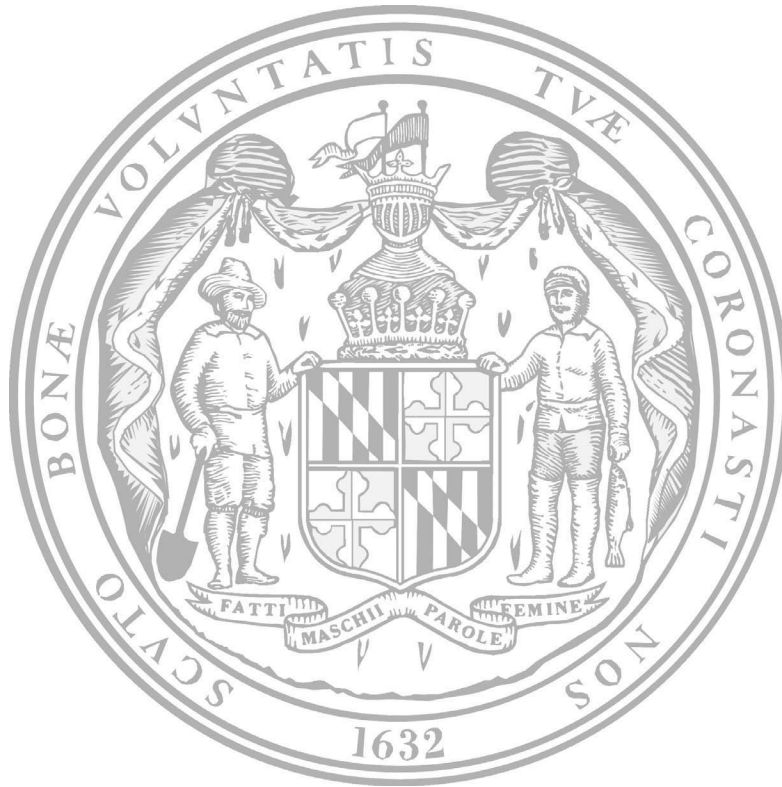
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# INTRODUCTORY

*Section*





**Peter Franchot**  
Comptroller

Honorable Members of the General  
Assembly and the Governor,  
State of Maryland

December 15, 2011

The Comprehensive Annual Financial Report (CAFR) of the State of Maryland (State), for the Fiscal Year ended June 30, 2011, includes the financial statements of the State as well as information required by Title 2, Section 102 of the State Finance and Procurement Article of the Annotated Code of Maryland. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Office of the Comptroller.

The statutes of the State require an audit of every unit of the Executive and Judicial branches of government, including the Comptroller of Maryland's records, by the Legislative Auditor at least every three years. The Legislative Auditor is required to be and is a certified public accountant. The Legislative Auditor makes fiscal, compliance and performance audits of the various agencies and departments of the State and issues a separate report covering each of those audits. The primary purpose of the reports is to present the Legislative Auditor's findings relative to the fiscal management of those agencies and departments.

Additionally, my office requires an audit of the State's basic financial statements by a firm of independent auditors selected by an audit selection committee composed of members from the Executive and Legislative branches of State government. This requirement has been complied with, and the opinion of SB & Company, LLC, has been included in the financial section of this report. SB & Company, LLC is also performing an audit to meet the requirements of the Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," and such information will be contained in another reporting package.

The State has issued guidelines to its agencies for establishing effective internal controls. As a recipient of Federal assistance, the State is responsible for ensuring compliance with laws and regulations related to such assistance. This compliance is accomplished through the internal control guidelines. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The accompanying financial statements include all funds of the State (primary government), as well as all component units. Component units are legally separate entities for which the primary government is financially accountable. The various colleges and universities, the College Savings Plans of Maryland, and the Maryland Stadium Authority are reported as major component units. The Maryland Environmental Service, the Maryland Industrial Development Financing Authority, the Maryland Food Center Authority and the Maryland Technology Department Corporation are combined and presented as non-major component units.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent public accountants.

## **Background Information on the State:**

Maryland ratified the United States Constitution on April 28, 1788. Its capitol is Annapolis, where the principal activities of state government are centered. Its employment is based largely in services, trade and government. These sectors, along with finance, insurance and real estate are the largest contributors to the gross state product. The State has a bicameral legislature, the General Assembly,



composed of the Senate with 47 members and the House of Delegates with 141 members. The General Assembly meets annually for a 90-day session beginning on the second Wednesday in January.

The Maryland Constitution requires the Governor to submit to the General Assembly a balanced budget for the following year. The General Assembly cannot increase the budget except in certain organizational units. The budget currently uses a legally mandated budgetary fund structure. Each State agency is provided appropriations at a program level, which is the level at which expenditures cannot legally exceed the appropriations. The State also utilizes an encumbrance system to serve as a tool for managing available appropriations. Maryland maintains its accounts to conform with the legally mandated budget and also to comply with generally accepted accounting principles. Financial control is generally exercised under the budgetary system.

There is a Spending Affordability Committee which consists of certain designated officers of the General Assembly and other members as may be appointed by the President of the Senate and the Speaker of the House of Delegates. Each year the Committee must submit a report to the General Assembly's Legislative Policy Committee and to the Governor recommending the level of State spending, the level of new debt authorization, the level of State personnel and the use of any anticipated surplus funds.

Also, the General Assembly created a Capital Debt Affordability Committee, the members of which are the Treasurer, the Comptroller, the Secretary of Budget and Management, the Secretary of Transportation, and one person appointed by the Governor. This Committee is required to submit to the Governor by September 10 of each year an estimate of the maximum amount of new general obligation debt that prudently may be authorized. The Committee's recent reports encompass all tax supported debt, in addition to the general obligation debt, bonds issued by the Department of Transportation, bonds issued by the Maryland Stadium Authority and capital lease transactions. Although the Committee's responsibilities are advisory only, the Governor is required to give due consideration to the Committee's finding in preparing a preliminary allocation of new general obligation debt authorizations for the next ensuing fiscal year.

## **Information on the State's Economic Condition:**

Maryland's recovery from the Great Recession has been feeble to this point, almost two and a half years after the trough. Employment growth has been tepid, still declining at times, while growth in wage income has accelerated but at historically low rates. Contributing to the recovery, the Base Realignment and Closure (BRAC) process concluded in September 2011 resulting in the addition of many above average wage jobs. Conversely, the prospect of cutbacks in federal spending, a moribund housing market, and global economic uncertainties give little reason to expect a surge in economic activity any time in the near future. Looking forward, economic growth is expected to continue at a subdued rate, particularly for this point in the economic cycle. The recovery will remain delicate and susceptible to shocks.

Historically, Maryland's economic activity has mirrored that of the nation as a whole except during periods of recession. During those times, Maryland's core strengths, particularly its highly educated workforce and proximity to the federal government, have served to mitigate downturns. The Great Recession was no different, with economic output deteriorating at a slower rate in Maryland than nationwide. Likewise, from 2008 to 2010, Maryland's federal government employment and wages grew 10.0% and 16.8%, respectively, while the national federal government employment increased 7.9% and wages increased 12.6%.

The more robust nature of federal employment in Maryland can be seen in the contrast between the average federal salary in Maryland as compared to the nation - \$88,915 compared to \$69,198. Further contrast can be drawn by the composition of that employment - the second quarter of 2010 saw a ramp up in federal employment for the decennial census. That work was temporary; recent data show that the wind down of that employment has affected the nation to a much greater extent than Maryland, indicating that Maryland's federal job growth during that period was of a more permanent nature.

Certainly, the BRAC process has had a substantial positive impact on Maryland's economy. As part of BRAC, the commands of the Army Team C4ISR, Defense Information Systems Agency, Defense Media Activity, Army Research, Development, and Engineering, and Walter Reed hospital have been moved to Maryland. The Regional Economic Studies Institute estimates that 45,232 jobs with an average wage of \$70,388 would be created in or moved to Maryland as part of the process - of that, more than 15,000 would be direct, more than 22,000 would be indirect, and more than 7,000 would be induced. The job transfers were completed in September 2011, and many of the indirect jobs are also in place. A substantial amount of economic upside remains - a portion of the positions may be tele-working at this time and will likely either move to Maryland at a later date or be filled with Maryland

residents as employees turn over. Also, separately but related, the U.S. Cyber Command, established in May 2010 and activated in October 2010, is expected to add 1,000 jobs annually for the next several years.

Maryland is witnessing its first growth in total non-farm employment in three years. Total non-farm employment began to contract in 2008 before doing so at a rapid pace in 2009 with the recession fully underway. The contraction eased in 2010 and we are just now seeing the first signs of growth, 0.2% year to date. The big picture shows that Maryland lost 4.3% of its jobs from peak employment in the first quarter of 2008 to the trough in the first quarter of 2010, a net loss of more than 123,000 jobs. Since then, the net number of jobs in the State has increased by close to 36,000.

The education and health services industry served to buffer the State from further net job losses, providing growth throughout the recession. In Maryland, those jobs are concentrated on the health side and have an average wage of \$49,346, slightly below the statewide average of \$57,412. Unfortunately, growth in this sector has slowed of late, with an increase of under 1.0% through the first ten months of 2011. No other non-Federal sector has benefited from BRAC more than the professional and business services segment, growing 1.9% year to date with an average wage of \$72,449 after suffering steep losses in the recession. The retail segment was the hardest hit of the five largest industries losing 9.6% of its jobs from peak to trough, almost 29,000 jobs. Since then only 5,000 of those jobs have been recovered at an average wage of \$29,795. The contraction in local government has lagged the recession, with losses beginning in 2010 and continuing into this year as local governments wrestle with declining revenues and structural changes to their fiscal relationship with the State. The leisure and hospitality industry continues to suffer, losing jobs in each of the last three years; to date 4.4% of the industry's jobs have been lost at an average salary of just over \$23,000.

Through October 2011 only three of the State's major industries are performing worse this year than last year - the aforementioned education and health services industry, state and local government employment, and federal government employment. All other sectors have experienced acceleration in employment this year, although several of those, such as construction and manufacturing, are still declining.

While the federal government has provided substantial support for Maryland's economy in the past and present, that support seems very likely to ebb. Because the Congressional Joint Select Committee on Deficit Reduction was unable to come to an agreement on \$1.5 trillion budgetary savings over a ten year period, automatic spending cuts of \$1.2 trillion are now required. While this requirement may last only until the cuts are imminent - federal Fiscal Year 2013, starting October 1, 2012 - it does seem likely that a new era in federal spending is afoot, with substantial reductions in the growth of federal spending, although probably not outright reductions.

The federal government spent \$96.3 billion in federal Fiscal Year 2010, the equivalent of nearly one-third of Maryland's gross domestic product. Almost 5.6% of Maryland jobs are federal, compared to a national average of 2.2%, and many more are supported directly or indirectly by the federal presence. Having the federal government swing from a source of growth to a drag will be a difficult headwind for the rest of the State's economy to overcome.

Maryland's housing prices continued to fall even as volume increased in 2010. The number of unit sales totaled almost 51,000, a 4.3% increase over the previous year. The 4.2% drop in the median price marks the fourth consecutive year of decline. The price declines have continued this year; every month through October 2011 shows a drop from year-ago levels, although the declines have generally been moderating. The median price in October 2011 was 9.6% below that of October 2010. It was, however, 28% below that of October 2006. Inventory levels increased marginally in 2010, averaging close to 44,000 but well below the 2008 peak, and are down 16.1% year to date in 2011.

Working through the inventory of unsold homes will prove the critical component to a housing market recovery, though many barriers remain including looming foreclosures and the shadow inventory, both of which will hold prices down for some time. Foreclosures are expected to remain at elevated levels for the next several years, possibly longer, while the shadow inventory - homes held off the market despite a desire to sell - continues to grow. The ongoing travails of the housing market could, at any time, sap consumer confidence and put a dent in spending, in addition to the ongoing negative effect on construction employment and retail sales (that often accompany home sales, whether existing homes or not).

Maryland's economy, like that of other states, will be effected in the coming year by both national and global events. Should the European financial crisis deepen substantially, there could be direct effects on Maryland aside from the broader implications of a sharp European recession. Almost one-fifth of Maryland exports are to the Euro Zone, with another 8% or so to the rest of Europe. Nation-

ally, exports to Europe are only 22% of total exports, indicating that, all else equal, Maryland manufacturers are more at risk from a European downturn. As manufacturing is only about half the proportion of Maryland's economy as it is of the nation's, though, the overall impact on the State's economy would not be as large. Obviously, activity at the Port of Baltimore would suffer in such an event. The Port directly employs about 16,500 individuals, with over three-quarters of a billion dollars of wages and salaries. The broader economic impact of the Port has been measured at over one percent of the State's gross domestic product; a substantial reduction in traffic through the Port would create that much more of an impediment to growth for the State's economy.

Employment growth of roughly 1% is forecast for the next several years, with wage growth of approximately 3.5% annually. Tremendous uncertainties abound, particularly with regard to potential federal budget cutbacks. The reductions do seem likely in some form or another over the next several years; despite the uncertainties, this forecast accounts for a loss of nearly 5,000 jobs in 2013, 12,000 in 2014, and 12,700 in 2015 as a result - roughly half of a percentage point of the State's employment in the latter years. Ultimately, the impact on the State could be lighter, or it could be much worse.

## Major Initiatives and Long Term Financial Planning:

It is hoped that program initiatives in Fiscal Year 2012 will help Maryland come through the recession stronger and more quickly than other states. The Fiscal Year 2012 budget includes \$64.8 million for workforce development to refocus Maryland's workforce system on the unemployed, veterans, New Americans, dislocated and low-wage workers. The budget also includes \$80.1 million, a 25% increase, to support the unemployment insurance fund. The Fiscal Year 2012 capital budget supports more than 15,000 jobs through State construction spending. *Invest Maryland* will invest up to \$100 million in venture capital funds in the State's knowledge - based industries, creating thousands of jobs. The Maryland Economic Development Assistance Fund will receive \$15 million, a 25% increase, to help stimulate business growth and economic development. The Fiscal Year 2012 budget also proposes \$2.4 million in new funding for the Small Business Credit Recovery Program to expand credit access for small businesses. The Bio 2020 initiative, with a commitment to invest \$1.3 billion in Maryland's bioscience industry over the next ten years, continues in Fiscal Year 2012. The budget continues and increases funding for the biotechnology and life science industries, including \$8 million for the biotech tax credit, \$3.8 million for the Maryland Biotech Center, and \$12.4 million for stem cell research, a 19% increase over Fiscal Year 2011.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Maryland for its Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The State of Maryland has received a Certificate of Achievement for the last 31 consecutive years (Fiscal Years ended 1980-2010). We believe that our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

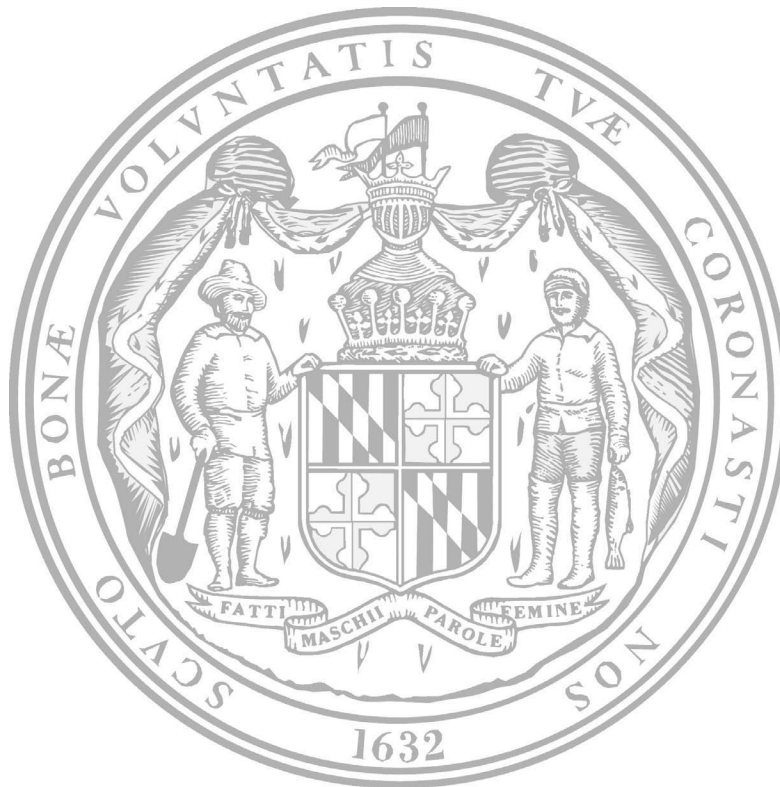
The preparation of the Comprehensive Annual Financial Report on a timely basis could not have been accomplished without the efforts and dedication of the staff of the General Accounting Division with assistance from other personnel from the various departments and agencies of the State.

I will be pleased to furnish additional information on the State's finances upon request.

Sincerely,



Comptroller of Maryland





# FINANCIAL

## *Section*





**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

The Honorable Peter Franchot  
Comptroller of Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maryland (the State), as of June 30, 2011, and for the year ended, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We did not audit the financial statements of (1) certain Economic Development Loan Programs; (2) the Maryland State Lottery Agency; (3) the Maryland Transportation Authority; (4) the Economic Development Insurance Programs; (5) certain foundations included in the higher education component units; (6) the Maryland Food Center Authority; (7) the Maryland Technology Development Corporation; and (8) the Investment Trust Fund, which represent the percentages of the total assets, total net assets, and total operating revenues or additions included in the accompanying financial statements.

	Percentage of Opinion Unit		
	Total Assets	Total Net Assets	Total Operating Revenues
<b>Business-Type Activities</b>			
Major -			
Certain Economic Development Loan Programs	28.0 %	8.0 %	3.9 %
Maryland State Lottery Agency	2.2	0.1	49.3
Maryland Transportation Authority	49.2	48.0	14.8
Non-Major -			
Economic Development Insurance Programs	0.8	1.4	0.1
Total percentage of business-type activities	<u>80.2 %</u>	<u>57.5 %</u>	<u>68.1 %</u>
<b>Component Units</b>			
Major -			
Certain foundations included in the higher education component units	13.3 %	15.7 %	11.8 %
Non-Major -			
Maryland Food Center Authority	0.3	0.4	0.3
Maryland Technology Development Corporation	0.2	0.1	1.5
Total percentage of component units	<u>13.8 %</u>	<u>16.2 %</u>	<u>13.6 %</u>
<b>Fiduciary Funds</b>			
Investment Trust Fund	<u>5.0 %</u>	<u>5.9 %</u>	<u>72.3 %</u>



**SB & COMPANY, LLC**  
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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 funds and component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; required supplemental schedules of funding progress and employer contributions for the Maryland Pension and Retirement System, the Maryland Transit Administration Pension Plan, and Other Post-employment Benefits Plan; and the respective budgetary comparison for the budgetary general, special and Federal funds as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the State's basic financial statements. The combining financial statements, schedules, introductory and statistical sections, and financial schedules required by law, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information combining financial statements and schedules have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of the other auditors, the information combining financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections of this report and the financial schedules required by law have not been subjected to the auditing procedures applied by us or the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Hunt Valley, Maryland  
December 15, 2011

*SB & Company, LLC*

# STATE OF MARYLAND

## Management's Discussion and Analysis

Management of the State of Maryland provides this narrative overview and analysis of the financial activities of the State for the fiscal year ended June 30, 2011. Please read it in conjunction with the Comptroller's letter of transmittal, which can be found in the Introductory Section of this report, and the State's financial statements which follow this section.

### *Financial Highlights*

#### *Government-wide*

- Maryland reported net assets of \$11.4 billion in fiscal year 2011 and \$12.6 billion in fiscal year 2010.
- Of the net assets in fiscal year 2011, a deficit balance of \$6.6 billion was reported as total unrestricted net assets, which includes a \$8.2 billion deficit balance in governmental activities and a \$1.6 billion balance in business-type activities.
- The State's total net assets decreased by \$1.2 billion as a result of this year's operations. The net assets for governmental activities decreased by \$1.7 billion (22.7%). Net assets of business-type activities increased by \$433 million (8.2%).
- The State's governmental activities had total expenses of \$31.1 billion, total revenues of \$28.9 billion and net transfers from business-type activities of \$527 million for a net decrease of \$1.7 billion.
- Business-type activities had total expenditures of \$3.7 billion, program revenues of \$4.6 billion, and transfers out of \$527 million for a net increase in net assets of \$433 million.
- Total State revenues were \$33.5 billion, while total costs for all programs were \$34.7 billion.

#### *Fund Level*

- Governmental funds reported a combined fund balance of \$1.9 billion, an increase of \$62 million (3.4%) from the prior year.
- The General Fund reported an unassigned fund balance deficit of \$292 million and a remaining fund balance (nonspendable, restricted, and committed) of \$1.6 billion, compared to an unassigned fund balance deficit of \$341 million and a remaining fund balance of \$1.6 billion last year. This represents a net increase of \$90 million in General Fund, fund balance. The total unassigned fund balance deficit in the governmental funds was \$696 million, compared to a deficit of \$700 million in the prior year.
- Governmental funds reported a total nonspendable, restricted, and committed fund balance of \$2.6 billion in 2011, compared to \$2.5 billion in the prior year.

#### *Long-term Debt*

- Total bonds and obligations under long-term leases at year end was \$16.1 billion, a net increase of \$699 million (4.5%) over the prior year.
- \$975 million General Obligation Bonds were issued during the year.



## ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the State of Maryland's basic financial statements. The State's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information and other supplementary information in addition to the basic financial statements.

### ***Government-wide Financial Statements (Reporting the State as a Whole)***

The government-wide financial statements provide a broad overview of the State's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's financial position, which assists readers in assessing the State's economic condition at the end of the fiscal year. The statements include all fiscal year revenues and expenses, regardless of whether cash has been received or paid. The government-wide financial statements include the following two statements.

The Statement of Net Assets presents all of the State's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in the State's net assets may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The Statement of Activities presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the State.

The above financial statements distinguish between the following three types of state programs or activities:

**Governmental Activities** - The activities in this section are typically supported by taxes and intergovernmental revenues, i.e., federal grants. Most services normally associated with State government fall into this category, including the Legislature, Judiciary and the general operations of the Executive Department.

**Business-Type Activities** – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the State include insurance and loan programs for economic development, the Unemployment Insurance Program, the Lottery, the Transportation Authority and Maryland Correctional Enterprises, a program which constructs office furnishings utilizing the prisons' inmate population.

**Discretely Presented Component Units** – The government-wide statements include operations for which the State has financial accountability, but are legally separate entities. Financial information for these component units is reported separately from the financial information presented for the primary government. The component unit activities include Higher Education, the College Savings Plans of Maryland, the Maryland Stadium Authority and other non-major proprietary activities. All of these entities operate similarly to private sector business and to the business-type activities described above. The component unit Higher Education consists of the University System of Maryland, Morgan State University, St. Mary's College and Baltimore City Community College and certain affiliated foundations. The non-major component units include the Maryland Food Center Authority, Maryland Environmental Service, Maryland Industrial Development Financing Authority and the Maryland Technology Development Corporation.

Complete financial statements of the individual component units can be obtained from the Comptroller of Maryland, LLG Treasury Building, Annapolis, Maryland 21404.

This report includes two schedules (pages 29 and 31) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (accrual accounting) on the government-wide statements. The following summarizes the impact of transitioning from modified accrual to accrual accounting:

- Capital assets used in governmental activities are not reported on governmental fund statements.

- Certain tax revenues that are earned and other assets that are not available to pay for current period expenditures are deferred in governmental fund statements, but are recognized on the government-wide statements.
- Deferred bond issuance costs are capitalized and amortized on the government-wide statements, but reported as expenditures in governmental funds.
- Unless currently due and payable, long-term liabilities, such as capital lease obligations, compensated absences, litigation, and bonds and notes payable, only appear as liabilities in the government-wide statements.
- Capital outlays result in capital assets on the government-wide statements, but are reported as expenditures on the governmental fund statements.
- Bond and note proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.
- Certain other transactions represent either increases or decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.

The government-wide financial statements can be found on pages 24-27 of this report.

## ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The State's funds can be divided into three categories: governmental, enterprise, and fiduciary. Each of these categories uses a different accounting approach.

*Governmental funds* – Most of the basic services provided by the State are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the State's near-term financing requirements. These statements provide a detailed short-term view of the State's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the State's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the pages immediately following the governmental funds financial statements.

The State maintains five governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and the Department of Transportation-special revenue fund, both of which are considered to be major funds. Data from the remaining three governmental funds are combined into a single, aggregated presentation. Data for the non-major governmental funds, namely, the debt service fund for general obligation bonds, the debt service fund for transportation revenue bonds and the capital projects fund, is provided in the form of combining statements elsewhere in this report. These funds are reported using modified accrual accounting, which measures cash and all other assets which can be readily converted to cash. The basic governmental funds financial statements can be found on pages 28 and 30 of this report.

*Enterprise funds* – Enterprise funds are used to show activities that operate similar to activities of commercial enterprises. These

funds charge fees for services provided to outside customers including local governments. Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. There is no reconciliation needed between the government-wide financial statements for business-type activities and the enterprise fund financial statements because they both utilize accrual accounting, the same method used for businesses in the private sector.

The State has six enterprise funds, four of which are considered to be major enterprise funds. These funds are: Economic Development - Loan Programs, the Unemployment Insurance Program, the Lottery Agency and the Transportation Authority. Data for the non-major enterprise funds, Economic Development - Insurance Programs and Maryland Correctional Enterprises, are combined into a single aggregated presentation. Individual fund data for these non-major enterprise funds is provided in the form of combining statements elsewhere in this report.

The basic enterprise funds financial statements can be found on pages 34 - 38 of this report.

*Fiduciary funds* – Fiduciary funds are used to account for resources held for the benefit of parties outside the state government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are restricted in purpose and are not available to support the State’s own programs. Fiduciary funds use accrual accounting.

The State’s fiduciary funds include the Pension and Other Employee Benefits Trust Funds (Pension Trust), the Investment Trust Fund, the Postretirement Health Benefits Trust Fund (OPEB Trust) and Agency Funds. The Pension and Other Employee Benefits Trust Funds consist of the Retirement and Pension System, the Maryland Transit Administration Pension Plan and the Deferred Compensation Plan. The Postretirement Health Benefits Trust Fund accumulates funds to assist with the costs of the State’s postretirement health insurance subsidy. The Investment Trust Fund accounts for the transactions, assets, liabilities and fund equity of an external investment pool. Agency funds account for the assets held for distribution by the State as an agent for other governmental units, organizations or individuals. Individual fund detail for the fiduciary funds can be found in the combining financial statements.

The basic fiduciary funds financial statements can be found on pages 39 - 40 of this report.

*Combining Financial Statements, Component Units* – The government-wide financial statements present information for the component units in a single aggregated column in the Statement of Net Assets and the Statement of Activities. Combining Statement of Net Assets and Combining Statement of Activities have been provided for the Component Unit Proprietary Funds and provide detail for each major proprietary component unit, with a combining column for the non-major component units. Individual financial statement information for the non-major component units is provided elsewhere in this report.

The combining financial statements for the component units can be found on pages 42 - 44 of this report.

## ***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages 46 - 103 of this report.

## ***Required Supplementary Information***

The required supplementary information includes budgetary comparison schedules for the budgetary general, special revenue and federal funds, along with a reconciliation of the statutory and Accounting Principles Generally Accepted in the United States of America (GAAP) General and Special Revenue Fund, fund balances at fiscal year end. This report also presents certain required supplementary information concerning the State’s progress in funding obligations to provide pension benefits and other post-employment benefits and includes a footnote concerning budgeting and budgetary control. Required supplementary information immediately follows the notes to the financial statements.

## Other Supplementary Information

### Combining Financial Statements

The combining financial statements referred to earlier in connection with non-major governmental, enterprise, and fiduciary funds and non-major component units are presented immediately following the required supplementary information.

### Government-Wide Financial Analysis

The State's combined net assets (government and business-type activities) totaled \$11.4 billion at the end of 2011 and \$12.6 billion at the end of 2010.

#### Net Assets as of June 30, (Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 5,858	\$ 5,951	\$ 8,308	\$ 8,201	\$ 14,166	\$ 14,152
Capital assets	19,248	19,252	4,657	3,894	23,905	23,146
Total assets	25,106	25,203	12,965	12,095	38,071	37,298
Long-term liabilities	14,930	13,195	6,263	5,930	21,193	19,125
Other liabilities	4,544	4,722	979	875	5,523	5,597
Total liabilities	19,474	17,917	7,242	6,805	26,716	24,722
Net assets:						
Invested in capital assets, net of related debt	13,670	13,796	2,117	1,555	15,787	15,351
Restricted	200	155	2,003	2,281	2,203	2,436
Unrestricted	(8,238)	(6,665)	1,603	1,454	(6,635)	(5,211)
Total net assets	\$ 5,632	\$ 7,286	\$ 5,723	\$ 5,290	\$ 11,355	\$ 12,576

The largest portion of the State's net assets, \$15.8 billion, reflects investment in capital assets such as land, buildings, equipment and infrastructure, less any related debt to acquire those assets that is still outstanding. The State uses these capital assets to provide services to citizens. Consequentially, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In addition, a portion of the State's net assets, \$2.2 billion, represents resources that are subject to external restrictions or enabling legislation on how they may be used. The remaining balance for unrestricted net assets, a deficit of \$6.6 billion, reflects the State's expenses over revenues.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net assets changed during the fiscal year.

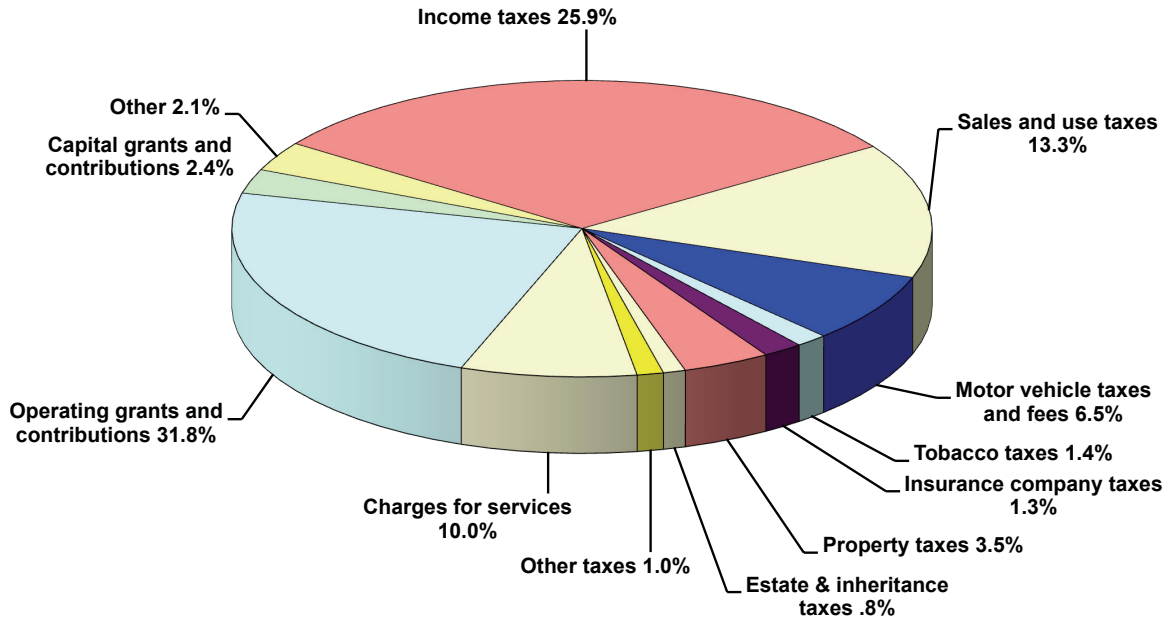
## Changes in Net Assets

For the Year Ended June 30,

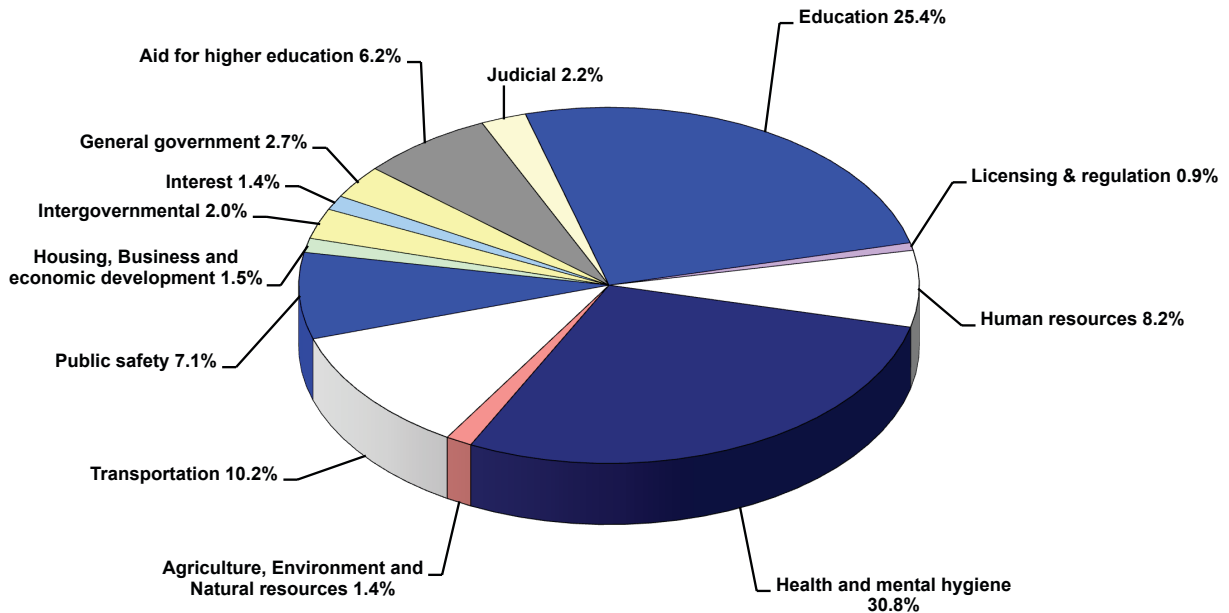
(Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 2,946	\$ 2,819	\$ 3,742	\$ 3,613	\$ 6,688	\$ 6,432
Operating grants and contributions	9,341	8,659	880	1,016	10,221	9,675
Capital grants and contributions	715	728			715	728
General revenues:						
Income taxes	7,605	7,003			7,605	7,003
Sales and use taxes	3,898	3,761			3,898	3,761
Motor vehicle taxes	1,914	1,797			1,914	1,797
Tobacco taxes	408	406			408	406
Insurance company taxes	392	383			392	383
Property taxes	1,044	1,010			1,044	1,010
Estate & inheritance taxes	242	196			242	196
Other taxes	302	295			302	295
Unrestricted investment earnings	79	168	5	9	84	177
Total revenues	28,886	27,225	4,627	4,638	33,513	31,863
Expenses:						
General government	865	837			865	837
Health and mental hygiene	9,591	9,174			9,591	9,174
Education	7,896	7,294			7,896	7,294
Aid for higher education	1,921	1,908			1,921	1,908
Human resources	2,538	2,401			2,538	2,401
Public safety	2,198	2,120			2,198	2,120
Transportation	3,177	3,461			3,177	3,461
Judicial	682	655			682	655
Labor, licensing and regulation	278	254			278	254
Natural resources and recreation	206	188			206	188
Housing and community development	374	320			374	320
Environment	126	122			126	122
Agriculture	91	57			91	57
Business and economic development	84	79			84	79
Intergovernmental grants	612	635			612	635
Interest	428	405			428	405
Economic development insurance programs			13	4	13	4
Economic development loan programs			365	316	365	316
Unemployment insurance program			1,630	2,004	1,630	2,004
State Lottery			1,254	1,205	1,254	1,205
Transportation Authority			355	327	355	327
Maryland Correctional Enterprises			50	50	50	50
Total expenses	31,067	29,910	3,667	3,906	34,734	33,816
Increase (decrease) in net assets before transfers and special items	(2,181)	(2,685)	960	732	(1,221)	(1,953)
Transfers and special items	527	615	(527)	(615)		
Change in net assets	(1,654)	(2,070)	433	117	(1,221)	(1,953)
Net assets - beginning (as restated)	7,286	9,356	5,290	5,173	12,576	14,529
Net assets - ending	\$ 5,632	\$ 7,286	\$ 5,723	\$ 5,290	\$ 11,355	\$ 12,576

## 2011 REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



## 2011 EXPENSES BY FUNCTION - GOVERNMENTAL ACTIVITIES



### Governmental Activities

Comparing current year activities to the prior year discloses that revenues increased by \$1.7 billion or 6.1%, while expenses increased by \$1.2 billion or 3.9%. The revenue increase was primarily due to an increase of \$682 million or 7.9% in operating grants and an increase of \$602 million or 8.6% in income taxes. The increase in expenses was primarily due to increases of \$602 million or 8.3% in education programs and \$417 million or 4.5% for health care programs. These increases were offset by a decrease of \$284 million or 8.2% in transportation programs.

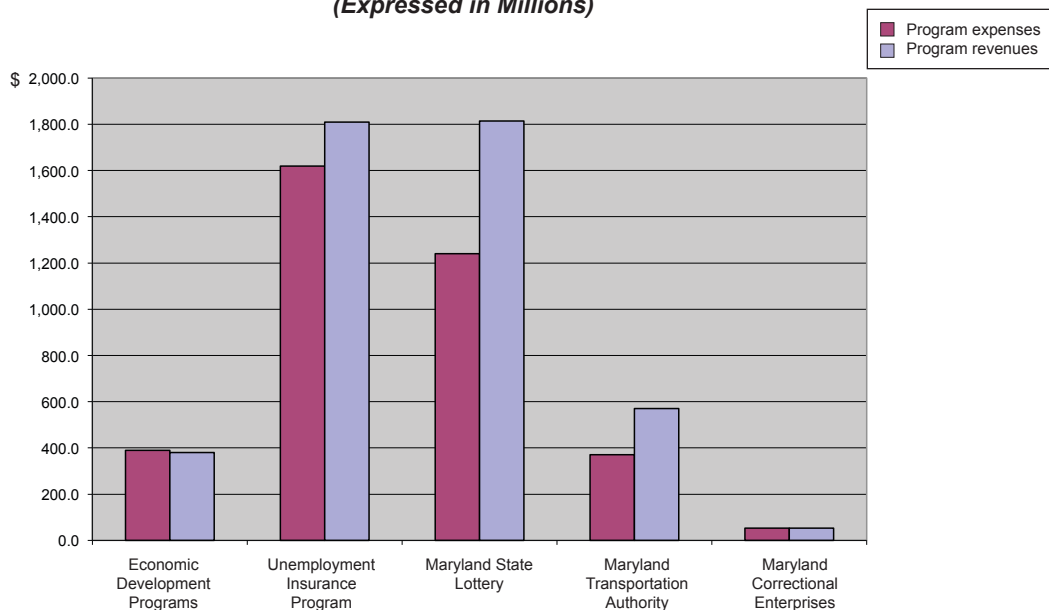
The increase in operating grants was primarily due to increases in federal revenues for education; temporary assistance programs in human resources; and Department of Homeland Security payments, including Federal Emergency Management Agency public assistance for the 2009/2010 snow storms. A significant portion of this increase includes growth in American Recovery and Reinvestment Act (ARRA) funds. The increase in income taxes was primarily due to the emergence of the economy from the recession in 2010 which caused a significant increase in year-end tax payments.

### Business-type Activities

Business-type activities increased the State’s net assets by \$960 million before transfers of \$527 million to governmental activities, for a net increase of \$433 million in net assets. The increase compares to an increase of \$732 million before transfers of \$615 million in the prior year. Key elements of this increase are as follows:

- Net assets for the Maryland Transportation Authority increased by \$200 million compared to an increase of \$293 million in the prior year. Net operating income was \$259 million compared to \$237 million in the prior year. Non-operating revenues and expenses decreased by \$85 million, resulting primarily from the gain on the sale of land at the Seagirt Marine Terminal in 2010.
- The Unemployment Insurance Program net assets increased by \$190 million in 2011. Net assets decreased by \$68 million in the prior year. Operating activities resulted in a deficit of \$606 million compared to the prior year’s operating deficit of \$1.1 billion. Charges for services (unemployment taxes) increased by 81 million (8.5%) and benefit payments were reduced \$375 million (18.7%). Both the amounts of taxes paid by Maryland employers and the amount of benefits received by the unemployed are products of the economic climate. Federal payments for extended benefits and other programs decreased by \$194 million (19.8%).
- Net assets for the Economic Development Loan Programs increased by \$68 million compared to a decrease of \$96 million in the prior year. This is primarily due to a decrease in the contribution to the general fund from the unexpended

**2011 Expenses and Program Revenues - Business-type Activities**  
(Expressed in Millions)



balance in the Bay Restoration Fund of \$110 million, while contributions back to the Fund from State general obligation bond proceeds for payment of Fund capital expenditures increased by \$77 million.

- Lottery ticket sales were \$1.7 billion, an increase of \$8 million (.5%) over the previous year. Operating expenses increased by \$49 million (4.0%) in 2011. During the year, two casinos were opened under the video lottery terminal (VLT) program. The Lottery regulates those casinos. The increase in operating expenses in 2011 is attributed to casino related expenses that were incurred to regulate the VLT operations, including payments made to casino operators for their share of the VLT revenue. Of the gross terminal revenue of \$103 million generated from the VLTs in 2011, 33%, or \$34 million, was distributed to the casino operators, and 65%, or \$67 million, was transferred to various State agencies. In addition, transfers to governmental activities from Lottery proceeds were \$519 million in 2011, an increase of \$9 million (1.7%) over 2010.

## ***Financial Analysis of the State's Funds***

As of the end of the current fiscal year, the State's governmental funds reported a combined fund balance of \$1.9 billion, an increase of \$62 million from the prior year. The combined fund balance includes a deficit of \$696 million in unassigned for governmental funds, including a deficit of \$292 million for the general fund and a deficit of \$404 million for the other governmental funds. The remainder of the fund balance is nonspendable, restricted, or committed based on the constraints on the specific purposes for which amounts in that fund can be spent. The remainder of fund balance is 1) unspendable because it is in the form of prepaid items, inventories and long-term loans and notes receivable (\$650 million); 2) restricted by outside parties or to pay debt service on general obligation bonds from specific taxes (\$201 million); or 3) committed to legislated purposes or to liquidate contracts and purchase orders of the prior period (\$1.7 billion). Included in committed fund balance is \$629 million in the "State Reserve Fund" which is set aside to meet future financial needs. By law, the governor must appropriate to the State Reserve Fund, the general fund surplus of the second preceding fiscal year that exceeds \$10,000,000 (2011) or \$60,000,000 (beginning in 2012). The unassigned general fund deficit plus the amount in the State Reserve Fund, is approximately 1.1 % of the total annual expenditures in governmental funds, compared with .9% for the prior year.

### *General Fund*

The general fund is the major operating fund of the State. At the end of the current fiscal year, the unassigned fund balance deficit of the general fund was \$292 million, while total fund balance reached \$1.3 billion. The fund balance of the State's general fund increased by \$91 million during 2011, compared to a decrease of \$261 million for 2010. Revenues increased by \$1.5 billion (6.4%) to \$24.7 billion while expenditures increased by \$1.0 billion (4.3%) to \$25.3 billion.

The increase in revenues of \$1.5 billion over the prior year was primarily due to increases in income taxes, \$681 million (9.8%), federal revenues, \$579 million (6.7%) and charges for services, \$227 million (18.6%).

General fund expenditures increased by \$1.0 billion. Expenditures for education, health and mental hygiene and human resources increased by \$337 million (4.9%), \$401 million (4.4%) and \$129 million (5.6%), respectively. These increases were the result of continued increased funding for education, particularly the Bridge to Excellence program and teachers' retirement, and continued increases in Medicaid costs and funding for food stamps and temporary assistance due to continuing effects of the recession. Health care spending included an initiative authorized by the Federal Patient Protection and Affordable Care Act (ACA) under which Maryland contracted with the U.S. Department of Health and Human Services to establish a temporary high risk health insurance pool program to provide health insurance to currently uninsured individuals with pre-existing conditions pending implementation of the Federal program in 2014. Under the contract, the State was allocated \$85 million to fund all costs of the Federal pool through December 31, 2013.

Transfers out from the general fund were \$451 million this year compared to \$510 million for the prior year. This decrease was due primarily to a decrease of \$30 million to the Economic Development Loan Programs and a decrease of \$19 million for Program Open Space and other capital projects.



## Special Revenue Fund

The Maryland Department of Transportation special revenue fund accounts for resources used for operation of the State's transportation activities, not including debt service and pension activities. The fund balance of the Department's special revenue fund was \$332 million as of June 30, 2011, a decrease of \$4 million (1.2%) from the prior fiscal year. Revenues increased by \$125 million (4.0%), expenditures decreased by \$52 million (1.7%), and other sources of financial resources decreased by \$189 million. The increase in revenues was primarily from an increase in motor vehicle taxes and fees, the decrease in expenditures was primarily from a decrease in current expenditures, and the decrease in other sources of financial resources was due to reductions in bonds issued and increases in transfers to the general fund.

## Budgetary Highlights

Differences between the original budget and final amended budget, and the final budget and actual expenditures for the general fund for the year are summarized as follows. The budgetary schedule may be found in the Required Supplementary Information Section.

Overall, the change between the original and final general fund budget was an increase of \$126 million or 1.0%. The Department of Health and Mental Hygiene appropriations increased by \$86 million and the Department of Education appropriations increased by \$36 million.

The difference between the final budget, \$13.4 billion and actual expenditures, \$13.3 billion was \$109 million, or .8%. This amount was encumbered for future spending. The variance was primarily due to the cancellation of current and prior year encumbrances. Appropriations were cancelled primarily for legislative, judicial, health, education, and business and economic development functions.

## Capital Asset and Debt Administration

### Capital assets

At June 30, 2011, the State had invested \$23.9 billion (net of accumulated depreciation) in a broad range of capital assets (see table below). Depreciation expense for the fiscal year totaled \$1.2 billion (\$1.1 billion for governmental activities and \$54 million for business-type activities). The increase in the State's investment in capital assets, net of depreciation expense, for the current fiscal year was \$759 million (a decrease of \$4 million for governmental activities and an increase of \$763 million for business-type activities).

### Capital Assets as of June 30,

(Net of Depreciation, Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land and improvements	\$ 3,269	\$ 3,081	\$ 411	\$ 404	\$ 3,680	\$ 3,485
Art and historical treasures	9	9			9	9
Structures and improvements	3,647	3,700	29	24	3,676	3,724
Equipment	857	803	64	30	921	833
Infrastructure	9,250	9,310	1,320	1,259	10,570	10,569
Construction in progress	2,216	2,349	2,833	2,177	5,049	4,526
Total	\$ 19,248	\$ 19,252	\$ 4,657	\$ 3,894	\$ 23,905	\$ 23,146

Major capital asset events during the current fiscal year for governmental activities include continued widening and/or expansion of existing highways and bridges, and various transit, port and motor vehicle administration construction projects; the preservation of agricultural and open space land through the purchase of easements; improvements to the statewide telecommunications network;

energy efficiency improvements in State buildings; and payments toward future purchases of helicopters for the State Police. Elements of the increases in capital assets of business-type activities include the Inter-County Connector and electronic toll lane projects, which resulted in increases in construction in progress and infrastructure, and the restoration of existing facilities.

Additional information on the State’s capital assets can be found in footnote 10 of this report.

*Long-term debt*

The State is empowered by law to authorize, issue and sell general obligation bonds, which are backed by the full faith and credit of the State. The State also issues dedicated revenue bonds for the Department of Transportation and various business-type activities. The payment of principal and interest on revenue bonds comes solely from revenues received from the respective activities. This dedicated revenue debt is not backed by the State’s full faith and credit.

At June 30, 2011, the State had outstanding bonds totaling \$15.1 billion. Of this amount, \$7.0 billion were general obligation bonds, backed by the full faith and credit of the State. The remaining \$8.1 billion were secured solely by the specified revenue sources.

**Outstanding Bond Debt as of June 30,**

*(Expressed in Millions)*

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds (backed by the State)	\$ 6,983	\$ 6,523			\$ 6,983	\$ 6,523
Transportation Bonds (backed by specific revenues)	1,562	1,645			1,562	1,645
Revenue Bonds (backed by specific revenues)			\$ 6,505	\$ 6,162	\$6,505	6,162
<b>Total</b>	<b>\$ 8,545</b>	<b>\$ 8,168</b>	<b>\$ 6,505</b>	<b>\$ 6,162</b>	<b>\$ 15,050</b>	<b>\$ 14,330</b>

The total increase in bonded debt in the current fiscal year was \$720 million (\$460 million increase related to general obligation bonds, \$343 million increase related to revenue bonds, and \$83 million decrease related to transportation bonds). The State’s general obligation bonds are rated Aaa by Moody’s and AAA by Standard and Poors and Fitch. During fiscal year 2011, the State issued general obligation debt totaling \$975 million at a premium of \$83 million. Subsequent to June 30, 2011 (fiscal year 2012), the State issued general obligation bonds aggregating \$512 million for capital improvements and general obligation refunding bonds in the amount of \$255 million.

State law limits the amount of Consolidated Transportation Bonds, dedicated revenue debt that may be outstanding as of June 30 to the amount authorized in the budget, and this amount may not exceed \$2.6 billion. The aggregate principal amount of these bonds that was authorized to be outstanding as of June 30, 2011, was \$1.8 billion. The actual amount in Consolidated Transportation Bonds outstanding was \$1.6 billion.

Additional information on the State’s long-term debt can be found in footnote 11 of this report.

***Economic Factors and Next Year’s Budget***

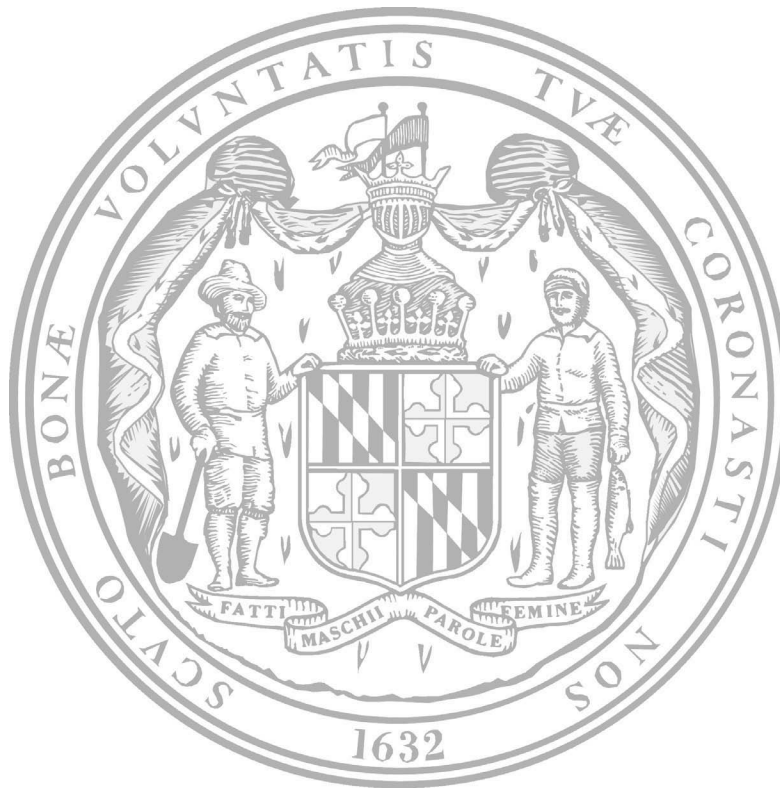
Maryland’s recovery from the national recession begun almost two and a half years ago has been weak. Employment growth has been slow or declining, wage income growth has increased at historically low rates, and housing market indicators are mixed. Maryland economy is expected to grow in the future at a subdued rate. Its highly educated workforce and proximity to the Federal

government should contribute to its economic recovery, although this could be affected by potential Federal budget cutbacks. The Base Realignment and Closure process recently ended, resulting in the creation of many above average wage jobs.

Total fund spending in the fiscal year 2012 budget is \$34.2 billion, including a general fund increase of .2% after adjusting for the loss of Federal Recovery Act dollars. The budget reflects reforms to the State's pension system and retiree health care program described in Notes 15 and 16 to the financial statements.

### ***Requests for Information***

This financial report is designed to provide a general overview of the State's finances for all those with an interest in the State's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the General Accounting Division, Office of the Comptroller, P.O. Box 746, Annapolis, Maryland 21404.





*Basic*  
**FINANCIAL**  
*Statements*



**STATE OF MARYLAND**  
**Statement of Net Assets**  
**June 30, 2011**  
*(Expressed in Thousands)*

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents.....	\$ 84,095	\$ 147,358	\$ 231,453	\$ 138,864
Equity in pooled invested cash .....	1,534,157	699,298	2,233,455	1,549,085
Investments .....	181,538	414,337	595,875	656,330
Endowment investments .....				203,071
Foundation investments .....				937,808
Inventories.....	105,365	13,570	118,935	13,120
Prepaid items.....	527,956		527,956	7,149
Deferred charges.....	24,473		24,473	4,281
Taxes receivable, net.....	1,043,693		1,043,693	
Intergovernmental receivables.....	1,192,637		1,192,637	
Tuition contracts receivable .....				234,592
Due from primary government.....				3,764
Due from component units.....	1,500		1,500	
Other accounts receivable .....	586,988	58,609	645,597	427,823
Loans and notes receivable, net .....	17,374	664,316	681,690	75,100
Investment in direct financing leases.....		374,521	374,521	214,591
Other assets .....	6,055	27,322	33,377	23,779
Collateral for lent securities .....	325,004		325,004	
Restricted assets:				
Cash and cash equivalents.....	41,800	1,405,205	1,447,005	58,453
Equity in pooled invested cash .....	162,136		162,136	
Investments .....	3,141	1,115,309	1,118,450	55,392
Deferred charges.....		16,365	16,365	
Deferred outflow on interest rate swaps.....		26,475	26,475	
Taxes receivable, net.....	17,184		17,184	
Loans and notes receivable, net .....	2,754	2,954,545	2,957,299	
Other accounts receivable .....	109	390,298	390,407	
Capital assets, net of accumulated depreciation:				
Land .....	3,269,201	411,331	3,680,532	175,852
Art and historical treasures .....	9,370		9,370	371
Structures and other improvements .....	3,646,544	28,505	3,675,049	3,744,374
Equipment .....	857,182	63,919	921,101	430,245
Infrastructure.....	9,249,940	1,319,939	10,569,879	205,129
Construction in progress .....	2,215,863	2,833,232	5,049,095	576,403
Total capital assets .....	19,248,100	4,656,926	23,905,026	5,132,374
Total assets .....	25,106,059	12,964,454	38,070,513	9,735,576

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Liabilities</b>				
Salaries payable .....	\$ 182,143		\$ 182,143	\$ 116,363
Vouchers payable.....	420,449		420,449	
Accounts payable and accrued liabilities.....	2,210,320	\$ 351,948	2,562,268	205,490
Internal balances.....	(127,193)	127,193		
Due to primary government .....				1,500
Accounts payable to political subdivisions .....	143,249		143,249	
Unearned revenue .....	368,176	20,397	388,573	224,725
Interest rate swaps .....		26,475	26,475	
Accrued insurance on loan losses .....		27,355	27,355	4,031
Other liabilities .....				5,443
Collateral obligations for lent securities.....	325,004		325,004	
Bonds and notes payable:				
Due within one year.....	645,024	376,253	1,021,277	108,675
Due in more than one year.....	8,410,911	6,128,527	14,539,438	1,373,555
Other noncurrent liabilities:				
Due within one year.....	376,541	49,363	425,904	187,579
Due in more than one year.....	6,519,197	134,102	6,653,299	892,430
Total liabilities.....	19,473,821	7,241,613	26,715,434	3,119,791
<b>Net Assets</b>				
Invested in capital assets, net of related debt .....	13,669,573	2,117,369	15,786,942	3,890,638
Restricted for:				
Debt service.....	200,497	98,949	299,446	8,558
Capital improvements .....		143,537	143,537	14,269
Higher education-nonexpendable .....				628,220
Higher education-expendable .....				520,880
Unemployment compensation benefits.....		688,943	688,943	
Loan programs.....		982,029	982,029	74,227
Insurance programs .....		89,414	89,414	
Other .....	294		294	
Unrestricted (deficit).....	(8,238,126)	1,602,600	(6,635,526)	1,478,993
Total net assets .....	\$5,632,238	\$5,722,841	\$11,355,079	\$6,615,785

The accompanying notes to the financial statements are an integral part of this financial statement.

**STATE OF MARYLAND**  
**Statement of Activities**  
**For the Year Ended June 30, 2011**  
*(Expressed in Thousands)*

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Assets				Component Units
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Primary Government Business-Type Activities		Total	
			Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-Type Activities		
<b>Primary government -</b>									
<b>Governmental activities:</b>									
General government .....	\$ 865,519	\$ 455,729	\$ 130,315	\$ 1,000	\$ (278,475)	\$	\$	(278,475)	
Health and mental hygiene .....	9,592,240	1,205,122	4,833,348		(3,553,770)			(3,553,770)	
Education .....	7,896,010	89,117	1,649,855		(6,157,038)			(6,157,038)	
Aid for higher education .....	1,921,224	33,400	3,349		(1,884,475)			(1,884,475)	
Human resources .....	2,537,952	68,772	1,749,975		(719,205)			(719,205)	
Public safety .....	2,198,490	107,987	272,070		(1,818,433)			(1,818,433)	
Transportation .....	3,176,910	540,859	90,732	709,029	(1,836,290)			(1,836,290)	
Judicial .....	681,717	283,781	6,999		(390,937)			(390,937)	
Labor, licensing and regulation .....	277,887	30,772	170,072		(77,043)			(77,043)	
Natural resources and recreation .....	205,921	41,956	32,724	3,252	(127,989)			(127,989)	
Housing and community development .....	373,548	15,311	355,931		(2,306)			(2,306)	
Environment .....	126,054	42,992	30,104		(52,958)			(52,958)	
Agriculture .....	90,502	17,883	4,521	1,872	(66,226)			(66,226)	
Business and economic development .....	83,519	9,986	1,982		(71,551)			(71,551)	
Intergovernmental grants and revenue sharing .....	611,595				(611,595)			(611,595)	
Interest .....	428,135	2,557	9,202		(416,376)			(416,376)	
Total governmental activities .....	31,067,223	2,946,224	9,341,179	715,153	(18,064,667)			(18,064,667)	
<b>Business-type activities:</b>									
Economic development - insurance programs .....	12,693	5,769				\$ (6,924)		(6,924)	
Economic development - general loan programs .....	18,905	10,602				(8,303)		(8,303)	
Economic development - water quality loan programs .....	153,331	85,835	91,888			24,392		24,392	
Economic development - housing loan programs .....	193,258	175,073				(18,185)		(18,185)	
Unemployment insurance program .....	1,629,721	1,031,602	788,457			190,338		190,338	
Maryland State Lottery .....	1,254,095	1,828,489				574,394		574,394	
Maryland Transportation Authority .....	355,467	553,786				198,319		198,319	
Maryland Correctional Enterprises .....	49,501	50,575				1,074		1,074	
Total business-type activities .....	3,666,971	3,741,731	880,345	-		955,105		955,105	
Total primary government .....	34,734,194	6,687,955	10,221,524	715,153	(18,064,667)	955,105		(17,109,562)	



Component units-					
Higher education .....	4,438,236	2,134,235	1,443,111	230,359	(630,531)
Maryland Prepaid College Trust .....	64,929	71,050			6,121
Maryland Stadium Authority .....	99,937	37,816	22,035		(40,086)
Other component units .....	139,369	118,528	25,677	1,348	6,184
Total component units .....	\$4,742,471	\$2,361,629	\$1,490,823	\$231,707	(658,312)

General revenues:					
Income taxes .....			7,605,497		7,605,497
Sales and use taxes .....			3,898,509		3,898,509
Motor vehicle taxes .....			1,913,570		1,913,570
Tobacco taxes .....			407,570		407,570
Insurance company taxes .....			392,287		392,287
Property taxes .....			1,043,943		1,043,943
Estate & inheritance taxes .....			241,576		241,576
Other taxes .....			302,421		302,421
Grants and contributions not restricted to specific programs .....					1,180,919
Unrestricted investment earnings .....			79,042	4,775	83,817
Additions to permanent endowments .....					205,108
Transfers .....			526,948	(526,948)	1,581
Total general revenues, additions to permanent endowments, and transfers .....			16,411,363	(522,173)	15,889,190
Changes in net assets .....			(1,653,304)	432,932	(1,220,372)
Net assets - beginning of the year .....			7,285,542	5,289,909	12,575,451
Net assets - end of the year .....			\$5,632,238	\$5,722,841	\$11,355,079
					\$6,615,785

The accompanying notes to the financial statements are an integral part of this financial statement.

**STATE OF MARYLAND**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**  
*(Expressed in Thousands)*

	General	Special Revenue		Total Governmental Funds
		Maryland Department of Transportation	Other Governmental Funds	
<b>Assets:</b>				
Cash and cash equivalents.....	\$ 82,477	\$ 1,618		\$ 84,095
Equity in pooled invested cash .....	1,436,328	97,829		1,534,157
Investments .....	8,365		\$173,173	181,538
Prepaid items.....	425,842	102,114		527,956
Taxes receivable, net.....	955,637	88,056		1,043,693
Intergovernmental receivables.....	915,241	277,396		1,192,637
Other accounts receivable .....	495,776	91,208	4	586,988
Due from other funds .....	143,514	154,323		297,837
Due from component units.....	1,500			1,500
Inventories.....	25,684	79,681		105,365
Loans and notes receivable, net .....	17,013	361		17,374
Collateral for lent securities .....	325,004			325,004
<b>Restricted assets:</b>				
Cash and cash equivalents.....		23,447		23,447
Cash with fiscal agent.....			18,353	18,353
Equity in pooled invested cash .....			162,136	162,136
Investments .....	3,141			3,141
Taxes receivable, net.....			17,184	17,184
Other accounts receivable .....			109	109
Due from other funds .....			4,077	4,077
Loans and notes receivable, net .....			2,754	2,754
<b>Total assets .....</b>	<b>\$4,835,522</b>	<b>\$916,033</b>	<b>\$377,790</b>	<b>\$6,129,345</b>
<b>Liabilities:</b>				
Salaries payable.....	\$ 154,412	\$ 27,731		\$ 182,143
Vouchers payable.....	298,286	54,668	\$ 67,495	420,449
Accounts payable and accrued liabilities.....	1,143,756	353,491	24,578	1,521,825
Due to other funds .....	657,543	13,369	53,808	724,720
Accounts payable to political subdivisions .....	103,591	23,478	16,180	143,249
Deferred revenue .....	709,275	111,648	39	820,962
Accrued self-insurance costs.....	104,045			104,045
Collateral obligations for lent securities.....	325,004			325,004
<b>Total liabilities.....</b>	<b>3,495,912</b>	<b>584,385</b>	<b>162,100</b>	<b>4,242,397</b>
<b>Fund balances:</b>				
Nonspendable .....	468,330	182,156		650,486
<b>Spendable:</b>				
Restricted.....	294		200,497	200,791
Committed .....	1,163,278	149,492	418,904	1,731,674
Unassigned .....	(292,292)		(403,711)	(696,003)
<b>Total fund balances .....</b>	<b>1,339,610</b>	<b>331,648</b>	<b>215,690</b>	<b>1,886,948</b>
<b>Total liabilities and fund balances.....</b>	<b>\$4,835,522</b>	<b>\$916,033</b>	<b>\$377,790</b>	<b>\$6,129,345</b>

The accompanying notes to the financial statements are an integral part of this financial statement.

**STATE OF MARYLAND**  
**Reconciliation of the Governmental Funds' Fund Balance**  
**to the Statement of Net Assets, Net Assets Balance**  
**June 30, 2011**  
*(Expressed in Thousands)*

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Amounts reported for governmental activities in the Statement of Net Assets (pages 24-25) differ from the amounts for the governmental funds' fund balances because of:	
Amount in governmental funds, fund balance (page 28) .....	\$1,886,948
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	19,248,100
Taxes and other receivables that will not be available to pay for current period expenditures and, therefore, are deferred in the funds .....	452,787
Accrued interest payable on bonds and capital leases are not liquidated with current financial resources in the governmental funds.....	(138,494)
Deferred charges not available to pay for current period expenditures.....	24,473
Other assets not available to pay for current period expenditures .....	6,052
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
General Obligation Bonds.....	(6,982,846)
Deferred charges to be amortized over the life of the debt.....	121,298
Premiums to be amortized over the life of the debt.....	(563,854)
Transportation Bonds .....	(1,561,840)
Deferred charges to be amortized over the life of the debt.....	1,916
Premiums to be amortized over the life of the debt.....	(70,609)
Accrued self-insurance costs.....	(231,094)
Accrued annual leave .....	(328,946)
Pension liabilities.....	(1,772,602)
Other post-employment benefits liability .....	(3,330,868)
Pollution remediation .....	(157,815)
Obligation under capital leases.....	(755,778)
Obligations under capital leases with component units.....	(214,590)
Net assets of governmental activities (page 25).....	\$5,632,238

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The accompanying notes to the financial statements are an integral part of this financial statement.

**STATE OF MARYLAND**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds**  
**For the Year Ended June 30, 2011**  
*(Expressed in Thousands)*

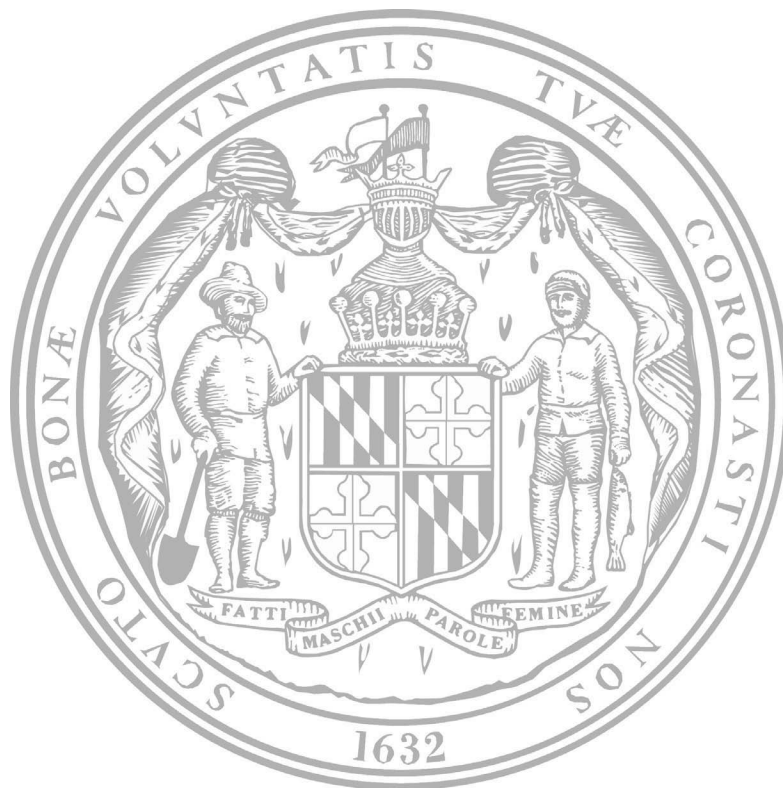
	General	Special Revenue		Total Governmental Funds
		Maryland Department of Transportation	Other Governmental Funds	
<b>Revenues:</b>				
Income taxes .....	\$ 7,639,285			\$ 7,639,285
Sales and use taxes.....	3,896,876			3,896,876
Motor vehicle taxes and fees .....		\$1,913,570		1,913,570
Tobacco taxes .....	407,570			407,570
Insurance company taxes .....	392,287			392,287
Property taxes .....	254,467		\$ 789,476	1,043,943
Estate & inheritance taxes .....	241,576			241,576
Other taxes .....	302,421			302,421
Other licenses and fees .....	683,289			683,289
Charges for services .....	1,446,815	431,260		1,878,075
Revenues pledged as security for bonds.....		95,057		95,057
Interest and other investment income.....	20,768	1,005	1,279	23,052
Federal revenue.....	9,159,668	799,761	9,202	9,968,631
Other .....	293,164	14,167	2,571	309,902
<b>Total revenues .....</b>	<b>24,738,186</b>	<b>3,254,820</b>	<b>802,528</b>	<b>28,795,534</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government .....	770,217			770,217
Health and mental hygiene .....	9,441,903			9,441,903
Education.....	7,233,363		320,405	7,553,768
Aid to higher education.....	1,620,787		299,590	1,920,377
Human resources.....	2,420,789			2,420,789
Public safety .....	1,873,921			1,873,921
Transportation.....		1,228,659		1,228,659
Judicial .....	577,333			577,333
Labor, licensing and regulation .....	246,700			246,700
Natural resources and recreation .....	182,229			182,229
Housing and community development.....	368,857			368,857
Environment .....	107,457			107,457
Agriculture .....	80,770			80,770
Business and economic development .....	79,284			79,284
Intergovernmental grants and revenue sharing .....	329,094	637,997	282,501	1,249,592
Capital outlays.....		1,181,448	94,601	1,276,049
<b>Debt service:</b>				
Principal retirement .....			598,265	598,265
Interest .....			390,340	390,340
Bond issuance costs.....	588		4,565	5,153
<b>Total expenditures .....</b>	<b>25,333,292</b>	<b>3,048,104</b>	<b>1,990,267</b>	<b>30,371,663</b>
Excess (Deficiency) of revenues over (under) expenditures .....	(595,106)	206,716	(1,187,739)	(1,576,129)
<b>Other financing sources (uses):</b>				
Capital leases.....	19,633	33,701		53,334
Bonds issued.....	100		974,618	974,718
Bond premium.....			83,448	83,448
Transfers in.....	1,116,961	368,342	231,370	1,716,673
Transfers out.....	(451,070)	(612,833)	(125,823)	(1,189,726)
<b>Total other sources (uses) of financial resources.....</b>	<b>685,624</b>	<b>(210,790)</b>	<b>1,163,613</b>	<b>1,638,447</b>
Net changes in fund balances.....	90,518	(4,074)	(24,126)	62,318
Fund balances, beginning of the year .....	1,249,092	335,722	239,816	1,824,630
<b>Fund balances, end of the year .....</b>	<b>\$ 1,339,610</b>	<b>\$ 331,648</b>	<b>\$ 215,690</b>	<b>\$ 1,886,948</b>

The accompanying notes to the financial statements are an integral part of this financial statement.

**STATE OF MARYLAND**  
**Reconciliation of the Statement of the Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2011**  
*(Expressed in Thousands)*

<p>Amounts reported for governmental activities in the Statement of Activities (pages 26-27) are different from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds because of the following:</p>		
Net change in fund balances - total governmental funds (page 30) .....		\$ 62,318
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.</p>		
Capital outlays.....	\$1,504,610	
Depreciation expense.....	<u>(1,109,208)</u>	395,402
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.</p>		
Net loss on disposals and trade-ins.....		(398,259)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds:</p>		
Deferred revenues for taxes are recognized, net of revenue already recognized in the prior year .....	(32,156)	
Deferred revenues for other revenues are recognized, net of revenue already recognized in the prior year .....	115,509	
Revenues from other assets are recognized, net of revenue already recognized in the prior year .....	<u>327</u>	83,680
<p>The issuance of long term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, the governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long term debt and related items.</p>		
Debt issued, General Obligation Bonds .....	(974,718)	
Capital lease financing.....	(53,334)	
Premiums, discounts and issuance costs.....	(36,050)	
Principal repayments:		
General Obligation Bonds.....	515,094	
Transportation Bonds.....	83,170	
Capital leases.....	<u>113,928</u>	(351,910)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:</p>		
Accrued interest.....	(1,671)	
Compensated absences.....	(4,943)	
Self-insurance.....	(2,593)	
Net pension obligation.....	(546,164)	
Other post-employment benefits liability .....	(900,766)	
Pollution remediation liabilities .....	<u>11,602</u>	(1,444,535)
Change in net assets of governmental activities (page 27) .....		<u>\$ (1,653,304)</u>

The accompanying notes to the financial statements are an integral part of this financial statement.



STATE OF MARYLAND  
ENTERPRISE FUND FINANCIAL STATEMENTS

**Major Funds**

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**Economic Development Loan Programs**

This fund includes the direct loan programs of the Maryland Departments of Housing and Community Development, Business and Economic Development and Environment.

**Unemployment Insurance Program**

This fund reflects the transactions, assets, liabilities and net assets of the Unemployment Insurance Program and is used to account for the unemployment assessments collected from employers, Federal revenue received and remittance of benefits to the unemployed.

**Maryland State Lottery Agency**

This fund accounts for the operation of the State Lottery and the regulation of the operation of the Video Lottery Terminal program.

**Maryland Transportation Authority**

This fund accounts for the activity of the Maryland Transportation Authority, which is responsible for the operation and maintenance of toll roads, bridges and tunnels in the State.

**Non-major Funds**

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**Other Enterprise Funds**

Individual non-major enterprise funds are presented in the combining section following the footnotes.

**STATE OF MARYLAND**  
**Statement of Fund Net Assets**  
**Enterprise Funds**  
**June 30, 2011**

(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland State Lottery Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
<b>Assets-</b>						
<b>Current assets:</b>						
Cash and cash equivalents.....			\$ 2,265	\$ 145,093		\$ 147,358
Equity in pooled invested cash .....	\$ 466,735		115,448		\$117,115	699,298
Investments .....				347,452		347,452
Other accounts receivable .....	6,065		30,870	12,836	8,838	58,609
Due from other funds .....	22,127	\$ 2,522		4,345		28,994
Inventories.....				4,406	9,164	13,570
Loans and notes receivable, net .....	27,680				167	27,847
Investment in direct financing leases.....				1,674		1,674
Other assets .....			49	269	248	566
<b>Current restricted assets:</b>						
Cash and cash equivalents.....	612,828	1,059	3,031	316,227		933,145
Cash on deposit with U.S. Treasury .....		472,060				472,060
Investments .....	19,564		21,364	530,806		571,734
Loans and notes receivable, net .....	106,654					106,654
Other accounts receivable .....	139,451	250,505	193			390,149
Total current assets .....	1,401,104	726,146	173,220	1,363,108	135,532	3,799,110
<b>Non-current assets:</b>						
Investments .....	65,330				1,555	66,885
Loans and notes receivable, net .....	636,184				285	636,469
Investment in direct financing leases.....				372,847		372,847
Other assets .....				26,756		26,756
<b>Restricted non-current assets:</b>						
Investments .....	473,498		70,077			543,575
Deferred charges.....	16,365					16,365
Deferred outflow on interest rate swaps.....	26,475					26,475
Loans and notes receivable, net .....	2,847,891					2,847,891
Other accounts receivable .....	149					149
<b>Capital assets, net of accumulated depreciation:</b>						
Land .....				411,331		411,331
Structures and improvements.....				25,588	2,917	28,505
Equipment .....	8		38,433	20,037	5,441	63,919
Infrastructure.....				1,319,894	45	1,319,939
Construction in progress.....				2,833,232		2,833,232
Total non-current assets .....	4,065,900		108,510	5,009,685	10,243	9,194,338
Total assets.....	5,467,004	726,146	281,730	6,372,793	145,775	12,993,448



	Economic Development Loan Programs	Unemployment Insurance Program	Maryland State Lottery Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
<b>Liabilities-</b>						
<b>Current liabilities:</b>						
Accounts payable and accrued liabilities.....	\$ 75,477	\$ 37,203	\$ 57,108	\$ 179,685	\$ 2,475	\$ 351,948
Due to other funds .....	1,021		89,671	65,495		156,187
Accrued insurance on loan losses .....	3,071				24,284	27,355
Other liabilities .....	6,238		31,996	9,939	1,190	49,363
Unearned revenue .....	37		2,880	13,710	3,770	20,397
Revenue bonds payable - current .....	288,195			88,058		376,253
<b>Total current liabilities .....</b>	<b>374,039</b>	<b>37,203</b>	<b>181,655</b>	<b>356,887</b>	<b>31,719</b>	<b>981,503</b>
<b>Non-current liabilities:</b>						
Interest rate swaps .....	26,475					26,475
Other liabilities .....	18,771		94,128	18,899	2,304	134,102
Revenue bonds payable.....	2,874,566			3,253,961		6,128,527
<b>Total non-current liabilities .....</b>	<b>2,919,812</b>		<b>94,128</b>	<b>3,272,860</b>	<b>2,304</b>	<b>6,289,104</b>
<b>Total liabilities.....</b>	<b>3,293,851</b>	<b>37,203</b>	<b>275,783</b>	<b>3,629,747</b>	<b>34,023</b>	<b>7,270,607</b>
<b>Net Assets-</b>						
Invested in capital assets, net of related debt .....	8		(6,882)	2,115,839	8,404	2,117,369
<b>Restricted for:</b>						
Debt service.....				98,949		98,949
Capital improvements.....				143,537		143,537
Unemployment compensation benefits.....		688,943				688,943
Loan programs.....	982,029					982,029
Insurance programs .....					89,414	89,414
Unrestricted .....	1,191,116		12,829	384,721	13,934	1,602,600
<b>Total net assets .....</b>	<b>\$2,173,153</b>	<b>\$688,943</b>	<b>\$ 5,947</b>	<b>\$2,743,046</b>	<b>\$111,752</b>	<b>\$5,722,841</b>

The accompanying notes to the financial statements are an integral part of this financial statement.

**STATE OF MARYLAND**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Enterprise Funds**  
**For the Year Ended June 30, 2011**  
*(Expressed in Thousands)*

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland State Lottery Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
<b>Operating revenues:</b>						
Lottery ticket sales.....			\$1,714,403			\$1,714,403
Charges for services and sales.....	\$ 74,203	\$1,023,850	104,474	\$ 541,738	\$ 53,629	1,797,894
Loan and grant recoveries.....	4,533					4,533
Unrestricted interest on loan income.....	16,984				534	17,518
Restricted interest on loan income.....	147,442					147,442
Other.....	10,441		9,605	5,589	130	25,765
<b>Total operating revenues.....</b>	<b>253,603</b>	<b>1,023,850</b>	<b>1,828,482</b>	<b>547,327</b>	<b>54,293</b>	<b>3,707,555</b>
<b>Operating expenses:</b>						
Prizes and claims.....			1,029,041			1,029,041
Commissions and bonuses.....			113,687			113,687
Cost of sales and services.....			22,406		40,369	62,775
Operation and maintenance of facilities.....				212,293		212,293
General and administrative.....	37,790		81,583	30,616	10,940	160,929
Benefit payments.....		1,629,721				1,629,721
Capital grant distributions.....	142,788					142,788
Depreciation and amortization.....	15		7,257	45,354	1,476	54,102
Provision for insurance on loan losses.....	26,740				9,138	35,878
Other.....	21,091					21,091
<b>Total operating expenses.....</b>	<b>228,424</b>	<b>1,629,721</b>	<b>1,253,974</b>	<b>288,263</b>	<b>61,923</b>	<b>3,462,305</b>
<b>Operating income (loss).....</b>	<b>25,179</b>	<b>(605,871)</b>	<b>574,508</b>	<b>259,064</b>	<b>(7,630)</b>	<b>245,250</b>
<b>Non-operating revenues (expenses):</b>						
Unrestricted interest and other investment income.....	7,093		(3,785)	1,467		4,775
Restricted interest and other investment income.....	17,572	7,752	7	6,459	2,051	33,841
Interest expense.....	(137,070)		(121)	(66,208)		(203,399)
Federal grants and distributions.....	91,888	788,457				880,345
Other.....	335			(996)	(271)	(932)
<b>Total non-operating revenues (expenses) ....</b>	<b>(20,182)</b>	<b>796,209</b>	<b>(3,899)</b>	<b>(59,278)</b>	<b>1,780</b>	<b>714,630</b>
<b>Income (loss) before transfers.....</b>	<b>4,997</b>	<b>190,338</b>	<b>570,609</b>	<b>199,786</b>	<b>(5,850)</b>	<b>959,880</b>
Transfers in.....	109,559				138	109,697
Transfers out.....	(46,967)		(586,619)		(3,059)	(636,645)
<b>Changes in net assets.....</b>	<b>67,589</b>	<b>190,338</b>	<b>(16,010)</b>	<b>199,786</b>	<b>(8,771)</b>	<b>432,932</b>
<b>Total net assets - beginning of the year.....</b>	<b>2,105,564</b>	<b>498,605</b>	<b>21,957</b>	<b>2,543,260</b>	<b>120,523</b>	<b>5,289,909</b>
<b>Total net assets - end of the year.....</b>	<b>\$2,173,153</b>	<b>\$ 688,943</b>	<b>\$ 5,947</b>	<b>\$2,743,046</b>	<b>\$111,752</b>	<b>\$5,722,841</b>

The accompanying notes to the financial statements are an integral part of this financial statement.

**STATE OF MARYLAND**  
**Statement of Cash Flows**  
**Enterprise Funds**  
**For the Year Ended June 30, 2011**  
*(Expressed in Thousands)*

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland State Lottery Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
<b>Cash flows from operating activities:</b>						
Receipts from customers .....	\$ 454,182	\$ 994,437	\$1,828,387	\$ 542,933	\$50,084	\$3,870,023
Payments to suppliers .....	(1,467)		(52,525)	(89,268)	(31,216)	(174,476)
Payments to employees.....	(13,808)		(12,813)	(125,396)	(17,448)	(169,465)
Program loan disbursements .....	(322,565)					(322,565)
Other receipts .....	96,872			13,434	3,178	113,484
Other payments .....	(257,964)	(1,640,674)	(197,425)		(2,912)	(2,098,975)
Lottery prize payments .....			(1,027,848)			(1,027,848)
Net cash from operating activities.....	(44,750)	(646,237)	537,776	341,703	1,686	190,178
<b>Cash flows from non-capital financing activities:</b>						
Proceeds from the sale of revenue bonds.....	203,086					203,086
Payment on revenue bonds .....	(304,582)	(133,841)		(59)		(438,482)
Interest payments .....	(141,341)					(141,341)
Transfers in.....	109,441					109,441
Transfers out.....	(46,966)		(564,612)		(3,059)	(614,637)
Grants.....	93,104	788,457				881,561
Lottery installment payments .....			(25,002)			(25,002)
Net cash from non-capital financing activities.....	(87,258)	654,616	(589,614)	(59)	(3,059)	(25,374)
<b>Cash flows from capital and related financing activities:</b>						
Proceeds from other long-term debt .....			108			108
Proceeds from notes payable and revenue bonds .....				681,722		681,722
Principal paid on notes payable and revenue bonds ...				(71,450)		(71,450)
Interest payments .....			(120)	(124,624)		(124,744)
Proceeds from sale of capital assets.....				163	78	241
Acquisition of capital assets .....				(717,003)	(894)	(717,897)
Payments of capital lease obligations.....			(1,166)			(1,166)
Transfers in.....					138	138
Net cash from capital and related financing activities .....			(1,178)	(231,192)	(678)	(233,048)
<b>Cash flows from investing activities:</b>						
Purchase of investments .....	(73,848)		(702)	(4,954,954)		(5,029,504)
Proceeds from maturity and sale of investments .....	203,450		25,002	4,875,094		5,103,546
Interest on investments.....	12,839	7,752	6	5,393	2,051	28,041
Net cash from investing activities .....	142,441	7,752	24,306	(74,467)	2,051	102,083
Net changes in cash and cash equivalents.....	10,433	16,131	(28,710)	35,985		33,839
Balance - beginning of the year .....	602,395	456,988	34,006	425,335		1,518,724
Balance - end of the year .....	\$612,828	\$ 473,119	\$5,296	\$ 461,320	\$ -	\$1,552,563

**STATE OF MARYLAND**  
**Statement of Cash Flows**  
**Enterprise Funds**  
**For the Year Ended June 30, 2011**

(Continued)

(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland State Lottery Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Reconciliation of operating income (loss) to net cash from operating activities:						
Operating income (loss) .....	\$ 25,179	\$(605,871)	\$574,508	\$259,064	\$(7,630)	\$ 245,250
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation and amortization.....	15		7,257	45,354	1,476	54,102
Deferred prize payment.....			702			702
Effect of changes in non-cash operating assets and liabilities:						
Equity in pooled invested cash .....	(54,245)		(49,493)		(350)	(104,088)
Investments .....	618					618
Other accounts receivable .....	(20,308)	(29,839)	(1,818)	1,570	(4,740)	(55,135)
Due from other funds .....	(1,024)	426		8,544		7,946
Inventories.....				(145)	986	841
Loans and notes receivable.....	(11,645)				31	(11,614)
Other assets .....			(14)		(105)	(119)
Accounts payable and accrued liabilities.....	9,391	(10,953)	(22,610)	(5,708)	857	(29,023)
Due to other funds .....	(990)		28,636	31,540		59,186
Accrued insurance on loan losses .....	2,456				10,447	12,903
Other liabilities .....	4,352		49	2,558	(240)	6,719
Unearned revenue .....	1,451		559	(1,074)	954	1,890
Total adjustments .....	(69,929)	(40,366)	(36,732)	82,639	9,316	(55,072)
Net cash from operating activities.....	\$(44,750)	\$(646,237)	\$537,776	\$341,703	\$ 1,686	\$ 190,178
Noncash transactions (amounts expressed in thousands):						
Unrealized gain (loss) on investments.....	\$(8,823)		\$ (3,785)	\$ 1,834		
Additions to capital assets .....			40,792	4,321		

The accompanying notes to the financial statements are an integral part of this financial statement.

**STATE OF MARYLAND**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2011**  
*(Expressed in Thousands)*

	Pension and Other Employee Benefits Trust Funds	Investment Trust Fund	Postretirement Health Benefits Trust Fund	Agency Funds
<b>Assets:</b>				
Cash and cash equivalents.....	\$ 2,011,806		\$ 6	\$ 117,493
Equity in pooled invested cash .....				605,982
<b>Investments:</b>				
U.S. Treasury and agency obligations .....	1,600,505	\$1,538,344	21,565	
Repurchase agreements .....		254,632		
Bonds .....	3,839,420		31,491	
Corporate equity securities .....	14,389,908		134,454	
Commercial paper.....		233,850		
Mortgage related securities .....	2,593,689			
Mutual funds.....	2,930,528	491,486		
Guaranteed investment contracts.....	751,498			
Real estate .....	1,324,351		21,263	
Annuity contracts.....	105,517			
Private equity .....	4,905,440			
Alternative investments .....	2,354,620			
Investments held by borrowers under securities lent with cash collateral.....	4,152,114			
<b>Total investments.....</b>	<b>38,947,590</b>	<b>2,518,312</b>	<b>208,773</b>	
Taxes receivable, net.....				93,879
Intergovernmental receivables.....				371,838
Other receivables .....	930,348	775		
Accounts receivable from State Treasury .....				550,000
Collateral for lent securities .....	4,244,956			
<b>Total assets.....</b>	<b>46,134,700</b>	<b>2,519,087</b>	<b>208,779</b>	<b>1,739,192</b>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities.....	1,573,830	289		164,776
Accounts payable to political subdivisions .....				1,574,416
Collateral obligation for lent securities .....	4,244,956			
<b>Total liabilities.....</b>	<b>5,818,786</b>	<b>289</b>		<b>1,739,192</b>
<b>Net assets:</b>				
<b>Held in trust for:</b>				
Pension benefits .....	37,758,906			
Deferred compensation benefits.....	2,557,008			
Local Government Investment Pool participants .....		2,518,798		
Postretirement health benefits .....			208,779	
<b>Total net assets .....</b>	<b>\$40,315,914</b>	<b>\$2,518,798</b>	<b>\$208,779</b>	<b>\$ -</b>

The accompanying notes to the financial statements are an integral part of this financial statement.

**STATE OF MARYLAND**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2011**  
*(Expressed in Thousands)*

	Pension and Other Employee Benefits Trust Funds	Investment Trust Fund	Postretirement Health Benefits Trust Fund
<b>Additions:</b>			
Contributions:			
Employers .....	\$ 662,970		
Members .....	687,684	\$5,871,312	
Sponsors .....	897,438		
Total contributions .....	<u>2,248,092</u>	<u>5,871,312</u>	
Investment earnings:			
Net increase in fair value of investments .....	5,587,655		\$ 35,440
Interest .....	403,916	5,523	29
Dividends .....	748,794		5,544
Real estate operating net earnings .....	22,478		
Total investment earnings .....	<u>6,762,843</u>	<u>5,523</u>	<u>41,013</u>
Less: investment expense .....	221,243	801	88
Net investment earnings .....	<u>6,541,600</u>	<u>4,722</u>	<u>40,925</u>
Total additions .....	<u>8,789,692</u>	<u>5,876,034</u>	<u>40,925</u>
<b>Deductions:</b>			
Benefit payments .....	2,774,437		
Distributions to participants .....		4,722	
Redemptions (unit transactions at \$1.00 per unit) .....		5,928,267	
Refunds .....	33,369		
Administrative expenses .....	35,819		
Total deductions .....	<u>2,843,625</u>	<u>5,932,989</u>	
Changes in net assets .....	5,946,067	(56,955)	40,925
Net assets - beginning of the year .....	<u>34,369,847</u>	<u>2,575,753</u>	<u>167,854</u>
Net assets - end of the year .....	<u>\$40,315,914</u>	<u>\$2,518,798</u>	<u>\$208,779</u>

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND  
COMPONENT UNIT FINANCIAL STATEMENTS

## **Major Component Units**

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### **Higher Education**

Higher education consists of the University System of Maryland, Morgan State University, St. Mary's College of Maryland and Baltimore City Community College and certain of their foundations. Because the universities and colleges are similar in nature and function, they have been combined and presented as a single component unit. The financial information for certain foundations affiliated with the universities and colleges has not been included in this fund in accordance with GASB Statement No. 14 as amended by GASB Statement No. 39.

### **Maryland Prepaid College Trust**

The Maryland Prepaid College Trust is a program of the College Savings Plans of Maryland and directed by the Board to provide a means for payment of the cost of tuition and mandatory fees in advance of enrollment at eligible institutions of higher education.

### **Maryland Stadium Authority**

The Maryland Stadium Authority was created as a body corporate and politic and as an independent unit of the Executive Department of the State of Maryland. The Authority's purpose is to acquire land and to construct, operate and/or manage various capital facilities in the State.

## **Non-major Component Units**

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### **Other Component Units**

Non-major component units are presented individually in the combining section following the footnotes.

**STATE OF MARYLAND**  
**Combining Statement of Net Assets**  
**Component Units**  
**June 30, 2011**

(Expressed in Thousands)

	Higher Education	Maryland Prepaid College Trust	Maryland Stadium Authority	Other Component Units	Total
<b>Assets:</b>					
Cash and cash equivalents .....	\$ 81,957	\$ 15,833	\$ 808	\$ 40,266	\$ 138,864
Equity in pooled invested cash .....	1,502,175	64	1,430	45,416	1,549,085
Investments .....	3,958	644,047		8,325	656,330
Endowment investments .....	203,071				203,071
Foundation investments .....	937,808				937,808
Tuition contracts receivable .....	54,409	180,183			234,592
Other accounts receivable .....	384,870	1,850	11,131	29,972	427,823
Due from primary government .....			3,764		3,764
Inventories .....	13,120				13,120
Prepaid items .....	7,149				7,149
Deferred charges .....	2,075		2,206		4,281
Loans and notes receivable, net .....	69,275		4,491	1,334	75,100
Investments in direct financing leases .....			213,815	776	214,591
Other assets .....	16,281		780	6,718	23,779
<b>Restricted assets:</b>					
Cash and cash equivalents .....	57,128		72	1,253	58,453
Investments .....	43,680		7,018	4,694	55,392
<b>Capital assets, net of accumulated depreciation:</b>					
Land .....	167,836			8,016	175,852
Art and historical treasures .....	371				371
Structures and improvements .....	3,558,856		142,527	42,991	3,744,374
Infrastructure .....	204,698			431	205,129
Equipment .....	414,542	42	9,401	6,260	430,245
Construction in progress .....	575,938			465	576,403
<b>Total assets .....</b>	<b>8,299,197</b>	<b>842,019</b>	<b>397,443</b>	<b>196,917</b>	<b>9,735,576</b>
<b>Liabilities:</b>					
Salaries payable .....	116,363				116,363
Accounts payable and accrued liabilities .....	163,297	361	10,706	31,126	205,490
Due to primary government .....	1,500				1,500
Unearned revenue .....	207,668	15,009	1,763	285	224,725
Accrued insurance on loan losses .....				4,031	4,031
Other liabilities .....	5,220			223	5,443
<b>Bonds and notes payable:</b>					
Due within one year .....	87,012		20,513	1,150	108,675
Due in more than one year .....	1,128,375		223,717	21,463	1,373,555
<b>Other noncurrent liabilities:</b>					
Due within one year .....	97,145	64,901	41	25,492	187,579
Due in more than one year .....	193,836	635,773	42,622	20,199	892,430
<b>Total liabilities .....</b>	<b>2,000,416</b>	<b>716,044</b>	<b>299,362</b>	<b>103,969</b>	<b>3,119,791</b>



	Higher Education	Maryland Prepaid College Trust	Maryland Stadium Authority	Other Component Units	Total
Net Assets:					
Invested in capital assets, net of related debt .....	\$ 3,739,760	\$ 42	\$ 119,632	\$ 31,204	\$3,890,638
Restricted:					
Debt service.....			3,985		3,985
Capital improvements and deposits.....		773	3,105	196	4,074
Nonexpendable:					
Scholarships and fellowships .....	243,515				243,515
Research.....	8,416				8,416
Other .....	376,289				376,289
Expendable:					
Debt service.....	4,573				4,573
Capital projects .....	10,195				10,195
Loans and notes receivable.....	74,227				74,227
Scholarships and fellowships .....	126,988				126,988
Research.....	99,270				99,270
Other .....	294,622				294,622
Unrestricted (deficit).....	1,320,926	125,160	(28,641)	61,548	1,478,993
Total net assets .....	\$6,298,781	\$125,975	\$ 98,081	\$92,948	\$6,615,785

The accompanying notes to the financial statements are an integral part of this financial statement.

**STATE OF MARYLAND**  
**Combining Statement of Activities**  
**Component Units**  
**For the Year Ended June 30, 2011**  
*(Expressed in Thousands)*

	Higher Education	Maryland Prepaid College Trust	Maryland Stadium Authority	Other Component Units	Total
<b>Expenses:</b>					
General and administrative.....		\$ 2,103	\$ 7,623	\$ 16,978	\$ 26,704
Operation and maintenance of facilities .....	\$ 346,921		19,938	97,640	464,499
Instruction.....	1,134,785				1,134,785
Research.....	972,135				972,135
Public service .....	149,645				149,645
Academic support .....	373,580				373,580
Student services .....	197,288				197,288
Institutional support .....	400,126				400,126
Scholarships and fellowships .....	109,933				109,933
Tuition benefits .....		62,791			62,791
Auxiliary .....	491,386				491,386
Hospitals.....	141,316				141,316
Interest on long-term debt .....	45,840		16,228	988	63,056
Depreciation and amortization.....		19	10,562	6,246	16,827
Foundation expenses.....	73,248				73,248
Other .....	2,033	16	45,586	17,517	65,152
<b>Total expenses .....</b>	<b>4,438,236</b>	<b>64,929</b>	<b>99,937</b>	<b>139,369</b>	<b>4,742,471</b>
<b>Program revenues:</b>					
Charges for services:					
Student tuition and fees (net of \$262,197 in allowances) .....	1,157,398				1,157,398
Auxiliary enterprises (net of \$34,049 in allowances) .....	532,292				532,292
Restricted investment earnings .....	116,715		6,214	34	122,963
Other .....	327,830	71,050	31,602	118,494	548,976
<b>Total charges for services.....</b>	<b>2,134,235</b>	<b>71,050</b>	<b>37,816</b>	<b>118,528</b>	<b>2,361,629</b>
Operating grants and contributions.....	1,443,111		22,035	25,677	1,490,823
Capital grants and contributions.....	230,359			1,348	231,707
<b>Total program revenues .....</b>	<b>3,807,705</b>	<b>71,050</b>	<b>59,851</b>	<b>145,553</b>	<b>4,084,159</b>
<b>Net program revenue (expense) .....</b>	<b>(630,531)</b>	<b>6,121</b>	<b>(40,086)</b>	<b>6,184</b>	<b>(658,312)</b>
<b>General revenues:</b>					
Grants and contributions not restricted					
to specific programs .....	1,180,919				1,180,919
Unrestricted investment earnings .....	89,265	114,694		1,149	205,108
Additions to permanent endowments.....	1,581				1,581
<b>Total general revenues and     additions to permanent endowments...</b>	<b>1,271,765</b>	<b>114,694</b>		<b>1,149</b>	<b>1,387,608</b>
Changes in net assets.....	641,234	120,815	(40,086)	7,333	729,296
Net assets - beginning of the year.....	5,657,547	5,160	138,167	85,615	5,886,489
Net assets - end of the year.....	\$6,298,781	\$125,975	\$ 98,081	\$ 92,948	\$6,615,785

The accompanying notes to the financial statements are an integral part of this financial statement.

**STATE OF MARYLAND**  
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**For the Year Ended June 30, 2011**

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**STATE OF MARYLAND**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

**1. Summary of Significant Accounting Policies:**

*A. Reporting Entity*

The accompanying financial statements include the various departments, agencies, and other organizational units governed by the General Assembly and/or Constitutional Officers of the State of Maryland (State).

As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the state government (primary government) and its component units (entities for which the State is considered to be financially accountable). The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include the State appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

*Discrete Component Units*

The discretely presented component units are those entities which are legally separate from the State, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The Component Units column of the government-wide financial statements includes the financial data of the following major component units. Individual statements are presented for each component unit.

Higher Education (Proprietary Fund Type) – Higher Education consists of the University System of Maryland, Morgan State University, St. Mary's College of Maryland and Baltimore City Community College and certain of their foundations. Each entity is governed by its own Board of Regents, or Board of Trustees, whose members are appointed by the Governor. The universities and colleges are funded through State appropriations, tuition, Federal grants, and private donations and grants. Because the universities and colleges are similar in nature and function, they have been combined and presented as a single discretely presented component unit. Some of the financial information for foundations affiliated with the universities and colleges has not been included with the financial information of the universities and colleges in accordance with the requirements of GASB Statement No. 14 as amended by GASB Statement No. 39.

The Maryland Prepaid College Trust (Proprietary Fund Type) is a program of the College Savings Plans of Maryland and directed by its Board. The Board consists of five State officials and five members of the public appointed by the Governor. The Maryland Prepaid College Trust provides a means for payment of the cost of tuition and mandatory fees in advance of enrollment at eligible institutions of higher education. If the Trust's contract obligations exceed the market value of Trust assets, State appropriations may be provided.

Maryland Stadium Authority (Proprietary Fund Type) - The Maryland Stadium Authority (Authority) was created as a body corporate and politic and as an independent unit of the Executive Department of the State. The Authority's purpose is to acquire land and to construct, operate and/or manage various capital facilities in the State. The Authority's Board consists of seven members, of which, six are appointed by the Governor, with the advice and consent of the State Senate, and one whom is appointed by the Mayor of Baltimore City, with the advice and consent of the State Senate. The Maryland State Legislature and the Board of Public Works (consisting of the Governor, Comptroller and Treasurer) have approved all of the projects and bond issuances of the Authority.

The non-major component units are comprised of the following proprietary fund type entities.

The Maryland Food Center Authority (Authority) is a body corporate and politic, the governing board of which is composed of twelve members. Four members are State officials, and eight members are appointed by the Governor.

The Authority has statewide jurisdiction to promote the State's welfare by undertaking real estate development and management activities that facilitate the wholesale food industry activity in the public interest. It is subject to State regulations and approvals and has received State subsidies.

The Maryland Environmental Service (Service) was created as a body corporate and politic and is governed by a nine-member Board of Directors. The Board of Directors and the officers of the Service are appointed and/or approved by the Governor. The Service helps private industry and local governments manage liquid, solid and hazardous wastes. In accordance with direction from the Governor, the Service plans and establishes major resource recovery facilities, solid waste management plans and hazardous waste management programs.

The Maryland Industrial Development Financing Authority (MIDFA) was established as a body corporate and politic and a public instrumentality of the State. The Authority consists of nine members, the Secretary of the Department of Business and Economic Development, or his designee, the State Treasurer or the State Comptroller, as designated by the Governor; and seven members appointed by the Secretary of the Department of Business and Economic Development and approved by the Governor. The MIDFA is subject to the authority of the Secretary and subject to State finance regulations. It provides financial assistance to enterprises seeking to locate or expand operations in Maryland.

The Maryland Technology Development Corporation (Corporation) was established as a body corporate and politic and a public instrumentality of the State. The Corporation's Board of Directors consists of 15 individuals, the Secretary of the Department of Business and Economic Development and 14 members appointed by the Governor with the advice and consent of the Senate. Its budget is submitted to and approved by the State, and its major revenue source is State appropriations. The Corporation was created to assist in transferring to the private sector and commercializing the results and products of scientific research and development conducted by the colleges and universities and to assist in the commercialization of technology developed in the private sector. The Corporation administers the Maryland Technology Incubator Program and the Maryland Stem Cell Research Fund.

Complete financial statements of the individual component units and the Local Government Investment Pool of the Investment Trust Fund may be requested from the Comptroller of Maryland, LLG Treasury Building, Annapolis, Maryland 21404.

#### *Related Organizations*

The Maryland Economic Development Corporation (MEDCO), Injured Workers' Insurance Fund and the Maryland Automobile Insurance Fund are related organizations of the State. The Governor appoints a majority of the Board of Directors, but the State does not have the ability to impose its will on the organizations, and there is no financial benefit/burden relationship. As of June 30, 2011, the Economic Development Loan Programs, major enterprise funds, had transactions with MEDCO that included loans, investments and grants totaling \$22,470,000. The Maryland Industrial Development Financing Authority (MIDFA) provides insurance as a credit enhancement for transactions of MEDCO. As of June 30, 2011, the insurance outstanding on MEDCO's transactions insured by MIDFA, an other component unit, was \$176,000.

#### *B. Government-wide and Fund Financial Statements*

The State's government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all nonfiduciary activities of the primary government and its component units. Interfund activity has been eliminated from these statements except for certain charges for services between activities that would distort the direct costs and program revenues reported for the applicable functions. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Expenses reported for functional activities include allocated indirect expenses. Program revenues include 1) charges to customers or applicants

who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements as those assets are not available to support government programs. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### *C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund (other than the agency funds), financial statements. The agency funds are reported using the accrual basis of accounting, but have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers all revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to retirement costs, other post-employment benefits, compensated absences, pollution remediation and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The State reports the following major governmental funds:

#### *General Fund:*

Transactions related to resources obtained and used for those services traditionally provided by a state government, which are not accounted for in other governmental funds, are accounted for in the general fund. These services include, among other items, general government, health and mental hygiene, education (other than higher education institutions), human resources, public safety, judicial, labor, licensing and regulation, natural resources and recreation, housing and community development, environment, agriculture, and business and economic development. Resources obtained from Federal grants and used for general fund activities consistent with applicable legal requirements, are recorded in the general fund.

#### *Special Revenue Fund, Maryland Department of Transportation:*

Transactions related to resources obtained, the uses of which are committed for specific purposes, are accounted for in the special revenue fund. The Maryland Department of Transportation special revenue fund accounts for resources used for operations (other than debt service and pension activities) of the Maryland Department of Transportation, including construction or improvement of transportation facilities and mass transit operations.

#### *Enterprise Funds:*

Transactions related to commercial types of activities operated by the State are accounted for in the enterprise funds. The enterprise funds differ from governmental funds in that the focus is on the flow of economic resources, which, together with the maintenance of equity, is an important financial indicator.

The major enterprise funds are as follows.

1. The Economic Development Loan Programs includes the direct loan programs of the Maryland Departments of Housing and Community Development, Business and Economic Development and Environment.
2. The Unemployment Insurance Program reflects the transactions, assets, liabilities and net assets of the Unemployment Insurance Program and is used to account for the unemployment taxes collected from employers, Federal revenue received and remittance of benefits to the unemployed.
3. The Maryland State Lottery Agency operates the State Lottery and regulates the operation of video lottery terminal (VLT) casinos.
4. The Maryland Transportation Authority is responsible for the operation and maintenance of toll roads, bridges and tunnels in the State.

*Fiduciary Funds:*

1. The Pension and Other Employee Benefits Trust Fund (Pension Trust Fund) includes the Maryland State Retirement and Pension System, the Maryland Transit Administration Pension Plan, and the Deferred Compensation Plan. The Pension Trust Fund reflects the transactions, assets, liabilities and net assets of the plans administered by the State and is accounted for using the flow of economic resources measurement focus. The Deferred Compensation Plan, which is reported as of and for its period ended December 31, accounts for participant earnings deferred in accordance with Internal Revenue Code Sections 457, 403(b), 401(a), and 401(k). Amounts deferred are invested and are not subject to Federal income taxes until paid to participants upon termination or retirement from employment, death or for an unforeseeable emergency.
2. The Investment Trust Fund reflects the transactions, assets, liabilities and net assets of the Maryland Local Government Investment Pool and is accounted for using the flow of economic resources measurement focus.
3. The Postretirement Health Benefits Trust Fund (OPEB Trust) accumulates funds to assist the State's Employee and Retiree Health and Welfare Benefits Program finance the State's postretirement health insurance subsidy. The OPEB Trust is administered by the Board of Trustees for the Maryland State Retirement and Pension System, and its transactions, assets, liabilities and net assets are accounted for using the flow of economic resources measurement focus. The assets of the Pension and OPEB Trusts are not pooled for investment purposes, and each trust's assets may be used only for the payment of benefits to the trust's members in accordance with the terms of the trust.
4. The agency funds are custodial in nature and do not present the results of operations or have a measurement focus. The State uses agency funds to account for the receipt and disbursement of litigants, patient and prisoner accounts, various taxes collected by the State for distribution to political subdivisions and amounts withheld from employees' payroll.

*D. New Pronouncements*

The GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, in December 2010, effective for financial statements for periods beginning after December 15, 2011. The State has early implemented this statement. The GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, in December 2009, effective for financial statements for periods beginning after June 15, 2011. In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, and Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, effective for periods beginning after December 15, 2011 and June 15, 2012, respectively. In addition, in June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*, effective for periods beginning after December 15, 2011 and June 15, 2011, respectively. The State will implement these statements as of their effective dates. While the State is still in the process of determining the effect of implementing these GASB statements, they are not expected to have a material effect on the financial position of the State.

## 2. Significant Accounting Policies - Assets, Liabilities and Net Assets or Equity:

### A. All Funds:

#### *Deposits with Financial Institutions and Investments:*

The State Treasurer's Office operates a centralized cash receipt, investment and disbursement function for the majority of the State's funds as required by statute. Certain enterprise activities, pension funds, agency funds and component units are specifically exempted from this function in the law. Individual fund equity in pooled invested cash is reported as an asset on the balance sheets of those funds participating in the centralized cash receipt and disbursement function. Investment earnings accrue to those funds reporting equity in pooled invested cash only if the law specifically provides for the fund's accrual of interest earnings.

The State Treasurer's Office invests short-term cash balances on a daily basis primarily in U.S. Government obligations and money market mutual funds. Under the State Finance and Procurement Article of the Annotated Code of Maryland, Title 6, Subtitle 2, the State Treasurer may only invest in the following:

- Any obligation for which the United States Government has pledged its faith and credit for the payment of principal and interest.
- Any obligation that a United States agency issues in accordance with an act of Congress.
- Repurchase agreements that any of the above obligations secure.
- Certificates of deposits of Maryland financial institutions.
- Banker's acceptances.
- Money market mutual funds.
- Commercial paper.
- Maryland Local Government Investment Pool.
- Securities Lending Collateral.

In addition, bond sale proceeds may be invested in Municipal securities. Collateral must be at least 102% of the book value of the repurchase agreements and must be delivered to the State Treasurer's custodian for safekeeping. Investments are recorded at fair value and changes in fair value are recognized as revenue. Fair values are based on quotations from national security exchanges and security pricing services, or by the respective fund managers for securities which are not actively traded. Money market mutual funds and the Maryland Local Government Investment Pool are operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. Their fair values are based on a share price of \$1.00 per share. Investments maturing within 90 days of purchase are reported in the financial statements as cash and cash equivalents.

The Maryland State Retirement and Pension System (System), in accordance with State Personnel and Pensions Article Section 21-123 of the Annotated Code of Maryland, is permitted to make investments subject to the terms, conditions, limitations and restrictions imposed by the Board of Trustees of the System. The law further provides that no more than 25% of the assets that are invested in common stocks may be invested in nondividend paying common stocks. In addition, no investment in any one organization may constitute more than 5% of the total assets of the System. The System is authorized by Section 21-116 of the State Personnel and Pensions Article to establish and maintain the investment policy manual, which authorizes investing in all major sectors of the capital market in order to diversify and minimize total investment program risk. Such sectors include, but are not limited to, common stock, preferred stock, convertible securities, warrants and similar rights of U.S. and non-U.S. companies; private equity - direct/partnership/funds; real estate investment trusts; commingled real estate funds; directly owned real estate; fixed income obligations of the U.S. government and its states and local subdivisions, non-U.S. governments and their states and local subdivisions, U.S. and non-U.S. companies, and supra-national organizations; futures and options; foreign exchange forward and future contracts and options; equity index futures; and equity options.



Investments of the System, the Postretirement Health Benefits Trust Fund (OPEB Trust) and the Maryland Transit Administration (MTA) Pension Plan are stated at fair value. The investments of the OPEB Trust and the MTA Pension Plan are held and invested on their behalf by the System and are limited to those allowed for the System. For fixed income securities, fair value is based on quoted market prices provided by independent pricing services. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages and mortgage related securities are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Fair value for real estate investments is based on estimated current values and independent appraisals. Fair value for private equity investments and mutual funds (other than those funds traded on a national or international exchange) is based on information provided by the applicable fund managers.

State employees are offered participation in deferred compensation plans created in accordance with the Internal Revenue Code, Sections 401(a), 401(k), 403(b) and 457. The Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans is responsible for the implementation, maintenance and administration of the Plans. The Board has appointed a private company as the Plans' administrator. Assets of the Plans are held in trusts for the exclusive benefit of participating employees and their beneficiaries. Investments of the Plans are valued at cost plus interest credited which approximates fair value for fixed earnings investment contract pools and at fair value based on published quotations at each December 31, or net asset value as provided by the investment custodian, for variable earnings investments.

#### *Retirement Costs:*

Substantially all State employees participate in one of several State retirement systems. (See footnote 15.) The State also provides retirement benefits to teachers and certain other employees of its political subdivisions. Retirement costs have been provided on the accrual basis, based upon actuarial valuations, except that retirement expenditures for governmental funds represent amounts contributed by the State for the fiscal year.

#### *Other Post-Employment Benefit Costs:*

Substantially all State retirees may participate in the various health care plans offered by the State. (See footnote 16.) Post-employment health care costs have been provided on the accrual basis, based upon actuarial valuations, except that other post-employment expenditures for governmental funds represent amounts contributed by the State for the fiscal year.

#### *Accrued Self-Insurance Costs:*

The accrued self-insurance costs represent the State's liability for its various self-insurance programs. The State is self-insured for general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities and certain employee health benefits. The State records self-insurance expenses in the proprietary funds and discretely presented component units on an accrual basis and the modified accrual basis for the governmental funds. The long-term accrued self-insurance costs of the governmental funds, which are not expected to be funded with current resources, are reported in the government-wide financial statements.

#### *Annual Leave Costs:*

Principally all full-time employees accrue annual leave based on the number of years employed up to a maximum of 25 days per calendar year. Earned annual leave may be accumulated up to a maximum of 75 days as of the end of each calendar year. Accumulated earned but unused annual leave for general government employees is accounted for in the government-wide financial statements. Liabilities for accumulated earned but unused annual leave applicable to proprietary funds and component units are reported in the respective funds.

#### *Capital Assets:*

Capital assets, which include property, plant, art and historical treasures, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure acquired prior to June 30, 1980, is not reported. Capital assets are

defined by the government as assets with an initial, individual cost of more than \$50,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	5-50
Building improvements	5-50
Vehicles	3-25
Office equipment	3-10
Computer equipment	3-10
Computer software	5-10
Infrastructure	10-50

*Long-term Obligations:*

In the government-wide financial statements, and for proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

*Restricted Resources:*

When both restricted and unrestricted resources are available for use, it is the State’s policy to use restricted resources first, and then unrestricted resources as they are needed.

*Debt Refinancing:*

The gain or loss associated with debt refinanced is deferred and amortized to interest expense over the remaining life of the old debt or the life of the new debt whichever is shorter.

*Net Assets:*

Net assets are divided into three categories. Net assets invested in capital assets net of related debt is the capital assets less accumulated depreciation and outstanding principal of the related debt. Restricted net assets reflect restrictions on assets imposed by parties outside the State or imposed by the State by constitutional provisions or enabling legislation. Unrestricted net assets are total net assets of the State less net assets invested in capital assets net of related debt and restricted net assets. Unrestricted net assets are comprised mainly of cash, investments, loans and receivables.

*B. Governmental Funds:*

*Inventories and Prepaid Items:*

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements under the consumption method.

*Grants:*

Revenues from Federal reimbursement type grants are recognized when the related expenditures are incurred and the revenues are both measurable and available. The government considers all grant revenues to be available if they are collected within 60 days of the current fiscal period. Distributions of food stamp benefits are recognized as revenues and expenditures when the benefits are distributed to individual recipients.

*Income Taxes:*

The State accrues the net income tax receivable or records a deferred revenue based on estimated income tax revenues and refunds due relating to the fiscal year, that will not be collected or paid until after the fiscal year end. This accrual is computed based on projected calendar year net tax collections, tax laws in effect, future projections and historical experience.

*Sales and Use Taxes:*

The State accrues June sales taxes that are not remitted at year end as a receivable. These taxes are considered measurable and available since they represent June collections that are remitted to the State in July by merchants who collect the related sales tax.

*Property Taxes:*

The State levies an annual tax for the fiscal year beginning July 1 and ending June 30 on all real property subject to taxation, due and payable each July 1 and December 1 (lien dates), based on assessed values as of the previous January 1, established by the State Department of Assessments and Taxation at 100% of estimated market value. Each of the counties, Baltimore City and incorporated municipalities establish rates and levy their own tax on such assessed values. The State tax rate in fiscal year 2011 was 11.2¢ per \$100 of assessed value. Unpaid property taxes are considered in arrears on October 1 and January 1, respectively, and penalty and interest of 1% is assessed for each month or fraction of a month that the taxes remain unpaid. Property taxes are accrued to the extent they are collected within 60 days of year end.

*Escheat Property:*

Escheat property is property that reverts to the State's general fund in the absence of legal claimants or heirs. The escheat activity is reported in the general fund. An asset is recognized in the period when the legal claim to the assets arises or when the resources are received, whichever occurs first, and a liability is recognized for the estimated amount that ultimately will be reclaimed and paid.

*Intergovernmental Expenditures:*

General, special revenue and capital projects fund revenues paid to political subdivisions, and bond proceeds granted to political subdivisions, are recorded as intergovernmental expenditures if such payments do not require mandatory use for specific functions. Direct grants and other payments to, or on behalf of, political subdivisions are recorded as current expenditures.

*Capital Assets:*

Expenditures for capital assets are reported as capital outlays in the governmental funds.

*Compensated Absences:*

It is the State's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the State does not have a policy to pay any amounts when employees separate from service with the government. A liability for vacation pay amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

### *Fund Equity:*

Fund balance for governmental funds is reported in categories and classifications that are presented in order of constraints on the specific purposes for which amounts in that fund can be spent. Nonspendable fund balance represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Spendable fund balance is classified as restricted, committed, assigned, or unassigned. Amounts are reported as restricted when spending constraints are (a) externally imposed or (b) imposed by the government by constitutional provisions or enabling legislation. Committed fund balance includes amounts committed for specific purposes by formal action of the government's highest level of decision-making authority. In Maryland, the uses of these funds are established in statute after appropriate action by the General Assembly and the Governor. Assigned fund balance is intended spending expressed by (a) the governing body or (b) a body or official to which the governing body has delegated the authority to assign amounts. The Governor is authorized to assign current year funds for appropriation in the subsequent year's budget pursuant to budgetary policies adopted by the General Assembly. Unassigned fund balance is the residual classification for the general fund.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balance is available, the State considers committed, assigned, and unassigned amounts to have been spent in that order.

### *C. Enterprise Funds, Fiduciary Funds and Component Units:*

#### *Basis of Accounting:*

The accounts of the enterprise funds, fiduciary funds and component units are maintained and reported using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Enterprise funds and component units distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### *Cash and Cash Equivalents:*

The enterprise funds consider all highly liquid investments that mature within 90 days of purchase to be cash and cash equivalents for reporting on the statement of cash flows.

#### *Grants:*

Revenues from Federal reimbursement type grants are recorded when the related expenses are incurred.

#### *Capital Assets:*

Capital assets are stated at cost. Depreciation of the cost of capital assets is provided on the straight-line basis over estimated useful lives of 5 to 50 years for depreciable real property and building improvements, and 3 to 10 years for equipment. Construction period interest is capitalized. Repairs and maintenance are charged to operations in the period incurred. Replacements, additions and betterments are capitalized.

#### *Lottery Revenues, Prizes and Related Transfers:*

Revenues and prizes of the Maryland State Lottery Agency (Lottery) are primarily recognized when drawings are held. Certain prizes are payable in deferred installments. Such liabilities are recorded at the present value of amounts payable in the future. State law requires the Lottery to transfer to the State revenues in excess of amounts allocated to prize awards, operating expenses and capital expenditures. The excess revenues from certain select games are transferred to the State's general fund, which then transfers the amounts to the Maryland Stadium Authority for operations and to cover the State's capital lease payments to the Maryland Stadium Authority.

Video lottery terminals (VLTs) are a self activated video version of lottery games. The Lottery recognizes VLT revenue as gross terminal revenue equivalent to all wagers, net of related prizes. Licensed casino operators receive 33% of the gross terminal revenue to operate their casinos, which is recorded as an operating expense by the Lottery. After deducting operating costs, State law requires the Lottery to disburse the remainder of the gross terminal revenue to various general fund agencies, which are responsible for making further distributions. These distributions are recorded as non-operating expenses by the Lottery.

*Provisions for Insurance and Loan Losses:*

Current provisions are made for estimated losses resulting from insuring loans and uncollectible loans. Loss provisions are based on the current status of insured and direct loans, including delinquencies, economic conditions, loss experience, estimated value of collateral and other factors which may affect their realization.

*Inventories:*

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

**3. Deposits with Financial Institutions and the U.S. Treasury, Equity in Pooled Invested Cash and Investments:**

Cash and cash equivalents, equity in pooled invested cash and investments as shown on the basic financial statements as of June 30, 2011, reconcile to cash deposit and investment disclosures as follows (amounts expressed in thousands).

Government-wide statement of net assets:	
Cash and cash equivalents .....	\$ 370,316
Equity in pooled invested cash.....	3,782,540
Investments.....	2,393,084
Collateral for lent securities.....	325,004
Restricted cash and cash equivalents .....	1,505,458
Restricted equity in pooled invested cash .....	162,136
Restricted investments .....	1,173,842
Statement of fiduciary net assets:	
Cash and cash equivalents .....	2,129,305
Equity in pooled invested cash.....	605,982
Investments.....	41,674,675
Collateral for lent securities.....	<u>4,244,956</u>
Total cash and cash equivalents and investments per basic financial statements ....	58,367,298
Less: Cash and cash equivalents and investments of higher education foundations not subject to disclosure .....	<u>992,220</u>
Total cash and cash equivalents and investments per Note 3 .....	\$ 57,375,078
Cash deposits:	
Governmental funds .....	\$ 119,047
Enterprise funds.....	513,242
Fiduciary funds.....	296,195
Component units.....	85,396
Investments:	
Governmental funds .....	5,067,190
Enterprise funds.....	2,568,967
Fiduciary funds.....	47,752,741
Component units.....	<u>972,300</u>
Total cash deposits and investments .....	\$ 57,375,078

Cash and cash equivalents for financial statement presentation include short-term investments maturing within 90 days

of purchase. Investments for financial statement presentation include certificates of deposit maturing 90 days or more from date of purchase.

*A. Cash Deposits:*

As of June 30, 2011, the carrying value for the bank deposits of the governmental funds, enterprise funds, fiduciary funds and component units were \$119,047,000, \$513,242,000, \$296,195,000 and \$85,396,000, respectively. The bank balances were \$119,047,000, \$525,028,000, \$296,195,000, and \$96,507,000, respectively.

*Custodial Credit Risk.* Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name. State law permits the Treasurer to deposit in a financial institution in the State, unexpended or surplus money in which the Treasurer has custody if (a) the deposit is interest bearing; (b) the financial institution provides collateral that has a market value that exceeds the amount by which a deposit exceeds the deposit insurance; and (c) a custodian holds the collateral.

The Economic Development Loan Programs and higher education component unit do not have a deposit policy for custodial credit risk. As of June 30, 2011, \$38,000 and \$1,769,000, respectively, of their bank balances were exposed to custodial credit risk as uninsured and uncollateralized. The Maryland Prepaid College Trust does not have a policy for custodial credit risk. As of June 30, 2011, \$14,121,000 of its bank balances were exposed to custodial credit risk as uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Trust's name.

*B. Investments:*

The State discloses investment risks as follows:

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

*Custodial Credit Risk.* Custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name.

*Foreign Currency Risk.* Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

*1. Investments-Governmental Funds:*

The State Treasurer's Office is authorized to make investments as stated in footnote 2.A.

Investments are stated at fair value that is based on quoted market prices. The investments and maturities as of June 30, 2011, for the governmental funds of the primary government are as follows (amounts expressed in thousands).

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1 - 3	More than 3
U.S. agencies (a) .....	\$ 3,850,194		\$ 104,341	\$3,745,853 (b)
Repurchase agreements .....	670,771	\$ 652,419		18,352
Local Government Investment Pool .....	<u>221,221</u>	<u>221,221</u>		
Total investments.....	4,742,186	873,640	104,341	3,764,205
Collateral for lent securities .....	<u>325,004</u>	<u>325,004</u>		
Total investments and collateral for lent securities .....	\$5,067,190	\$ 1,198,644	\$ 104,341	\$3,764,205

(a) Investments held by broker dealers under securities lending program were \$247,953,000.

(b) Bonds in the amount of \$3,634,892,000, mature April 2015 to June 2016, but are callable July 2011 to May 2012.

*Interest Rate Risk.* The State Treasurer's Office's investment policy states that to the extent possible, it will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Treasurer's Office will not directly invest in securities maturing more than five years from the date of purchase. Sinking fund investments with guaranteed earnings to redeem term bonds beginning in fiscal year 2016 were \$18,352,000.

*Credit Risk.* State law requires that the governmental funds' repurchase agreements be collateralized by U.S. Treasury and agency obligations. In addition, investments are made directly in U.S. agency obligations. Obligations of the Federal National Mortgage Association, Federal Farm Credit Bank, and Federal Home Loan Mortgage Corporation are rated Aaa by Moody's and AAA by Standard & Poor's and Fitch. Obligations of the Federal Home Loan Bank are rated Aaa by Moody's and AAA by Standard & Poor's. Obligations of the Federal Agricultural Mortgage Corporation are not rated. The Local Government Investment Pool is rated AAAm by Standard & Poor's.

*Concentration of Credit Risk.* The State Treasurer's Office's investment policy limits the amount of repurchase agreements to be invested with a particular institution to 30% of the portfolio. There is no other limit on the amount that may be invested in any one issuer. More than 5 percent of the governmental funds' investments are in the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Federal Home Loan Bank. These investments are 36.8%, 31.6%, and 18.8% of the governmental funds' total investments, respectively.

## 2. Investments - Enterprise Funds:

The enterprise funds' bond indentures and investment policies, with the exception of the Economic Development Loan Programs, authorize the investment of assets related to the indentures and other funds in obligations in which the State Treasurer may invest. The Economic Development Loan Programs are authorized to invest in obligations of the U.S. Treasury, U.S. government agencies, obligations of U.S. political subdivisions, bankers' acceptances, commercial paper, repurchase agreements, guaranteed investment contracts, corporate debt securities and mutual funds in accordance with bond indentures and in direct equity investments in accordance with the statute establishing the program.

Investments of the enterprise funds are stated at fair value, which is based on quoted market prices.

The investments and maturities as of June 30, 2011, for the enterprise funds of the primary government are as follows (amounts expressed in thousands).

Investment Type	Fair Value	Investment Maturities (in Years)				
		Less than 1	1 - 5	6-10	11-15	More than 15
U.S. Treasury obligations .....	\$ 592,694	\$ 125,264	\$ 27,656	\$2,129	\$11,400	\$426,245
U.S. Government agency obligations .....	751,310	367,735	374,985	2,493		6,097
Repurchase agreements .....	17,909					17,909
Commercial paper.....	97,971	97,971				
Guaranteed investment contracts.....	21,144		17,175	3,969		
Money market mutual funds .....	<u>945,631</u>	<u>945,631</u>				
Total .....	\$2,426,659	\$1,536,601	\$419,816	\$8,591	\$11,400	\$450,251

In addition to the investments scheduled above, as of June 30, 2011, the enterprise funds' investments also include the fair value of direct equity investments, \$50,867,000.

The State Lottery Agency, a major enterprise fund, invests in U.S. Treasury obligations and annuity contracts that provide for guaranteed payouts to jackpot prize winners and, therefore, have no interest rate risk to the Lottery. As of June 30, 2011, the fair value of these investments was \$91,132,000 and \$309,000, respectively. Of these investments, U.S. Treasury obligations held by broker dealers under the securities lending program were \$74,401,000.

*Interest Rate Risk.* The enterprise funds' policy for managing their exposure to fair value loss arising from increasing interest rates is to manage investment maturities so that they precede or coincide with the expected need for funds.

*Credit Risk.* The investment policies of the enterprise funds require that repurchase agreements are collateralized by U.S. Treasury and agency obligations. The policies also require that money market mutual funds contain only U.S. Treasuries or agencies or repurchase agreements secured by these or that they receive the highest possible rating from at least one nationally recognized securities rating organization. Commercial paper is required to be rated A-1, P-1. According to the indenture and investment policy of the Economic Development Loan Programs, investments must be rated no lower than the rating on the Loan Programs' bonds or F1/P1 for the issuer's short-term accounts or securities. The rating on the Loan Programs' bonds as of June 30, 2011, was Aa by Moody's and AA by Fitch.

As of June 30, 2011, the enterprise funds had the following investments and quality ratings (amounts expressed in thousands).

Investment Type	Fair Value	Quality Rating	Rating Organization	Percentage of Total Investments
U.S. Government agency obligations.....	\$ 751,310	AAA/Aaa	S&P/Moody's	29.3%
Money market mutual funds .....	945,631	AAAm/Aaa	S&P/Moody's	36.8
Repurchase agreements-underlying securities .....	17,909	AAA/Aaa	S&P/Moody's	.7
Commercial paper.....	97,971	A1/P1	S&P	3.8
Guaranteed investment contracts.....	11,200	Aaa	Moody's	.4
Guaranteed investment contracts.....	<u>9,944</u>	Aa	Moody's	<u>.4</u>
Total.....	\$1,833,965			71.4%

*Concentration of Credit Risk.* The enterprise funds place no limit on the amount they may invest in any one issuer of U.S.



Government agency obligations. More than 5% of the enterprise funds' investments are in obligations of the Federal Home Loan Bank and Federal National Mortgage Association. These investments are 12.9% and 7.3% of the enterprise funds' total investments, respectively.

3. Investments - Fiduciary Funds:

The Pension and OPEB Trust Funds are authorized to make investments as stated in footnote 2.A.

The Maryland Local Government Investment Pool is authorized by Article 95, Section 22G, of the Annotated Code of Maryland to invest in any instrument in which the State Treasurer may invest. Investments of the Pool are stated at fair value. Securities are valued daily on an amortized cost basis which approximates market value. Money market funds are valued at the closing net asset value per share on the day of valuation.

The investments and maturities as of June 30, 2011, for the fiduciary funds of the primary government were as follows (amounts expressed in thousands).

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Treasury notes and bonds .....	\$ 3,146,770	\$ 301,986	\$1,171,000	\$ 785,177	\$ 888,607
U.S. Treasury strips.....	38,035				38,035
U.S. Government agency obligations.....	1,693,452	1,422,308	177,915	78,679	14,550
Repurchase agreements .....	254,632	254,632			
Commercial paper.....	233,850	233,850			
Guaranteed investment contracts (a).....	751,498		751,498		
Corporate bonds.....	2,222,203	120,019	790,801	948,357	363,026
International bonds.....	1,071,732	67,135	243,394	394,623	366,580
Other government bonds .....	650,857	60,909	233,830	177,976	178,142
Mortgage-backed securities .....	2,628,169	516	10,732	95,463	2,521,458
Asset-backed securities.....	278,347	29	69,493	56,085	152,740
Bond mutual funds.....	137,531	6,067		131,464	
Swaps.....	(1,786)	(62)	356	(575)	(1,505)
Alternative investments .....	1,508,388	540,815	967,573		
Money market mutual funds .....	<u>2,314,980</u>	<u>2,311,476</u>	<u>3,504</u>		
Total investments.....	16,928,658	5,319,680	4,420,096	2,667,249	4,521,633
Collateral for lent securities .....	<u>4,244,956</u>	<u>4,244,956</u>			
Total investments and collateral for lent securities .....	\$21,173,614	\$9,564,636	\$4,420,096	\$2,667,249	\$4,521,633

(a) These investments are stated at contract value as of December 31, 2010. The fair value as of December 31, 2010, was \$751,880,000, and the wrapper value was \$638,000.

In addition to the investments scheduled above, as of June 30, 2011, the fiduciary funds' investments also include the fair value of stock mutual funds, \$2,792,997,000, corporate equity securities, \$16,575,392,000, private equity, \$4,905,440,000, real estate, \$1,345,614,000, annuity contracts, \$105,517,000, insurance contracts, \$3,691,000, and other investments, \$850,476,000.

*Interest Rate Risk.* As of June 30, 2011, the System had \$2.1 billion invested in mortgage pass-through securities. These investments are moderately sensitive to changes in interest rates because they are backed by mortgage loans in which the borrowers have the option of prepaying.

The Deferred Compensation Plans (Plans) invest in annuity contracts and insurance contracts that provide for guaranteed payouts to participants and, therefore, have no interest rate risk to the Plans. As of June 30, 2011, the fair value of these investments was \$105,517,000, and \$3,691,000, respectively.

The State Treasurer's Office manages the Local Government Investment Pool. The State Treasurer's investment policies state that no direct investment by the Pool may have a maturity date of more than 13 months after its acquisition.

*Credit Risk.* The investment policy of the System regarding credit risk is determined by each investment manager's mandate. The Local Government Investment Pool may invest in banker's acceptances and commercial paper rated only Tier 1 by at least one nationally recognized securities rating organization. As of June 30, 2011, the fiduciary funds' investments were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale (amounts expressed in thousands).

Investment Type	Fair Value	Quality Rating	Percentage of Total Investments
U.S. Government agency obligations.....	\$ 1,648,225	AAA	3.8%
U.S. Government agency obligations.....	8,346	AA	0.0
U.S. Government agency obligations.....	30,510	A	0.1
U.S. Government agency obligations.....	1,059	BAA	0.0
U.S. Government agency obligations.....	773	BBB	0.1
U.S. Government agency obligations.....	4,540	Unrated	0.0
Repurchase agreements-underlying securities.....	254,632	AAA	0.6
Money market mutual funds .....	524,597	AAA	1.2
Money market mutual funds .....	1,730,191	A	4.0
Money market mutual funds .....	60,192	Unrated	0.1
Commercial paper.....	233,850	AAA	0.5
Guaranteed investment contracts.....	747,100	AA	1.7
Guaranteed investment contracts.....	4,398	Unrated	0.0
Corporate bonds.....	174,664	AAA	0.4
Corporate bonds.....	132,958	AA	0.3
Corporate bonds.....	582,273	A	1.3
Corporate bonds.....	107,482	BAA	0.3
Corporate bonds.....	3,448	BA	0.0
Corporate bonds.....	647,653	BBB	1.5
Corporate bonds.....	205,695	BB	0.5
Corporate bonds.....	126,579	B	0.3
Corporate bonds.....	17,896	CAA	0.0
Corporate bonds.....	43,434	CCC	0.1
Corporate bonds.....	1,865	CC	0.0
Corporate bonds.....	2,076	C	0.0
Corporate bonds.....	173,226	Unrated	0.4
International bonds.....	548,904	AAA	1.3
International bonds.....	268,395	AA	0.6
International bonds.....	99,203	A	0.2
International bonds.....	1,194	BAA	0.0
International bonds.....	23,268	BBB	0.1
International bonds.....	3,928	BB	0.0
International bonds.....	2,304	B	0.0
International bonds.....	4,859	CCC	0.0
International bonds.....	119,677	Unrated	0.3
Other government bonds .....	111,241	AAA	0.3
Other government bonds .....	110,656	AA	0.3

Other government bonds .....	\$ 216,135	A	0.5
Other government bonds .....	28,181	BAA	0.1
Other government bonds .....	1,674	BA	0.0
Other government bonds .....	128,376	BBB	0.3
Other government bonds .....	10,646	BB	0.0
Other government bonds .....	7,998	B	0.0
Other government bonds .....	638	CAA	0.0
Other government bonds .....	35,311	Unrated	0.1
Mortgage-backed securities .....	1,792,899	AAA	4.1
Mortgage-backed securities .....	43,066	AA	0.1
Mortgage-backed securities .....	81,582	A	0.2
Mortgage-backed securities .....	6,042	BAA	0.0
Mortgage-backed securities .....	7,118	BA	0.0
Mortgage-backed securities .....	35,227	BBB	0.1
Mortgage-backed securities .....	7,247	BB	0.0
Mortgage-backed securities .....	17,675	B	0.0
Mortgage-backed securities .....	15,981	CAA	0.0
Mortgage-backed securities .....	41,872	CCC	0.1
Mortgage-backed securities .....	790	CC	0.0
Mortgage-backed securities .....	8,376	D	0.0
Mortgage-backed securities .....	570,291	Not rated	1.3
Asset-backed securities-other.....	130,943	AAA	0.3
Asset-backed securities-other.....	13,843	AA	0.0
Asset-backed securities-other.....	23,570	A	0.1
Asset-backed securities-other.....	2,993	BAA	0.0
Asset-backed securities-other.....	1,496	BA	0.0
Asset-backed securities-other.....	31,426	BBB	0.1
Asset-backed securities-other.....	8,231	BB	0.0
Asset-backed securities-other.....	11,224	B	0.0
Asset-backed securities-other.....	7,482	CAA	0.0
Asset-backed securities-other.....	26,189	CCC	0.1
Asset-backed securities-other.....	374	CC	0.0
Asset-backed securities-other.....	7,108	D	0.0
Asset-backed securities-other.....	13,468	Not rated	0.0
Bond mutual funds.....	137,531	Not rated	0.3
Swaps.....	(1,786)	Not rated	(0.0)
Alternative investments .....	<u>37,448</u>	Not rated	<u>0.1</u>
Total .....	\$ 12,269,956		28.2%

*Foreign Currency Risk.* The majority of the System's foreign currency-denominated investments are in equities. The System has an overlay program to minimize its currency risk.

The System's exposure to foreign currency risk as of June 30, 2011, is as follows (amounts expressed in thousands).

Currency	Equity	Fixed Income	Cash	Alternative Investments	Mutual Funds	Total
Argentine peso.....		\$ 215				\$ 215
Australian dollar.....	\$ 294,951	19,310	\$ 3,345	\$ 108,640		426,246
Brazilian real.....	93,653	112	791	2,254		96,810
Canadian dollar.....	393,901	32,054	3,995	34,103		464,053
Czech koruna.....	5,263		22			5,285
Danish krone.....	73,107		707			73,814
Egyptian pound.....	1,324					1,324
Euro currency.....	1,831,684	410,505	22,645	635,505		2,900,339
Hong Kong dollar.....	557,535	812	4,384	123,095		685,826
Hungarian forint.....	1,577		73			1,650
India rupee.....			(667)			(667)
Indonesian rupiah.....	24,994		140			25,134
Israeli shekel.....	17,812		320	69,174		87,306
Japanese yen.....	1,019,127	62,977	11,743	11,394		1,105,241
Malaysian ringgit.....	28,641		477			29,118
Mexican peso.....	28,888	763	794			30,445
New Russian ruble.....	1,080	400				1,480
New Taiwan dollar.....	75,218		2,581			77,799
New Turkish lira.....			136			136
New Zealand dollar.....	3,855	16,963	407			21,225
Norwegian krone.....	92,325		3,162			95,487
Pakistan rupee.....	740					740
Philippine peso.....	6,121		56			6,177
Polish zloty.....	35,024	19,602	75			54,701
Pound sterling.....	1,104,033	86,553	14,394	327,564		1,532,544
Singapore dollar.....	107,586		478	18,278		126,342
South African rand.....	67,013		980			67,993
South Korean won.....	225,105		1,756			226,861
Swedish krona.....	172,871	695	10,224	24,844		208,634
Swiss franc.....	464,883		19,571	7,455		491,909
Thailand baht.....	29,590		402			29,992
Turkish lira.....	32,371		71			32,442
Yuan renminbi.....		156	1	1,155		1,312
Multiple.....		795	12	204,241	\$1,029,872	1,234,920
Total.....	\$6,790,272	\$651,912	\$103,075	\$1,567,702	\$1,029,872	\$10,142,833

*Derivatives:*

Each System investment manager's guidelines determine the extent to which derivatives are permissible. Futures and other derivatives are permitted to the extent that they are used in a manner that does not materially increase total portfolio volatility or relate to speculative activities. Unleveraged derivatives are permitted for the purpose of hedging investment risk, to replicate an investment that would otherwise be made directly in the cash market or to modify asset exposure in tactical portfolio shifts. Use of derivatives is not permitted to materially alter the characteristics, including the investment risk, of each manager's account. The investment managers are to have in place, and use, procedures that subject derivative based strategies to rigorous scenario and volatility analysis. Futures and short option positions must be hedged with cash, cash equivalents or current portfolio security holdings.

A list of derivatives aggregated by investment type is as follows (amounts expressed in thousands).

	Changes in Fair Value		Fair Value as of June 30, 2011		Notional*
	Classification	Amount	Classification	Amount	
Commodity futures long	Investment revenue	\$ 106,777	Futures		\$ 81,082
Commodity futures short	Investment revenue	(45,006)	Futures		
Credit default swaps bought	Investment revenue	4,657	Swaps	\$ 1,040	239,565
Currency swaps	Investment revenue	(517)	Swaps	(513)	32,283
Fixed income futures long	Investment revenue	4,332	Futures		1,023,300
Fixed income futures short	Investment revenue	(29,003)	Futures		(734,750)
Fixed income options bought	Investment revenue	6	Options	39	10,600
Fixed income options written	Investment revenue	4,241	Options	(1,651)	(375,000)
Foreign currency options bought	Investment revenue	(915)	Options		
Foreign currency options written	Investment revenue	962	Options	(28)	(2,800)
Futures options bought	Investment revenue	(2,308)	Options		34,248
Futures options written	Investment revenue	12,104	Options		(5,794)
			Long term		
FX forwards	Investment revenue	(385,376)	instruments	(141,238)	
Index futures long	Investment revenue	31,666	Futures		827
Interest rate swaps	Investment revenue	(7,738)	Swaps	(2,064)	
Rights	Investment revenue	2,668	Common stock	371	2,597
Total return swaps bond	Investment revenue	198	Swaps	41	13,166
Warrants	Investment revenue	808	Common stock	6,479	1,322
Grand Totals		\$(302,444)		\$(137,524)	

\*Notional may be a dollar amount or size of underlying for futures and options, negative values refer to short positions

*Credit Risk.* The System is exposed to credit risk on derivative instruments that are in asset positions. To minimize its exposure to losses related to credit risk, the investment managers use counterparty collateral in their non-exchange-traded derivative instruments. Netting arrangements are also used when entering into more than one derivative instrument transaction with a counterparty. At the present time the System does not have a formal policy relating to counterparty collateral or netting arrangements.

The aggregate fair value of derivative instruments in asset positions as of June 30, 2011 was \$614,235,000. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform. The maximum loss would, however, be reduced by the counterparty collateral and the liabilities included in netting arrangements with counterparties.

The following tables list the fair value of credit exposure per ratings of Standard & Poor's (S&P), Moody's and Fitch for the counterparties (amounts expressed in thousands).

Fair Value	S&P Rating	Fair Value	Moody's Rating	Fair Value	Fitch Rating
\$381,032	AA	\$ 41,473	Aaa	\$463,568	AA
233,203	A	519,872	Aa	150,667	A
		52,890	A		
\$614,235		\$614,235		\$614,235	

Risk concentrations are presented in the table below.

Counterparty Name	Percentage of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
UBS AG London	22%	A	A	Aa
Barclays Bank PLC Wholesale	17	AA	AA	Aa
Royal Bank of Scotland PLC	13	A	AA	Aa
HSBC Bank PLC	12	AA	AA	Aa
JP Morgan Chase Bank	10	AA	AA	Aa
Westpac Banking Corporation	8	AA	AA	Aa
Toronto Dominion Bank	7	AA	AA	Aaa
BNP Paribas SA	4	AA	AA	Aa
Royal Bank of Canada (UK)	3	AA	AA	Aa
Societe Generale	2	A	A	Aa
Deutsche Bank AG London	1	A	AA	Aa

#### 4. Investments - Component Units:

Investment accounts established by higher education institutions relate principally to endowments and trust accounts required by debt instruments and are invested in accordance with the investment policies adopted by the Board of Trustees. In general, endowment resources can be invested in debt and equity securities, and trust accounts can be invested only in debt securities. These investments include U.S. Treasury and agency obligations, corporate debt and equity securities, asset-backed securities and mutual funds that invest in government securities. The investments of the higher education foundations are not included in the GASB Statement No. 40 disclosures below because the foundations are not required to and do not follow the statements of GASB.

One of the institutions, the University System of Maryland, transferred title to its endowment investments to its foundation in exchange for an equivalent proportionate interest in the long-term investment portfolio managed by the foundation. In June 2011, the institution entered into a new agreement with the foundation. The agreement is for a term of five years, with renewable two-year extensions at the option of the institution, unless notice of intent to terminate the arrangement is provided prior to the expiration of the term. If the agreement is terminated, funds invested with individual investment managers that have commitments from the foundation to maintain investments for certain minimum time periods may not be returned to the institution until those constraints have been satisfied. For reporting purposes, the foundation's investments have been reduced by the amount of the institution's investments with the foundation.

The Maryland Stadium Authority is restricted by the trust indenture for each bond issue as to the investments which can be made. Authorized investments under the indentures include U.S. Treasury and agency obligations, municipal obligations, banker's acceptances, and repurchase agreements.

Investments of the component units are stated at fair value, which is based on quoted market prices.

The investments and maturities as of June 30, 2011, for the component units were as follows (amounts expressed in thousands).

Investment Type	Fair Value	Investment Maturities (in Years)				
		Less than 1	1-5	6-10	11-15	More than 15
U.S. Treasury obligations.....	\$ 46,952	\$ 768	\$31,949	\$ 6,429		\$ 7,806
U.S. Government agency obligations.....	76,388	17,145	1,352	3,570	\$5,617	48,704
Commercial paper.....	23,390	23,390				
Bond mutual funds.....	11,650	11,650				
Corporate debt securities.....	90,171	3,031	31,164	22,846	1,075	32,055
Municipal bonds.....	7,657	5	527	1,649		5,476
Money market mutual funds.....	<u>87,139</u>	<u>87,139</u>				
Total.....	\$ 343,347	\$143,128	\$64,992	\$34,494	\$6,692	\$94,041

In addition to the investments scheduled above, as of June 30, 2011, the component units' investments include the fair value of stock mutual funds, \$251,103,000, corporate equity securities, \$144,294,000, real estate, \$34,901,000, and the share of assets invested with the foundation, \$198,655,000.

*Interest Rate Risk.* The policy of the higher education institutions for managing their exposure to fair value loss arising from increasing interest rates is to comply with their investment policy, which sets maximum maturities for various fixed income securities.

*Credit Risk.* The policy of the higher education institutions for reducing their exposure to credit risk is to require minimum quality ratings for fixed income securities. The investment policy of the Maryland Prepaid College Trust requires the average rating in each portfolio to be "A" or better. The trust indenture for each bond issuance by the Maryland Stadium Authority requires money market investments to be rated in the highest category by two nationally recognized securities rating organizations.

As of June 30, 2011, the component units had the following investments and quality ratings (amounts expressed in thousands).

Investment Type	Fair Value	Rating	Rating Organization	Percentage of Total Investments
U.S. agencies.....	\$2,846	AAA/Aaa	S&P & Moody's	.3%
U.S. agencies.....	73,542	Not rated		7.6
Commercial paper.....	23,390	Not rated		2.4
Money market mutual funds .....	76,263	Aaa	Moody's	7.8
Money market mutual funds .....	10,876	Not rated		1.1
Bond mutual funds.....	11,650	Not rated		1.2
Corporate debt securities .....	6,399	AAA/Aaa	S&P & Moody's	.7
Corporate debt securities .....	17,667	AA/Aa	S&P & Moody's	1.8
Corporate debt securities .....	20,413	A	S&P & Moody's	2.1
Corporate debt securities .....	30,474	Less than A	Moody's	3.1
Corporate debt securities .....	66	BBB	S&P & Moody's	.0
Corporate debt securities .....	15,152	Not rated		1.6
Municipal bonds.....	7,657	Aaa	Moody's	.8
Total .....	\$296,395			30.5%

*Concentration of Credit Risk.* The component units place no limit on the amount they may invest in U.S. Government issuers.

In addition to the Maryland Prepaid College Trust, the College Savings Plans of Maryland consists of the Maryland College Investment Plan, a fiduciary component unit. As of June 30, 2011, the Plan has \$2,449,120,000 of investments held in trust for individuals and organizations.

*C. Securities Lending Transactions:*

*1. Governmental and Enterprise Fund Types:*

Under Section 2-603 of the State's Finance and Procurement Article, the State lends U.S. Government securities to broker-dealers and other entities (borrowers). The State Treasurer's Office controls the program and authorizes all transactions. These transactions may involve certain investments held in the State treasury for the benefit of State agencies. The State's custodial bank manages the securities lending program by contracting with a lending agent who receives cash as collateral. The lending agent may use or invest cash collateral in accordance with the reinvestment guidelines approved by the State Treasurer's Office. Additionally, under the terms of the lending agreement, the lending agent indemnifies the State against any credit loss arising from investment of the collateral. The collateral will be returned for the same securities in the future. Cash collateral is initially pledged at greater than the market value of the securities lent and additional cash collateral has to be provided by the next business day if the

aggregate value of the collateral falls to less than 100 percent of the market value of the securities lent.

Securities on loan at year-end are owned by the general fund and the Maryland State Lottery Agency and are included in the preceding Investments Note 3.B. At year-end, the State has no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State. As of June 30, 2011, the fair value of the loaned securities and the related collateral were as follows (amounts expressed in thousands).

	Fair Value		Percent Collateralized
	Lent Securities	Collateral Received	
Securities-General fund.....	\$ 247,953	\$ 249,008	100.4%
Securities-Lottery Agency.....	<u>74,401</u>	<u>75,996</u>	<u>102.1</u>
Total.....	\$ 322,354	\$ 325,004	100.8%

Either the State or the borrower may terminate the lending agreements on demand. Lending agreements are usually short in duration. The duration of lending agreements is matched with the term to maturity of the investment of the cash collateral by investing only in repurchase agreements. Such matching existed at year-end. Investments made with cash received as collateral are included in the preceding Investments-Governmental Funds Schedule in 3.B.1.

The State's custodial bank is obligated to indemnify the State against liability for any suits, actions or claims of any character arising from or relating to the performance of the bank under the contract, except for liability caused by acts or omissions of the State.

The State did not experience any losses on their securities lending transactions for the year ended June 30, 2011.

2. *Fiduciary Funds:*

The Pension Trust Funds (Funds) participate in a securities lending program as permitted by the investment policies as approved by the Board of Trustees. The Funds' custodian lends specified securities to independent brokers in return for collateral of greater value. The preceding Investments – Fiduciary Funds Schedule in 3.B.3 includes securities lent at year-end for cash collateral and investments purchased with cash collateral.

Borrowing brokers must transfer in the form of cash or other securities, collateral valued at a minimum of 102% of the fair value of domestic securities and international fixed income securities, or 105% of the fair value of international equity securities on loan. Collateral is marked to market daily. If the fair value of the pledged collateral falls below the specified levels, additional collateral is required to be pledged by the close of the next business day. In the event of default by a borrowing broker, the Funds' custodial bank is obligated to indemnify the Funds if, and to the extent that, the fair value of collateral is insufficient to replace the lent securities. The Funds have not experienced any loss due to credit or interest rate risk on securities lending activity since inception of the program. As of June 30, 2011, the Funds had no credit risk exposure to borrowers because the fair value of collateral held for securities lent exceeded the fair value of the related securities, as follows (amounts expressed in thousands).

	Fair Value		Percent Collateralized
	Lent Securities	Collateral Received	
Fixed income securities.....	\$ 2,101,084	\$ 2,147,383	102%
Domestic equities.....	1,478,635	1,501,799	102
International equities.....	<u>572,395</u>	<u>595,774</u>	<u>104</u>
Total.....	\$ 4,152,114	\$ 4,244,956	102%



During fiscal year 2011, the Funds maintained the right to terminate securities lending transactions upon notice. Cash collateral is invested in one of the lending agent's short-term investment pools, which as of June 30, 2011, had an average duration of 39 days and an average final maturity of 125 days. Because the relationship between the maturities of the investment pools and the Fund's security loans is affected by the maturities of the loans made by other entities that use the agent's pools, the Funds cannot match maturities. The Funds cannot pledge or sell collateral securities received unless and until a borrower defaults.

#### 4. Receivables:

Taxes receivable, as of June 30, 2011, consisted of the following (amounts expressed in thousands).

	Major Governmental Funds		Non-Major Governmental Funds	Total Governmental Funds
	General	Special Revenue		
Income taxes .....	\$ 543,904			\$ 543,904
Sales and use taxes.....	405,928			405,928
Transportation taxes, principally motor vehicle fuel and excise.....		\$88,056		88,056
Other taxes, principally alcohol and property.....	49,656		\$ 17,184	66,840
Less: Allowance for uncollectibles.....	<u>43,851</u>			<u>43,851</u>
Taxes receivable, net .....	\$ 955,637	\$ 88,056	\$ 17,184	\$1,060,877

Tax revenues are reported net of uncollectible amounts. Total uncollectible amounts related to tax revenues of the current period were \$5,619,000.

Other accounts receivable in the governmental funds of \$587,097,000, including \$70,366,000, due in excess of one year, consisted of various miscellaneous receivables for transportation costs, collection of bills owed to the State's collection unit, Medicaid reimbursements, and child support and public assistance overpayments.

Other accounts receivable for the enterprise funds of \$448,907,000, primarily consisted of \$250,505,000, due to the Maryland Unemployment Program from employers and for benefit overpayments, and \$31,063,000, due to the Maryland State Lottery Agency for lottery ticket sale proceeds.

## 5. Deferred Revenue:

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds, enterprise funds and component units also defer revenue recognition in connection with resources that have been received, but not yet earned.

As of June 30, 2011, the various components of deferred revenue reported in the governmental funds and enterprise funds were as follows (amounts expressed in thousands).

	Unavailable	Unearned	Total
Tax receivables for revenues not considered available to liquidate liabilities of the current period (general fund).....	\$185,531		\$185,531
Other receivables for revenues not considered available to liquidate liabilities of the current period (general fund) .....	292,670		292,670
Other receivables for revenues not considered available to liquidate liabilities of the current period (other governmental funds).....	39		39
Receipts that have been received, but not earned (general fund)		\$231,074	231,074
Revenue in connection with resources that have been received, but not earned (special revenue fund		111,648	111,648
Revenue in connection with resources that have been received, but not earned (enterprise funds) .....		<u>20,397</u>	<u>20,397</u>
Total deferred/unearned revenue for governmental funds and enterprise funds.....	\$478,240	\$363,119	\$841,359

## 6. Loans and Notes Receivable and Investment in Direct Financing Leases:

### A. Loans and Notes Receivable:

Loans and notes receivable, as of June 30, 2011, consisted of the following (amounts expressed in thousands).

	Primary Government			Component Units			
	General	Special Revenue Department of Transportation	Non-major Governmental Funds	Enterprise	Higher Education	Stadium Authority	Other
Notes receivable:							
Political subdivisions:							
Water quality projects .....			\$ 2,476	\$ 850,117			
Public school construction.....			263				
Other .....		\$361	15				
Volunteer fire & rescue companies .....	\$ 9,267						
Permanent mortgage loans.....				3,048,405			
Student and health profession loans .....					\$77,960		
Shore erosion loans .....	7,626						
Other .....	<u>120</u>				<u>5,056</u>	<u>\$ 4,491</u>	<u>\$1,373</u>
Total .....	17,013	361	2,754	3,898,522	83,016	4,491	1,373
Less: Allowance for possible loan losses.....				<u>279,661</u>	<u>13,741</u>		<u>39</u>
Loans and notes receivable, net .....	17,013	361	2,754	3,618,861	69,275	4,491	1,334
Due within one year .....	<u>2,040</u>	<u>361</u>	<u>417</u>	<u>134,501</u>	<u>7,501</u>	<u>450</u>	<u>379</u>
Due in more than one year.....	\$14,973	\$ -	\$ 2,337	\$3,484,360	\$61,774	\$ 4,041	\$ 955

Certain notes receivable for advances of general obligation bond proceeds bear interest at rates ranging from 4.4% to 8.8% and mature within 22 years.

Water quality project loans consist of loans to various local governments and other governmental entities in the State for wastewater and drinking water projects under the United States Environmental Protection Agency's (EPA) Capitalization Grants for State Revolving Funds' Federal assistance program. The permanent mortgage loans consist of financing for single and multi-family projects, rental projects, small businesses, industrial sites and various other purposes. Student and health profession loans are made pursuant to student loan programs funded through the U.S. Government.

*B. Investment in Direct Financing Leases:*

*Enterprise Funds:*

As of June 30, 2011, the Maryland Transportation Authority (Authority) has direct financing leases with the State's Department of Transportation, the Washington Metropolitan Area Transit Authority (WMATA), and the general fund. The present value of the direct financing leases as of June 30, 2011, was \$374,521,000. As of June 30, 2011, the Authority held \$51,973,000 to be spent to complete assets under these direct financing leases. Lease payments receivable, including unearned interest for each of the five succeeding fiscal years and thereafter, including repayment of amounts to be spent, consisted of the following (amounts expressed in thousands).

2012 .....	\$ 26,189
2013 .....	27,294
2014 .....	28,484
2015 .....	18,119
2016 .....	18,999
2017-2021 .....	99,737
2022-2026 .....	115,505
2027-2031 .....	64,455
2032-2033 .....	<u>19,255</u>
Total .....	418,037
Unearned interest income .....	<u>8,457</u>
Total lease payments .....	426,494
Restricted investments related to unexpended bond proceeds .....	<u>51,973</u>
Net investments in direct financing leases .....	<u>\$374,521</u>

*Component Units:*

As of June 30, 2011, the Maryland Stadium Authority (Authority) has direct financing leases with the State. The present value of the direct financing leases as of June 30, 2011, is \$213,815,000. As of June 30, 2011, the Authority held \$5,456,000 to be spent to complete assets under these direct financing leases. Lease payments receivable, including unearned interest for each of the five succeeding fiscal years and thereafter, including repayment of amounts to be spent, consist of the following (amounts expressed in thousands).

2012 .....	\$ 31,745
2013 .....	31,758
2014 .....	31,850
2015 .....	30,615
2016 .....	25,652
2017-2021 .....	108,777
2022-2026 .....	<u>42,810</u>
Total .....	303,207
Less: Unearned interest income .....	<u>83,938</u>
Net lease payments .....	219,269
Restricted investments related to unexpended bond proceeds .....	<u>5,454</u>
Net investments in direct financing leases .....	<u>\$ 213,815</u>

## 7. Restricted Assets:

Certain assets of the governmental activities, business-type activities and component units are classified as restricted assets on the Statement of Net Assets. The purpose and amount of restricted assets as of June 30, 2011, are as follows (amounts expressed in thousands).

Amount	Purpose
Governmental Activities:	
\$ 23,447	Represents money restricted for the capital lease activity related to the BWI Airport projects
200,536	Represents State property taxes restricted to pay debt service on general obligation debt
<u>3,141</u>	Represents certificates of deposit linked to funds loaned under the State's housing loan program
<u>\$227,124</u>	
Business-type Activities:	
\$3,627,708	Assets of the Community Development Administration and the State Funded Loan Programs are restricted for various mortgage loans for low-income housing and local governments' public facilities
615,167	The purpose of the restricted assets is to secure the revenue bonds of the Maryland Water Quality Administration made for waste-water treatment systems and bay restoration
723,624	Restricted assets represent deposits with the U.S. Treasury and amounts due from employers to pay unemployment compensation benefits in accordance with Federal statute
94,665	This cash is held in separate annuity contracts and coupon bonds in the Maryland State Lottery Agency for winning lottery ticket payouts and escrow deposits from video lottery terminal license applicants
847,033	Cash and investments have been restricted in accordance with revenue bond debt covenants of the Maryland Transportation Authority for completion of capital projects and debt service
<u>\$5,908,197</u>	
Component Units:	
\$100,808	Restricted assets of higher education include funds held by the trustee for future construction projects and to pay debt service and cash restricted for endowment purposes
7,090	Restricted assets of Maryland Stadium Authority include cash and investments that relate to revenue bond indentures and master equipment lease financing agreements
5,947	Restricted assets include cash and investments that relate to revenue bond indentures and to restricted project funds for the provision of water supply and waste-water treatment by the Maryland Environmental Service
<u>\$113,845</u>	

## 8. Interfund Receivables and Payables:

Interfund balances, as of June 30, 2011, consisted of the following (amounts expressed in thousands).

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Fund	\$ 9,024 (a)
	Non-major governmental funds	43,798 (b)
	Enterprise Funds -	
	Economic Development Loan Programs	1,021 (c)
	Maryland State Lottery Agency	<u>89,671 (d)</u>
		<u>\$ 143,514</u>
Special Revenue Fund	General Fund	\$ 88,828 (e)
	Enterprise Funds -	
	Maryland Transportation Authority	<u>65,495 (f)</u>
		<u>\$ 154,323</u>
Non-major governmental funds	General Fund	<u>\$ 4,077 (g)</u>
Enterprise Funds -		
	Economic Development Loan Programs	
	General Fund	\$ 12,117 (h)
	Non-major governmental funds	10,010 (i)
Unemployment Insurance Program	General Fund	2,522 (h)
Maryland Transportation Authority	Special Revenue Fund	<u>4,345 (j)</u>
		<u>\$ 28,994</u>
Agency Fund -		
Local Income Taxes	General Fund	\$550,000 (k)

The receivable and payable transactions between the governmental funds and the enterprise funds are reported as due from and due to other funds. The receivable and payable transactions between the agency fund and the general fund are reported as accounts receivable from State treasury by the agency fund and due to other funds by the general fund.

The receivable and payable transactions between the Primary Government and Component Units, as of June 30, 2011, consist of the following (amounts expressed in thousands).

Receivable Fund	Payable Fund	Amount
General Fund	Higher Education Fund	<u>\$ 1,500</u>
Component Units -	Agency Fund -	
Maryland Stadium Authority	Local Transportation Funds and Other Taxes	\$ 3,764

The receivable and payable transactions between the general fund and component unit are reported as due from component units and due to primary government. The receivable and payable transactions between the component unit and agency fund are reported as due from primary government by the component unit and accounts payable and accrued liabilities by the agency fund.

- (a) The amount represents Transportation Trust Fund revenues transferred to the general fund in July and August, 2011.
- (b) This amount represents an overdraft in the non-major governmental funds' share of pooled invested cash.
- (c) The amount represents short term advances from the general fund for principal and interest payments.
- (d) The amounts represent monies collected by the Maryland State Lottery in June, 2011, and paid to the general fund in July, 2011.
- (e) The amount represents income and sales tax subsidies, interest income, return of unused administrative expenses and return of health insurance costs from the general fund.

- (f) The Maryland Transportation Authority collects fees for the special revenue fund. The money will be used to build and maintain special revenue fund infrastructure, structures and other improvements.
- (g) The amount represents Federal funds collected by the general fund on behalf of the non-major governmental funds.
- (h) These amounts represent receivable balances from general fund subsidies.
- (i) Bond funds collected by the capital projects fund on behalf of the economic development loan programs.
- (j) The Maryland Transportation Authority receives rent, interest income and fees for services from the special revenue fund.
- (k) The loans were made in accordance with Section 2-606 of Tax-General Article of the Annotated Code of Maryland from the reserve of unallocated tax revenue that the Comptroller estimates will be claimed and refunded to taxpayers within 3 years of the date that the income tax return was filed. The money will be used to provide funding for public elementary and secondary education and the Maryland Medicaid Program.

All interfund balances except for (k) above, are expected to be repaid by June 30, 2012. For (k) above, the General Fund is required to pay to the agency fund \$50,000,000, a year in each of fiscal years 2014 through 2020 and \$33,333,000 a year in each of fiscal years 2021 through 2026.

## 9. Interfund Transfers:

Interfund transfers, for the year ended June 30, 2011, consisted of the following (amounts expressed in thousands).

Transfers In	Transfers Out	Amount
General Fund	Special Revenue Fund	\$ 457,105
	Non-major Governmental Funds	25,893
	Enterprise Funds -	
	Maryland State Lottery Agency	586,619
	Economic Development Loan Programs	46,967
	Non-major Enterprise Funds	<u>377</u>
		<u><u>\$ 1,116,961</u></u>
Special Revenue Fund	General Fund	<u><u>\$ 368,342</u></u>
Non-major Governmental Funds	General Fund	\$ 75,643
	Special Revenue Fund	<u>155,727</u>
		<u><u>\$ 231,370</u></u>
Enterprise Funds - Loan Programs	General Fund	\$ 6,947
	Non-major Governmental Funds	99,930
	Non-major Enterprise Funds	2,682
Non-major Enterprise Funds	General Fund	<u>138</u>
		<u><u>\$ 109,697</u></u>

Transfers are primarily used to 1) transfer revenues from the fund required by statute or budget to collect the revenue to the fund required by statute or budget to expend them, 2) transfer receipts restricted to debt service from the funds collecting the receipts to the non-major governmental funds as debt service payments become due, and 3) provide unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. In addition, the non-major governmental funds transferred \$24,420,000, of Program Open Space funds, \$296,000 of interest earned on bonds, \$577,000, for expenses for bond sales, and \$600,000, return of funds for rescinded pay-as-you-go capital projects to the general fund.

The Maryland State Lottery transferred revenue in excess of funds allocated to prize awards, casino operators, operating expenses and capital expenditure payments in the amount of \$586,619,000, to the general fund. The general fund transferred \$6,947,000, to support the operations of Enterprise Funds – Loan Programs, and the Enterprise Funds – Loan Programs transferred \$46,967,000, of unused funds to the general fund. Expenditures for capital projects of \$99,930,000, were transferred to Enterprise Funds – Loan Programs.

During the year, the general fund and other governmental funds had expenditures of \$1,175,291,000, and \$211,953,000, respectively, that were for funds provided to supplement revenues and construction costs, respectively, of the higher education component units. The general fund also had net expenditures of \$20,000,000, that were for funds provided to supplement revenues of the Maryland Stadium Authority. The general fund transferred \$14,747,000, to the non-major component unit, the Maryland Technology Development Corporation, for Maryland Stem Cell Research and other operating grants.

## 10. Capital Assets:

### A. Capital Assets, Primary Government:

Capital assets activity by asset classification net of accumulated depreciation, for the year ended June 30, 2011, was as follows (amounts expressed in thousands).

Governmental activities:					
Classification	Balance June 30, 2010	Additions	Deletions	Transfers In/Out	Balance June 30, 2011
Capital assets, not being depreciated,					
Land and improvements.....	\$ 3,081,026	\$ 124,567	\$ 687	\$ 64,295	\$ 3,269,201
Art and historical treasures.....	9,370				9,370
Construction in progress.....	<u>2,348,911</u>	<u>682,762</u>	<u>377,004</u>	<u>(438,807)</u>	<u>2,215,862</u>
Total capital assets, not being depreciated .....	<u>5,439,307</u>	<u>807,329</u>	<u>377,690</u>	<u>(374,512)</u>	<u>5,494,433</u>
Capital assets, being depreciated,					
Structures and improvements.....	6,181,892	119,855	27,566	11,921	6,286,102
Equipment .....	2,619,986	139,381	186,673	135,105	2,707,799
Infrastructure.....	<u>18,447,572</u>	<u>438,045</u>	<u>3,023</u>	<u>227,486</u>	<u>19,110,080</u>
Total capital assets, being depreciated.. .....	<u>27,249,450</u>	<u>697,281</u>	<u>217,262</u>	<u>374,512</u>	<u>28,103,981</u>
Less accumulated depreciation for,					
Structures and improvements.....	2,482,015	174,635	17,093		2,639,557
Equipment .....	1,817,471	211,118	177,972		1,850,617
Infrastructure.....	<u>9,137,126</u>	<u>723,455</u>	<u>441</u>		<u>9,860,140</u>
Total accumulated depreciation .....	<u>13,436,612</u>	<u>1,109,208</u>	<u>195,506</u>		<u>14,350,314</u>
Total capital assets, net.....	\$19,252,145	\$ 395,402	\$399,447	\$ -	\$19,248,100

Business-type activities:

Classification	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets, not being depreciated,				
Land and improvements.....	\$ 404,872	\$ 6,479	\$ 20	\$ 411,331
Construction in progress .....	<u>2,176,988</u>	<u>766,618</u>	<u>110,374</u>	<u>2,833,232</u>
Total capital assets, not being depreciated .....	<u>2,581,860</u>	<u>773,097</u>	<u>110,394</u>	<u>3,244,563</u>
Capital assets, being depreciated,				
Structures and improvements.....	45,800	5,956	110	51,646
Equipment.....	60,928	45,629	506	106,051
Infrastructure.....	<u>2,400,560</u>	<u>104,144</u>	<u>7,429</u>	<u>2,497,275</u>
Total capital assets, being depreciated .....	<u>2,507,288</u>	<u>155,729</u>	<u>8,045</u>	<u>2,654,972</u>
Less accumulated depreciation for,				
Structures and improvements.....	22,210	1,023	92	23,141
Equipment.....	31,200	11,325	393	42,132
Infrastructure.....	<u>1,141,604</u>	<u>41,754</u>	<u>6,022</u>	<u>1,177,336</u>
Total accumulated depreciation .....	<u>1,195,014</u>	<u>54,102</u>	<u>6,507</u>	<u>1,242,609</u>
Total capital assets, net.....	\$3,894,134	\$874,722	\$111,930	\$4,656,926

*B. Depreciation Expense, Primary Government:*

The depreciation expense for the year ended June 30, 2011, for the primary government was charged as follows (amounts expressed in thousands).

Governmental activities:

Function	Amount
General government .....	\$ 36,366
Education.....	5,395
Human resources.....	6,953
Health and mental hygiene .....	7,684
Environment .....	2,244
Public safety .....	39,455
Housing and community development.....	77
Natural resources and recreation .....	17,885
Transportation .....	975,895
Agriculture .....	14,724
Labor, licensing and regulation .....	513
Judicial .....	<u>2,017</u>
Total depreciation expense – governmental activities.....	\$1,109,208

Business-type activities:

Function	Amount
State Lottery .....	\$ 7,257
Transportation Authority .....	45,354
Maryland Correctional Enterprises .....	1,476
Economic Development Loan Programs .....	<u>15</u>
Total depreciation expense - business type activities .....	\$ 54,102



## 11. Long-Term Obligations:

### A. Governmental Activities:

Changes in governmental activities' long-term debt, for the year ended June 30, 2011, were as follows (amounts expressed in thousands).

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Amounts Due Within One Year
<b>Bonds and notes payable:</b>					
General obligation bonds.....	\$ 6,523,222	\$ 974,718	\$ 515,094	\$ 6,982,846	\$ 542,179
Transportation bonds.....	1,645,010		83,170	1,561,840	102,845
<b>Deferred amounts:</b>					
Issuance premiums.....	615,742	83,448	64,727	634,463	
On refunding.....	<u>(140,576)</u>		<u>(17,362)</u>	<u>(123,214)</u>	
<b>Total bonds and notes payable</b>	<b><u>8,643,398</u></b>	<b><u>1,058,166</u></b>	<b><u>645,629</u></b>	<b><u>9,055,935</u></b>	<b><u>645,024</u></b>
<b>Other Liabilities:</b>					
Compensated absences.....	324,003	177,079	172,135	328,947	175,362
Self insurance costs.....	333,941	1,203,652	1,202,455	335,138	121,397
Net pension obligation.....	1,226,437	546,165		1,772,602	
Net other post employment benefits obligation.....	2,430,102	902,513	1,747	3,330,868	
Obligations under capital leases.....	798,201	53,334	95,757	755,778	60,049
Obligations under capital leases with component units....	232,762		18,172	214,590	19,181
Pollution remediation.....	<u>169,417</u>		<u>11,602</u>	<u>157,815</u>	<u>552</u>
<b>Total other liabilities.....</b>	<b><u>5,514,863</u></b>	<b><u>2,882,743</u></b>	<b><u>1,501,868</u></b>	<b><u>6,895,738</u></b>	<b><u>376,541</u></b>
<b>Total long-term liabilities- governmental activities.....</b>	<b>\$14,158,261</b>	<b>\$3,940,909</b>	<b>\$2,147,497</b>	<b>\$15,951,673</b>	<b>\$ 1,021,565</b>

### General Obligation Bonds -

General obligation bonds are authorized and issued primarily to provide funds for State owned capital improvements, facilities for institutions of higher education and the construction of public schools in political subdivisions. Bonds have also been issued for local government improvements, including grants and loans for water quality improvement projects and correctional facilities, and to provide funds for loans or outright grants to private, not-for-profit cultural or educational institutions. Under constitutional requirements and practice, the Maryland General Assembly, by a separate enabling act, authorizes loans for particular objects or purposes. Thereafter, the Board of Public Works, a constitutional body comprised of the Governor, the Comptroller and the State Treasurer, by resolution, authorizes the issuance of bonds in specified amounts. Bonds are issued and accounted for on a "cash flow" basis rather than a "project" basis and are not sold to specifically fund an enabling act. General obligation bonds are subject to arbitrage regulations. However, there are no major outstanding liabilities in connection with these regulations as of June 30, 2011. Bonds issued after January 1, 1988, are subject to redemption provisions at the option of the State.

General obligation bonds, which are paid from the general obligation debt service fund, are backed by the full faith and credit of the State and, pursuant to the State Constitution, must be fully paid within 15 years from the date of issue. Property taxes, bond premiums, interest subsidy payments from the Federal government, debt service fund loan repayments and general fund and capital projects fund appropriations provide the resources for repayment of general obligation bonds. During fiscal year 2011, the State issued \$974,718,000 of general obligations at a premium of \$83,448,000, with related issuance costs of \$5,153,000.

Refunded bonds of \$806,630,000 maturing in fiscal years 2016-2023 and callable in fiscal years 2014-2017 were considered defeased as of June 30, 2011. Accordingly, the trust account assets and the liability for the defeased bonds were not included in these financial statements.

General obligation bonds issued and outstanding, as of June 30, 2011, were as follows (amounts expressed in thousands).

Issue	Maturity	Interest Rates	Annual Principal Installments	Principal Issued	Principal Outstanding
3/8/01	2004-2016	4.0-5.5%	\$ 16,735-20,535	\$ 200,000	\$ 92,930
7/26/01	2005-2017	5.0-5.5	15,890-20,285	200,000	108,070
11/21/01(b)	2016	0	18,098	18,098	18,098
3/21/02(a)	2003-2017	4.0-5.5	15,860-19,765	309,935	106,535
8/15/02(a)	2003-2018	3.0-5.5	16,740-23,055	515,830	137,930
3/6/03	2006-2018	5.0-5.3	37,540-49,830	500,000	303,290
8/5/03	2007-2019	5.0	35,810-41,605	500,000	154,635
8/10/04	2008-2020	5.0	27,360-33,420	400,000	151,565
10/21/04(a)	2005-2016	5.0	18,495-65,295	574,655	165,580
11/30/04(b)	2020	0	9,043	9,043	9,043
3/17/05(a)	2006-2020	4.0-5.3	29,195-105,235	631,185	374,555
8/11/05	2009-2021	4.3-5.0	30,875-43,820	450,000	282,590
3/23/06	2009-2021	4.0-5.0	20,060-27,955	300,000	212,960
8/10/06	2010-2022	4.3-5.0	22,025-34,870	350,000	243,140
12/20/06(b)	2022	0	4,378	4,378	4,378
3/15/07	2010-2022	5.0	20,415-28,455	325,000	194,690
8/16/07	2011-2023	5.0	22,075-38,265	375,000	354,000
12/18/07(b)	2023	0	4,986	4,986	4,986
3/12/08	2011-2023	4.0-5.0	23,710-40,555	400,000	309,015
7/28/08	2012-2024	5.0	24,365-41,705	415,000	415,000
12/16/08(b)	2010-2021	1.6	464	5,563	4,636
3/16/09(a)	2011-2024	2.0-5.0	22,620-61,690	490,800	421,910
8/18/09(c)	2013-2025	2.0-5.3	29,070-50,000	485,000	485,000
11/3/09(c)	2013-2025	4.5-5.0	11,205-20,400	200,000	200,000
12/16/09(d)	2025	0	50,320	50,320	50,320
12/17/09(b)	2011-2025	1.6	371	5,563	5,192
12/18/09(a)	2016-2021	2.0-5.0	29,560-178,775	602,765	602,765
3/9/10(a)(c)	2018-2025	3.0-5.0	56,240-98,895	595,315	595,315
8/10/10	2014-2026	2.0-5.0	15,400-65,355	485,175	485,175
12/8/10(b)	2025	5.0	4,543	4,543	4,543
3/22/11	2014-2026	2.0-5.0	29,840-47,170	485,000	485,000
				\$9,893,154	\$ 6,982,846

- (a) Includes refunding debt
- (b) Includes Qualified Zone Academy Bonds for which the purchaser may receive Federal tax credits each year the bonds are outstanding
- (c) Includes federally taxable Build America Bonds for which the State receives a subsidy payment from the Federal government equal to 35% of interest payments
- (d) Qualified School Construction Bonds for which the purchaser receives Federal tax credits each year the bonds are outstanding

General obligation bonds authorized, but unissued, as of June 30, 2011, totaled \$2,357,041,000.

As of June 30, 2011, general obligation debt service requirements for principal and interest in future years were as follows (amounts expressed in thousands).

Years Ending June 30,	Principal	Interest
2012.....	\$ 542,179	\$ 319,148
2013.....	564,299	291,448
2014.....	613,979	262,258
2015.....	594,209	232,833
2016.....	626,933	204,490
2017-2021.....	2,667,326	606,937
2022-2026.....	<u>1,373,921</u>	<u>130,362</u>
Total.....	\$6,982,846	\$2,047,476

Subsequent to June 30, 2011, on August 5, 2011, general obligation bonds aggregating \$512,400,000, were issued for capital improvements. Serial bonds in the amount of \$490,000,000, with interest rates ranging from 2.0% to 5.0% mature through 2027. Term bonds in the amount of \$22,400,000, with an interest rate of 4.2% mature in 2027. Of these bonds, \$22,400,000, were issued as federally taxable bonds. Bonds in the amount of \$15,900,000, and \$6,500,000, are Qualified Zone Academy Bonds and Qualified Energy Conservation Bonds, respectively, under the American Recovery and Reinvestment Act of 2009 (ARRA). For these bonds, the State receives a subsidy payment from the Federal government equal to up to 100% of interest payments.

In addition, on September 14, 2011, general obligation refunding bonds aggregating \$254,915,000, were issued to refund certain outstanding general obligation bonds issued between 2003 and 2008 in order to realize savings on debt service costs. The refunding bonds have interest rates ranging from 2.0% to 5.0% and mature through 2020.

*Transportation Bonds -*

Transportation bonds outstanding as of June 30, 2011, were as follows (amounts expressed in thousands).

	Outstanding
Consolidated Transportation Bonds – 3.0% to 5.5%, due serially through 2024 for State transportation activity .....	\$1,522,355
Consolidated Transportation Bonds, Refunding – 5.0%, due serially through 2014 for State transportation activity .....	<u>39,485</u>
Total.....	\$1,561,840

Consolidated Transportation Bonds are limited obligations issued by the Maryland Department of Transportation (Department) for highway, port, airport, rail, or mass transit facilities, or any combination of such facilities. The principal must be paid within 15 years from the date of issue.

As provided by law, the General Assembly shall establish in the budget for any fiscal year a maximum outstanding aggregate amount of these Consolidated Transportation Bonds as of June 30 of the respective fiscal year that does not exceed \$2,600,000,000, through June 30, 2011, and thereafter. The aggregate principal amount of those bonds that was allowed to be outstanding as of June 30, 2011, was \$1,791,840,000. The aggregate principal amount of Consolidated Transportation Bonds outstanding as of June 30, 2011, was \$1,561,840,000. Consolidated Transportation Bonds are paid from the transportation debt service fund. Principal and interest on Consolidated Transportation Bonds are payable from the proceeds of certain excise taxes levied by statute, a portion of the corporate income tax and a portion of the State sales tax credited to the Department. These amounts are available to the extent necessary for that exclusive purpose before being available for other uses by the Department. If those tax proceeds become insufficient to meet debt service requirements, other receipts of the Department are available for that purpose. The holders of such bonds are not entitled to look to other State resources for payment.

Under the terms of the authorizing bond resolutions, additional Consolidated Transportation Bonds may be issued, provided, among other conditions, that (1) total receipts (excluding Federal funds for capital projects, bond and note proceeds, and other receipts not available for debt service), less administration, operation and maintenance expenses for the preceding fiscal year, equal at least two times the maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued, and that (2) total proceeds from pledged taxes equal at least two times the maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued.

The 2010 session of the General Assembly established a maximum outstanding principal amount of \$628,300,000, as of June 30, 2011, for all nontraditional debt of the Department. Nontraditional debt outstanding is defined as any debt instrument that is not a Consolidated Transportation Bond or GARVEE bond (tax-exempt debt backed by annual federal appropriations for federal-aid transportation projects). This debt includes certificates of participation, debt backed by customer facility charges, passenger facility charges, or other revenues, and debt issued by the Maryland Economic Development Corporation or any other third party on behalf of the Department. As of June 30, 2011, the Department's nontraditional debt outstanding was \$639,900,000, and was reported as obligations under capital leases and includes funds held by the bond trustee under these agreements.

Arbitrage regulations are applicable to the transportation bonds payable. The Department estimates there are no material liabilities for arbitrage rebates as of June 30, 2011.

As of June 30, 2011, Department bond debt service requirements for principal and interest in future years were as follows (amounts expressed in thousands).

Years Ending June 30,	Consolidated Transportation Bonds	
	Principal	Interest
2012 .....	\$ 102,845	\$ 71,672
2013 .....	109,340	66,908
2014 .....	130,620	61,480
2015 .....	147,280	55,421
2016 .....	153,750	48,534
2017-2021 .....	642,200	136,627
2022-2026 .....	<u>275,805</u>	<u>23,603</u>
Total.....	\$1,561,840	\$ 464,245

*Obligations Under Capital Leases -*

Obligations under capital leases as of June 30, 2011, bore interest at annual rates ranging from 0.9 % to 6.7%. Capital lease obligations with third parties in fiscal year 2011 increased by \$53,334,000, for master equipment and building leases entered into by the general fund and include leases for various transportation related projects entered into by the Maryland Department of Transportation. The capital leases with component units include the general fund's capital leases with the Maryland Stadium Authority, which are being paid with the net proceeds transferred from certain Lottery games, and with other non-major component units. Following is a schedule of annual future minimum payments under these obligations, along with the present value of the related net minimum payments as of June 30, 2011 (amounts expressed in thousands).

Years Ending June 30,	Capital Lease Obligations with	
	Third Parties	Component Units
2012 .....	\$ 97,267	\$ 32,509
2013 .....	91,318	32,259
2014 .....	88,009	32,361
2015 .....	71,162	30,615
2016 .....	70,413	25,652
2017-2021 .....	320,462	108,777
2022-2026 .....	265,033	42,810
2027-2031 .....	138,716	
2032-2036 .....	<u>19,071</u>	
Total future minimum payments.....	1,161,451	304,983
Less: Amount representing interest.....	370,435	84,052
Less: Restricted cash and investments.....	<u>35,238</u>	<u>6,341</u>
Present value of net minimum payments.	\$ 755,778	\$214,590

The reduction shown for restricted cash and investments in the amounts of \$35,238,000, and \$6,341,000 was monies held by the bond trustee to be used primarily for construction expenditures.

The assets acquired through capital leases were as follows (amounts expressed in thousands).

Asset	Third Parties
	Amount
Construction in progress.....	\$ 77,904
Land and improvements.....	19,103
Buildings and improvements.....	1,086,653
Machinery and equipment.....	272,988
Infrastructure.....	<u>327,833</u>
Total acquired assets.....	1,784,481
Less: Accumulated depreciation.....	<u>595,940</u>
Total capital assets - net.....	\$ 1,188,541

#### *Pollution Remediation Obligations -*

The State has recognized a pollution remediation obligation on the statement of net assets for governmental activities. A pollution remediation obligation is a liability which addresses the current or potential detrimental effects of existing pollution and may include pre-cleanup activities (site assessment, feasibility study), cleanup activities (neutralization, containment, removal and disposal, site restoration), oversight and enforcement and post remediation monitoring.

Obligating events initiate the recognition of a pollution remediation liability. These events include any of the following.

- (a) There is an imminent danger to the public.
- (b) The State is in violation of a related permit or license.
- (c) The State is identified as a responsible party or potentially responsible party (PRP) by a regulator.
- (d) The State is named or has evidence that it will be named in a lawsuit.
- (e) The State commences, or legally obligates itself to commence, pollution remediation activities.

The pollution remediation obligation is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations. The liability is recognized as it becomes estimable. In some cases, this may be at inception. In other cases, components of a liability (for example, legal services, site investigation or required post remediation monitoring) are recognized as they become reasonably estimable. At a minimum, the liability is reviewed for

sufficiency when various benchmarks occur, such as receipt of an administrative order, participation as a responsible party or PRP in a site assessment, completion of a corrective measures feasibility study, issuance of an authorization to proceed, and as remediation is implemented and monitored.

Measurement of the liability is based on the current value of outlays expected to be incurred using the expected cash flow technique. This technique measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts - the estimated mean or average. Expected recoveries reduce the pollution remediation expense.

The pollution remediation estimated liability is \$636,293,000, with approximately \$478,478,000, of estimated recoveries from third parties to reduce the liability. Included in this liability are cost estimates for site monitoring and repair, excavation of road and infrastructure and replacement of buildings as a result of site contaminations by hazardous materials under Federal and State law in the amount of \$147,163,000. In these cases, either the State has been named in a lawsuit by a State regulator or the State legally obligated itself under the Environmental Article, Section 7-201, of the Annotated Code of Maryland.

The estimated liability also includes \$10,652,000, for the clean-up of an illegal tire dump for which the State is legally obligated under the Environmental Article, Section 9-2 of the Annotated Code of Maryland.

The cost estimates and assumptions for the pollution remediation due to site contamination from hazardous materials are based on engineering design estimates. The cost estimates and assumptions for the tire dump clean-up are based on estimated unit cost of \$734/ton to \$830/ton based on historical data, fuel costs, specific site factors and oversight costs.

No pollution remediation liability has been recognized for a former landfill on land owned by the highway department that has been identified for cleanup by the EPA. The EPA has invited the agency to participate in a PRP Group as owner-operator of the land. The agency has replied that it transferred the land in question to a local government. The State has not made a final commitment. Cleanup costs have yet to be determined.

For the governmental activities, compensated absences, self insurance, net pension obligations, net other post-employment benefits obligations, obligations under capital leases, and pollution remediation obligations are generally liquidated by the general or special revenue fund as applicable

*B. Long Term Obligations – Business-type Activities:*

Changes in long-term obligations for business-type activities as of June 30, 2011, were as follows (amounts expressed in thousands).

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Amounts Due Within One Year
<b>Bonds Payable:</b>					
Revenue bonds payable .....	\$6,161,633	\$885,346	\$ 542,199	\$6,504,780	\$376,253
<b>Other Liabilities:</b>					
Lottery prizes.....	98,325	6,547	25,002	79,870	21,381
Escrow deposits.....	31,021	13,412	17,125	27,308	12,941
Rebate liability .....	8,034	762	872	7,924	637
Compensated absences .....	12,401	6,316	6,587	12,130	2,741
Self insurance costs .....	8,796	4,866	2,315	11,347	1,759
Obligations under capital leases.....	5,261	40,792	1,167	44,886	9,904
Total other liabilities.....	163,838	72,695	53,068	183,465	49,363
Total long-term liabilities- business type activities.....	\$6,325,471	\$958,041	\$595,267	\$6,688,245	\$425,614

Debt service requirements for business-type activities' notes payable and revenue bonds to maturity were as follows (amounts expressed in thousands).

Years Ending June 30,	Community Development Administration		Maryland Water Quality Financing Administration		Maryland Transportation Authority	
	Principal	Interest	Principal	Interest	Principal	Interest
2012 .....	\$ 272,535	\$ 118,283	\$ 15,660	\$ 4,890	\$ 98,700	\$ 149,287
2013 .....	81,105	115,946	13,400	4,240	111,601	146,426
2014 .....	82,420	112,849	13,470	3,760	116,788	150,235
2015 .....	86,195	109,502	6,560	3,192	110,482	145,244
2016 .....	91,800	105,887	7,185	2,910	120,261	139,825
2017-2021 .....	427,400	473,044	32,845	10,411	592,623	600,901
2022-2026 .....	348,580	386,607	23,134	2,376	422,100	478,728
2027-2031 .....	361,040	304,980			439,917	368,305
2032-2036 .....	594,550	215,719			479,350	253,459
2037-2041 .....	420,135	109,089			562,699	125,750
2042-2046 .....	214,625	32,970			221,540	17,809
2047-2051 .....	41,700	4,500			16,855	433
2052-2056 .....	5,300	96				
Total.....	3,027,385	2,089,472	112,254	31,779	3,292,916	2,576,402
Discounts, premiums and other deferred costs ..	20,087		3,035		49,103	
Total.....	\$3,047,472	\$2,089,472	\$115,289	\$31,779	\$3,342,019	\$2,576,402

*Community Development Administration (Administration) - Revenue Bonds:*

The Administration, an agency of the Department of Housing and Community Development, has issued revenue bonds, proceeds of which were used for various mortgage loan programs. Assets aggregating approximately \$3,627,287,000, and revenues of each mortgage loan program are pledged as collateral for the revenue bonds. Interest rates range from 0.4% to 6.8%, with the bonds maturing serially through July, 2051. The principal amount outstanding as of June 30, 2011, was \$3,047,472,000. Substantially all bonds are subject to redemption provisions at the option of the Administration. Redemptions are permitted at rates ranging from 100% to 101% of the outstanding principal amount. During fiscal year 2011, the Administration issued \$181,628,000, of revenue bonds with interest rates ranging from 0.4% to 5.4% and maturing serially through September, 2045 and \$20,000,000, of revenue bonds at variable short-term rates and maturing in May, 2036.

Subsequent to June 30, 2011, the Administration issued a total of \$100,770,000, and redeemed a total of \$23,850,000, revenue bonds.

*Interest Rate Swaps:*

*Objective of the interest rate swap.* As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, the Administration entered into interest rate swaps in connection with variable rate revenue bonds totaling \$280,485,000. The intention of the swaps was to effectively change the Administration's variable interest rate on the bonds to fixed rates.

*Terms.* The bonds and the related swap agreements mature from September 1, 2025, through September 1, 2043, and the swaps' notional amount of \$280,485,000, matches the amount of the variable rate bonds. Under the swap agreements, the Administration pays the counterparty a fixed payment of from 3.7% to 4.8% and receives a variable payment computed as either 64% of the London Interbank Offered Rate (LIBOR) plus .2% or .3%. Conversely, the bonds' variable rate is based on the Securities Industry and Financial Markets Association Rate.

*Credit risk.* The fair value of the swaps represents the Administration's credit exposure to each counterparty as of June 30, 2011. The fair value of three swaps with one counterparty is (\$6,700,000), the fair value of one swap with a second counterparty is (\$3,800,000), the fair value of three swaps with a third counterparty is (\$14,470,000), and the fair value of one swap with a fourth counterparty is (\$1,505,000). Therefore, the Administration is not exposed to credit risk as of June 30, 2011, because the swaps have a negative fair value. However, should the valuation of the swap change and the fair value turn positive, the Administration would be exposed to credit risk in the amount of the swap's fair value. The first counterparty is rated AA by Standard & Poor's and Aa by Moody's, the second counterparty is rated A by Standard & Poor's and Fitch and Aa by Moody's, the third counterparty is rated Aa by Moody's and AAA by Standard & Poor's, and the fourth counterparty is rated Aaa by Moody's and AA by Fitch. To mitigate the potential for credit risk, if the counterparties' credit quality falls below A, the fair value of the swaps will be fully collateralized by the counterparties.

*Basis risk.* The swaps would expose the Administration to basis risk should the relationship between LIBOR and the Securities Industry and Financial Markets Association Rate converge. If a change occurs that results in the rates moving to convergence, the expected cost savings may not be realized.

*Termination risk.* The Administration or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The counterparty can terminate the contract if the ratings on the related bonds fall below the credit rating thresholds. If a swap is terminated, the underlying variable rate bonds may be exposed to rising interest rates. If at the time of such termination a swap has a negative fair value, the Administration would be liable to the counterparty for a payment equal to the swap's fair value along with any accrued interest.

*Swap payments and associated debt.* Using rates as of June 30, 2011, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows (amounts expressed in thousands). As rates vary, variable rate bond interest payments and net swap payments will vary.

Years Ending June 30,	Hedged Variable Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2012.....	\$ 2,335	\$ 417	\$ 10,869	\$ 13,621
2013.....		279	10,447	10,726
2014.....		279	10,040	10,319
2015.....		279	9,673	9,952
2016.....		280	9,332	9,612
2017-2021.....	8,725	1,378	39,884	49,537
2022-2026.....	9,860	1,321	32,209	43,390
2027-2031.....	28,345	1,233	27,727	57,305
2032-2036.....	157,990	641	17,651	176,732
2037-2041.....	53,255	231	5,515	59,001
2042-2046.....	<u>19,975</u>	<u>45</u>	<u>48</u>	<u>20,068</u>
Total.....	\$ 280,485	\$ 6,383	\$173,395	\$460,263

*Fair value.* Because interest rates have generally decreased since execution of the swaps, the swaps have a fair value of (\$26,475,000) as of June 30, 2011. The swaps' fair value may be countered by a decrease in total interest payments required under the variable rate bonds, creating a lower synthetic interest rate. Because the coupons on the Administration's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease.

The table below summarizes the total fair values for the Administration's interest rate swaps as of June 30, 2010 and 2011, and the changes in fair values for the year ended June 30, 2011 (amounts expressed in thousands).

	Total Fair Value at June 30, 2010	Total Fair Value at June 30, 2011	Change in Fair Value for the Period
Interest rate swaps:			
Cash flow hedges .....	\$(32,630)	\$(26,475)	\$6,155



The fair value balances of derivative instruments (interest rate swaps) outstanding as of June 30, 2011, classified by type, and the changes in fair value as presented on the financial statements for the year ended June 30, 2011, are as follows (amounts expressed in thousands).

	<u>Change in Fair Value</u>		<u>Fair Value at June 30, 2011</u>		<u>Outstanding Notional</u> <u>Amounts</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
Cash flow hedges:					
Pay fixed interest rate swaps.....	Deferred outflow	\$6,155	Debt	\$(26,475)	\$280,485

The fair value of the swaps is based on market value and is affirmed by an independent advisor whose valuation method and assumptions are in accordance with accounting guidance issued by GASB. The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on each future net settlement on the swaps.

As of June 30, 2010, the Administration had terminated the original swap agreements for the 2007 Series F, J and M swaps. The new agreements were restructured based on the remarketing of the underlying bonds from taxable to tax-exempt. As of June 30, 2011, all of the Administration's swaps meet the criteria for effectiveness and the swap fair values were classified as deferred outflow.

*Maryland Water Quality Financing Administration (Administration) - Revenue Bonds:*

The Administration, an agency of the Department of Environment, has issued revenue bonds for providing loans and grants. Interest rates range from 3.3% to 4.1%, payable semiannually, with annual installments from \$2,740,000, to \$12,920,000, to March 1, 2025. The principal amount outstanding as of June 30, 2011, was \$115,289,000. These bonds were payable solely from the revenue, money or property of the Administration.

*Maryland Unemployment Insurance Program - Non-Interest Loan Agreement:*

In fiscal year 2010, the Program entered into a non-interest loan arrangement with the U.S. Department of Labor for a maximum amount of \$300,000,000 to provide liquidity to the Program. During fiscal year 2011, the Program retired the \$133,841,000 outstanding as of June 30, 2010.

Short-term debt activity during fiscal year 2011 was as follows (amounts expressed in thousands).

Outstanding short-term debt as of June 30, 2010.....	\$133,841
Issuance .....	
Retirements.....	<u>133,841</u>
Outstanding short-term debt as of June 30, 2011 .....	\$ -

*Maryland Transportation Authority Bonds:*

Bonds outstanding as of June 30, 2011, are as follows (amounts expressed in thousands).

Series 1992 Capital appreciation refunding and financing revenue bonds for the Authority's Transportation Facilities Projects maturing in annual installments of original principal ranging from \$2,336 to \$15,415 from July 1, 2011, to July 1, 2015, with approximate yields to maturity of 6.3% to 6.4% and an accreted amount.....	\$ 37,367
BWI Consolidated Car Rental Facility Revenue bonds, Series 2002, maturing in annual installments ranging from \$2,270 to \$8,505 from July 1, 2011, to July 1, 2032, with interest rates ranging from 2.7% to 6.7%, payable semiannually.....	103,710
BWI Parking Garage Revenue Bonds, Series 2002 A and B, maturing in annual installments ranging from \$9,935 to \$17,470 from March 1, 2012, to March 1, 2027, with interest rates ranging from 4.0% to 5.3% payable semiannually.....	211,110
BWI Facilities Projects Bonds, Series 2003, maturing in annual installments ranging from \$10,400 to \$11,200 from July 1, 2011, to July 1, 2013, with a current variable rate of .07%, payable semiannually.....	32,400
WMATA Metrorail Parking Projects Bonds, Series 2004, maturing in annual installments ranging from \$1,255 to \$2,780 from July 1, 2011, to July 1, 2028, with interest rates ranging from 3.0% to 5.0%, payable semiannually.....	34,430
Series 2004 Revenue bonds, for construction and improvement of Authority's Transportation Facilities projects, maturing in annual installments of \$1,210 to \$15,235 from July 1, 2011, to July 1, 2032, with interest rates ranging from 4.5% to 5.3% payable semiannually.....	155,700
Calvert Street Parking Project Revenue bonds, Series 2005, maturing in annual installments ranging from \$655 to \$1,415 from July 1, 2011, to July 1, 2032, with interest rates ranging from 3.3% to 4.4% payable semiannually.....	21,325
Grant and Revenue Anticipation Bonds, Series 2007 (GARVEE bonds), maturing in annual installments ranging from \$24,535 to \$34,390 from March 1, 2012, to March 1, 2019, with an interest rate of 4.0% payable semiannually to finance the Intercounty Connector Highway Project.....	233,715
Series 2007 Revenue Bonds, for construction and improvement of Authority's Transportation Facilities projects, maturing in annual installments of \$1,025 to \$12,685 from July 1, 2012, to July 1, 2041, with interest rates ranging from 4.0% to 5.0% payable semiannually.....	300,000
Series 2008 Revenue Bonds, for construction and improvement of Authority's Transportation Facilities projects, maturing in annual installments of \$8,885 to \$31,070 from July 1, 2012, to July 1, 2041, with interest rates ranging from 4.8% to 5.1% payable semiannually.....	573,305
Series 2008 A Revolving loan under the Transportation Infrastructure Finance and Innovation Act (TIFIA), for the Intercounty Connector Project with a fixed interest rate at 2.6% and an accreted amount.....	350,834
Series 2009 Revenue Bonds, for construction and improvements of Authority's Transportation Facilities projects, maturing in annual installments of \$2,380 to \$14,570 from July 1, 2016 to July 1, 2043 with interest rates ranging from 3.0% to 5.9% payable semiannually.....	549,385
Series 2010 Revenue Bonds, for construction and improvements of the Authority's Transportation Facilities projects, maturing in annual installments ranging from \$4,535 to \$5,520 from July 1, 2015 to July 1, 2041 with interest rates ranging from 3.0% to 5.8% payable semiannually.....	326,435
Grant and Revenue Anticipation Bonds, Series 2008 (GARVEE bonds), maturing in annual installments ranging from \$33,025 to \$48,865 from March 1, 2012, to March 1, 2020, with an interest rate of 4.3%, payable semiannually.....	363,200
Unamortized premium.....	49,103
Total.....	<u>\$3,342,019</u>

Revenue bonds are payable solely from the revenues of the transportation facilities projects. Capital assets constructed from BWI facilities, WMATA Metrorail and the Calvert Street Parking Project are not capital assets of the Authority. Capital appreciation bonds payable and TIFIA bonds included accreted amounts of \$25,821,000, and \$3,600,000, respectively, as of June 30, 2011.

Grant and Revenue Anticipation Bonds (GARVEE Bonds) are payable from a portion of Maryland's future Federal highway aid and other pledged moneys. These bonds are not general obligations of the Authority or legal obligations of the Maryland Department of Transportation or the State.

During the year ended June 30, 2011, the Authority issued Series 2010 Revenue Bonds of \$326,435,000, for construction and improvements to the Authority's transportation facilities projects, including bonds of \$29,795,000, with interest rates ranging from 3.0% to 5.0% and maturing serially through July, 2020 and term bonds of \$296,640,000, maturing July 1, 2025, 2030 and 2041 with coupons of 5.2%, 5.6% and 5.8%, respectively. The Authority also secured a \$516,000,000, revolving loan under the TIFIA program for the Intercounty Connector Project with an interest rate of 2.6% of which \$347,234,000, has been drawn as of June 30, 2011.

*Obligations Under Capital Leases -*

Obligations of business-type activities under capital leases as of June 30, 2011, were as follows (amounts expressed in thousands).

Years Ending June 30,	State Lottery Agency
2012.....	\$ 9,905
2013.....	9,871
2014.....	9,870
2015.....	9,264
2016.....	<u>8,657</u>
Total minimum lease payments.....	47,567
Less: Imputed interest.....	<u>2,681</u>
Present value of net minimum lease payments .....	\$ 44,886

The Lottery has entered into lease agreements for certain on-line gaming system equipment and a computer system. As of June 30, 2011, assets acquired under leases and the related accumulated amortization totaled \$46,673,000, and \$8,765,000, respectively, and were included in capital assets in the Statement of Net Assets, Business-type Activities.

*C. Notes and Revenue Bonds Payable - Component Units:*

*Higher Education -*

Certain State higher education institutions have issued revenue bonds for the acquisition, renovation, and construction of student housing and other facilities. Student fees and other user revenues collateralize the revenue bonds. Interest rates range from 2.0% to 6.1% on the revenue bonds.

Debt service requirements to maturity were as follows (amounts expressed in thousands).

Years Ending June 30,	Notes Payable and Other Long-Term Debt		Revenue Bonds	
	Principal	Interest	Principal	Interest
2012.....	\$ 6,235	\$ 4,964	\$ 80,835	\$ 50,039
2013.....	7,216	3,823	73,575	46,793
2014.....	6,298	3,618	68,830	43,818
2015.....	4,256	3,462	71,900	40,698
2016.....	3,758	3,345	75,640	37,297
2017-2021.....	13,664	15,458	360,410	133,699
2022-2026.....	57,599	2,204	233,340	63,956
2027-2031.....			118,090	16,288
2032-2036.....			8,010	685
2037-2041.....			<u>725</u>	<u>51</u>
Total.....	99,026	36,874	1,091,355	433,324
Accumulated accreted interest and other deferred costs .....			<u>25,006</u>	
Total.....	\$ 99,026	\$36,874	\$1,116,361	\$433,324

The bonds issued are the debt and obligation of the issuing higher education institutions and are not a debt and obligation of, or pledge of, the faith and credit of the State.

As of June 30, 2011, higher education institutions have defeased debt outstanding of \$122,252,000, resulting from the refunding of previously issued debt. Accordingly, the trust account assets and the liability for the defeased bonds were not included in these financial statements.

As of June 30, 2011, cash and cash equivalents and investments were held by the trustees for the higher education institutions in the amount of \$91,326,000, for the University System of Maryland (System), \$384,000, for St. Mary's College of Maryland, and \$6,006,000, for Morgan State University.

On September 8, 2010, the System issued \$50,990,000, of 2010 Refunding Series C Revenue Bonds to refund \$49,045,000, of existing bonds at a premium of \$5,315,000. The refunding bonds bear interest at 2.0% to 4.0% and mature from 2012 to 2023. The purpose of the refunding was to realize savings on debt service costs. The aggregate difference in debt service between the refunded debt and the refunding debt is \$3,734,000. The economic gain on the transaction, that is, the difference between the present value of the debt service streams for the refunding debt and refunded debt, was \$3,332,000.

On December 9, 2010, the System issued \$115,000,000 of 2010 Series D and E Revenue Bonds to finance new educational and auxiliary facilities and for renovations. The bonds bear interest at 3.0% to 5.9% and mature from 2012 to 2030. The bonds were issued with a \$3,183,000 premium.

Obligations under capital leases of \$17,800,000, existed as of June 30, 2011, and bore interest at annual rates ranging from 1.0% to 6.8%.

*Maryland Stadium Authority (Authority) - Revenue Bonds:*

Debt service requirements to maturity for Maryland Stadium Authority revenue bonds and notes payable were as follows (amounts expressed in thousands).

Years Ending June 30,	Principal	Interest
2012.....	\$ 20,763	\$ 14,242
2013.....	21,827	12,933
2014.....	30,874	11,547
2015.....	22,470	10,116
2016.....	18,865	8,757
2017-2021.....	91,215	25,527
2022-2026.....	<u>38,231</u>	<u>6,048</u>
Total.....	244,245	89,170
Unamortized discount net of unamortized premium.....	<u>(15)</u>	<u>          </u>
Total.....	\$244,230	\$89,170

The Authority has issued various lease revenue bonds and notes to finance the construction of the baseball and football stadiums, convention center expansions in Baltimore City and the Town of Ocean City and certain other facilities. The outstanding debt is to be repaid through capital lease payments from the State, as the State has entered into capital lease arrangements for the use of the facilities financed with the debt proceeds.

As of June 30, 2011, the Authority had outstanding revenue bonds for the construction, renovation and expansion of certain facilities as follows (amounts expressed in thousands).

Facility	Outstanding Amount	Interest Rates	Maturity Date
Baseball Stadium.....	\$108,425	Variable	July 1, 2022
Football Stadium.....	69,760	Variable	March 1, 2026
Baltimore City Convention Center.....	17,585	Variable	December 15, 2014
Ocean City Convention Center.....	6,620	2.3 %	December 15, 2015
Hippodrome Performing Arts Center.....	14,627	5.0% to 6.3%	June 15, 2022
Montgomery County Conference Center..	17,001	2.0% to 5.0%	June 15, 2024
Camden Station.....	7,575	3.0% to 5.2%	December 15, 2024
Camden Yards Complex.....	<u>2,637</u>	5.6%	January 1, 2018
Total.....	\$244,230		

## 12. Insurance:

The self-insurance liabilities represent the State's liability for its various self-insurance programs. The State is self-insured for general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities and certain employee health benefits. Commercial insurance coverage is purchased for specialized exposures such as aviation hull and liability, steam boiler coverage and certain transportation risks. There were no significant reductions or changes in the commercial insurance coverage from the prior year, and the amount of settlements have not exceeded insurance coverage for any of the past three fiscal years.

All funds, agencies and authorities of the State participate in the self-insurance program (Program). The Program, which is accounted for in the general fund, allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund, agency or public authority, based on a percentage of each organization's estimated current-year payroll or based on an average loss experienced by each organization. This charge considers recent trends in actual claims experience of the State as a whole and makes provision for catastrophic losses.

The Program's liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, actual claims paid could differ from these estimates. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Non-incremental claims adjustment expenses have been included as part of the liability for claims and adjustments for the general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities. Liabilities for incurred workers' compensation losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a 4% discount rate. The workers' compensation and property and casualty costs are based upon separately determined actuarial valuations for the following fiscal years ending. The employee health benefits liability is calculated based on claims subsequently reported and claims trends.

Changes in the self-insurance liabilities during fiscal year 2011 were as follows (amounts expressed in thousands).

	Balance June 30, 2010	Claims and Changes in Estimates	Claim Payments	Balance June 30, 2011	Amount Due Within One Year
Property, casualty and general liability...	\$ 15,455	\$ 7,596	\$ 7,894	\$ 15,157	\$ 4,070
Workers' compensation.....	272,568	60,101	55,981	276,688	35,505
Employee health benefits.....	<u>89,985</u>	<u>1,146,110</u>	<u>1,147,206</u>	<u>88,889</u>	<u>88,889</u>
Total self-insurance costs.....	\$ 378,008	\$1,213,807	\$1,211,081	\$ 380,734	\$128,464

As of June 30, 2011, the Program held \$216,169,000, in cash and investments designated for payments of these claims.

Changes in the self-insurance liabilities during fiscal year 2010 were as follows (amounts expressed in thousands).

	Balance June 30, 2009	Claims and Changes in Estimates	Claim Payments	Balance June 30, 2010	Amount Due Within One Year
Property, casualty and general liability...	\$ 15,378	\$ 5,270	\$ 5,193	\$ 15,455	\$ 3,906
Workers' compensation.....	265,751	59,761	52,944	272,568	34,605
Employee health benefits.....	<u>80,371</u>	<u>1,082,789</u>	<u>1,073,175</u>	<u>89,985</u>	<u>89,985</u>
Total self-insurance costs.....	\$361,500	\$1,147,820	\$1,131,312	\$378,008	\$128,496

As of June 30, 2010, the Program held \$243,087,000, in cash and investments designated for payments of these claims.

### 13. Fund Equity:

The unrestricted deficit for governmental activities on the government-wide statement of net assets is \$8,238,126,000. A portion of the deficit results from the State incurring debt for the purposes of capital acquisition and construction on behalf of local governments and private organizations. Since the incurrence of this debt does not result in capital assets of the State, the debt is not reflected in the net asset category, invested in capital assets, net of related debt, but rather in the unrestricted net assets category. As of June 30, 2011, the State had reported outstanding general obligation bonds and capital leases applicable to these non-State projects of \$4,368,721,000. Without State financing for these capital assets, the State would have reported an unrestricted deficit for governmental activities in the amount of \$3,869,405,000, which mainly resulted from the underfunding of the OPEB and pension annual required contribution.

The statement of net assets for the primary government reported \$2,203,663,000 of restricted net assets, including \$200,497,000, restricted by enabling legislation.

Detail of the fund balance categories and classifications shown in the aggregate on the governmental funds balance sheet were as follows (amounts in thousands).

	General	Special Revenue Maryland Department of Transportation	Other Governmental Funds	Total Governmental Funds
Fund balances:				
Nonspendable – Prepaid items, inventories and long-term loans and notes receivable.....	\$ 468,330	\$ 182,156		\$ 650,486
Spendable:				
Restricted for:				
Debt service.....			\$200,497	200,497
Other purposes .....	294			294
Committed to:				
State Reserve Fund .....	629,244			629,244
Health and mental hygiene .....	261,918			261,918
Education.....	35,919			35,919
Human resources.....	3,916			3,916
Public safety .....	30,218			30,218
Transportation .....		149,492		149,492

Judicial .....	\$ 31,578		\$ 31,578
Labor, licensing and regulation .....	8,036		8,036
Natural resources and recreation .....	56,787		56,787
Housing and community development .....	258		258
Environment .....	34,487		34,487
Agriculture .....	10,868		10,868
Business and economic development .....	21,051		21,051
Capital projects .....		\$ 418,904	418,904
Other purposes .....	38,998		38,998
Unassigned .....	<u>(292,292)</u>		<u>(403,711)</u>
Total fund balances .....	\$1,339,610	\$331,648	\$ 215,690
			\$1,886,948

A portion of the general fund's committed fund balance, in the amount of \$629,244,000, as of June 30, 2011, includes the State Reserve Fund, which consisted primarily of the Revenue Stabilization Account with a balance of \$624,419,000. The Revenue Stabilization Account, authorized in Section 7-311 of the State Finance and Procurement Article, Annotated Code of Maryland, was designed to retain State revenues for future needs and reduce the need for future tax increases.

Appropriations are required to the Revenue Stabilization Account when the unappropriated general fund surplus of the second preceding fiscal year exceeds \$10,000,000. Appropriations are also required in years when the account balance is less than 7.5% of estimated general fund revenues. If the account balance is at least 3% but less than 7.5%, an appropriation of \$50,000,000, or whatever lesser amount is necessary to bring the account balance to 7.5% of estimated general fund revenues is required; if the account balance is less than 3%, the required appropriation is \$100,000,000. For fiscal year 2012, any appropriation is not required if it would result in the loss of Federal funds to the State. In accordance with Section 13-209 of the Tax-Property Article, beginning in fiscal year 2012, the appropriation is not required if the unappropriated general fund surplus of the second preceding fiscal year does not exceed \$60,000,000. Transfer of funds from the account that does not result in a balance below 5% must be authorized by (1) an act of the General Assembly or (2) a specific provision of the State budget bill as enacted. Transfers resulting in a balance below 5% must be authorized by an act of the General Assembly other than the budget bill. The use of a budget amendment for fund transfer is prohibited.

The unrestricted deficit in net assets in other enterprise funds of \$9,633,000, for the Economic Development Insurance Programs occurred because of restrictions for insuring mortgages.

#### 14. Segment Information:

The State's Economic Development Loan Program contains two separately identifiable activities that have separately issued revenue bonds outstanding; housing loans of the Community Development Administration and water quality loans and grants of the Maryland Water Quality Administration.

The Community Development Administration (CDA) has issued revenue bonds, the proceeds of which were used for various mortgage loan programs. The assets of the loan program and revenues of each mortgage loan program are pledged as collateral for the revenue bonds. The bond indentures require the CDA to separately account for the identifiable activity's revenues, expenses, gains and losses, assets and liabilities.

The Maryland Water Quality Administration has issued revenue bonds to encourage capital investment for wastewater treatment systems and bay restoration. These bonds are payable solely from, and secured by, the revenue, money or property of the Maryland Water Quality Administration. The bond indentures require separate accounting for the identifiable activity's revenues, expenses, gains and losses, assets and liabilities.

Summary financial information for the two loan programs is presented below.

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**Condensed Statement of Net Assets**

As of June 30, 2011  
(Expressed in Thousands)

	Community Development Administration	Maryland Water Quality Administration
<b>Assets:</b>		
Current restricted assets.....	\$ 800,198	\$ 77,877
Non-current restricted assets.....	<u>2,827,089</u>	<u>537,290</u>
Total assets.....	3,627,287	615,167
<b>Liabilities:</b>		
Current liabilities .....	348,439	17,103
Non-current liabilities .....	<u>2,819,257</u>	<u>100,346</u>
Total liabilities.....	3,167,696	117,449
<b>Net Assets:</b>		
Restricted.....	<u>459,591</u>	<u>497,718</u>
Total net assets.....	\$ 459,591	\$497,718

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**Condensed Statement of Revenues, Expenses and Changes in Net Assets**

For the Year Ended June 30, 2011  
(Expressed in Thousands)

	Community Development Administration	Maryland Water Quality Administration
<b>Operating income (expenses):</b>		
Interest on loan income.....	\$ 138,992	\$ 8,450
Other operating revenues.....	5,223	
Other operating expenses.....	<u>(30,848)</u>	<u>          </u>
Operating income .....	113,367	8,450
Non-operating revenues (expenses).....	<u>(115,506)</u>	<u>(47,257)</u>
Change in net assets.....	(2,139)	(38,807)
Beginning net assets .....	<u>461,730</u>	<u>536,525</u>
Ending net assets.....	\$ 459,591	\$497,718

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**Condensed Statement of Cash Flows**

For the Year Ended June 30, 2011  
(Expressed in Thousands)

	Community Development Administration	Maryland Water Quality Administration
<b>Net cash from:</b>		
Operating activities.....	\$ 101,903	\$ 69,017
Non-capital financing activities.....	(222,873)	(71,103)
Investing activities.....	131,463	2,086
Beginning cash and cash equivalents.....	<u>601,913</u>	<u>          </u>
Ending cash and cash equivalents.....	\$612,406	\$ -

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## 15. Retirement Benefits:

### *Maryland State Retirement and Pension System (System):*

The State is a sole employer in the cost-sharing multiple-employer public employee retirement system established by the State to provide pension benefits for State employees (other than employees covered by the Maryland Transit Administration Pension Plan described below) and employees of 135 participating political subdivisions or other entities within the State.

The System is made up of 2 cost sharing pools: The “State Pool” and the “Municipal Pool”. Neither pool participates in the liabilities of the other. The non-State entities that participate within the System receive separate actuarial valuations in order to determine their respective funding levels and actuarial liabilities. The non-state entities’ only liability is to make the contribution determined by the System. Retirement benefits are paid from the System’s pooled assets rather than from assets relating to a particular plan participant. If the required contribution of municipal pool members is insufficient to fund the actuarial liabilities of the pool, the contribution is required to be revised. Remaining members of the municipal pool are required to make the payment of benefits to all employees vested with the pool. The State of Maryland is the statutory guarantor for the payment of all pensions, annuities, retirement allowances, refunds, reserves, and other benefits if the municipal pool is unable to pay benefits. The System is legally authorized to use all assets accumulated for the payment of benefits to pay such obligations to any plan member or beneficiary as defined by the terms of the plan. The System is accounted for as a single plan as defined by the codification of the Governmental Accounting Standards Board (GASB) for accounting for defined benefit pension plans.

The System prepares a separately audited Comprehensive Annual Financial Report, which can be obtained from the Maryland State Retirement and Pension System, 120 E. Baltimore Street, Suite 1600, Baltimore, Maryland 21202-1600.

### *Plan Description:*

The System is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland and consists of several plans which are managed by the System’s Board of Trustees. All State employees and employees of participating entities are covered by the plans.

“Retirement System” - retirement programs for substantially all State employees, teachers, State police and judges who are not members of the State Pension System.

“Pension System” - retirement programs for employees and teachers hired after January 1, 1980, and prior employees who elected to transfer from the Retirement System.

The System provides retirement, death and disability benefits in accordance with State statutes. Vesting begins after 5 years of service. A member terminating employment before attaining retirement age, but after completing 5 years of service becomes eligible for a vested retirement allowance provided the member does not withdraw his or her accumulated contributions. Members of the Retirement System may retire with full benefits after attaining the age of 60, or completing 30 years of service credit, regardless of age. Members of the Pension Systems may retire with full benefits after attaining the age 62, or after completing 30 years of Service Credit, regardless of age. State police members may retire with full benefits after attaining age 50, or completing 22 years of service credit, regardless of age. Members of the Law Enforcement Officers System may retire with full benefits at age 50, or completing 25 years of service credit, regardless of age.

The annual benefit for Retirement System Members is equal to 1/55 (1.8%) of the member’s highest three-year average final salary multiplied by the number of years of service credit. A member may retire with reduced benefits after completing 25 years of service, regardless of age. A member of the Pension System will generally receive, upon retirement, an annual service retirement allowance equal to 1.2% of the member’s highest three-consecutive year average final salary multiplied by the number of years of service credit on or before June 30, 1998, plus 1.8% of the highest three- consecutive year average final salary multiplied by the number of years of service credit after June 30, 1998. The annual benefit for a Pension System member who is employed by a participating governmental unit that does not provide enhanced pension benefits is equal to 0.8% of the member’s highest three-consecutive year average final salary multiplied by the number of years of service credit, with a provision for additional benefits for compensation earned in excess of the Social Security Integration Level base. A member of either type of pension system may retire with reduced benefits after attaining age 55 and completing 15 years of service.

The annual retirement allowance for a State Police member is equal to 2.55% of the member's highest three-year average final salary multiplied by each year of service and may not exceed 71.4% of member's three years average final compensation. The annual retirement allowance for a member of the Law Enforcement Officers Pension System (LEOPS) is 2.0% of the member's highest three-consecutive year average final salary (AFC) multiplied by each year of service up to a maximum of 30 years plus 1.0% AFC of accumulated credible service in excess of 30 years. Neither the State Police Retirement System nor Law Enforcement Officers Pension System provide for an early retirement.

In 2011, the General Assembly enacted pension reforms which are effective July 1, 2011, and affect both current active members and new hires. The member contribution rate was increased for members of the Teachers' Pension System and Employees' Pension System from 5% to 7%, and from 4% to 6% in fiscal year 2012 and 7% in fiscal year 2013 and beyond for LEOPS. In addition, the benefit attributable to service on or after July 1, 2011, will be subject to different cost-of-living adjustments (COLA) that are based on the increase in the Consumer Price index and capped at 2.5% or 1.0% based on whether the market value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the valuation (current 7.75%). There were also changes to the provisions for members hired on or after July 1, 2011.

#### *Funding Policy:*

In accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland, employer contribution rates and the actuarial accrued liability are established by annual actuarial valuations using the entry age normal cost method and other actuarial assumptions adopted by the Board of Trustees. Effective July 1, 1980, in accordance with the law governing the Systems, all benefits of the System are funded in advance. The entry age normal cost method is the actuarial cost method used to determine the employers' contribution rates and the actuarial accrued liability. Members of the Retirement System are required to contribute to the System a fixed percentage of their regular salaries and wages, 7.0% or 5.0% depending on the retirement plan selected. Members of the Pension System are required to contribute to the System 5.0% of their regular salaries and wages. Members of the Pension System who are employed by a participating government that does not provide enhanced pension benefits are required to contribute to the System 5.0% of their regular salaries and wages that exceed the Social Security wage base. State Police members are required to contribute 8.0% of their regular salaries and wages to the System. Members of the Law Enforcement Officers Pension System are required to contribute 4% of earnable compensation. All contributions are deducted from each member's salary, and the resulting payments are remitted to the System on a regular and periodic basis.

The contribution requirements of the System members, as well as the State and participating governmental employers, are established and may be amended by the General Assembly of the State of Maryland. Effective July 1, 2002, State law provides that the contribution rates may be more or less than the actuarially determined rates for the Employees' Retirement and Pension Systems and the Teachers' Retirement and Pension Systems. Contributions to these Systems are based on the Modified Corridor Funding Method which establishes a budgetary contribution rate. This method effectively maintains the contribution rate in effect for the Teachers' and Employees' combined systems during the preceding fiscal year (as adjusted for any legislative changes in the benefit structure) as long as such systems remain between 90 percent and 110 percent funded. If either system falls below 90 percent funded (i.e., below the corridor), then the contribution rate in effect for the subsequent fiscal year will be the rate in effect for the preceding fiscal year plus 20 percent of the difference between the current fiscal year full funding rate and the prior fiscal year contribution rate. Conversely, if either system exceeds 110 percent funded (i.e., above the corridor), then the contribution rate in effect for the subsequent fiscal year will be the rate in effect for the preceding fiscal year minus 20 percent of the difference between the current fiscal year full funding rate and the prior fiscal year contribution rate. The methodology for computing the State's employer contribution rates for the Law Enforcement Officers' Pension System, State Police Retirement System and the Judges' Retirement System remain unchanged. For each of these three systems, the employer contribution rate is equal to the sum of the normal contribution and the accrued liability contribution rates.

During fiscal year 2011, for the State Pool, the State paid \$1,378,392,000, of the required contribution totaling \$1,914,115,000, which was 14.6% of covered payroll and 72.0% of the required payment. The difference represents an additional pension cost liability in the government-wide statement of net assets. The State makes non-employer contributions to the System for local school system teachers. The covered payroll amount includes amounts for employees for whom the State pays retirement benefits, but does not pay the payroll. As of June 30, 2011, the State's membership includes 169,426, active members, 44,359, vested former members, and 112,896, retirees and beneficiaries.

Annual Pension Cost and Net Pension Obligation for the System (State Pool):

The annual pension cost and net pension obligation as of June 30, 2011, were as follows (amounts expressed in thousands).

	Teachers' Retirement and Pension System	Employees' Retirement and Pension System	State Police Retirement System	Judges' Retirement System	Law Enforcement Officers' Pension System
Annual required contribution .....	\$ 1,224,607	\$ 562,054	\$ 51,292	\$ 23,854	\$ 39,514
Interest on net pension obligation .....	32,017	61,100	2,741		
Actuarial adjustment to annual required contribution.....	<u>(29,105)</u>	<u>(51,893)</u>	<u>(2,066)</u>		
Annual pension cost .....	1,227,519	571,261	51,967	23,854	39,514
Contributions made .....	<u>919,313</u>	<u>350,796</u>	<u>44,915</u>	<u>23,854</u>	<u>39,514</u>
Increase in net pension obligation.....	308,206	220,465	7,052		
Net pension obligation, beginning of year .....	<u>413,125</u>	<u>788,381</u>	<u>35,373</u>		
Net pension obligation, end of year .....	<u>\$ 721,331</u>	<u>\$ 1,008,846</u>	<u>\$ 42,425</u>	<u>\$ -</u>	<u>\$ -</u>
Amortization period (years rolling).....	21.6	24.2	30.0	19.7	18.0

Three year historical trend information for the System (State Pool) was as follows (amounts expressed in thousands).

Plan	Annual Pension Cost As of June 30		
	2011	2010	2009
Teachers' Retirement and Pension System.....	\$1,227,519	\$891,346	\$758,391
Employees' Retirement and Pension System.....	571,261	446,361	383,310
State Police Retirement System.....	51,967	37,558	31,217
Judges' Retirement System.....	23,854	19,955	17,520
Law Enforcement Officers' Pension System.....	39,514	32,359	32,234

Plan	Percentage of Annual Pension Cost Contributed As of June 30,		
	2011	2010	2009
Teachers' Retirement and Pension System.....	75%	92%	89%
Employees' Retirement and Pension System.....	62	70	71
State Police Retirement System.....	88	68	56
Judges' Retirement System.....	100	100	100
Law Enforcement Officers' Pension System.....	100	100	100

Plan	Net Pension Obligation		
	As of June 30,		
	2011	2010	2009
Teachers' Retirement and Pension System.....	\$ 721,331	\$413,125	\$342,646
Employees' Retirement and Pension System.....	1,008,846	788,381	649,523
State Police Retirement System.....	42,425	35,373	23,280
Judges' Retirement System.....			
Law Enforcement Officers' Pension System.....			

The funded status of each plan for both the State and Municipal Pools, as of June 30, 2011, the most recent valuation date, is as follows (amounts expressed in thousands).

Plan	Actuarial Value of Plan Assets	Actuarial Liability (AAL) Entry Age	(Unfunded AAL) /Excess of Assets over AAL	Funded Ratio	(Unfunded AAL) /Excess as a Percentage of Covered Payroll	
					Covered Payroll	Percentage of Covered Payroll
<b>State Pool</b>						
Teachers' Retirement and Pension System .....	\$21,868,875	\$32,985,145	\$(11,116,270)	66.30%	\$6,196,976	(179)%
Employees' Retirement and Pension System....	9,508,670	16,009,640	(6,500,970)	59.39	3,019,160	(215)
State Police Retirement System.....	1,090,383	1,759,676	(669,293)	61.96	75,551	(886)
Judges' Retirement System.....	293,801	433,239	(139,438)	67.81	38,810	(359)
Law Enforcement Officers' Pension System.....	<u>401,371</u>	<u>746,750</u>	<u>(345,379)</u>	<u>53.75</u>	<u>84,032</u>	<u>(411)</u>
Total State Pool.....	<u>\$33,163,100</u>	<u>\$51,934,450</u>	<u>\$(18,771,350)</u>	<u>63.86%</u>	<u>\$9,414,529</u>	<u>(199)%</u>
<b>Municipal Pool</b>						
Employees' Retirement and Pension System....	\$ 2,879,140	\$3,712,623	\$ (833,483)	77.55%	\$1,008,651	(83)%
Law Enforcement Officers' Pension System.....	125,435	255,958	(130,523)	49.01	51,145	(255)
Correctional Officers' Retirement System.....	<u>9,980</u>	<u>14,511</u>	<u>(4,531)</u>	<u>68.78</u>	<u>4,475</u>	<u>(101)</u>
Total Municipal Pool.....	<u>\$ 3,014,555</u>	<u>\$3,983,092</u>	<u>\$ (968,537)</u>	<u>75.68%</u>	<u>\$1,064,271</u>	<u>( 91)%</u>

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the State Pool's plan assets is increasing or decreasing over time relative to the AAL for benefits. The Schedule of Funding Progress also discloses the relationship between the System's covered payroll (i.e., all elements included in compensation paid to active members on which contributions are based) and the unfunded actuarial accrued liability. This relationship, expressed as a ratio, is a measure of the significance of the unfunded AAL relative to the capacity to pay all contributions required to fund the liability.

The significant actuarial assumptions listed below were used in the actuarial valuation as of June 30, 2011, the most recent valuation date.

Valuation method.....	Individual Entry Age Normal Cost Method
Cost method of valuing assets .....	Five-year smoothed market (maximum 120% and minimum 80% of market value)
Rate of return on investments.....	7.75%
Projected payroll growth .....	3.5% - 12.0%
Discount rate.....	7.75%
Post retirement benefit increase .....	2.75% to 3.5% (depending on system and provisions)
Amortization method.....	Level Percentage of Payroll
Remaining amortization period.....	9 years as of June 30, 2011 for prior UAAL (existing on June 30, 2000)
New layers as of June 30, 2001 - 2011 .....	15 - 25 years as of June 30, 2011 for new UAAL. 30 years is used wherever the equivalent single amortization period exceeds 30 years.
Status of period (Open or Closed) .....	Closed

During fiscal year 2011, there were no changes in actuarial assumptions or benefit provisions that significantly affected the valuation of the annual pension cost and net pension obligation as of June 30, 2011. However, as discussed in the “Plan Description” section, significant pension reforms have been adopted effective as of July 1, 2011. As a result of these pension reforms the calculation for the State’s total actuarial accrued liability was reduced approximately \$433,000,000.

*Maryland Transit Administration Pension Plan (Plan):*

The Plan is a single employer non-contributory plan, which covers all Maryland Transit Administration (Administration) employees covered by a collective bargaining agreement and all those management employees who were employed by the Baltimore Transit Company. In addition, employees who enter the management group as a result of a transfer from a position covered by a collective bargaining agreement maintain their participation. The Maryland Transit Administration was given authority to establish and maintain the Plan under Transportation Article, Section 7-206(b)2(ii), of the Annotated Code of Maryland. The Plan is administered and funded in compliance with the collective bargaining agreements. The Plan prepares separately audited financial statements, which can be obtained from the Maryland Transit Administration Pension Plan, William Donald Schaefer Tower, 8 Saint Paul Street, Baltimore, Maryland 21202.

*Plan Description:*

The Plan provides retirement, normal and early, death and disability benefits. Members may retire with full benefits at age 65 with five years of credited service or age 52 with 30 years of credited service. The annual normal retirement benefit is 1.4% - 1.6% (1.3% prior to September 8, 2002) of final average compensation multiplied by credited service, with minimum and maximum benefit limitations. Participants are fully vested after five years of credited service.

As of June 30, 2011, membership in the Plan includes 2,806 active members, 445 vested former members, and 1,514 retirees and beneficiaries. There were no investments in, loans to, or leases with parties related to the Plan. There were no Plan investments representing 5 percent or more of total Plan assets. For the year ended June 30, 2011, the Administration’s covered and total payroll was \$147,474,000.

*Funding Policy:*

The Administration’s required contributions are based on actuarial valuations. The entry age normal cost method is the actuarial cost method used to determine the employer’s contribution rates and the actuarial accrued liability. All administrative costs of the Plan are paid by the Plan.

Employer contributions to the Plan totaling \$42,528,000, (28.8% of covered payroll) for fiscal year 2011 were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 2010. This amount consisted of \$5,722,000, normal cost and \$36,806,000, amortization of the actuarial accrued liability (3.9% and 24.9%, respectively, of covered payroll). The liquidation period for the actuarial accrued liabilities, as provided by law, is 8 years from June 30, 2011.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the annual pension cost and net pension obligations. The computation of the annual required contribution for fiscal year 2011 was based on the same actuarial assumptions, benefit provisions, actuarial funding method and other significant factors used to determine pension contribution requirements in the previous year.

*Annual Pension Cost and Net Pension Obligation:*

The Administration's annual pension cost and net pension obligation as of June 30, 2011, are as follows (amounts expressed in thousands).

Annual required contribution (ARC).....	\$ 33,287
Interest on net pension obligation.....	<u>641</u>
Annual pension cost.....	33,928
Contributions made.....	<u>42,528</u>
Increase in net pension obligation (asset).....	(8,600)
Net pension obligation (asset), beginning of year.....	<u>(9,079)</u>
Net pension obligation (asset), end of year.....	<u><u>\$ (17,679)</u></u>
Amortization period.....	13.6 years

Three year historical trend information for the Plan is as follows (amounts expressed in thousands).

Fiscal Years Ending,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
6/30/2011.....	\$33,928	125%	\$(17,679)
6/30/2010.....	26,151	144	( 9,079)
6/30/2009.....	24,782	110	2,531

*Funded Status and Funding Progress:*

As of June 30, 2011, the most recent actuarial valuation date, the plan was 42.2% funded. The actuarial accrued liability for benefits was \$433,637,000, and the actuarial value of assets was \$182,918,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$250,719,000. The covered payroll (annual payroll of active employees covered by the plan) was \$147,474,000, and the ratio of the UAAL to the covered payroll was (170.0)%. The net pension asset of \$17,679,000, is included in prepaid assets on the accompanying statement of net assets.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The significant actuarial assumptions listed below were used in the actuarial valuation as of June 30, 2011, the most recent valuation date.

Valuation method.....	Entry Age Normal, Level Dollar
Cost method of valuing assets .....	Five year open period smoothing (Market Value vs. Expected Actuarial Value)
Rate of return on investments.....	7.75%
Inflation Rate.....	3.5%
Rate of salary increase.....	3.5% - 9.5%
Postretirement benefit increase .....	Preceding Year Consumer Price Index, capped at 3%
Amortization method.....	Level dollar (years depend on type of base)
Remaining amortization period.....	13.6 years weighted average
Status of period (Open or Closed) .....	Closed

During fiscal year 2011, there were no changes in actuarial assumptions or benefit provisions from 2010 that significantly affected the valuation of the annual pension cost and net pension obligation. No significant changes in these assumptions are planned in the near term.

*Deferred Compensation Plan (Plan):*

The State offers its employees a deferred compensation plan (Plan) created in accordance with Internal Revenue Code Sections 457, 403(b), 401(a) and 401(k). The Plan, available to eligible State employees, permits participants to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. State law provides that the Governor appoint the nine member Board of Trustees of the State's Supplemental Retirement Systems. The Board is responsible for the implementation, maintenance and administration of the Plan.

The State of Maryland Match Plan and Trust was established by the State on July 1, 1999. The plan is designed to be a tax-qualified 401(a) defined contribution matching plan under Internal Revenue Code section 401(a). Under plan provisions, the State contributes to each participant's account an amount equal to each participant's contributions to the State's Supplemental Retirement Plan during the same plan year. By statute, the maximum amount contributed to this plan for each participant is \$600 for each State fiscal year. An employee's interest in his/her account is fully vested at all times. The match program continues to be established and funded in statute. During the year ended December 31, 2010, the State suspended the match contribution. For the plan year ended December 31, 2010, the State contributed \$408,000 to the 401(a) plan and participants contributed \$64,767,000, \$3,271,000, and \$91,618,000, to the 457, 403(b), and 401(k) plans, respectively.

## **16. Other Postemployment Benefits, Health Benefits (OPEB)**

*State Employee and Retiree Health and Welfare Benefits Program:*

*Plan Description:*

The State Employee and Retiree Health and Welfare Benefits Program (Plan) is a single-employer defined benefit healthcare plan established by State Personnel and Pensions Article, Sections 2-501 - 2-516, of the Annotated Code of Maryland. The Plan is self-insured to provide medical, hospitalization, prescription drug and dental insurance benefits to eligible state employees, retirees and their dependents. State law grants authority to establish and amend benefit provisions to the Secretary of the Department of Budget and Management (DBM). In addition, the Secretary shall specify by regulation the types or categories of State employees who are eligible to enroll, with or without State subsidies, or who are not eligible to enroll.

The Postretirement Health Benefits Trust Fund (OPEB Trust) is established as an irrevocable trust under Section 34-101 of the State Personnel and Pensions Article to receive appropriated funds and contributions which will be used to assist the Plan in financing the State's postretirement health insurance subsidy. The OPEB Trust is administered by the Board of Trustees for the State Retirement and Pension System. A separate audited GAAP-basis postemployment benefit plan report is not available for the defined benefit healthcare plan.

*Funding Policy:*

The contribution requirements of Plan members and the State are established by the Secretary. Each year the Secretary recommends to the Governor the State's share of the costs of the Plan. Beginning in fiscal year 2008, State law requires DBM to transfer any subsidy received as a result of the Federal Medicare Prescription Drug Improvement and Modernization Act of 2003 or similar subsidy to the OPEB Trust to prefund costs of retirees' health benefits. Also, funds may be separately appropriated in the State's budget for transfer to the OPEB Trust. Applicable administrative expenses are payable from the OPEB Trust, but may not exceed \$100,000 annually. The 2009 Budget Reconciliation and Financing Act redirects the subsidy to the Plan for fiscal years 2010-2012.

Generally, a retiree may enroll and participate in the health benefit options if the retiree retired directly from State service with at least five years of creditable service, ended State service with at least 10 years of creditable service and within five years

before the age at which a vested retirement allowance normally would begin, or ended State service with at least 16 years of creditable service. As of July 1, 2011, the State's Plan membership includes 81,043 active employees, 4,133, vested former employees, and 60,559, retirees and beneficiaries. Based on current practice, the State subsidizes approximately 50% to 85% of retiree premiums to cover medical, dental, prescription and hospitalization costs, depending on the type of insurance plan. The Plan assesses a charge to retirees for post-employment health care benefits, which is based on health care insurance charges for active employees. For the fiscal year ended June 30, 2011, retiree plan members contributed \$72,640,000, or approximately 16.5% of total retiree premiums, and the State contributed \$368,844,000. During fiscal year 2011, the State did not transfer any of the Federal Medicare drug subsidy to the OPEB Trust to prefund future OPEB costs or contribute additional funding to the Trust.

*Annual OPEB Cost and Net OPEB Obligation:*

The State's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the State's annual OPEB cost, the amount actually contributed to the Plan and the State's net OPEB obligation as of June 30, 2011 (amounts expressed in thousands).

Annual required contribution (ARC) .....	\$1,225,206
ARC Adjustment.....	(90,471)
Interest on net OPEB obligation beginning of year .....	100,298
Total Annual OPEB Cost (AOC).....	1,235,033
Less: Contributions made .....	368,844
Increase in net OPEB obligation.....	866,189
Net OPEB obligation - beginning of year .....	2,332,502
Net OPEB obligation - end of year .....	<u>\$3,198,691</u>
Percentage of annual OPEB cost contributed .....	29.9%

Three year historical trend information for the Plan is as follows (amounts expressed in thousands).

Fiscal Years Ended,	AOC	Percentage of AOC Contributed	Net OPEB Obligation
6/30/11.....	\$1,235,033	29.9 %	\$3,198,691
6/30/10.....	1,190,780	28.3	2,332,502
6/30/09.....	1,148,597	31.9	1,478,130

*Funded Status:*

As of June 30, 2011, the most recent actuarial valuation date, the OPEB Trust was 2.0% funded. The actuarial accrued liability for benefits was \$9,732,430,000, and the actuarial value of assets was \$196,295,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,536,135,000. The ratio of the actuarial value of assets to the actuarial accrued liability was 2.0%. The covered payroll (annual payroll of active employees covered under the Plan) was \$4,633,653,000, and the ratio of the UAAL to the covered payroll was (205.8)%.

*Actuarial Methods and Assumptions:*

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial



accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The accompanying schedules of funding progress and employer contributions following the footnotes present information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits and amounts contributed to the plan.

The actuarial method and significant assumptions listed below were used in the actuarial valuation as of June 30, 2011.

Actuarial cost method.....	Entry Age Normal (percent of pay)
Asset valuation method .....	Five-year smoothed market.
Rate of return on investments.....	4.25%
Aggregate salary growth .....	3.50%
Method to determine blended rate .....	4.25% represents an unblended pay-go rate.
Healthcare cost trend rate .....	Medical: 7.5% for 2012 trending down to 5.0% by FYE 2022 Prescription drug: 8.0% for 2012 trending down to 5.0% by FYE 2024 Dental: 4.5%
Amortization method .....	Level percentage of projected payroll
Amortization period .....	30 years (open)

Beginning with fiscal year 2012, the explicit prescription premium subsidy for retirees was reduced from 80% to 75%, and State-provided post-Medicare prescription coverage will be eliminated in 2020.

*Maryland Transit Administration Retiree Healthcare Benefit:*

The Maryland Transit Administration Retiree Healthcare Benefit (MTA OPEB) provides retiree health care benefits under a collective bargaining agreement to all employees who are members of the MTA pension plan, except transfers from union to management positions who are required to enroll in the State Employee and Retiree Health and Welfare Benefits Program. The MTA currently funds retirees’ health care on a pay-as-you-go basis. The MTA does not currently have a separate fund set aside to pay health care costs.

*Plan Description:*

The MTA OPEB provides medical, hospitalization, prescription drug, dental and vision insurance benefits to eligible MTA employees, retirees and their dependents. Members are eligible at age 65 with five years of service or age 52 with 30 years of service provided the member is enrolled in an MTA health plan at normal retirement. Members are also eligible at age 55 if the sum of the participant’s age plus years of actual credited service equals at least 85 and the participant is enrolled in an MTA health plan at early retirement. A separate audited GAAP-basis postemployment benefit plan report is not available for the healthcare plan.

As of June 30, 2011, 2,392, active employees and 1,254, retirees and beneficiaries were covered by healthcare insurance provided by MTA.

*Funding Policy:*

Based on current practice, MTA subsidizes approximately 50% to 100% of retiree healthcare premiums depending on the type of insurance plan and whether the retiree receives Medicare. Retirees make the same contribution as active employees, however Medicare is handled separately.

*Annual OPEB Cost and Net OPEB Obligation:*

MTA’s annual OPEB cost is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The following table shows the components of MTA’s annual OPEB cost, the amount actually contributed and MTA’s net OPEB obligation as of June 30, 2011 (amounts expressed in thousands).

Annual required contribution (ARC) .....	\$ 53,015
ARC adjustment.....	(6,775)
Interest on net OPEB obligation beginning of year .....	4,314
Total annual OPEB cost (AOC) .....	50,554
Less: Contributions made .....	14,230
Increase in net OPEB obligation.....	36,324
Net OPEB obligation – beginning of year .....	95,853
Net OPEB obligation – end of year .....	\$ 132,177
Percentage of annual OPEB cost contributed .....	28.2%

Three year historical trend information for the MTA OPEB is as follows (amounts expressed in thousands).

Fiscal Years Ended	AOC	Percentage of AOC Contributed	Net OPEB Obligation
6/30/11.....	\$50,554	28.2%	\$132,177
6/30/10.....	42,353	26.0	95,853
6/30/09.....	43,300	23.8	64,500

*Funded Status:*

MTA OPEB is unfunded. As of June 30, 2011, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was \$527,679,000. The covered payroll (annual payroll of active employees participating in MTA health plans) was \$147,474,000, and the ratio of the AAL to the covered payroll was (357.8%).

*Actuarial Methods and Assumptions:*

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The accompanying schedules of funding progress and employer contributions following the footnotes present information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits and amounts contributed to the plan.

The actuarial method and significant assumptions listed below were used in the actuarial valuation as of June 30, 2011.

Actuarial cost method.....	Entry Age Normal, Level Dollar
Asset valuation method.....	N/A
Rate of return on investments.....	4.5% This rate represents the long-term expected return on MTA's general fund assets
Aggregate salary growth.....	3.5%
Healthcare cost trend rate.....	Medical and Prescription: 6.4% in 2011, and gradually decreasing to 5.0% in FY 2030 and beyond; Dental and vision 5.0% for all future years
Amortization method.....	Level annual payments over a fixed number of years
Amortization period.....	23 years (closed)

## 17. Commitments:

Encumbrances for specific purposes for which resources already have been reported as restricted or committed on the governmental funds balance sheet are \$158,085,000, in the general fund and \$418,904,000, in other governmental funds as of June 30, 2011.

The State's governmental funds lease office space under various agreements that are accounted for as operating leases. Many of the agreements contain rent escalation clauses and renewal options. These leases contain termination for convenience clauses providing for cancellation after a certain number of days notice to lessors. In addition, these leases contain appropriation clauses indicating that continuation of the lease is subject to appropriation by the legislature. Rent expenditures for the year ended June 30, 2011, were approximately \$66,851,000.

As of June 30, 2011, the governmental funds, other than the Department of Transportation, had commitments of approximately \$50,233,000, for service contracts.

As of June 30, 2011, the Department of Transportation and Maryland Transportation Authority had commitments of approximately \$3.2 billion and \$802,323,000, respectively, for construction of highway and mass transit facilities.

Approximately 50% of future expenditures related to the Department of Transportation commitments are expected to be reimbursed from proceeds of approved Federal grants when the actual costs are incurred. The remaining portion will be funded by other financial resources of the Department of Transportation.

The Department of Transportation, as lessor, leases space at various marine terminals, airport facilities and office space pursuant to various noncancelable operating leases with scheduled rent increases. Minimum future rental revenues are as follows (amounts expressed in thousands).

Years Ending June 30,	Amounts
2012.....	\$111,577
2013.....	110,300
2014.....	111,467
2015.....	105,717
2016.....	99,860
2017 -2021.....	297,235
2022-2026.....	23,927
2027-2031.....	<u>108,800</u>
Total.....	\$968,883

The cost and accumulated depreciation of the assets as of June 30, 2011, were \$1,517,504,000, and \$662,334,000.

Total minimum future rental revenues do not include contingent rentals that may be received under certain concession leases on the basis of a percentage of the concessionaire's gross revenue in excess of stipulated minimums. Rental revenue was approximately \$161,118,000, for the year ended June 30, 2011.

As of June 30, 2011, the Maryland State Lottery Agency had commitments of approximately \$348,381,000, for services to be rendered relating principally to the operation of, and advertising for, the lottery games and the operation of the video lottery terminal program.

As of June 30, 2011, the enterprise fund loan programs had committed to lend a total of \$220,811,000, in additional loans. The Community Development Administration, also an enterprise fund loan program, has \$328,930,000, of revenue bonds outstanding that are not included in the financial statements of the Administration because the bonds are not guaranteed by the State or any other program of the State or any political subdivision. The revenue bonds are secured solely by the individual multi-family project properties, related revenues, applicable credit enhancements or investments equal to the debt outstanding.

As of June 30, 2011, the higher education fund had commitments of approximately \$431,231,000, for the completion of projects under construction.

## **18. Contingencies:**

The State is party to legal proceedings that normally occur in governmental operations. The legal proceedings are not, in the opinion of the Attorney General, likely to have a material, adverse impact on the financial position of the State as a whole.

As of June 30, 2011, economic development loan programs were contingently liable to financial institutions for \$6,216,000, for the repayment of loans for small businesses. Non-major enterprise funds were contingently liable as insurers of \$167,102,000, of \$1,389,201,000, mortgage loans made by public and private lenders. Non-major component units were contingently liable as insurers of \$16,783,000, of \$545,208,000, economic development and growth bonds issued by financial institutions.

As of June 30, 2011, there were approved economic development bonds pending settlement which were insured by non-major component units for \$6,290,000.

The State receives significant financial assistance from the U.S. Government. Entitlement to the resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund which received the grant. As of June 30, 2011, the State estimates that no material liabilities will result from such audits.

## **19. Tobacco Settlement:**

Legislation enacted by the 1999 General Assembly established the Cigarette Restitution Fund for all revenues received from any judgment against or settlement with the tobacco industry. Expenditures from the fund are made by an appropriation in the annual State budget. The law provides that at least 50% of the appropriations shall be made for tobacco or health related purposes and the remaining appropriations may be for any public purpose. During the 2002 legislative session, legislation was enacted providing that for each of fiscal years 2003 through 2006, at least 25% of the appropriations shall be made for the Maryland Medical Assistance Program (Medicaid); the 2005 legislative session increased that percentage to 30% for each year for which appropriations are made. During the 2003 legislative session, legislation was enacted requiring that .15% of the fund be appropriated for enforcing the escrow requirements for nonparticipating tobacco product manufacturers. Transfers of \$149,448,000, were made from the proceeds in the Cigarette Restitution Fund for fiscal year 2011 expenditure of appropriations.

As part of the Master Settlement Agreement between the states and the tobacco companies, Maryland's share during fiscal year 2011 was \$148,310,000, including the award from the arbitration panel for attorney fees. This amount does not include \$20,123,000, the tobacco companies paid to the disputed account pending the outcome of litigation.

It is estimated that the payments made to the State pursuant to the Master Settlement through fiscal year 2016 will total \$2.64 billion of which \$149,873,000, was paid to outside counsel. The actual amount paid each year, however, will reflect adjustments for inflation and cigarette shipment volume. In addition, the State expects to receive \$87,026,000, during that same period pursuant to an award for attorney fees by the national arbitration panel.

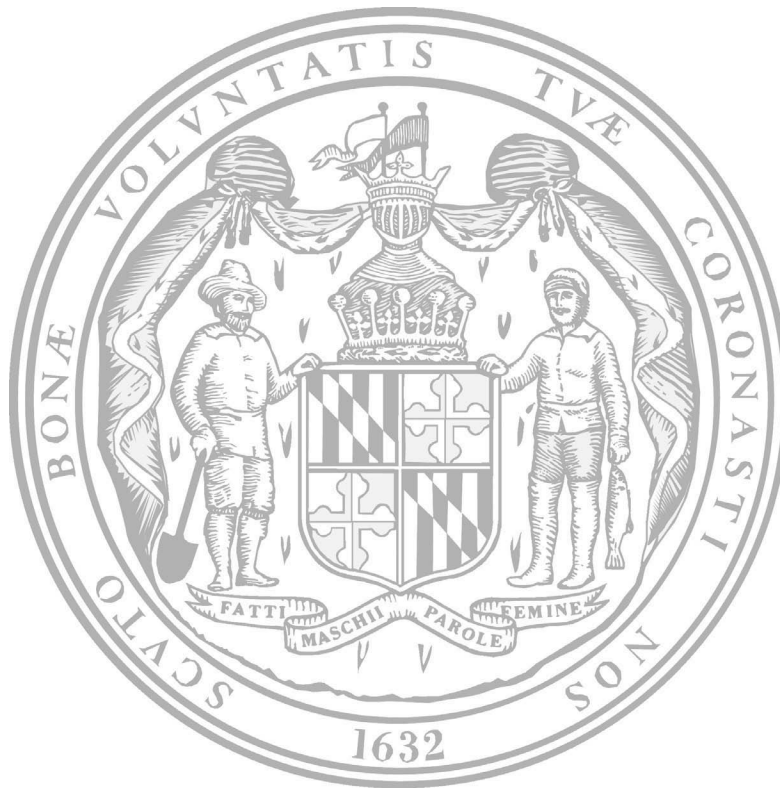
## **20. Landfill Closure and Postclosure Care Costs:**

State and Federal laws require the Maryland Environmental Service (the Service) to cover and to perform certain maintenance and monitoring functions at Midshore Regional Landfill I, Easton Landfill, Midshore II and Hobbs Road Landfill sites. Although closure and postclosure care costs will be paid near or after the date the landfills stop accepting waste, the Service reports a portion of these closure and postclosure care costs as a liability based upon the estimated useful life of the landfills. Midshore I's current cells are approximately 93% filled as of June 30, 2011. The landfill stopped accepting waste on December 31, 2010. Total closure and postclosure care costs for the landfill are currently estimated to be \$11,026,000, as determined through engineering studies, and

\$8,943,000, has been recognized as a liability on the June 30, 2011, Combining Statement of Net Assets, Non-Major Component Units. Midshore II's current cells which are expected to close in 2030 are approximately 2% filled as of June 30, 2011. Total closure and postclosure care costs for the landfill are currently estimated to be \$17,257,000, as determined through engineering studies, and \$244,000, has been recognized as a liability as of June 30, 2011. Actual costs may be subject to change due to inflation, deflation, technology, and changes in applicable laws and regulations.

A receivable from project participants corresponding to the accrued liability has also been recorded.

Under Federal regulations, the Service has satisfied its financial assurance requirements based upon the local government financial ratio tests of the project participants as of June 30, 2010. The Service expects to satisfy these requirements as of June 30, 2011, using the same criteria.





*Required*  
**SUPPLEMENTARY**  
*Information*



**STATE OF MARYLAND**  
**Schedule of Revenues and Expenditures and Changes in Fund Balances - Budget and Actual -**  
**Budgetary General, Special, and Federal Funds**  
**For the Year Ended June 30, 2011**  
*(Expressed in Thousands)*

	General Fund			
	Budget Amounts		Actual Amounts	Variance Positive (Negative)
	Original Budget	Final Budget		
<b>Revenues:</b>				
Income taxes .....	\$ 6,805,633	\$ 6,948,129	\$ 7,214,730	\$ 266,601
Sales and use taxes.....	3,667,203	3,672,461	3,656,044	(16,417)
Other taxes .....	1,367,390	1,070,967	1,092,339	21,372
Licenses and fees.....	199,652	194,493	205,355	10,862
Charges for services .....	314,205	309,663	328,717	19,054
Interest and other investment income.....	54,000	54,000	71,373	17,373
Other .....	630,872	909,316	617,711	(291,605)
Federal revenue.....				
Total revenues .....	13,038,955	13,159,029	13,186,269	27,240
<b>Expenditures and encumbrances by major function:</b>				
Payments of revenue to civil divisions of the State .....	121,436	121,436	121,436	
Public debt.....				
Legislative .....	84,490	84,490	72,457	12,033
Judicial review and legal .....	493,531	494,132	474,593	19,539
Executive and administrative control.....	204,069	210,102	204,792	5,310
Financial and revenue administration.....	207,035	210,584	206,637	3,947
Budget and management.....	44,684	44,684	41,548	3,136
Retirement and pension .....				
General services.....	53,763	53,763	51,379	2,384
Transportation and highways .....				
Natural resources and recreation .....	44,834	44,811	43,975	836
Agriculture .....	27,578	27,328	27,186	142
Health, hospitals and mental hygiene.....	3,150,147	3,235,718	3,208,794	26,924
Human resources.....	565,500	562,469	555,307	7,162
Labor, licensing and regulation .....	31,674	32,773	32,505	268
Public safety and correctional services.....	1,005,134	1,006,107	1,002,715	3,392
Public education .....	6,659,163	6,694,823	6,666,603	28,220
Housing and community development.....	5,322	5,322	4,501	821
Business and economic development .....	88,685	88,375	69,720	18,655
Environment .....	38,554	38,537	35,278	3,259
Juvenile services.....	254,125	257,418	254,550	2,868
State police.....	175,377	168,282	167,819	463
State reserve fund .....	15,000	15,000	15,000	
Reversions.....	(30,000)	(30,000)		(30,000)
Total expenditures and encumbrances .....	13,240,101	13,366,154	13,256,795	109,359
Excess of revenues over (under) expenditures .....	(201,146)	(207,125)	(70,526)	136,599
<b>Other sources (uses) of financial resources:</b>				
Transfers in (out).....			712,634	712,634
Excess of revenues over (under) expenditures and other sources (uses) of financial resources .....	(201,146)	(207,125)	642,108	849,233
Fund balances - beginning of the year.....	(5,022,388)	(4,568,028)	1,056,125	5,624,153
Fund balances - end of the year .....	\$(5,223,534)	\$(4,775,153)	\$1,698,233	\$6,473,386

See accompanying Notes to Required Supplementary Information.



Special Fund				Federal Fund			
Budget Amounts		Actual Amounts	Variance Positive (Negative)	Budget Amounts		Actual Amounts	Variance Positive (Negative)
Original Budget	Final Budget			Original Budget	Final Budget		
\$ 141,942	\$ 214,192	\$ 206,077	\$ (8,115)				
239,757	228,732	240,656	11,924				
2,066,510	2,538,544	2,501,184	(37,360)				
660,940	751,866	774,476	22,610				
1,119,390	1,666,216	1,605,654	(60,562)				
	15,886	18,661	2,775			\$ 986	\$ 986
1,289,201	741,475	607,383	(134,092)				
				\$ 9,337,826	\$ 10,698,791	9,841,061	(857,730)
5,517,740	6,156,911	5,954,091	(202,820)	9,337,826	10,698,791	9,842,047	(856,744)
834,344	827,544	825,630	1,914	7,640	9,202	9,202	
100	250	153	97				
85,329	107,058	81,889	25,169	6,518	8,024	6,976	1,048
287,265	284,096	229,723	54,373	199,421	328,761	281,006	47,755
131,840	131,840	111,018	20,822				
22,164	22,164	17,731	4,433		26,443	7,869	18,574
37,104	37,695	32,662	5,033				
3,722	4,100	3,456	644	1,033	1,095	1,080	15
2,406,621	2,475,541	2,376,717	98,824	916,229	942,682	799,761	142,921
156,807	146,462	106,126	40,336	53,864	59,700	36,516	23,184
49,346	62,160	44,958	17,202	6,442	7,209	6,300	909
735,529	941,250	880,919	60,331	4,794,619	4,949,766	4,730,268	219,498
117,917	106,784	104,613	2,171	1,468,025	2,009,108	1,739,876	269,232
54,155	54,155	46,743	7,412	152,282	178,406	170,073	8,333
158,200	152,350	140,231	12,119	73,562	92,407	81,755	10,652
170,517	536,751	527,380	9,371	1,770,358	2,147,206	1,633,847	513,359
89,521	88,521	43,144	45,377	414,122	451,570	355,932	95,638
89,223	89,723	25,350	64,373	2,377	2,507	1,982	525
537,746	529,846	78,692	451,154	201,304	206,034	126,490	79,544
491	1,282	203	1,079	16,565	17,497	14,066	3,431
81,629	89,168	76,249	12,919	23,866	31,575	26,202	5,373
6,049,570	6,688,740	5,753,587	935,153	10,108,227	11,469,192	10,029,201	1,439,991
(531,830)	(531,829)	200,504	732,333	(770,401)	(770,401)	(187,154)	583,247
		(429,591)	(429,591)			187,154	187,154
(531,830)	(531,829)	(229,087)	302,742	(770,401)	(770,401)		770,401
(3,294,639)	(3,150,860)	1,774,508	4,925,368	(1,938,784)	(1,938,777)		1,938,777
\$ (3,826,469)	\$ (3,682,689)	\$ 1,545,421	\$ 5,228,110	\$ (2,709,185)	\$ (2,709,178)	\$ -	\$ 2,709,178

**STATE OF MARYLAND**  
**Reconciliation of the Budgetary General and Special Fund, Fund Balances to**  
**the GAAP General and Special Revenue Fund, Fund Balances**  
**June 30, 2011**

(Expressed in Thousands)

	<u>General</u>	<u>Special</u>
Amount in budgetary funds, fund balance (page 106) .....	\$1,698,233	\$1,545,421
Budgetary special funds reclassified to the general fund .....	641,400	(641,400)
Budgetary special funds reclassified to other funds.....		(670,158)
Other non-budgetary funds reclassified to governmental funds.....	<u>339,522</u>	<u>458</u>
Total of budgetary fund balances reclassified into the governmental funds' fund structure.....	2,679,155	234,321
Accounting principle differences:		
Assets recognized in the governmental funds financial statements not recognized for budgetary purposes:		
Cash.....	11,825	(40,819)
Investments .....	(32,805)	
Taxes receivable .....	23,152	2,418
Intergovernmental receivables.....	104,237	11,320
Other accounts receivable .....	7,314	2,427
Prepaid items.....	(243,577)	
Inventories.....	25,684	79,681
Due from other funds .....	2,521	154,323
Liabilities recognized in the governmental funds financial statements not recognized for budgetary purposes:		
Salaries payable .....	(60,283)	10,303
Accounts payable and accrued liabilities.....	(349,368)	(21,568)
Due to other funds .....	(567,055)	(13,369)
Accounts payable to political subdivisions .....	(9,249)	(614)
Deferred revenue .....	(163,352)	(86,775)
Accrued self insurance costs .....	(88,589)	
Financial statement governmental funds' fund balances, June 30, 2011 (page 28).....	<u>\$1,339,610</u>	<u>\$ 331,648</u>

See accompanying Notes to Required Supplementary Information.

**STATE OF MARYLAND**  
**Required Supplemental Schedule of Funding Progress for**  
**Maryland Pension and Retirement System**

(Expressed in Thousands)

Actuarial Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	(Unfunded AAL) /Excess of Assets over AAL	Funded Ratio	Covered Payroll(1)	(Unfunded AAL) /Excess as a Percentage of Covered Payroll(2)
<b>TEACHERS RETIREMENT AND PENSION SYSTEM</b>						
2011	\$21,868,875	\$ 32,985,145	\$(11,116,270)	66.30%	\$ 6,196,976	(179.38)%
2010	20,908,150	31,963,421	(11,055,271)	65.41	6,411,550	(172.43)
2009	20,605,618	31,172,917	(10,567,299)	66.10	6,411,550	(164.82)
2008	23,784,404	29,868,705	(6,084,301)	79.63	6,117,591	(99.46)
2007	22,814,759	28,122,575	(5,307,816)	81.13	5,709,765	(92.96)
2006	21,575,451	25,617,484	(4,042,033)	84.22	5,269,185	(76.71)
<b>STATE EMPLOYEES RETIREMENT AND PENSION SYSTEM</b>						
2011	\$ 9,508,670	\$16,009,640	\$ (6,500,970)	59.39%	\$ 3,019,160	(215.32)%
2010	9,224,784	15,451,890	(6,227,106)	59.70	3,163,684	(196.83)
2009	9,230,381	15,080,783	(5,850,402)	61.21	3,250,809	(179.97)
2008	10,699,418	14,337,460	(3,638,042)	74.63	3,110,640	(116.95)
2007	10,332,264	13,363,507	(3,031,243)	77.32	3,022,476	(100.29)
2006	9,825,416	12,184,215	(2,358,799)	80.64	2,828,348	(83.40)
<b>STATE POLICE RETIREMENT SYSTEM</b>						
2011	\$ 1,090,383	\$ 1,759,676	\$ (669,293)	61.96%	\$ 75,551	(885.88)%
2010	1,085,281	1,722,564	(637,283)	63.00	83,123	(766.67)
2009	1,119,766	1,710,356	(590,590)	65.47	87,070	(678.29)
2008	1,343,208	1,601,575	(258,367)	83.87	86,464	(298.81)
2007	1,334,375	1,516,935	(182,560)	87.97	83,191	(219.45)
2006	1,301,877	1,325,875	(23,998)	98.19	80,649	(29.76)
<b>JUDGES RETIREMENT SYSTEM</b>						
2011	\$ 293,801	\$ 433,239	\$ (139,438)	67.81%	\$ 38,810	(359.28)%
2010	276,643	426,215	(149,572)	64.91	40,654	(367.91)
2009	270,870	421,039	(150,169)	64.33	40,965	(366.58)
2008	306,716	406,782	(100,066)	75.40	37,943	(263.73)
2007	293,052	371,987	(78,935)	78.78	37,638	(209.72)
2006	273,679	352,537	(78,858)	77.63	35,939	(219.42)
<b>STATE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM</b>						
2011	\$ 401,371	\$ 746,750	\$ (345,379)	53.75%	\$ 84,032	(411.01)%
2010	367,934	715,568	(347,634)	51.42	89,227	(389.61)
2009	354,707	684,424	(329,717)	51.83	89,571	(368.11)
2008	389,793	611,367	(221,574)	63.76	85,814	(258.20)
2007	354,364	593,308	(238,944)	59.73	82,079	(291.11)
2006	316,709	504,373	(187,664)	62.79	71,678	(261.82)
<b>TOTAL OF ALL PLANS</b>						
2011	\$33,163,100	\$ 51,934,450	\$(18,771,350)	63.86%	\$ 9,414,529	(199.39)%
2010	31,862,792	50,279,658	(18,416,866)	63.37	9,788,238	(188.15)
2009	31,581,342	49,069,519	(17,488,177)	64.36	9,879,965	(177.01)
2008	36,523,539	46,825,889	(10,302,350)	78.00	9,438,452	(109.15)
2007	35,128,814	43,968,312	(8,839,498)	79.90	8,935,149	(98.93)
2006	33,293,132	39,984,484	(6,691,352)	83.27	8,285,799	(80.76)

(1) Covered payroll includes the payroll cost of those participants for which the State pays the retirement contribution but does not pay the participants' payroll cost.

(2) (Unfunded AAL)/ excess assets over AAL as a percentage of covered payroll.

**STATE OF MARYLAND**  
**Required Supplemental Schedule of Funding Progress for**  
**Maryland Transit Administration Pension Plan**

*(Expressed in Thousands)*

Actuarial Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
2011	\$182,918	\$433,637	\$(250,719)	42.18%	\$147,474	(170.01)%
2010	162,756	426,041	(263,285)	38.20	145,029	(181.54)
2009	143,319	337,667	(194,348)	42.44	155,560	(124.93)

**Required Supplemental Schedule of Funding Progress for**  
**Other Post-Employment Benefits Plan**

*(Expressed in Thousands)*

Actuarial Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
2011	\$196,295	\$9,732,430	\$(9,536,135)	2.0%	\$4,633,653	(205.8)%
2010	183,388	16,098,602	(15,915,214)	1.1	4,627,379	(343.9)
2009	174,250	15,453,599	(15,279,349)	1.1	4,740,553	(322.3)

**Required Supplemental Schedule of Employer Contributions**  
**and Other Contributing Entities for Other Post-Employment Benefits Plan**

*(Expressed in Thousands)*

Year Ended June 30,	Annual Required Contribution	Percentage Contributed		Total
		Employer Contributions (a)	Other Contributing Entities (b)	
2011	\$1,225,206	29.9%	-	29.9%
2010	1,184,522	25.8	2.5 %	28.3
2009	1,148,597	29.4	2.5	31.9

**Required Supplemental Schedule of Funding Progress for**  
**Maryland Transit Administration Retiree Healthcare Benefit**

*(Expressed in Thousands)*

Actuarial Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
2011	-	\$527,679	\$(527,679)	0.0%	\$147,474	(357.8)%
2009	-	431,500	(431,500)	0.0	151,560	(284.7)
2007	-	411,400	(411,400)	0.0	144,775	(284.2)

**Required Supplemental Schedule of Employer Contributions for**  
**Maryland Transit Administration Retiree Healthcare Benefit**

*(Expressed in Thousands)*

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2011	\$53,015	\$14,230	26.8%
2010	45,500	10,900	24.0
2009	43,900	10,300	23.4

- (a) Employer contributions include pre-funding and pay-as-you-go contributions (net of retiree premiums).  
(b) Other contributing entities consists of the Federal Medicare drug subsidy contributed to the OPEB Trust.

## STATE OF MARYLAND

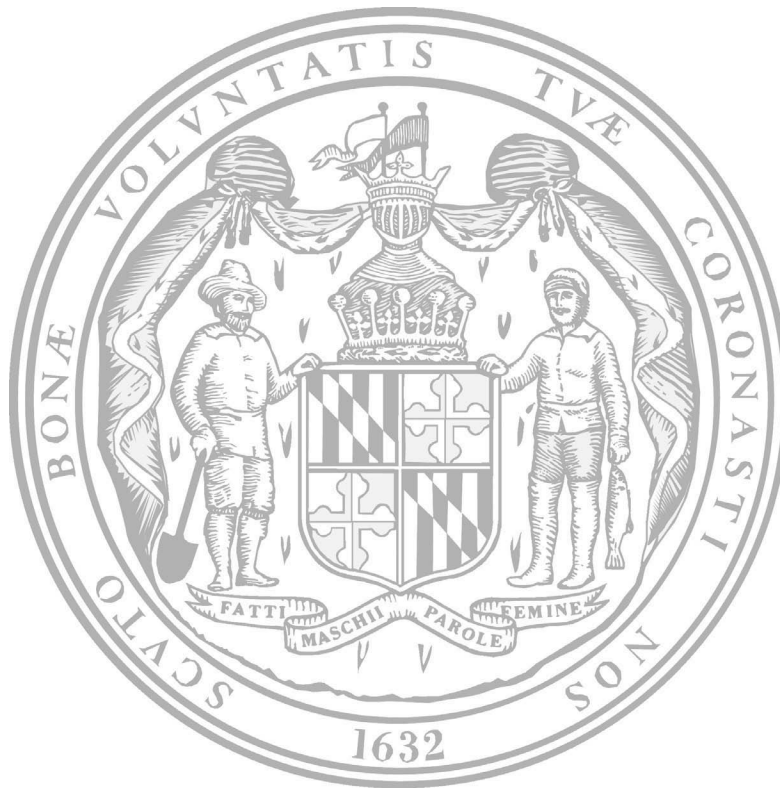
### Notes to Required Supplementary Information For the Year Ended June 30, 2011

#### 1. 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 General Fund, which includes all transactions of the State, unless otherwise directed to be included in another fund and the Special Fund, which 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 fund includes only the operations (other than debt service and pension activities) of the Maryland Department of Transportation. The budgetary Federal fund revenue and expenditures are included in the GAAP General and Special Funds as federal revenues and expenditures by function. An annual budget is also prepared for the Federal Fund, which accounts for substantially all grants from the Federal government, and the current unrestricted and restricted funds of the Universities and Colleges. In addition to the annual budget, the General Assembly adopts authorizations for the issuance of general obligation bonds. The expenditures of the resources obtained thereby are accounted for in the capital projects fund.

All State budgetary expenditures for the general, special and federal funds are made pursuant to appropriations in the annual budget, as amended from time to time, by budget amendments. The legal level of budgetary control is at the program level for the general, special and federal funds. State governmental departments and independent agencies may, with the Governor's approval, amend the appropriations by program within the budgetary general fund, provided they do not exceed their total general fund appropriations as contained within the annual budget. Increases in the total general fund appropriations must be approved by the General Assembly. For the fiscal year ended June 30, 2011, the General Assembly approved a net increase in General Fund appropriations of \$127,259,000. Appropriations for programs funded in whole or in part from the special or federal funds may permit expenditures in excess of original special or federal fund appropriations to the extent that actual revenues exceed original budget estimates and such additional expenditures are approved by the Governor. Unexpended appropriations from the general fund may be carried over to succeeding years to the extent of encumbrances, with all other appropriations lapsing as of the end of the fiscal year. Unexpended appropriations from special and federal funds may be carried over to the extent of (a) available resources, and (b) encumbrances. The State's accounting system is maintained by the Comptroller in compliance with State Law and in accordance with the State's Budgetary Funds. It controls expenditures at the program level to ensure legal compliance. The "Agency Appropriation Unencumbered Balance Report," which is available for public inspection at the Office of the Comptroller, provides a more comprehensive accounting of activity on the basis of budgeting at the legal level of budgetary control.

The original and amended budget adopted by the General Assembly for the general, special and federal funds is presented in the Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balances Budget and Actual for the year ended June 30, 2011. The State's budgetary fund structure and the basis of budgeting, which is the modified accrual basis with certain exceptions, differs from that utilized to present financial statements in conformity with generally accepted accounting principles. The budgetary system's principal departures from the modified accrual basis are the classification of the State's budgetary funds and the timing of recognition of certain revenues and expenditures. A summary of the effects of the fund structure differences and exceptions to the modified accrual basis of accounting, as of June 30, 2011, is provided in the "Reconciliation of the Budgetary General and Special Fund, Fund Balances to the GAAP General and Special Revenue Fund, Fund Balances" immediately following the budgetary schedule.





*Combining*  
**FINANCIAL**  
*Statements*



STATE OF MARYLAND

## **Non-major Governmental Funds**

### **Debt Service Funds**

General Obligation Bonds, Debt Service Fund: Transactions related to resources obtained and used for the payment of interest and principal on general long-term debt obligations are accounted for in the general obligation bonds debt service fund.

Transportation Bonds, Debt Service Fund: Transactions related to resources obtained and used for the payment of interest and principal on transportation long-term debt obligations are accounted for in the transportation bonds debt service fund.

### **Capital Projects Fund**

Transactions related to resources obtained and used for the acquisition, construction or improvement of certain capital facilities, including those provided to political subdivisions and other public organizations are accounted for in the capital projects fund. Such resources are derived principally from proceeds of general obligation bond issues, Federal grants and operating transfers from the State's general fund. The State enters into long-term contracts for construction of major capital projects and records the related commitments as encumbrances.



**STATE OF MARYLAND**  
**Combining Balance Sheet**  
**Non-major Governmental Funds**  
**June 30, 2011**  
*(Expressed in Thousands)*

	Debt Service Funds		Capital Projects Fund	Total Non-major Governmental Funds
	General Obligation Bonds	Transportation Bonds		
<b>Assets:</b>				
Equity in pooled invested cash .....				
Investments .....			\$173,173	\$173,173
Intergovernmental receivables.....				
Other accounts receivable .....			4	4
Restricted assets:				
Cash with fiscal agent.....	\$ 18,353			18,353
Equity in pooled invested cash .....	162,136			162,136
Taxes receivable, net.....	17,184			17,184
Other accounts receivable .....	109			109
Due from other funds .....			4,077	4,077
Loans and notes receivable, net .....	2,754			2,754
<b>Total assets.....</b>	<b>\$200,536</b>	<b>\$ -</b>	<b>\$177,254</b>	<b>\$377,790</b>
<b>Liabilities:</b>				
Vouchers payable.....			\$ 67,495	\$67,495
Accounts payable and accrued liabilities.....			24,578	24,578
Due to other funds .....			53,808	53,808
Accounts payable to political subdivisions .....			16,180	16,180
Deferred revenue .....	\$ 39			39
<b>Total liabilities.....</b>	<b>39</b>		<b>162,061</b>	<b>162,100</b>
<b>Fund balances:</b>				
Spendable:				
Restricted.....	200,497			200,497
Committed .....			418,904	418,904
Unassigned .....			(403,711)	(403,710)
<b>Total fund balances .....</b>	<b>200,497</b>		<b>15,193</b>	<b>215,690</b>
<b>Total liabilities and fund balances .....</b>	<b>\$200,536</b>	<b>\$ -</b>	<b>\$177,254</b>	<b>\$377,790</b>

**STATE OF MARYLAND**  
**Combining Statement of Revenues, Expenditures, Other Sources and Uses of**  
**Financial Resources and Changes in Fund Balances**  
**Non-major Governmental Funds**  
**For The Year Ended June 30, 2011**  
*(Expressed in Thousands)*

	Debt Service Funds		Capital Projects Fund	Total Non-major Governmental Funds
	General Obligation Bonds	Transportation Bonds		
<b>Revenues:</b>				
Property taxes .....	\$789,476			\$ 789,476
Interest and other investment income .....	822	\$ 1	\$ 456	1,279
Federal revenue .....	9,202			9,202
Other .....	749	1,808	14	2,571
Total revenues .....	800,249	1,809	470	802,528
<b>Expenditures:</b>				
Education .....			320,405	320,405
Aid to higher education .....			299,590	299,590
Intergovernmental grants and revenue sharing .....			282,501	282,501
Capital outlays .....			94,601	94,601
<b>Debt service:</b>				
Principal retirement .....	515,095	83,170		598,265
Interest .....	314,848	75,492		390,340
Bond issuance costs .....			4,565	4,565
Total expenditures .....	829,943	158,662	1,001,662	1,990,267
Deficiency of revenues under expenditures .....	(29,694)	(156,853)	(1,001,192)	(1,187,739)
<b>Other sources (uses) of financial resources :</b>				
Bonds issued .....			974,618	974,618
Bond premium .....	78,791		4,657	83,448
Transfers in .....	1,209	155,727	75,437	231,370
Transfers out .....			(126,826)	(125,823)
Total other sources of financial resources .....	80,000	155,727	927,886	1,163,613
Net changes in fund balances .....	50,306	(1,126)	(73,306)	(24,126)
Fund balances, beginning of the year .....	150,191	1,126	88,499	239,816
Fund balances, end of the year .....	\$200,497	\$ -	\$ 15,193	\$ 215,690

STATE OF MARYLAND

**Non-major Enterprise Funds**

Transactions related to commercial types of activities operated by the State are accounted for in the enterprise funds. The non-major enterprise funds consist of the economic development insurance programs of the Department of Housing and Community Development and Maryland Correctional Enterprises, which utilizes inmate labor from State correctional institutions to manufacture goods, wares and merchandise to be sold to State agencies, political subdivisions and charitable, civic, educational, fraternal or religious associations or institutions.

**STATE OF MARYLAND**  
**Combining Statement of Net Assets**  
**Non-major Enterprise Funds**  
**June 30, 2011**

(Expressed in Thousands)

	Economic Development Insurance Programs	Maryland Correctional Enterprises	Total Non-major Enterprise Funds
Assets -			
Current assets:			
Equity in pooled invested cash .....	\$106,305	\$10,810	\$117,115
Other accounts receivable .....		8,838	8,838
Inventories .....		9,164	9,164
Loans and notes receivable, net .....	167		167
Other assets .....	171	77	248
Total current assets .....	106,643	28,889	135,532
Non-current assets:			
Investments .....	1,555		1,555
Loans and notes receivable, net .....	285		285
Capital assets, net of accumulated depreciation:			
Structures and improvements .....		2,917	2,917
Equipment .....		5,441	5,441
Infrastructure .....		45	45
Total non-current assets .....	1,840	8,403	10,243
Total assets .....	108,483	37,292	145,775
Liabilities -			
Current liabilities:			
Accounts payable and accrued liabilities .....	81	2,394	2,475
Accrued insurance on loan losses .....	24,284		24,284
Other liabilities .....	363	827	1,190
Unearned revenue .....	2,247	1,523	3,770
Total current liabilities .....	26,975	4,744	31,719
Non-current liabilities:			
Other liabilities .....	1,727	577	2,304
Total non-current liabilities .....	1,727	577	2,304
Total liabilities .....	28,702	5,321	34,023
Net Assets -			
Invested in capital assets, net of related debt .....		8,404	8,404
Restricted for insurance programs .....	89,414		89,414
Unrestricted (deficit) .....	(9,633)	23,567	13,934
Total net assets .....	\$ 79,781	\$31,971	\$111,752

**STATE OF MARYLAND**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Non-major Enterprise Funds**  
**For the Year Ended June 30, 2011**  
*(Expressed in Thousands)*

	Economic Development Insurance Programs	Maryland Correctional Enterprises	Total Non-major Enterprise Funds
Operating revenues:			
Charges for services and sales.....	\$ 3,054	\$50,575	\$ 53,629
Unrestricted interest on loan income .....	534		534
Other .....	130		130
Total operating revenues .....	<u>3,718</u>	<u>50,575</u>	<u>54,293</u>
Operating expenses:			
Cost of sales and services .....		40,369	40,369
General and administrative.....	3,555	7,385	10,940
Depreciation and amortization.....		1,476	1,476
Provision for insurance on loan losses .....	9,138		9,138
Total operating expenses .....	<u>12,693</u>	<u>49,230</u>	<u>61,923</u>
Operating income (loss) .....	<u>(8,975)</u>	<u>1,345</u>	<u>(7,630)</u>
Non-operating revenues (expenses):			
Restricted investment income .....	2,051		2,051
Other .....		(271)	(271)
Total non-operating revenues (expenses) .....	<u>2,051</u>	<u>(271)</u>	<u>1,780</u>
Income (loss) before transfers.....	<u>(6,924)</u>	<u>1,074</u>	<u>(5,850)</u>
Transfers in.....		138	138
Transfers out.....	(2,682)	(377)	(3,059)
Changes in net assets .....	<u>(9,606)</u>	<u>835</u>	<u>(8,771)</u>
Total net assets - beginning of the year .....	<u>89,387</u>	<u>31,136</u>	<u>120,523</u>
Total net assets - end of the year.....	<u>\$79,781</u>	<u>\$31,971</u>	<u>\$111,752</u>

**STATE OF MARYLAND**  
**Combining Statement of Cash Flows**  
**Non-major Enterprise Funds**  
**For the Year Ended June 30, 2011**  
*(Expressed in Thousands)*

	Economic Development Insurance Programs	Maryland Correctional Enterprises	Total Non-major Enterprise Funds
Cash flows from operating activities:			
Receipts from customers .....	\$ 2,966	\$ 47,118	\$ 50,084
Payments to suppliers .....		(31,216)	(31,216)
Payments to employees.....	(2,593)	(14,855)	(17,448)
Other receipts .....	2,929	249	3,178
Other payments .....	(2,671)	(241)	(2,912)
Net cash from operating activities.....	631	1,055	1,686
Cash flows from noncapital financing activities:			
Transfers out.....	(2,682)	(377)	(3,059)
Net cash from noncapital financing activities .....	(2,682)	(377)	(3,059)
Cash flows from capital and related financing activities:			
Proceeds from sale of capital assets.....		78	78
Acquisition of capital assets .....		(894)	(894)
Transfers in.....		138	138
Net cash from capital and related financing activities.....		(678)	(678)
Cash flows from investing activities:			
Interest on investments.....	2,051		2,051
Net cash from investing activities .....	2,051		2,051
Net change in cash and cash equivalents.....			
Balance - beginning of the year .....			
Balance - end of the year .....	\$ -	\$ -	\$ -
Reconciliation of operating income to net cash from operating activities:			
Operating income (loss) .....	\$(8,975)	\$1,345	\$(7,630)
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation and amortization.....		1,476	1,476
Effect of changes in non-cash operating assets and liabilities:			
Equity in pooled invested cash .....	(599)	249	(350)
Other accounts receivable .....		(4,740)	(4,740)
Inventories.....		986	986
Loans and notes receivable.....	31		31
Other assets .....	(163)	58	(105)
Accounts payable and accrued liabilities.....	(5)	862	857
Accrued insurance on loan losses .....	10,447		10,447
Unearned revenue .....	(88)	1,042	954
Other liabilities .....	(17)	(223)	(240)
Net cash from operating activities.....	\$ 631	\$ 1,055	\$ 1,686

## STATE OF MARYLAND

# Fiduciary Funds

The Pension and Other Employee Benefits Trust Funds include the Maryland State Retirement and Pension System, the Maryland Transit Administration Pension Plan, and the Deferred Compensation Plan. The Trust Funds reflect the transactions, assets, liabilities and fund equities of the plans administered by the State and the Maryland Transit Administration and are accounted for using the flow of economic resources measurement focus. The Deferred Compensation Plan, which is included with a year end of December 31, accounts for participant earnings deferred in accordance with Internal Revenue Code Sections 457, 403(b), 401(a) and 401(k). Amounts deferred are invested and are not subject to federal income taxes until paid to participants upon termination or retirement from employment, death or for an unforeseeable emergency.

The agency funds are custodial in nature and do not present the results of operations or have a measurement focus. The State uses agency funds to account for the receipt and disbursement of patient and prisoner accounts, various taxes collected by the State for distribution to the Federal government and political subdivisions and amounts withheld from employees' payroll.

**STATE OF MARYLAND**  
**Combining Statement of Fiduciary Net Assets**  
**Pension and Other Employee Benefits Trust Funds**  
**June 30, 2011**

(Expressed in Thousands)

	Maryland State Retirement and Pension System	Maryland Transit Administration Pension Plan	Deferred Compensation Plan <u>December 31, 2010</u>	Total
<b>Assets:</b>				
Cash and cash equivalents.....	\$ 2,002,722	\$ 980	\$ 8,104	\$ 2,011,806
<b>Investments:</b>				
U.S. Treasury and agency obligations .....	1,586,855	13,650		1,600,505
Bonds .....	3,821,980	17,440		3,839,420
Corporate equity securities .....	14,317,053	72,855		14,389,908
Mortgage related securities .....	2,582,992	10,697		2,593,689
Mutual funds.....	1,267,017		1,663,511	2,930,528
Guaranteed investment contracts.....			751,498	751,498
Real estate .....	1,323,664	687		1,324,351
Annuity contracts.....			105,517	105,517
Private equity .....	4,905,440			4,905,440
Alternative investments .....	2,317,172	37,448		2,354,620
Investments held by borrowers under securities lent with cash collateral.....	4,152,114			4,152,114
Total investments.....	36,274,287	152,777	2,520,526	38,947,590
Other receivables .....	887,707	14,263	28,378	930,348
Collateral for lent securities .....	4,244,956			4,244,956
Total assets.....	43,409,672	168,020	2,557,008	46,134,700
<b>Liabilities:</b>				
Accounts payable and accrued liabilities.....	1,571,964	1,866		1,573,830
Collateral obligation for lent securities .....	4,244,956			4,244,956
Total liabilities.....	5,816,920	1,866		5,818,786
<b>Net assets:</b>				
Held in trust for :				
Pension benefits .....	37,592,752	166,154		37,758,906
Deferred compensation benefits.....			2,557,008	2,557,008
Total net assets .....	\$37,592,752	\$166,154	\$2,557,008	\$40,315,914



**STATE OF MARYLAND**  
**Combining Statement of Changes in Plan Net Assets**  
**Pension and Other Employee Benefits Trust Funds**  
**For the Year Ended June 30, 2011**  
*(Expressed in Thousands)*

	Maryland State Retirement and Pension System	Maryland Transit Administration Pension Plan	Deferred Compensation Plan <u>December 31, 2010</u>	Total
<b>Additions:</b>				
<b>Contributions:</b>				
Employers .....	\$ 615,034	\$ 47,528	\$ 408	\$ 662,970
Members .....	528,028		159,656	687,684
Sponsors .....	897,438			897,438
Total contributions .....	<u>2,040,500</u>	<u>47,528</u>	<u>160,064</u>	<u>2,248,092</u>
<b>Investment earnings:</b>				
Net appreciation in fair value of investments .....	5,359,906	4,328	223,421	5,587,655
Interest .....	363,402	15,682	24,832	403,916
Dividends .....	748,794			748,794
Real estate operating net earnings .....	22,478			22,478
Total investment income .....	<u>6,494,580</u>	<u>20,010</u>	<u>248,253</u>	<u>6,762,843</u>
Less: investment expense .....	<u>221,243</u>			<u>221,243</u>
Net investment income .....	<u>6,273,337</u>	<u>20,010</u>	<u>248,253</u>	<u>6,541,600</u>
Total additions .....	<u>8,313,837</u>	<u>67,538</u>	<u>408,317</u>	<u>8,789,692</u>
<b>Deductions:</b>				
Benefit payments .....	2,580,392	29,966	164,079	2,774,437
Refunds .....	33,369			33,369
Administrative expenses .....	30,961	862	3,996	35,819
Total deductions .....	<u>2,644,722</u>	<u>30,828</u>	<u>168,075</u>	<u>2,843,625</u>
Changes in net assets .....	5,669,115	36,710	240,242	5,946,067
<b>Net assets held in trust for pension and other employee benefits:</b>				
Beginning of the year .....	31,923,637	129,444	2,316,766	34,369,847
End of the year .....	<u>\$37,592,752</u>	<u>\$166,154</u>	<u>\$2,557,008</u>	<u>\$40,315,914</u>

**STATE OF MARYLAND**  
**Combining Schedule of Fiduciary Net Assets**  
**Maryland State Retirement and Pension System**  
**June 30, 2011**

(Expressed in Thousands)

	Teachers' Retirement and Pension Systems	Employees' Retirement and Pension Systems	Judges' Retirement System	State Police Retirement System	Law Enforcement Officers' Pension System	Subtotal	Eliminations*	Total
<b>Assets:</b>								
Cash and cash equivalents.....	\$ 1,228,307	\$ 616,862	\$ 31,796	\$ 82,741	\$ 43,016	\$ 2,002,722		\$ 2,002,722
Investments, at fair value .....	21,994,168	12,436,497	276,774	1,053,713	513,135	36,274,287		36,274,287
Other receivables .....	496,397	345,821	6,519	25,804	13,166	887,707		887,707
Due from other systems.....	45	7			13	65	\$ (65)	
Collateral for lent securities .....	2,573,841	1,455,367	32,389	123,310	60,049	4,244,956		4,244,956
Total assets.....	26,292,758	14,854,554	347,478	1,285,568	629,379	43,409,737	(65)	43,409,672
<b>Liabilities:</b>								
Accounts payable and accrued liabilities....	953,910	538,036	12,128	45,726	22,164	1,571,964		1,571,964
Due to other systems.....	61			4		65	(65)	
Collateral obligation for lent securities .....	2,573,841	1,455,367	32,389	123,310	60,049	4,244,956		4,244,956
Total liabilities .....	3,527,812	1,993,403	44,517	169,040	82,213	5,816,985	(65)	5,816,920
<b>Net Assets:</b>								
Held in trust for pension benefits.....	\$22,764,946	\$12,861,151	\$302,961	\$1,116,528	\$547,166	\$37,592,752	\$ -	\$37,592,752

\*Intersystem due from/due to have been eliminated in the financial statements.

**STATE OF MARYLAND**  
**Combining Schedule of Changes in Plan Net Assets**  
**Maryland State Retirement and Pension System**  
**For the Year Ended June 30, 2011**  
*(Expressed in Thousands)*

	Teachers' Retirement and Pension Systems	Employees' Retirement and Pension Systems	Judges' Retirement System	State Police Retirement System	Law Enforcement Officers' Pension System	Subtotal	Eliminations*	Total
<b>Additions:</b>								
<b>Contributions:</b>								
Employers.....	\$ 21,875	\$ 467,320	\$ 23,854	\$ 44,915	\$ 57,070	\$ 615,034	\$	\$ 615,034
Members.....	316,971	197,300	1,813	6,339	5,605	528,028		528,028
Sponsors.....	897,438					897,438		897,438
Total contributions.....	1,236,284	664,620	25,667	51,254	62,675	2,040,500		2,040,500
<b>Investment earnings:</b>								
Net increase in fair value of investments..	3,276,391	1,827,125	41,621	141,146	73,623	5,359,906		5,359,906
Interest .....	220,106	124,597	2,797	10,839	5,063	363,402		363,402
Dividends.....	453,284	257,397	5,732	22,043	10,338	748,794		748,794
Real estate operating net earnings.....	13,607	7,725	173	664	309	22,478		22,478
Total investment income .....	3,963,388	2,216,844	50,323	174,692	89,333	6,494,580		6,494,580
Less investment expense.....	133,937	76,048	1,692	6,505	3,061	221,243		221,243
Net investment income .....	3,829,451	2,140,796	48,631	168,187	86,272	6,273,337		6,273,337
Transfers from other systems.....	1,494				131	1,625	\$ (1,625)	
Total additions .....	5,067,229	2,805,416	74,298	219,441	149,078	8,315,462	(1,625)	8,313,837
<b>Deductions:</b>								
Benefit payments .....	1,525,781	896,041	24,381	97,905	36,284	2,580,392		2,580,392
Refunds .....	16,476	16,138		380	375	33,369		33,369
Administrative expenses.....	16,536	13,776	46	215	388	30,961		30,961
Transfers to other systems.....		1,613		12		1,625	(1,625)	
Total deductions .....	1,558,793	927,568	24,427	98,512	37,047	2,646,347	(1,625)	2,644,722
Changes in net assets .....	3,508,436	1,877,848	49,871	120,929	112,031	5,669,115		5,669,115
<b>Net assets held in trust for pension benefits:</b>								
Beginning of the year .....	19,256,510	10,983,303	253,090	995,599	435,135	31,923,637		31,923,637
End of the year .....	\$22,764,946	\$12,861,151	\$302,961	\$1,116,528	\$547,166	\$37,592,752	\$ -	\$37,592,752

\*Intersystem transfers have been eliminated in the financial statements.

**STATE OF MARYLAND**  
**Combining Schedule of Fiduciary Net Assets**  
**Deferred Compensation Plan**  
**December 31,2010**  
*(Expressed in Thousands)*

	Deferred Compensation Plan Section 457	Savings and Investment Plan Section 401(k) Plan	Match Plan and Trust 401(a) Plan	Tax Sheltered Annuity Plan 403(b) Plan	Total
<b>Assets:</b>					
Cash and cash equivalents.....	\$ 8,104				\$ 8,104
Investments, at fair value.....	1,222,842	\$ 1,083,074	\$ 147,526	\$67,084	2,520,526
Other receivables.....	13,007	15,040		331	28,378
Total assets.....	1,243,953	1,098,114	147,526	67,415	2,557,008
<b>Net Assets:</b>					
Held in trust for deferred compensation benefits.....	\$1,243,953	\$1,098,114	\$147,526	\$67,415	\$2,557,008

**STATE OF MARYLAND**  
**Combining Schedule of Changes in Plan Net Assets**  
**Deferred Compensation Plan**  
**For the Year Ended December 31,2010**  
*(Expressed in Thousands)*

	Deferred Compensation Plan Section 457	Savings and Investment Plan Section 401(k) Plan	Match Plan and Trust 401(a) Plan	Tax Sheltered Annuity Plan 403(b) Plan	Total
<b>Additions:</b>					
<b>Contributions:</b>					
Employers.....			\$ 408		\$ 408
Members.....	\$ 64,767	\$ 91,618		\$ 3,271	159,656
Total contributions.....	64,767	91,618	408	3,271	160,064
<b>Investment earnings:</b>					
Net increase in fair value of investments.....	93,653	106,591	15,418	7,759	223,421
Interest.....	15,818	7,675	1,102	237	24,832
Net investment income.....	109,471	114,266	16,520	7,996	248,253
Total additions.....	174,238	205,884	16,928	11,267	408,317
<b>Deductions:</b>					
Benefit payments.....	84,772	67,882	6,228	5,197	164,079
Administrative expenses.....	1,455	2,151	261	129	3,996
Total deductions.....	86,227	70,033	6,489	5,326	168,075
Changes in net assets.....	88,011	135,851	10,439	5,941	240,242
<b>Net assets held in trust for deferred compensation benefits:</b>					
Beginning of the year.....	1,155,942	962,263	137,087	61,474	2,316,766
End of the year.....	\$1,243,953	\$1,098,114	\$147,526	\$67,415	\$2,557,008

**STATE OF MARYLAND**  
**Combining Statement of Fiduciary Net Assets**  
**Agency Funds**  
**June 30, 2011**  
*(Expressed in Thousands)*

	Agency Funds					Total Agency Funds
	Local Income Taxes	Insurance Premium Taxes	Local Transportation Funds and Other Taxes	Payroll Taxes and Fringe Benefits	Litigant, Patient and Prisoner Accounts	
<b>Assets:</b>						
Cash and cash equivalents.....		\$ 10	\$43,041		\$74,442	\$117,493
Equity in pooled invested cash .....	\$ 503,492	83,072	13,775	\$639	5,004	605,982
Taxes receivable, net.....	93,879					93,879
Intergovernmental receivables.....	371,744			94		371,838
Accounts receivable from State Treasury .....	550,000					550,000
<b>Total assets.....</b>	<b>\$1,519,115</b>	<b>\$83,082</b>	<b>\$56,816</b>	<b>\$733</b>	<b>\$79,446</b>	<b>\$1,739,192</b>
<b>Liabilities:</b>						
Accounts payable and accrued liabilities.....		\$83,082	\$ 3,764	\$733	\$77,197	\$ 164,776
Accounts payable to political subdivisions .....	\$1,519,115		53,052		2,249	1,574,416
<b>Total liabilities.....</b>	<b>\$1,519,115</b>	<b>\$83,082</b>	<b>\$56,816</b>	<b>\$733</b>	<b>\$79,446</b>	<b>\$1,739,192</b>

**STATE OF MARYLAND**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2011**  
*(Expressed in Thousands)*

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
<i>Litigant, Patient and Prisoner Accounts</i>				
Assets:				
Cash and cash equivalents.....	\$ 77,730	\$ 72,819	\$ 76,107	\$ 74,442
Equity in pooled invested cash .....	5,370	18,120	18,486	5,004
Total assets.....	<u>\$ 83,100</u>	<u>\$ 90,939</u>	<u>\$ 94,593</u>	<u>\$ 79,446</u>
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 80,988	\$ 90,750	\$ 94,541	\$ 77,197
Accounts payable to political subdivisions .....	2,112	189	52	2,249
Total liabilities.....	<u>\$ 83,100</u>	<u>\$ 90,939</u>	<u>\$ 94,593</u>	<u>\$ 79,446</u>
<i>Insurance Premium Taxes</i>				
Assets:				
Cash and cash equivalents.....	\$ 10			\$ 10
Equity in pooled invested cash .....	79,886	\$ 33,216	\$ 30,030	83,072
Other receivables.....	2,288		2,288	
Total assets.....	<u>\$ 82,184</u>	<u>\$ 33,216</u>	<u>\$ 32,318</u>	<u>\$ 83,082</u>
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 82,184	\$ 33,216	\$ 32,318	\$ 83,082
<i>Local Income Taxes</i>				
Assets:				
Equity in pooled invested cash .....	\$ 369,233	\$4,071,750	\$3,937,491	\$ 503,492
Taxes receivable .....	238,885	93,879	238,885	93,879
Intergovernmental receivables.....	375,309		3,565	371,744
Accounts receivable from state treasury.....	350,000	200,000		550,000
Total assets.....	<u>\$1,333,427</u>	<u>\$4,365,629</u>	<u>\$4,179,941</u>	<u>\$1,519,115</u>
Liabilities:				
Accounts payable to political subdivisions .....	<u>\$1,333,427</u>	<u>\$4,365,629</u>	<u>\$4,179,941</u>	<u>\$1,519,115</u>
<i>Local Transportation Funds and Other Taxes</i>				
Assets:				
Cash and cash equivalents.....	\$ 54,942		\$ 11,901	\$ 43,041
Equity in pooled invested cash .....	10,803	\$ 106,615	103,643	13,775
Total assets.....	<u>\$ 65,745</u>	<u>\$ 106,615</u>	<u>\$ 115,544</u>	<u>\$ 56,816</u>
Liabilities:				
Accounts payable and accrued liabilities.....		\$ 3,764		\$ 3,764
Accounts payable to political subdivisions .....	\$ 65,745	102,851	\$ 115,544	53,052
Total liabilities.....	<u>\$ 65,745</u>	<u>\$ 106,615</u>	<u>\$ 115,544</u>	<u>\$ 56,816</u>
<i>Payroll Taxes and Fringe Benefits</i>				
Assets:				
Equity in pooled invested cash .....	\$ 470	\$1,424,042	\$1,423,873	\$ 639
Intergovernmental receivables.....	160	94	160	94
Total assets.....	<u>\$ 630</u>	<u>\$1,424,136</u>	<u>\$1,424,033</u>	<u>\$ 733</u>
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 630	\$1,424,136	\$1,424,033	\$ 733
<i>Totals - All Agency Funds</i>				
Assets:				
Cash and cash equivalents.....	\$ 132,682	\$ 72,819	\$ 88,008	\$ 117,493
Equity in pooled invested cash .....	465,762	5,653,743	5,513,523	605,982
Taxes receivable .....	238,885	93,879	238,885	93,879
Intergovernmental receivables.....	375,469	94	3,725	371,838
Other receivables.....	2,288		2,288	
Accounts receivable from state treasury.....	350,000	200,000		550,000
Total assets.....	<u>\$1,565,086</u>	<u>\$6,020,535</u>	<u>\$5,846,429</u>	<u>\$1,739,192</u>
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 163,802	\$1,551,866	\$1,550,892	\$ 164,776
Accounts payable to political subdivisions .....	1,401,284	4,468,669	4,295,537	1,574,416
Total liabilities.....	<u>\$1,565,086</u>	<u>\$6,020,535</u>	<u>\$5,846,429</u>	<u>\$1,739,192</u>

STATE OF MARYLAND

## **Non-major Component Unit Financial Statements**

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### **Non-major Component Units**

Non-major component units are comprised of the following proprietary fund type entities.

#### **Maryland Environmental Service**

The Maryland Environmental Service was created as a body corporate and politic. The Service helps private industry and local governments manage liquid, solid and hazardous wastes. In accordance with direction from the Governor, the Service plans and establishes major resource recovery facilities, solid waste management plans and hazardous waste management programs.

#### **Maryland Industrial Development Financing Authority**

The Maryland Industrial Development Financing Authority was established as a body corporate and politic and a public instrumentality of the State to provide financial assistance to enterprises seeking to locate or expand operations in Maryland.

#### **Maryland Food Center Authority**

The Maryland Food Center Authority is a body corporate and politic which was created to establish and operate a consolidated wholesale food center within the Greater Baltimore Region and is subject to State regulations.

#### **Maryland Technology Development Corporation**

The Maryland Technology Development Corporation was established as a body corporate and politic and a public instrumentality of the State to assist in the commercialization of technology developed in the universities and the private sector. The Corporation administers the Maryland Technology Incubator Program and the Maryland Stem Cell Research Fund.

**STATE OF MARYLAND**  
**Combining Statement of Net Assets**  
**Non-major Component Units**  
**June 30, 2011**

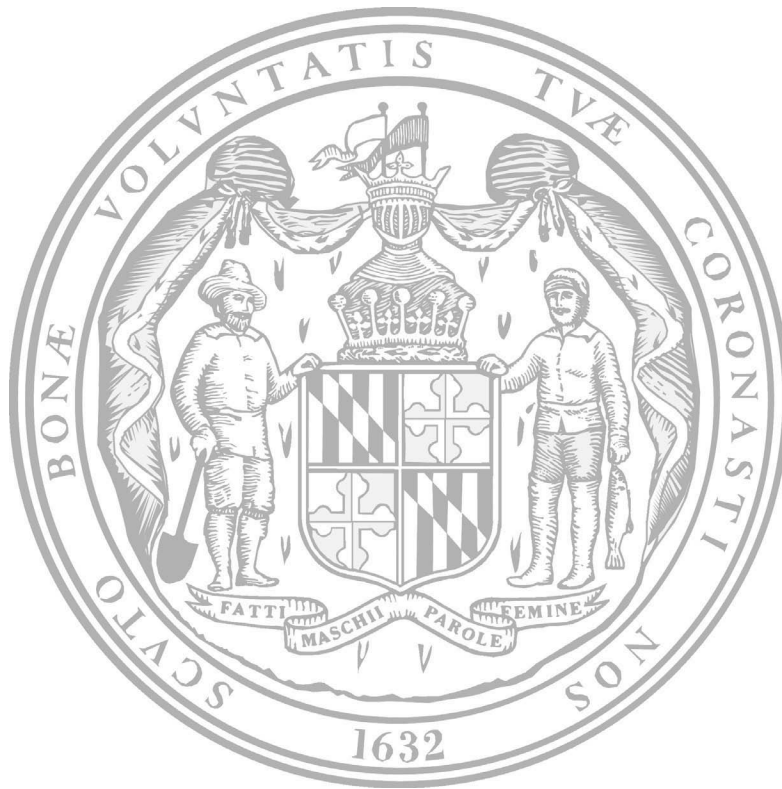
(Expressed in Thousands)

	Maryland Environmental Service	Maryland Industrial Development Financing Authority	Maryland Food Center Authority	Maryland Technology Development Corporation	Total Non-major Component Units
<b>Assets:</b>					
Cash and cash equivalents.....	\$35,851		\$ 9	\$ 4,406	\$ 40,266
Equity in pooled invested cash .....		\$41,979	3,437		45,416
Investments .....	2,001			6,324	8,325
Other accounts receivable .....	18,594		187	11,191	29,972
Loans and notes receivable, net .....			366	968	1,334
Investments in direct financing leases.. ..	776				776
Other assets .....	6,650		14	54	6,718
<b>Restricted assets:</b>					
Cash.....	1,253				1,253
Investments .....	4,694				4,694
<b>Capital assets, net of accumulated depreciation:</b>					
Land.....	2,913		5,103		8,016
Structures and improvements.....	27,520		15,471		42,991
Infrastructure.....	431				431
Equipment.....	5,660		567	33	6,260
Construction in progress.....			465		465
Total assets.....	106,343	41,979	25,619	22,976	196,917
<b>Liabilities:</b>					
Accounts payable and accrued liabilities .....	14,392		247	16,487	31,126
Unearned revenue .....		228	57		285
Accrued insurance on loan losses .....		2,670		1,361	4,031
Other liabilities .....			223		223
<b>Bonds and notes payable:</b>					
Due within one year.....	1,150				1,150
Due in more than one year.....	21,463				21,463
<b>Other noncurrent liabilities:</b>					
Due within one year.....	25,400		92		25,492
Due in more than one year.....	20,146		53		20,199
Total liabilities.....	82,551	2,898	672	17,848	103,969
<b>Net Assets:</b>					
Invested in capital assets, net of related debt .....	9,565		21,606	33	31,204
Restricted for capital improvements and deposits.....	11			185	196
Unrestricted .....	14,216	39,081	3,341	4,910	61,548
Total net assets .....	\$23,792	\$39,081	\$24,947	\$ 5,128	\$ 92,948



**STATE OF MARYLAND**  
**Combining Statement of Activities**  
**Non-major Component Units**  
**For the Year Ended June 30, 2011**  
*(Expressed in Thousands)*

	Maryland Environmental Service	Maryland Industrial Development Financing Authority	Maryland Food Center Authority	Maryland Technology Development Corporation	Total Non-major Component Units
<b>Expenses:</b>					
General and administrative.....	\$ 12,674	\$ 2,091	\$ 1,242	\$ 971	\$ 16,978
Operation and maintenance of facilities .....	95,486		2,154		97,640
Interest on long-term debt .....	988				988
Depreciation and amortization.....	5,448		790	8	6,246
Other .....	1,605	47	39	15,826	17,517
<b>Total expenses .....</b>	<b>116,201</b>	<b>2,138</b>	<b>4,225</b>	<b>16,805</b>	<b>139,369</b>
<b>Program revenues:</b>					
Charges for services and sales.....	111,148	1,707	4,472	1,167	118,494
Restricted investment earnings .....	34				34
<b>Total charges for services.....</b>	<b>111,182</b>	<b>1,707</b>	<b>4,472</b>	<b>1,167</b>	<b>118,528</b>
Operating grants and contributions.....	4,717	5,000		15,960	25,677
Capital grants and contributions.....	1,348				1,348
<b>Total program revenues .....</b>	<b>117,247</b>	<b>6,707</b>	<b>4,472</b>	<b>17,127</b>	<b>145,553</b>
<b>Net program revenue (expense) .....</b>	<b>1,046</b>	<b>4,569</b>	<b>247</b>	<b>322</b>	<b>6,184</b>
<b>General revenues:</b>					
Unrestricted investment earnings .....	27	852	61	209	1,149
<b>Total general revenues .....</b>	<b>27</b>	<b>852</b>	<b>61</b>	<b>209</b>	<b>1,149</b>
Changes in net assets .....	1,073	5,421	308	531	7,333
Net assets - beginning of the year.....	22,719	33,660	24,639	4,597	85,615
Net assets - end of the year.....	\$23,792	\$39,081	\$24,947	\$5,128	\$92,948





# STATISTICAL

## *Section*



# Statistical Section

This part of the State’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State’s economic condition.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the State’s financial position and well-being have changed over time.....	135
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the State’s most significant own-source revenues .....	142
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the State’s current levels of outstanding debt and the State’s ability to issue additional debt in the future .....	147
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the State’s financial activities take place .....	152
<b>Operating Information</b> These schedules contain service data to help the reader understand how the information in the State’s financial report relates to the services the State provides and the activities it performs .....	155

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**STATE OF MARYLAND**  
**Net Assets by Component, Primary Government**  
**Last Ten Fiscal Years**  
(accrual basis of accounting)  
*(Expressed in Thousands)*

	Year ended June 30,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Governmental activities:</b>										
Invested in capital assets, net of related debt .....	\$13,669,573	\$13,796,006	\$14,381,207	\$14,267,201	\$13,853,102	\$13,405,751	\$12,940,305	\$11,937,207	\$11,943,249	\$11,016,638
Restricted* .....	200,791	154,372	126,583	87,879	88,808	149,621	145,607	114,327	75,478	70,558
Unrestricted (deficit) .....	(8,238,126)	(6,664,836)	(5,152,460)	(2,273,983)	(559,318)	140,553	(668,169)	(1,046,233)	(1,239,572)	406,557
<b>Total governmental activities net assets .....</b>	<b>\$ 5,632,238</b>	<b>\$ 7,285,542</b>	<b>\$ 9,355,330</b>	<b>\$12,081,097</b>	<b>\$13,382,592</b>	<b>\$13,695,925</b>	<b>\$12,417,743</b>	<b>\$11,005,301</b>	<b>\$10,779,155</b>	<b>\$11,493,753</b>
<b>Business-type activities:</b>										
Invested in capital assets, net of related debt .....	\$2,117,369	\$1,554,706	\$1,368,562	\$1,685,176	\$1,613,891	\$1,303,668	\$1,217,923	\$1,331,400	\$1,231,338	\$1,217,578
Restricted .....	2,002,872	2,281,572	2,321,225	2,421,939	1,835,767	1,901,771	1,828,027	1,556,170	1,518,996	1,378,025
Unrestricted .....	1,602,600	1,453,631	1,498,587	1,250,324	1,725,338	1,670,224	1,450,868	1,197,542	1,208,954	1,610,282
<b>Total business-type activities net assets .....</b>	<b>\$5,722,841</b>	<b>\$5,289,909</b>	<b>\$5,188,374</b>	<b>\$5,357,439</b>	<b>\$5,174,996</b>	<b>\$4,875,663</b>	<b>\$4,496,818</b>	<b>\$4,085,112</b>	<b>\$3,959,288</b>	<b>\$4,205,885</b>
<b>Primary government:</b>										
Invested in capital assets, net of related debt .....	\$15,786,942	\$15,350,712	\$15,749,769	\$15,952,377	\$15,466,993	\$14,709,419	\$14,158,228	\$13,268,607	\$13,174,587	\$12,234,216
Restricted .....	2,203,663	2,435,944	2,447,808	2,509,818	1,924,575	2,051,392	1,973,634	1,670,497	1,594,474	1,448,583
Unrestricted (deficit) .....	(6,635,526)	(5,211,205)	(3,653,873)	(1,023,659)	1,166,020	1,810,777	782,699	151,309	(30,618)	2,016,839
<b>Total primary government net assets .....</b>	<b>\$11,355,079</b>	<b>\$12,575,451</b>	<b>\$14,543,704</b>	<b>\$17,438,536</b>	<b>\$18,557,588</b>	<b>\$18,571,588</b>	<b>\$16,914,561</b>	<b>\$15,090,413</b>	<b>\$14,738,443</b>	<b>\$15,699,638</b>

\*Information for fiscal years prior to fiscal year ended June 30, 2006, has been restated to reflect reclassifications of certain restricted and unrestricted balances.

**STATE OF MARYLAND**  
**Changes in Net Assets**  
**Last Ten Fiscal Years**  
 (accrual basis of accounting)  
 (Expressed in Thousands)

	Year ended June 30,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Governmental activities (1):</b>										
Expenses .....	\$ 31,067,223	\$ 29,909,914	\$ 28,467,897	\$ 26,793,866	\$ 24,691,358	\$ 22,326,398	\$ 21,203,763	\$ 20,382,202	\$ 19,588,410	\$ 18,234,226
Program revenues .....	13,002,556	12,207,706	10,177,024	8,669,151	8,669,565	8,073,911	7,948,502	7,941,822	7,221,988	6,579,856
Net (expense)/revenue, governmental activities .....	(18,064,667)	(17,702,208)	(18,290,873)	(18,124,715)	(16,021,793)	(14,252,487)	(13,255,261)	(12,440,380)	(12,366,422)	(11,654,370)
General revenues and other changes, governmental activities .....	16,411,363	15,632,420	15,742,974	16,823,220	15,708,460	15,530,669	14,667,703	12,592,202	11,651,824	11,209,102
Change in net assets, governmental activities .....	(1,653,304)	(2,069,788)	(2,547,899)	(1,301,495)	(313,333)	1,278,182	1,412,442	151,822	(714,598)	(445,268)
Net assets, beginning .....	7,285,542	9,355,330	12,081,097	13,382,592	13,695,925	12,417,743	11,005,301	10,779,155	11,493,753	3,371,858
Restatement (2) .....			(177,868)			74,324				8,567,163
Net assets, ending, governmental activities .....	\$ 5,632,238	\$ 7,285,542	\$ 9,355,330	\$ 12,081,097	\$ 13,382,592	\$ 13,695,925	\$ 12,417,743	\$ 11,005,301	\$ 10,779,155	\$ 11,493,753
<b>Business-type activities (1):</b>										
Expenses .....	\$ 3,666,971	\$ 3,905,705	\$ 3,191,998	\$ 2,308,944	\$ 2,204,570	\$ 2,018,125	\$ 1,980,350	\$ 2,038,850	\$ 2,191,318	\$ 1,960,333
Program revenues .....	4,622,076	4,628,272	3,323,650	2,943,519	2,822,801	2,850,386	2,755,686	2,594,808	2,339,895	2,097,340
Net (expense)/revenue, business- type activities .....	955,105	722,567	131,652	634,575	618,231	832,261	775,336	555,958	148,577	137,007
General revenues and other changes, business-type activities .....	(522,173)	(605,726)	(443,156)	(452,132)	(318,898)	(453,416)	(396,571)	(430,134)	(395,174)	(99,232)
Change in net assets, business- type activities .....	432,932	116,841	(311,504)	182,443	299,333	378,845	378,765	125,824	(246,597)	37,775
Net assets, beginning .....	5,289,909	5,188,374	5,357,439	5,174,996	4,875,663	4,496,818	4,085,112	3,959,288	4,205,885	2,995,032
Restatement (2) .....		(15,306)	142,439			32,941				1,173,078
Net assets, ending, business- type activities .....	\$ 5,722,841	\$ 5,289,909	\$ 5,188,374	\$ 5,357,439	\$ 5,174,996	\$ 4,875,663	\$ 4,496,818	\$ 4,085,112	\$ 3,959,288	\$ 4,205,885
<b>Primary government:</b>										
Expenses .....	\$ 34,734,194	\$ 33,815,619	\$ 31,659,895	\$ 29,102,810	\$ 26,895,928	\$ 24,344,523	\$ 23,184,113	\$ 22,421,052	\$ 21,779,728	\$ 20,194,559
Program revenues .....	17,624,632	16,835,978	13,500,674	11,612,670	11,492,366	10,924,297	10,704,188	10,536,630	9,561,883	8,677,196
Net (expense)/revenue, primary government .....	(17,109,562)	(16,979,641)	(18,159,221)	(17,490,140)	(15,403,562)	(13,420,226)	(12,479,925)	(11,884,422)	(12,217,845)	(11,517,363)
General revenues and other changes, primary government .....	15,889,190	15,026,694	15,299,818	16,371,088	15,389,562	15,077,253	14,271,132	12,162,068	11,256,650	11,109,870
Change in net assets, primary government .....	(1,220,372)	(1,952,947)	(2,859,403)	(1,119,052)	(14,000)	1,657,027	1,791,207	277,646	(961,195)	(407,493)
Net assets, beginning .....	12,575,451	14,543,704	17,438,536	18,557,588	18,571,588	16,914,561	15,090,413	14,738,443	15,699,638	6,366,890
Restatement .....		(15,306)	(35,429)			74,324				9,740,241
Net assets, ending, primary government .....	\$ 11,355,079	\$ 12,575,451	\$ 14,543,704	\$ 17,438,536	\$ 18,557,588	\$ 18,571,588	\$ 16,914,561	\$ 15,090,413	\$ 14,738,443	\$ 15,699,638

(1) See the Expenses by Function, Primary Government and Revenues, Primary Government schedules for detail information on expenses and revenues.

(2) The beginning net assets for fiscal year 2002 were restated due to implementation of GASB Statement No. 34 and for fiscal year 2004 due to implementation of GASB Technical Bulletin No. 2004-1. The beginning net assets for fiscal year 2005 were restated for a change in accounting principles regarding the valuation of investments by the State Lottery Agency. Prior year balances were not restated. Beginning net assets balances were restated for fiscal year 2009 to recognize pollution remediation obligations for governmental activities and a prior period adjustment for capital assets of the Maryland Transportation Authority in the business-type activities. Beginning net assets were restated for fiscal year 2010 due to implementation of GASB Statement No. 53.

**STATE OF MARYLAND**  
**Expenses by Function, Primary Government**  
**Last Ten Fiscal Years**  
 (accrual basis of accounting)  
 (Expressed in Thousands)

Functions / Programs	Year ended June 30,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Governmental activities:</b>										
General government .....	\$ 865,519	\$ 837,542	\$ 835,858	\$ 815,107	\$ 712,936	\$ 693,074	\$ 747,486	\$ 598,116	\$ 665,133	\$ 610,560
Health and mental hygiene .....	9,592,240	9,174,006	8,398,880	7,648,495	7,400,023	6,588,057	6,202,439	6,090,102	5,592,272	4,908,418
Education .....	7,896,010	7,294,358	7,173,417	6,834,608	6,469,864	5,701,642	5,180,165	4,871,972	4,229,670	4,124,255
Aid for higher education* .....	1,921,224	1,908,027	1,878,043	1,851,379	1,299,090	1,103,514	1,074,048	1,081,099	1,554,955	1,536,851
Human resources .....	2,537,952	2,401,029	2,163,217	1,859,485	1,647,583	1,622,945	1,595,093	1,586,022	1,633,461	1,536,124
Public safety .....	2,198,490	2,119,696	2,134,038	2,100,098	1,852,861	1,674,995	1,498,684	1,398,017	1,338,202	1,194,952
Transportation .....	3,176,910	3,460,865	3,202,687	3,054,406	2,913,259	2,382,539	1,912,602	1,839,205	1,694,321	1,630,724
Judicial .....	681,717	654,605	682,324	633,844	541,713	506,787	476,253	439,576	429,302	408,571
Labor, licensing and regulation .....	277,887	253,977	204,027	186,470	168,022	157,675	170,344	175,551	182,584	173,625
Natural resources and recreation .....	205,921	187,525	219,060	179,682	166,751	181,682	184,599	169,791	168,107	149,372
Housing and community development .....	373,548	319,721	248,334	247,515	229,008	217,544	212,753	202,278	203,946	168,595
Environment .....	126,054	121,957	123,854	108,273	92,977	84,973	78,238	85,382	95,079	87,432
Agriculture .....	90,502	57,275	94,930	82,163	59,294	56,706	55,985	46,427	85,426	64,395
Business and economic development .....	83,519	78,701	94,584	97,991	66,405	57,093	58,127	58,666	43,387	55,570
Intergovernmental grants .....	611,595	635,467	624,475	742,398	738,973	979,450	1,453,408	1,461,133	1,422,007	1,375,043
Interest .....	428,135	405,163	390,169	351,952	332,599	317,722	303,539	278,865	250,558	209,739
<b>Total governmental activities expenses.....</b>	<b>31,067,223</b>	<b>29,909,914</b>	<b>28,467,897</b>	<b>26,793,866</b>	<b>24,691,358</b>	<b>22,326,398</b>	<b>21,203,763</b>	<b>20,382,202</b>	<b>19,588,410</b>	<b>18,234,226</b>
<b>Business-type activities:</b>										
Economic development - insurance programs .....	12,693	4,247	8,881	4,759	1,545	11	(132)	(4,911)	2,938	5,262
Economic development - general loan programs .....	18,905	13,501	30,586	21,547	181,394	19,129	31,010	53,237	48,633	69,381
Economic development - water quality loan programs .....	153,331	99,911	43,245	42,409	8,465	26,045	10,574	11,348	11,510	11,892
Economic development - housing loan programs .....	193,258	201,077	210,603	189,906	58,816	131,420	138,723	135,717	213,404	210,469
Unemployment insurance program .....	1,629,721	2,004,334	1,330,465	544,109	445,877	403,776	432,125	581,634	633,904	550,345
Maryland State Lottery .....	1,254,095	1,205,310	1,207,171	1,133,587	1,094,065	1,061,295	1,005,275	927,941	883,736	867,910
Maryland Transportation Authority .....	355,467	327,360	308,383	325,721	368,170	334,905	324,838	300,072	359,015	205,831
Maryland Correctional Enterprises .....	49,501	49,965	52,664	46,906	46,238	41,544	37,937	33,812	38,178	39,243
<b>Total business-type activities expenses.....</b>	<b>3,666,971</b>	<b>3,905,705</b>	<b>3,191,998</b>	<b>2,308,944</b>	<b>2,204,570</b>	<b>2,018,125</b>	<b>1,980,350</b>	<b>2,038,850</b>	<b>2,191,318</b>	<b>1,960,333</b>
<b>Total primary government expenses.....</b>	<b>\$34,734,194</b>	<b>\$33,815,619</b>	<b>\$31,659,895</b>	<b>\$29,102,810</b>	<b>\$26,895,928</b>	<b>\$24,344,523</b>	<b>\$23,184,113</b>	<b>\$22,421,052</b>	<b>\$21,779,728</b>	<b>\$20,194,559</b>

\* Information for fiscal years 2002 & 2003 has been restated to reflect reclassification of certain expenditures.

**STATE OF MARYLAND**  
**Revenues, Primary Government**  
**Last Ten Fiscal Years**  
(accrual basis of accounting)  
*(Expressed in Thousands)*

	Year ended June 30,									
Source	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Governmental activities:										
Program revenues:										
Charges for services:										
General government .....	\$ 455,729	\$ 490,230	\$ 616,176	\$ 359,589	\$ 424,639	\$ 301,119	\$ 484,933	\$ 349,078	\$ 325,115	\$ 238,480
Health and mental hygiene .....	1,205,122	948,124	564,677	458,706	417,753	353,211	320,596	289,988	224,300	191,164
Transportation .....	540,859	527,330	508,629	611,002	643,447	583,346	580,691	716,422	526,253	615,261
Judicial .....	283,781	246,027	252,847	260,145	403,697	415,925	384,985	384,215	276,787	291,546
Other activities.....	460,733	608,284	462,761	377,905	327,765	303,259	298,033	277,720	303,190	271,176
Operating grants and contributions.....	9,341,179	8,659,808	7,079,697	5,924,816	5,725,441	5,323,300	5,091,053	5,204,906	4,843,927	4,225,374
Capital grants and contributions.....	715,153	727,903	692,237	676,988	726,823	793,751	788,211	719,493	722,416	746,855
Total program revenues .....	13,002,556	12,207,706	10,177,024	8,669,151	8,669,565	8,073,911	7,948,502	7,941,822	7,221,988	6,579,856
General revenues:										
Taxes:										
Income taxes.....	7,605,497	7,003,514	7,167,890	7,885,639	7,333,979	7,119,633	6,829,564	5,518,813	5,107,593	4,913,185
Sales and use taxes.....	3,898,509	3,760,756	3,857,020	3,748,724	3,448,766	3,385,391	3,149,736	2,944,534	2,719,547	2,690,099
Motor vehicle taxes.....	1,913,570	1,796,769	1,787,144	1,920,460	1,995,525	1,996,645	2,045,021	1,805,796	1,706,255	1,673,260
Tobacco taxes .....	407,570	405,915	405,559	376,112	277,755	280,307	275,796	272,066	279,016	209,881
Insurance company taxes .....	392,287	382,569	369,479	469,144	390,026	356,816	311,591	260,137	238,258	193,536
Property taxes .....	1,043,943	1,009,768	968,892	1,026,592	1,010,513	1,142,071	1,000,405	838,976	576,186	511,543
Estate & inheritance taxes .....	241,576	196,002	229,723	261,987	242,208	238,462	198,272	167,590	157,484	197,258
Other taxes .....	302,421	294,752	293,391	311,048	309,883	302,106	306,139	300,622	281,550	288,823
Unrestricted investment earnings.....	79,042	167,581	202,682	345,578	350,249	251,388	130,359	48,134	62,611	109,065
Special items.....										
Transfers .....	526,948	614,794	461,194	477,936	349,556	457,850	420,820	435,534	409,124	396,824
Total general revenues, special items and transfers.....	16,411,363	15,632,420	15,742,974	16,823,220	15,708,460	15,530,669	14,667,703	12,592,202	11,651,824	11,209,102
Total revenues, transfers and special items - governmental activities.....	29,413,919	27,840,126	25,919,998	25,492,371	24,378,025	23,604,580	22,616,205	20,534,024	18,873,812	17,788,958
Business-type activities:										
Program revenues:										
Charges for services:										
Unemployment insurance program .....	1,031,602	953,711	475,032	440,848	464,411	541,386	590,805	528,238	341,004	254,483
Maryland State Lottery .....	1,828,489	1,711,285	1,699,156	1,673,038	1,577,311	1,560,906	1,485,733	1,395,408	1,322,239	1,306,538
Maryland Transportation Authority .....	553,786	588,427	391,558	425,504	371,468	404,446	359,157	280,098	242,429	189,658
Other activities.....	327,854	359,204	366,916	346,494	333,621	274,918	242,337	203,462	257,859	337,536
Operating grants and contributions.....	880,345	1,015,645	390,988	57,635	25,995	27,020	26,206	129,991	136,113	234,993
Capital grants and contributions.....										
Total program revenues .....	4,622,076	4,628,272	3,323,650	2,943,519	2,822,801	2,850,386	2,755,686	2,594,808	2,339,895	2,376,909





**STATE OF MARYLAND**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**

(modified accrual basis of accounting)  
 (Expressed in Thousands)

	Year ended June 30,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Revenues:</b>										
Income taxes .....	\$7,639,285	\$6,957,811	\$7,156,297	\$7,868,899	\$7,325,181	\$7,108,573	\$6,814,378	\$5,499,953	\$5,080,359	\$4,911,807
Retail sales and use taxes .....	3,896,876	3,754,326	3,851,752	3,748,933	3,447,896	3,382,851	3,153,676	2,945,060	2,717,383	2,689,567
Motor vehicle taxes and fees .....	1,913,570	1,796,769	1,787,144	1,920,460	1,995,525	1,996,645	2,045,021	1,805,796	1,706,255	1,673,260
Tobacco taxes .....	407,570	405,915	405,559	376,112	277,755	280,307	275,796	272,066	279,016	209,881
Insurance company taxes .....	392,287	382,569	369,479	469,144	390,026	356,816	311,591	260,137	238,258	193,536
Property taxes .....	1,043,943	1,009,768	968,892	1,026,592	1,010,513	1,142,071	1,000,405	838,976	576,186	511,543
Estate & inheritance taxes .....	241,576	196,002	229,723	261,987	242,208	238,462	198,272	167,590	157,484	197,258
Other taxes .....	302,421	294,752	293,391	311,048	309,883	302,106	306,139	300,621	281,550	288,823
Other licenses and fees .....	683,289	682,756	686,806	651,079	782,712	808,617	759,953	754,995	544,456	610,009
Charges for services .....	1,878,075	1,639,917	1,259,309	1,108,666	1,050,187	970,345	978,535	1,044,636	775,852	814,332
Revenues pledged as security for bonds	95,057	89,521	66,098	77,541	70,563	70,593	70,875	52,255	69,108	41,161
Interest and other investment income ...	23,052	121,233	161,696	307,403	315,121	219,609	102,532	32,251	51,304	108,214
Federal .....	9,968,631	9,386,888	7,767,558	6,604,348	6,407,172	6,118,583	5,916,233	5,872,371	5,506,539	4,931,908
Other .....	309,902	413,762	377,127	214,755	240,671	108,689	331,224	162,748	261,226	153,510
<b>Total revenues .....</b>	<b>28,795,534</b>	<b>27,131,989</b>	<b>25,380,831</b>	<b>24,946,967</b>	<b>23,865,413</b>	<b>23,104,267</b>	<b>22,264,630</b>	<b>20,009,455</b>	<b>18,244,976</b>	<b>17,334,809</b>
<b>Expenditures:</b>										
<b>Current:</b>										
General government .....	775,370	762,488	757,186	729,788	716,958	738,472	703,466	627,626	640,205	627,367
Education .....	9,474,145	9,104,692	8,948,062	8,638,203	7,683,885	6,758,158	6,235,534	5,919,742	5,779,552	5,675,065
Business and economic development ..	79,284	74,578	90,892	94,503	65,774	56,374	57,287	58,259	43,441	55,418
Labor, licensing and regulation .....	246,700	226,118	182,751	166,848	164,255	154,607	166,787	174,047	181,835	174,725
Human resources .....	2,420,789	2,291,347	2,061,959	1,761,284	1,643,078	1,622,922	1,569,032	1,560,876	1,614,493	1,536,780
Health and mental hygiene .....	9,441,903	9,040,549	8,286,032	7,536,747	7,252,117	6,547,288	6,329,383	6,064,735	5,545,991	4,893,824
Environment .....	107,457	110,092	106,307	95,918	92,460	83,793	76,393	84,443	95,500	87,447
Transportation .....	1,228,659	1,422,084	1,333,618	1,262,973	1,219,507	1,121,714	1,273,622	1,143,520	1,123,911	1,103,756
Public safety .....	1,873,921	1,773,141	1,824,595	1,835,652	1,790,595	1,606,314	1,435,406	1,357,943	1,326,612	1,265,624
Judicial .....	577,333	556,908	585,778	556,056	527,618	490,861	462,568	434,135	421,702	407,079
Housing and community development	368,857	315,630	244,208	244,581	228,105	215,940	211,577	202,346	205,501	168,580
Natural resources and recreation .....	182,229	184,342	205,876	188,675	177,553	165,439	167,018	166,730	175,845	167,160
Agriculture .....	80,770	92,954	142,804	147,494	101,252	64,044	56,624	60,537	83,384	91,562
Intergovernmental .....	1,249,592	1,187,153	1,425,506	1,597,734	1,590,590	1,562,539	1,453,408	1,461,133	1,422,007	1,375,043

Debt service:										
Principal.....	598,265	560,348	536,050	497,300	473,985	485,635	464,650	424,925	421,859	406,850
Interest.....	390,340	366,237	349,214	315,010	298,007	280,278	258,791	247,027	203,701	202,834
Capital outlays.....	1,276,049	1,200,176	1,430,170	1,476,506	1,437,741	1,538,927	1,531,461	1,461,067	1,464,110	1,415,740
Total expenditures.....	30,371,663	29,268,837	28,511,008	27,145,272	25,463,480	23,493,305	22,453,007	21,449,091	20,749,649	19,654,854
Excess (deficiency) of revenues over expenditures.....	(1,576,129)	(2,136,848)	(3,130,177)	(2,198,305)	(1,598,067)	(389,038)	(188,377)	(1,439,636)	(2,504,673)	(2,320,045)
Other financing sources (uses) :										
Capital leases.....	53,334	15,472	27,945	31,185	56,860	121,197	154,434	145,455	101,814	44,294
Proceeds from bond issues.....	1,058,166	1,477,837	1,318,718	1,071,403	831,193	904,907	937,480	898,818	1,196,199	615,846
Other long-term liabilities.....				102	2,411	5,320	12,321	142,015	171,239	119,460
Proceeds from refunding bonds.....		798,080	69,431				855,840	83,591	685,594	117,458
Payments to escrow agents.....		(924,185)	(69,213)				(940,591)	(83,537)	(684,697)	(117,217)
Transfers in.....	1,716,673	1,895,049	1,203,021	1,180,435	1,137,421	1,133,853	1,063,529	1,111,330	1,244,595	1,453,353
Transfers out.....	(1,189,726)	(1,280,256)	(741,827)	(702,499)	(787,865)	(676,003)	(642,709)	(675,796)	(835,471)	(1,056,529)
Net other sources (uses) of financial resources.....	1,638,447	1,981,997	1,808,075	1,580,626	1,240,020	1,489,274	1,440,304	1,621,876	1,879,273	1,176,665
Special items.....									114,200	25,628 (1)
Net changes in fund balances.....	62,318	(154,851)	(1,322,102)	(617,679)	(358,047)	1,100,236	1,251,927	182,240	(511,200)	(1,117,752)
Fund balance, beginning of the year.....	1,824,630	1,979,481	3,301,583	3,919,262	4,277,309	3,177,073	1,925,146	1,742,906	2,254,106	3,763,280
Adjustments.....										(391,422)(2)
Fund balance, end of the year.....	\$1,886,948	\$1,824,630	\$1,979,481	\$3,301,583	\$3,919,262	\$4,277,309	\$3,177,073	\$1,925,146	\$1,742,906	\$2,254,106
Debt service as a percentage of noncapital expenditures.....	3.5%	3.4%	3.4%	3.3%	3.3%	3.6%	3.6%	3.5%	3.4%	3.5%

(1) Includes certain one-time transfers from organizations outside the primary government.

(2) Effective July 1, 2001, the beginning fund balance was restated for inventory. Also, the Maryland Transportation Authority's activities were no longer recorded in the special revenue and debt service funds, and its beginning equity was reclassified from the respective governmental funds to the enterprise funds.

**STATE OF MARYLAND**  
**Personal Income Tax Filers by Subdivision**  
**Tax Year Ended December 31, 2010**

Subdivision	Number of Filers	Adjusted Gross Income	Net Taxable Income	State Income Tax(1)	Local Income Tax	State and Local Income Tax	Local Tax Rate
Allegany .....	22,584	\$ 1,137,470,129	\$ 853,305,437	\$ 38,047,912	\$ 25,230,831	\$ 63,278,743	3.05%
Anne Arundel .....	204,531	17,502,612,223	13,625,411,460	627,240,766	345,561,961	972,802,727	2.56
Baltimore County .....	311,490	23,322,068,971	17,881,894,299	828,892,851	498,378,061	1,327,270,912	2.83
Calvert.....	33,072	2,736,904,554	2,058,133,830	94,649,869	57,084,580	151,734,449	2.80
Caroline .....	11,113	575,624,263	407,328,571	16,987,733	10,319,228	27,306,961	2.63
Carroll.....	62,777	4,893,635,511	3,699,705,615	171,154,112	111,908,280	283,062,392	3.05
Cecil.....	34,821	2,223,345,762	1,652,071,679	57,116,371	45,395,136	102,511,507	2.80
Charles .....	54,174	4,070,947,941	2,960,443,829	135,290,894	84,710,862	220,001,756	2.90
Dorchester .....	11,214	554,993,411	397,945,007	16,852,652	9,957,733	26,810,385	2.62
Frederick.....	89,235	7,092,233,143	5,379,266,522	247,739,131	157,671,710	405,410,841	2.96
Garrett.....	9,813	517,840,078	384,686,741	16,820,380	9,879,591	26,699,971	2.65
Harford .....	92,910	6,902,813,864	5,211,316,589	237,733,255	157,640,193	395,373,448	3.06
Howard .....	109,982	11,863,628,821	9,442,191,637	442,661,957	300,488,624	743,150,581	3.20
Kent .....	6,724	447,929,830	336,217,548	14,009,401	9,408,594	23,417,995	2.85
Montgomery .....	386,891	42,234,426,562	34,040,992,827	1,556,444,328	1,081,538,245	2,637,982,573	3.20
Prince George's.....	328,113	19,819,372,830	13,543,857,382	606,619,532	421,913,243	1,028,532,775	3.20
Queen Anne's .....	17,518	1,421,043,422	1,069,568,975	48,403,646	30,164,361	78,568,007	2.85
St. Mary's.....	37,808	2,880,982,522	2,207,425,070	101,460,108	65,445,846	166,905,954	3.00
Somerset .....	6,370	284,961,655	199,285,818	8,519,025	5,942,665	14,461,690	3.15
Talbot .....	13,970	1,231,712,157	966,801,287	43,848,608	21,476,332	65,324,940	2.25
Washington .....	51,884	2,978,497,911	2,203,921,097	99,325,211	60,207,148	159,532,359	2.80
Wicomico .....	32,626	1,766,507,702	1,296,763,909	55,027,238	38,732,378	93,759,616	3.10
Worcester.....	20,005	1,210,435,351	902,488,197	38,644,420	11,049,389	49,693,809	1.25
Baltimore City.....	195,861	10,184,391,679	7,467,933,579	328,794,682	216,728,975	545,523,657	3.05
Non-resident .....	70,217	8,351,662,056	7,687,333,025	297,962,986		297,962,986	
Total.....	2,215,703	\$176,206,042,348	\$135,876,289,930	\$6,130,247,068	\$3,776,833,966	\$9,907,081,034	

(1) See State personal income tax rates schedule for tax rate information.

**Source:** Revenue Administration Division, State Comptroller's Office

STATE OF MARYLAND

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**State Personal Income Tax and Sales Tax Rates  
Calendar Years 2008 - 2010\***

Filing Status, Single:		Married, Filing Jointly:	
Taxable Income:	Rate:	Taxable Income:	Rate:
\$3,000 - \$150,000	4.75%	\$3,000 - \$200,000	4.75%
\$150,001 - \$300,000	5.00%	\$200,001 - \$350,000	5.00%
\$300,001 - \$500,000	5.25%	\$350,001 - \$500,000	5.25%
\$500,001 - \$1,000,000	5.50%	\$500,001 - \$1,000,000	5.50%
over \$1,000,000	6.25%	over \$1,000,000	6.25%
Sales Tax Rate: 6%			

\*Rates effective January 1, 2008

**State Personal Income Tax and Sales Tax Rates  
Calendar Years 2001 - 2007**

Personal Income Tax Rate					
Year	1st \$1,000 of Net Taxable Income	2nd \$1,000 of Net Taxable Income	3rd \$1,000 of Net Taxable Income	In excess of \$3,000 Net Taxable Income	Sales Tax Rate
2007	2 %	3 %	4 %	4.75 %	5 %
2006	2	3	4	4.75	5
2005	2	3	4	4.75	5
2004	2	3	4	4.75	5
2003	2	3	4	4.75	5
2002	2	3	4	4.75	5
2001	2	3	4	4.80	5

Source: Revenue Administration Division, State Comptroller's Office

**STATE OF MARYLAND**  
**Personal Income Tax Filers and Liability by Income Level**  
**Last Ten Tax Years Ended December 31st**

(Dollars, except income level, Expressed in Thousands)

<b>2010</b>				<b>2009</b>				
Income Level	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
\$500,000 and higher	19,031	0.87 %	\$1,103,398	18.00 %	16,589	0.77 %	\$901,111	15.76 %
\$100,000-\$499,999	460,144	20.77	2,872,843	46.86	440,514	20.33	2,700,374	47.24
\$70,000-\$99,999	297,568	13.43	829,513	13.53	294,317	13.58	810,590	14.18
\$50,000-\$69,999	306,283	13.82	577,222	9.42	305,438	14.09	567,707	9.93
\$25,000-\$49,999	605,480	27.33	590,450	9.63	601,213	27.74	585,150	10.24
\$10,000-\$24,999	454,672	20.53	149,735	2.44	440,498	20.33	144,875	2.53
Under \$10,000	72,525	3.27	7,087	0.12	68,464	3.16	6,709	0.12
<b>Total</b>	<b>2,215,703</b>	<b>100.00 %</b>	<b>\$6,130,249</b>	<b>100.00 %</b>	<b>2,167,033</b>	<b>100.00 %</b>	<b>\$5,716,516</b>	<b>100.00 %</b>

<b>2008</b>				<b>2007</b>				
Income Level	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
\$500,000 and higher	18,490	0.84 %	\$1,203,268	19.89 %	22,546	0.98 %	\$1,343,286	21.49 %
\$100,000-\$499,999	436,125	19.76	2,680,009	44.29	422,874	18.43	2,619,517	41.92
\$70,000-\$99,999	299,054	13.55	817,229	13.51	299,022	13.04	839,000	13.43
\$50,000-\$69,999	309,460	14.02	569,793	9.42	310,886	13.55	591,121	9.46
\$25,000-\$49,999	619,265	28.05	619,216	10.23	636,783	27.76	669,599	10.71
\$10,000-\$24,999	445,300	20.17	152,357	2.52	482,515	21.03	174,561	2.79
Under \$10,000	79,781	3.61	8,570	0.14	119,277	5.20	12,218	0.20
<b>Total</b>	<b>2,207,475</b>	<b>100.00 %</b>	<b>\$6,050,442</b>	<b>100.00 %</b>	<b>2,293,903</b>	<b>100.00 %</b>	<b>\$6,249,302</b>	<b>100.00 %</b>

<b>2006</b>				<b>2005</b>				
Income Level	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
\$500,000 and higher	20,188	0.89 %	\$1,187,583	20.42 %	18,394	0.82 %	\$1,064,405	19.41 %
\$100,000-\$499,999	386,236	17.07	2,379,534	40.91	354,202	15.84	2,185,588	39.85
\$70,000-\$99,999	290,471	12.83	818,732	14.08	282,940	12.66	804,574	14.67
\$50,000-\$69,999	303,484	13.41	577,995	9.94	298,942	13.37	573,615	10.46
\$25,000-\$49,999	637,570	28.17	666,375	11.46	636,912	28.49	667,108	12.16
\$10,000-\$24,999	501,656	22.16	172,923	2.97	511,948	22.90	174,268	3.18
Under \$10,000	123,697	5.47	13,275	0.23	132,317	5.92	14,411	0.26
<b>Total</b>	<b>2,263,302</b>	<b>100.00 %</b>	<b>\$5,816,417</b>	<b>100.00 %</b>	<b>2,235,655</b>	<b>100.00 %</b>	<b>\$5,483,969</b>	<b>100.00 %</b>

**STATE OF MARYLAND**  
**Personal Income Tax Filers and Liability by Income Level**  
**Last Ten Tax Years Ended December 31st**

(Dollars, except income level, Expressed in Thousands)  
 (continued)

	2004			2003		
	Number of Filers	Percentage of Total	Income Tax Liability	Number of Filers	Percentage of Total	Income Tax Liability
<b>Income Level</b>						
\$100,000 and higher	322,388	15.04 %	\$2,473,983	289,448	13.75 %	\$2,107,257
\$75,000-\$99,999	213,573	9.96	638,382	205,607	9.77	611,558
\$50,000-\$74,999	347,875	16.23	703,769	345,285	16.40	695,499
\$25,000-\$49,999	626,618	29.23	661,464	626,336	29.76	660,343
\$10,000-\$24,999	507,779	23.69	171,094	513,506	24.40	170,481
Under \$10,000	125,426	5.85	13,758	124,623	5.92	13,594
Total	2,143,659	100.00 %	\$4,662,450	2,104,805	100.00 %	\$4,258,732

	2002			2001		
	Number of Filers	Percentage of Total	Income Tax Liability	Number of Filers	Percentage of Total	Income Tax Liability
<b>Income Level</b>						
\$100,000 and higher	269,980	12.87 %	\$1,924,320	259,490	12.33 %	\$1,935,778
\$75,000-\$99,999	201,154	9.59	597,359	195,174	9.27	596,649
\$50,000-\$74,999	346,786	16.53	700,379	343,206	16.31	715,851
\$25,000-\$49,999	631,516	30.10	672,903	635,022	30.18	710,635
\$10,000-\$24,999	523,825	24.97	176,215	535,255	25.44	192,110
Under \$10,000	124,636	5.94	14,180	136,244	6.47	16,364
Total	2,097,897	100.00 %	\$4,085,356	2,104,391	100.00 %	\$4,167,387

Source: Revenue Administration Division, Comptroller's Office

**STATE OF MARYLAND**  
**Sales and Use Tax Receipts by Principal Type of Business**  
**Last Ten Fiscal Years**  
*(Expressed in Thousands )*

Year	Food and Beverage	Apparel	General Merchandise	Automotive	Furniture and Appliances	Building & Industrial		Utilities & Transportation	Hardware, Machinery & Equipment	Miscellaneous	Assessment Collections	Total Collections
						Supplies	Supplies					
2011	\$891,267	\$187,014	\$716,226	\$259,052	\$343,897	\$467,156	\$367,543	\$94,654	\$559,420	\$10,470	\$3,896,699	
2010	864,941	189,057	705,121	239,813	347,243	445,706	370,435	92,241	484,910	14,310	3,753,777	
2009	851,038	188,931	705,193	252,973	362,374	483,384	404,219	97,355	489,672	16,153	3,851,292	
2008	776,466	181,302	672,024	249,506	387,590	517,452	356,747	100,922	481,478	25,435	3,748,922	
2007	689,279	167,918	612,937	234,898	380,999	504,516	316,600	91,628	432,831	16,233	3,447,839	
2006	664,654	158,839	601,431	230,753	380,642	530,214	284,661	88,754	418,491	23,257	3,381,696	
2005	624,292	151,837	568,018	221,341	360,580	475,135	254,860	84,498	390,889	22,226	3,153,676	
2004	591,744	144,961	538,364	216,385	333,307	417,729	231,099	78,351	387,780	29,721	2,969,441	
2003	555,108	133,363	504,099	202,927	314,144	359,468	218,537	70,427	362,003	17,165	2,737,241	
2002	542,276	132,067	489,102	197,122	315,080	365,132	214,839	72,343	359,394	21,184	2,708,539	

**Source:** Revenue Administration Division, Comptroller's Office



**STATE OF MARYLAND**  
**Schedule of Ratio of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
*(Dollars Expressed in Thousands except Per Capita)*

Fiscal Year	General Bonded Debt				Other Governmental Activities Debt				Debt Ratios, Governmental Activities				Business-Type Activities Debt				Debt Ratios, Primary Government			
	General Obligation Bonds		Transportation Bonds		Transportation Debt / Other Liabilities(2)		Capital Leases		Total Governmental Activities Debt		Percentage of Personal Income (1)		Revenue Bonds		Capital Leases		Total Business-Type Activities Debt		Percentage of Personal Income (1)	
	Bonds	Bonds	Bonds	Leases	Debt / Other Liabilities(2)	Capital Leases	Leases with Component Units	Leases	Activities Debt	Income (1)	Capita (1)	Bonds	Leases	Activities Debt	Income (1)	Capita (1)	Activities Debt	Income (1)	Capita (1)	
2011	\$6,982,846	\$1,561,840	\$755,778			\$214,590	\$9,515,054	3.35%	\$1,645	\$6,504,780	\$44,886	\$16,064,720	5.66%	\$2,776			\$6,549,666	5.66%	\$2,776	
2010	6,523,222	1,645,010	798,201			232,762	9,199,195	3.31	1,614	6,161,633	5,261	15,366,089	5.53	2,696			6,166,894	5.53	2,696	
2009	5,873,643	1,582,605	848,208			250,407	8,554,863	3.14	1,519	5,422,501	5,748	13,983,112	5.13	2,482			5,428,249	5.13	2,482	
2008	5,493,830	1,268,815	515,134		\$373,319	265,767	7,916,865	3.02	1,409	5,041,339	648	12,958,852	4.94	2,307			5,041,987	4.94	2,307	
2007	5,142,154	1,111,050	535,482		391,029	278,265	7,457,980	3.03	1,331	4,140,383	1,124	11,599,487	4.70	2,071			4,141,507	4.70	2,071	
2006	4,868,472	1,079,340	519,592		404,320	293,140	7,164,864	3.08	1,286	2,882,855	1,256	10,048,975	4.31	1,803			2,884,111	4.31	1,803	
2005	4,511,826	1,071,620	440,236		409,587	304,220	6,737,489	3.06	1,217	2,825,315	1,673	9,564,477	4.34	1,727			2,826,988	4.34	1,727	
2004	4,102,278	1,188,090	345,028		400,813	303,901	6,340,110	3.08	1,154	2,935,711	3,132	9,278,953	4.51	1,689			2,938,843	4.51	1,689	
2003	3,932,493	964,400	262,792		264,099	296,672	5,720,456	2.88	1,053	3,220,797	2,371	8,943,624	4.50	1,646			3,223,168	4.50	1,646	
2002	3,544,178	717,980	220,649		119,460	290,510	4,892,777	2.57	909	3,412,923	3,243	8,308,943	4.37	1,543			3,416,166	4.37	1,543	

Source: General Accounting Division, State Comptroller's Office

(1) Population and personal income data can be found in the Schedule of Demographic Statistics.

(2) Transportation debt/other liabilities was reclassified as capital leases beginning in fiscal year 2009.

**STATE OF MARYLAND**  
**Ratio of General Bonded Debt**  
**To Actual Value and General Bonded Debt Per Capita**  
**Last Ten Fiscal Years**

Fiscal Year	(Expressed in Thousands)			Ratio of General Bonded Debt to Actual Property Value	General Bonded Debt per Capita
	Estimated Population (1)	Estimated Property Value	General Bonded Debt (2)		
2011 .....	5,786	\$689,329,692	\$6,982,846	1.01%	\$1,207
2010 .....	5,699	731,809,178	6,523,222	0.89	1,145
2009 .....	5,634	707,573,095	5,873,643	0.83	1,043
2008 .....	5,618	633,453,169	5,493,830	0.87	978
2007 .....	5,602	527,012,375	5,142,154	0.98	918
2006 .....	5,573	452,249,831	4,868,472	1.08	874
2005 .....	5,537	398,065,083	4,511,826	1.13	815
2004 .....	5,494	361,689,307	4,102,278	1.13	747
2003 .....	5,434	336,657,741	3,932,493	1.17	724
2002 .....	5,383	318,778,365	3,544,178	1.11	658

**Source:** The Fifty-eighth through Sixty-seventh Report of the State Department of Assessments and Taxation and the State Comptroller's Office.

(1) See Schedule of Demographic Statistics.

(2) Includes general obligation bonds. The primary revenue source to pay the debt service for general obligation bonds is property taxes.

**STATE OF MARYLAND**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**  
*(Expressed in Thousands )*

**Legal Debt Margin Calculation for Fiscal Year 2011**

Debt limit (1) .....	\$11,790,027
Debt applicable to limit:	
General obligation bonds .....	6,982,846
Transportation bonds .....	1,561,840
Nontraditional Transportation debt (2)	639,900
Less amounts set aside for repayment of:	
General obligation debt .....	200,497
Transportation debt .....	35,238
Total net debt applicable to limit .....	<u>8,948,851</u>
Legal debt margin .....	<u>\$2,841,176</u>

Year ended June 30,

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Debt limit .....	\$11,790,027	\$11,410,017	\$9,822,844	\$9,780,943	\$9,064,691	\$8,730,531	\$7,819,314	\$7,301,732	\$6,800,976	\$6,116,782
Total net debt applicable to limit .....	<u>8,948,851</u>	<u>8,658,167</u>	<u>8,015,376</u>	<u>7,400,792</u>	<u>6,924,327</u>	<u>6,572,782</u>	<u>5,463,019</u>	<u>5,212,769</u>	<u>4,862,003</u>	<u>4,232,412</u>
Legal debt margin .....	<u>\$ 2,841,176</u>	<u>\$ 2,751,850</u>	<u>\$ 1,807,468</u>	<u>\$ 2,380,151</u>	<u>\$ 2,140,364</u>	<u>\$ 2,157,749</u>	<u>\$ 2,356,295</u>	<u>\$ 2,088,963</u>	<u>\$ 1,938,973</u>	<u>\$ 1,884,370</u>

Total net debt applicable to the limit as a percentage of debt limit .....	75.90%	75.88%	81.60%	75.67%	76.39%	75.29%	69.87%	71.39%	71.49%	69.19%
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**Source:** General Accounting Division, State Comptroller's Office

- (1) For general obligation bonds, the debt limit is based on separate enabling acts for particular objects or purposes that are enacted during each legislative session. There is no separately mandated maximum amount for the issuance of general obligation bonds. For transportation bonds, the General Assembly each year establishes a maximum aggregate outstanding amount that does not exceed \$1,500,000,000 up to June 30, 2004, does not exceed \$2,000,000,000 up to June 30, 2007, and does not exceed \$2,600,000,000 through June 30, 2009 and thereafter.
- (2) The 2010 session of the General Assembly established a maximum outstanding principal amount of \$628,300,000 as of June 30, 2011, for all nontraditional debt of the Department. Nontraditional debt outstanding is defined as any debt instrument that is not a Consolidated Transportation Bond or GARVEE bond. This debt includes certificates of participation, debt backed by customer facility charges, passenger facility charges, or other revenues, and debt issued by the Maryland Economic Development Corporation or any other third party on behalf of the Department.

**STATE OF MARYLAND**  
**Schedule of Taxes Pledged to Consolidated Transportation Bonds and Net Revenues as**  
**Defined for Purposes of Consolidated Transportation Bonds Coverage Tests**  
**Last Ten Fiscal Years**  
*(Expressed in Thousands)*

	Year ended June 30,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Revenues:</b>										
Taxes and fees:										
Taxes pledged to bonds (4)(5) .....	\$1,300,022	\$1,244,280	\$1,234,750	\$1,139,321	\$1,196,568	\$1,221,720	\$1,220,851	\$1,145,048	\$1,073,953	\$1,046,715
Other taxes and fees (2) .....	439,657	415,409	418,734	404,082	410,614	391,618	381,516	112,305	88,833	238,303
Total taxes and fees (1) .....	1,739,679	1,659,689	1,653,484	1,543,403	1,607,182	1,613,338	1,602,367	1,257,353	1,162,786	1,285,018
Operating revenues .....	390,547	388,587	392,772	395,003	369,241	340,742	328,273	339,635	299,844	297,489
Investment income .....	60,458	394	3,996	3,683	10,574	8,211	4,928	3,374	2,960	3,724
Other (3) .....	1,004	(3,600)	(3,666)	4	39,836	87,640	75,902	90,943	79,023	25,950
Total revenues .....	2,191,688	2,045,070	2,046,586	1,942,093	2,026,833	2,049,931	2,011,470	1,691,305	1,544,613	1,612,181
Administration, operation and maintenance expenditures .....	1,547,339	1,582,578	1,526,965	1,488,310	1,396,872	1,302,582	1,237,446	1,177,889	1,159,176	1,044,908
Less: Federal funds .....	(90,733)	(90,761)	(93,729)	(79,228)	(72,598)	(70,828)	(79,892)	(76,503)	(76,841)	(50,396)
Total .....	1,456,606	1,491,817	1,433,236	1,409,082	1,324,274	1,231,754	1,157,554	1,101,386	1,082,335	994,512
Net revenues .....	\$735,082	\$553,253	\$613,350	\$533,011	\$702,559	\$818,177	\$853,916	\$589,919	\$462,278	\$617,669
Maximum annual principal and interest requirements .....	\$210,714	\$210,714	\$197,281	\$153,661	\$129,550	\$121,412	\$141,172	\$169,655	\$153,965	\$138,183
Ratio of net revenues to maximum annual principal and interest requirements .....	3.49	2.63	3.11	3.47	5.42	6.74	6.04	3.48	3.00	4.47
Ratio of taxes pledged to bonds to maximum annual principal and interest requirements .....	6.17	5.91	6.26	7.41	9.24	10.06	8.65	6.75	6.98	7.57

Source: The Maryland Department of Transportation, The Secretary's Office, Office of Finance.

- (1) The 2003 session of the Maryland General Assembly approved legislation requiring the deposit of \$160,000,000 in FY 2003 and \$ 154,900,000 in FY 2004 in the State's general fund.
- (2) The 2004 session of the Maryland General Assembly approved legislation increasing Vehicle Registration Fee
- (3) 2007 was the last year for the transfer of \$43,000,000 from Maryland Transportation Authority to the Transportation Trust Fund.
- (4) The 2007 special session of the Maryland General Assembly approved legislation to increase the State's sales tax and the vehicle excise tax (titling tax) from 5% to 6%, effective January 1, 2008. In Addition, effective July 1, 2008, the percentage of titling tax retained by the Department was increased from 76% to 80%.
- (5) In addition, effective July 1, 2008, the Department began receiving 5.3% of the net State's sales tax (after distribution of the State's sales tax on rented vehicles).

**STATE OF MARYLAND**  
**Ratio of Pledged Assets to**  
**Revenue Bonds, Community Development Administration**  
**Last Ten Fiscal Years**  
*(Expressed in Thousands)*

	Pledged Assets (1)	Revenue Bonds Payable	Ratio of Pledged Assets to Revenue Bonds
2011 .....	\$3,627,287	\$3,047,472	1.19
2010 .....	3,717,989	3,136,883	1.19
2009 .....	3,517,631	2,983,490	1.18
2008 .....	3,489,271	2,971,219	1.17
2007 .....	3,497,373	3,016,848	1.16
2006 .....	2,476,342	2,040,485	1.21
2005 .....	2,439,264	1,973,583	1.24
2004 .....	2,643,756	2,211,905	1.20
2003 .....	3,003,939	2,537,388	1.18
2002 .....	3,030,657	2,628,254	1.15

(1) Bonds and notes issued by the Community Development Administration (CDA) are special obligations of CDA and are payable solely from the revenues of the applicable mortgage loan programs. Assets, principally mortgage loans, and program revenues are pledged as collateral for the revenue bonds.

**STATE OF MARYLAND**  
**Schedule of Demographic Statistics**  
**Last Ten Years**

	Population (1)	Total Personal Income (2) (Expressed in Thousands)	Per Capita Personal Income	School Enrollment (3)	Unemployment Rate (4)
2011 .....	5,785,982	\$283,919,505	\$49,070	993,996	7.2%
2010 .....	5,699,478	278,026,000	48,781	984,134	7.4
2009 .....	5,633,597	272,542,169	48,378	975,861	5.9
2008 .....	5,618,899	264,367,477	47,050	1,024,803	3.7
2007 .....	5,602,258	252,780,827	45,121	1,036,523	3.9
2006 .....	5,575,552	237,522,127	42,601	1,050,627	3.8
2005 .....	5,538,989	225,022,781	40,625	1,053,378	4.2
2004 .....	5,495,009	209,373,672	38,103	1,056,520	4.3
2003 .....	5,439,327	202,147,625	37,164	1,056,944	4.7
2002 .....	5,375,659	194,986,252	36,272	1,049,733	4.6

**Sources:**

- (1) U.S. Census Bureau, "Intercensal Estimates of the Resident Population for States," April 1, 2000 - July 1, 2010, released September 2011. Estimates for the calendar year except that the current year amount is a projected estimate for the year.
- (2) U.S. Department of Commerce, Bureau of Economic Analysis. Data for all years based on revised statistics of state personal income released on September 22, 2011. All estimates of state personal income are subject to BEA's flexible annual revision schedule.
- (3) Figures are for the calendar year. State Department of Education, grades pre-kindergarten thru grade 12. Includes public and nonpublic schools. 2011 data for nonpublic schools is incomplete.
- (4) Figures are for the fiscal year. State Department of Labor, Licensing and Regulation.

**STATE OF MARYLAND**  
**Schedule of Employment by Sector**  
**Prior Year and Nine Years Prior <sup>(3)</sup>**

	Calendar Year 2010 (1)			Calendar Year 2001 (2)		
	Average Annual Employment	Total Wages (Expressed in Thousands)	Average Weekly Wage Per Worker	Average Annual Employment	Total Wages (Expressed in Thousands)	Average Weekly Wage Per Worker
<b>Government:</b>						
State and local .....	344,181	\$17,056,798	\$ 953	316,170	\$11,690,596	\$ 711
Federal.....	139,927	12,435,210	1,709	126,782	7,587,060	1,151
Total government .....	484,108	29,492,008	1,172	442,952	19,277,656	837
Manufacturing .....	115,086	7,588,427	1,268	168,360	7,935,825	906
Natural resources and mining .....	6,520	235,225	694	6,278	189,293	580
Construction .....	142,774	7,711,011	1,039	164,880	6,651,176	776
Trade, transportation, and utilities ....	434,661	17,386,663	769	466,494	14,985,839	618
Information services .....	43,830	3,181,188	1,396	58,380	3,258,677	1073
Financial activities.....	138,000	9,944,210	1,386	148,821	7,582,886	980
Professional and business services ....	386,796	26,077,143	1,297	358,310	16,065,561	862
Education and health services .....	385,013	17,929,167	896	307,161	10,694,657	670
Leisure and hospitality.....	229,797	4,447,832	372	208,691	3,472,156	320
Unclassified and other services.....	87,833	3,008,043	659	92,811	2,500,382	518
Total of all sectors.....	2,454,418	\$127,000,917	\$ 995	2,423,138	\$92,614,108	\$ 735

(1) Source: Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information Publication "Employment and Payroll 2010 Annual Averages" issued July, 2011. This report reflects the new North American Industry Classification System (NAICS) coding revisions.

(2) Source: Maryland Department of Economic and Employment Development, Office of Labor Market Analysis and Information, August, 2002.

(3) Some of the data is not comparative due to the reclassifications made during the term of the two periods.

**STATE OF MARYLAND**  
**Maryland's Ten Largest Private Employers\***

Calendar Years		
Employer (Listed Alphabetically)		
2011	2010 and 2009	2008
Giant Food Stores	Adventist Healthcare	Giant of Maryland LLC
Helix Health System Inc	Giant of Maryland LLC	Helix Health System Inc.
Home Deport USA Inc.	Helix Health Systems Inc	Home Deport USA Inc.
Johns Hopkins Hospital	Johns Hopkins Hospital	Johns Hopkins Hospital
Johns Hopkins University	Johns Hopkins University	Johns Hopkins University
Northrop Grumman Corporation	Northrop Grumman Corporation	Northrop Grumman Corporation
Safeway Inc	Safeway Inc	Safeway Inc
Target	Target	University of Maryland Medical System
University of Maryland Medical System	University of Maryland Medical System	United Parcel Service
Wal-Mart	Wal-Mart	Wal-Mart
2007	2006 and 2005	2004 and 2003
Giant of Maryland LLC	Giant of Maryland LLC	Giant of Maryland LLC
Helix Health System Inc.	Helix Health System Inc.	Helix Health System Inc.
Home Depot USA Inc.	Home Depot USA Inc.	Home Depot USA Inc.
Johns Hopkins Hospital	Johns Hopkins Hospital	Johns Hopkins Hospital
Johns Hopkins University	Johns Hopkins University	Johns Hopkins University
Macy's	Northrop Grumman Corporation	Northrop Grumman Corporation
Northrop Grumman Corporation	Safeway Inc	Safeway Inc
Safeway Inc	Target	United Parcel Service
United Parcel Service	United Parcel Service	Verizon Maryland Inc.
Wal-Mart	Wal-Mart	Wal-Mart

Source: Department of Labor, Licensing and Regulation; Office of Labor Market Analysis and Information - Major Employer List - March 2011

\* Information for prior years is not available. Information such as the number of employees or the employers' percentage of total employment is not available for disclosure.



**STATE OF MARYLAND**  
**State Employees by Function/Program**  
**Last Eight Fiscal Years\***

	Year ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
<b>State Employees:</b>								
Governmental activities:								
General government .....	5,479	5,695	5,813	5,770	5,712	5,656	5,493	5,604
Health and mental hygiene .....	9,459	10,103	10,880	11,441	11,661	11,668	11,633	11,815
Education.....	2,162	2,250	2,450	2,445	2,504	2,425	2,295	2,180
Human resources.....	6,327	6,456	6,503	6,605	6,713	6,767	6,910	6,852
Public safety .....	15,547	15,759	16,311	15,791	15,603	15,307	15,207	15,356
Transportation .....	6,137	6,405	6,638	6,572	6,518	6,523	6,599	6,799
Judicial .....	5,935	5,854	6,109	5,982	5,851	5,744	5,496	5,387
Labor, licensing and regulation .....	1,962	1,879	1,662	1,644	1,682	1,647	1,667	1,691
Natural resources and recreation .....	2,135	2,111	2,104	2,070	2,008	1,970	2,028	2,076
Housing and community development.....	268	274	246	209	228	256	262	254
Environment .....	958	1,000	960	913	926	922	901	907
Agriculture .....	450	482	482	511	481	499	500	516
Business and economic development.....	167	163	228	275	295	340	307	303
Total governmental activities employees.....	<u>56,986</u>	<u>58,431</u>	<u>60,386</u>	<u>60,228</u>	<u>60,182</u>	<u>59,724</u>	<u>59,298</u>	<u>59,740</u>
Business-type activities:								
Economic development - insurance programs.	266	262	237	208	201	210	201	205
Maryland State Lottery .....	200	181	189	183	185	183	169	177
Maryland Transportation Authority.....	1,650	1,660	1,652	1,652	1,594	1,502	1,503	1,562
Maryland Correctional Enterprises .....	184	200	204	201	184	187	164	159
Total business-type activities employees.....	<u>2,300</u>	<u>2,303</u>	<u>2,282</u>	<u>2,244</u>	<u>2,164</u>	<u>2,082</u>	<u>2,037</u>	<u>2,103</u>
Total primary government employees.....	<u><u>59,286</u></u>	<u><u>60,734</u></u>	<u><u>62,668</u></u>	<u><u>62,472</u></u>	<u><u>62,346</u></u>	<u><u>61,806</u></u>	<u><u>61,335</u></u>	<u><u>61,843</u></u>
Component units:								
Higher Education .....	39,259	39,411	38,985	37,988	36,132	34,882	39,388	34,397
Prepaid College Trust** .....	15	17	16	16	16			
Stadium Authority.....	29	25	117	108	120	98	93	97
Other component units .....	29	28	24	24	27	42	59	41
Total component unit employees .....	<u>39,332</u>	<u>39,481</u>	<u>39,142</u>	<u>38,136</u>	<u>36,295</u>	<u>35,022</u>	<u>39,540</u>	<u>34,535</u>

**Source:** Central Payroll Bureau, State Comptroller's Office

\* Information for prior years not available.

\*\* Information for prior years is included in the total for "Other Component Units".

**STATE OF MARYLAND**  
**Schedule of Miscellaneous, Operating and Capital Asset Statistics by Function**  
**Last Eight Fiscal Years\***

Date of Ratification .....	1788							
Form of Government .....	Legislative - Executive - Judicial							
Land Area .....	9,844 square miles							
Function/Program	2011**	2010	2009	2008	2007	2006	2005	2004
Education, Public School Enrollment.....	817,610	814,609	815,742	823,732	827,596	829,007	828,961	821,984
Health and Human Resources:								
Medicaid Enrollment .....	764,500	676,187	569,964	532,082	520,436	629,500	638,085	502,860
Children's Health Program Enrollment.....	98,000	97,998	105,617	108,504	105,999	103,260	95,019	98,420
WIC Food Program Recipients .....	155,000	148,670	144,072	132,483	121,471	113,100	108,574	106,060
Mental Hygiene Clients .....	128,075	122,046	111,678	99,382	93,933	92,715	92,608	90,849
Public Assistance Caseload (AFDC/TANF.....	67,422	67,422	58,426	51,554	50,149	57,589	65,782	70,745
Foster Care and Subsidized Adoption Average Caseload	15,297	15,093	14,235	14,839	13,806	13,956	14,762	15,028
Public Safety:								
Correctional Institutions Average Daily Population.....	21,159	20,891	22,778	22,943	21,680	26,475	26,938	27,933
Parole and Probation, Active Cases under Supervision.	55,200	54,939	54,484	48,600	52,147	49,244	50,112	50,127
Youth Residential Programs, Average Daily Population	1,468	1,406	1,519	1,625	1,646	1,728	1,747	2,039
Average Monthly Number of Youths on Probation .....	5,015	5,015	6,760	6,610	6,247	6,568	6,765	6,840
Public Safety (State Police):								
Number of Police Stations.....	25	25	26	26	26	26	26	26
Number of State Police .....	1,565	1,565	1,567	1,590	1,591	1,591	1,593	1,596
Motor Vehicle Citations (calendar year).....	348,459	366,777	390,100	446,505	430,284	462,252	482,219	459,272
Motor Vehicle - Number of Collisions (calendar year)..	102,000	100,000	95,300	100,700	100,707	101,785	102,546	101,858
Judicial, Total Filings.....	NA	2,155,864	2,208,268	2,363,183	2,383,668	2,410,038	2,422,466	2,418,359
Transportation:								
Miles of State Highways.....	5,254	5,244	5,240	5,242	5,241	5,235	5,234	5,235
Lane Miles Maintained .....	16,988	16,961	16,895	16,857	16,787	16,731	16,717	16,680
Expenditures per Lane Mile .....	\$8,171	\$7,572	\$8,913	\$8,764	\$8,990	\$7,812	\$7,957	\$8,039
Number of Bridges*** .....	1,183	1,180	1,180	1,176	1,155	1,155	1,155	1,157
Motor Vehicle Registrations.....	4.9 million	4.8 million	4.6 million	4.8 million	5.0 million	5.1 million	5.0 million	4.9 million
BWI Airport Passengers (calendar year).....	22.5 million	21.7 million	19.6 million	20.4 million	20.8 million	19.7 million	19.1 million	20.5 million
Acres Agricultural Land Preserved - all programs .....	563,482	554,285	534,906	482,236	482,236	459,871	430,000	N/A
Department of Housing and Community Development:								
Active Single Family/Multifamily Bond Financed Loans	16,456	16,405	16,906	16,648	14,250	12,213	13,769	15,986
Department of Business and Economic Development:								
Number of businesses assisted**** .....	17	24	500	428	1,600	1,600	1,146	1,094
Number of workers trained.....	637	547	1,007	2,710	7,417	12,425	9,694	9,101
Higher Education (Universities, Colleges and Community Colleges):								
Number of Campuses in State .....	29	29	29	29	29	29	29	29
Number of Educators.....	9671	9,421	9,190	9,224	9,021	8,711	8,606	8,432
Number of Students .....	286,106	280,196	269,287	263,636	255,969	256,580	251,984	246,794
Number of State Scholarships Awarded .....	65,544	52,965	58,935	58,552	56,495	52,576	47,025	44,851
Recreation:								
Number of State Parks and Forests .....	65	65	64	61	58	60	60	61
State Parks Daily Visitors.....	10.5 million	10.1 million	11.4 million	11.3 million	11.3 million	11.1 million	11.5 million	9.9 million
Area of State Parks, Acres.....	95,196	94,729	94,520	93,972	93,683	93,661	93,661	97,362
Area of State Forests, Acres .....	142,058	141,789	141,434	140,433	138,587	136,093	136,093	135,951

\* Information for prior years not available.

\*\* These amounts are estimates.

\*\*\* On Maryland's portion of the National Highway System

\*\*\*\* Restructuring of training programs in 2009 has lead to reduced funding for the Partnership for Workforce Quality Program (PWQ).

**Sources:** State Comptroller's Office, General Accounting Division, Central Payroll Bureau, Maryland Manual @ [www.mdarchives.state.md.us/msa/mdmanual](http://www.mdarchives.state.md.us/msa/mdmanual), Maryland Budget, Department of Budget and Management, Department of Natural Resources, and the State Highway Administration of Maryland.



*Financial*  
**SCHEDULES**  
*Required by Law*

These schedules are required to be submitted by the Comptroller by Title 2, Section 102 of the State Finance and Procurement Article of the Annotated Code of Maryland.



**STATE OF MARYLAND**  
**Schedule of Estimated and Actual Revenues By Source, Budgetary Basis, for the Year Ended June 30, 2011**  
*(Expressed in Thousands)*

	Annual Budgeted Funds										Capital Projects Fund						
	General Fund		Special Fund		Federal Fund		Higher Education Funds		Current		Restricted Fund		Total				
	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues			
<b>Taxes:</b>																	
Property tax.....		\$ 2,081	\$ 946,744	\$ 912,931													
Franchise and corporation tax.....	\$ 122,562	131,551															
Death taxes.....	201,709	216,044															
Admission and amusement tax.....	11,600	13,277	3,766	3,234													
Alcoholic beverages tax.....	30,504	30,435															
Motor vehicle fuel taxes.....	5,000	5,000	745,867	747,171													
Income taxes.....	6,948,129	7,214,730	214,192	206,077													
Sales and use taxes.....	3,672,461	3,656,043	228,732	240,656													
Tobacco taxes.....	412,548	407,570															
Motor vehicle titling taxes.....			594,000	594,938													
Insurance company taxes.....	287,044	285,942	121,513	124,345													
Horse racing taxes.....			1,459	1,159													
Shellfish taxes.....				128													
Boxing, wrestling or sparring taxes.....		440															
Boat titling tax.....			14,981	15,128													
Energy generation tax.....			45,675	48,401													
Emergency telephone system tax.....			64,539	53,749													
Total taxes.....	11,691,557	11,963,113	2,981,468	2,947,917												14,911,030	
<b>Other:</b>																	
Licenses and permits.....	38,034	38,504	554,202	560,783												599,287	
Fees for services.....	132,653	125,585	854,688	830,738												956,323	
Fines and costs.....	156,459	166,852	197,664	213,693												380,545	
Sales to the public.....	13,900	10,441	115,021	105,399												115,840	
Commissions and royalties.....	76	7	89,705	65,696												65,703	
Rentals.....	3	2,434	85,878	95,389												97,823	
Interest on investments.....	54,000	71,373	14,436	17,289											\$ 160	89,808	
Interest on loan repayments.....			1,450	1,372												1,372	
Miscellaneous.....	67,399	89,077	81,659	95,311												184,388	
Colleges and universities.....																3,744,457	
Federal reimbursements and grants.....			\$10,698,791	9,841,061												9,841,061	
Other reimbursements.....	163,110	192,690	696,507	669,517												862,207	
Bond issues:																	
State - general purpose.....				100											974,133	974,233	
Consolidated transportation bonds.....			75,000														
Premiums.....				82,346												82,346	
State reimbursements.....	833,338	518,594	338,800	241,758											15	760,367	
Appropriated from other funds.....																1,201,315	
Trust funds.....																15,945	
Revolving accounts.....	8,500	7,599	17,661	15,945												18,437	
Total revenues.....	\$13,159,029	\$13,186,269	\$6,156,911	\$5,954,091	\$10,698,791	\$9,842,047	\$3,617,167	\$3,691,817	\$1,291,728	\$1,253,955	\$2,415,852	\$2,490,502	\$1,291,728	\$1,253,955	\$974,308	\$34,902,487	

**STATE OF MARYLAND**  
**Schedule of Budget and Actual Expenditures and Encumbrances By Major Function, Budgetary Basis**  
**For the Year Ended June 30, 2011**  
*(Expressed in Thousands )*

	Annual Budgeted Funds											
	General Fund		Special Fund		Federal Fund		Unrestricted Fund		Current Restricted Fund		Capital Projects Fund	
	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual
Expenditures and Encumbrances by Major Function*												
Payments of revenue to civil divisions of the State	\$ 121,436	\$ 121,436	\$ 827,544	\$ 825,630	\$ 9,202	\$ 9,202	\$ 9,202	\$ 9,202				\$ 121,436
Public debt			250	153								834,832
Legislative	75,608	74,859										75,012
Judicial review and legal	473,670	473,259	98,480	79,121	8,012	7,004						559,384
Executive and administrative control	207,190	205,771	270,674	232,185	287,708	273,855						711,811
Financial and revenue administration	209,357	207,804	130,256	111,267								319,071
Budget and management	42,810	41,505	20,835	18,937	26,443	9,512						69,954
Retirement and pension			32,859	32,847								32,847
General services	52,253	52,010	4,100	4,048	1,095	1,080						57,138
Transportation and highways			2,475,541	2,389,160	942,681	799,761						3,188,921
Natural resources and recreation	43,569	43,484	116,794	107,894	54,762	36,545						187,923
Agriculture	27,328	27,300	53,109	41,382	7,209	6,300						74,982
Health, hospitals and mental hygiene	3,235,721	3,235,650	931,289	885,575	4,948,650	4,739,295						8,860,520
Human resources	554,971	554,971	106,230	104,857	1,984,752	1,736,115						2,395,943
Labor, licensing and regulation	32,463	32,234	51,152	46,408	172,486	167,132						245,774
Public safety and correctional services	1,004,664	1,003,798	151,108	139,318	92,407	91,471						1,234,587
Public education	6,673,314	6,662,181	532,429	527,191	1,769,374	1,705,289	\$3,617,167	\$3,538,497	\$1,291,728	\$1,254,814		13,687,972
Housing and community development	3,940	3,469	55,027	46,585	284,727	268,714						318,768
Business and economic development	70,233	69,848	43,679	26,724	2,038	1,984						98,556
Environment	32,731	32,731	166,135	156,935	59,720	57,798						247,464
Juvenile services	257,516	257,514	994	404	16,843	14,158						272,076
State police	166,175	166,018	88,426	76,660	30,682	26,077						268,755
State reserve fund	15,000	15,000										15,000
Loan accounts												\$1,134,451
Reversions:												
Current year reversions	(30,000)											
Prior year reversions		(42,584)		(98,665)		(52,066)		(324)		(4)		(193,643)
Total expenditures and encumbrances	\$13,269,949	\$13,238,258	\$6,156,911	\$5,754,616	\$10,698,791	\$9,899,226	\$3,617,167	\$3,538,173	\$1,291,728	\$1,254,810	\$1,134,451	\$34,819,534

\* Appropriation and expenditure differences between this statement and the "Statement of Revenues, Expenditures and Encumbrances and Changes in Fund Balances - Budget and Actual - Budgetary General and Special" included in the RSI Section, result from differences in the classification of prior year encumbrances and expenditures.

**STATE OF MARYLAND**  
**Schedule of Changes in Fund Equities - Budgetary Basis**  
**For the Year Ended June 30, 2011**  
*(Expressed in Thousands )*

	General Fund		Special Fund		Federal Fund	Higher Education Funds			Total
	General	State Reserve	Special	Debt Service		Current Unrestricted Fund	Current Restricted Fund	Capital Projects Fund	
Fund equities, June 30, 2010 .....	\$ 441,419	\$614,706	\$1,639,654	\$134,854		\$ 693,565	\$ 7,621	\$ 167,784	\$ 3,699,603
Increase:									
Revenues .....	13,158,605	27,664	5,082,487	871,604	\$ 9,842,047	3,691,817	1,253,955	974,308	34,902,487
Decrease:									
Appropriations.....	13,299,948		5,329,366	827,544	10,698,791	3,617,167	1,291,728		
Less: Current year reversions.....	(19,106)		(301,716)	(1,914)	(747,499)	(78,670)	(36,914)		
Prior year reversions.....	(42,584)		(98,666)		(52,066)	(324)	(4)		
Expenditures and encumbrances*	13,238,258		4,928,984	825,630	9,899,226	3,538,173	1,254,810	1,134,451	34,819,532
Changes to encumbrances during fiscal year 2011.	18,537		(1,027)		129,975	(804)	(99)		146,582
Expenditures .....	13,256,795		4,927,957	825,630	10,029,201	3,537,369	1,254,711	1,134,451	34,966,114
Transfers in (out).....	725,760	(13,126)	(430,799)	1,208	187,154	(18,956)	(116)	49,412	500,537
Fund equities, June 30, 2011 .....	\$1,068,989	\$629,244	\$1,363,385	\$182,036	\$ -	\$ 829,057	\$ 6,749	\$ 57,053	\$ 4,136,513
Fund Balance:									
Reserved:									
Encumbrances .....	\$ 78,874		\$ 532,858		\$ 640,425	\$ 1,900	\$ 138	\$ 484,972	\$ 1,739,167
State reserve fund.....		\$629,244							629,244
Loans and notes receivable.....			361	\$2,755					3,116
Shore erosion loan program .....			7,626						7,626
Gain/Loss on Investments.....			1,074						1,074
Unreserved:									
Designated for:									
General long-term debt service.....				179,281					179,281
2012 operations .....	646,056								646,056
Undesignated surplus (deficit) .....	344,059		821,466		(640,425)	827,157	6,611	(427,919)	930,949
Total .....	\$1,068,989	\$629,244	\$1,363,385	\$182,036	\$ -	\$ 829,057	\$ 6,749	\$ 57,053	\$ 4,136,513

\*Appropriation and expenditure differences between this statement and the "Statement of Revenues, Expenditures and Encumbrances and Changes in Fund Balances - Budget and Actual - Budgetary General, Special, and Federal" included in the RSI Section, result from differences in the classification of prior year encumbrances and expenditures.

**STATE OF MARYLAND**  
**Schedule of Funds Transferred to Political Subdivisions**  
**For the Year Ended June 30, 2011 (1)**  
*(Expressed in Thousands)*

Subdivision (2)	State Sources				Other Sources			Assessed Value of Real and Personal Property (2)	Amount Per \$100 of Assessed Value
	Shared Revenues	Direct Grants and Appropriations	Debt Service	Total	Federal Funds	State Administered			
						Local Revenue	Total		
Allegany .....	\$ 124	\$ 129,749	\$ 2,702	\$ 132,575	\$ 26,515	\$ 25,315	\$ 184,405	\$ 4,032,486	\$4.57
Anne Arundel .....	932	444,907	37,393	483,232	82,671	367,952	933,855	79,325,923	1.18
Baltimore County .....	1,109	768,978	35,702	805,789	178,163	783,764	1,767,716	84,807,962	2.08
Calvert .....	165	113,135	11,607	124,907	18,482	67,841	211,230	13,906,207	1.52
Caroline .....	105	58,588	3,977	62,670	13,485	10,582	86,737	2,950,941	2.94
Carroll .....	293	194,661	11,123	206,077	25,573	116,301	347,951	19,132,198	1.82
Cecil .....	171	142,273	7,293	149,737	28,020	47,016	224,773	10,474,549	2.15
Charles .....	244	218,979	10,333	229,556	30,377	92,600	352,533	19,413,359	1.82
Dorchester .....	116	69,321	6,746	76,183	34,751	11,427	122,361	3,237,565	3.78
Frederick .....	353	278,457	39,345	318,155	44,929	158,545	521,629	27,098,617	1.92
Garrett .....	140	50,000	493	50,633	13,384	13,300	77,317	4,957,072	1.56
Harford .....	364	289,772	22,887	313,023	51,614	175,198	539,835	27,371,308	1.97
Howard .....	450	306,149	29,853	336,452	48,719	316,718	701,889	44,801,143	1.57
Kent .....	61	19,771	766	20,598	8,465	9,012	38,075	3,135,213	1.21
Montgomery .....	962	771,040	54,460	826,462	175,730	1,041,643	2,043,835	171,103,323	1.19
Prince George's .....	51	1,151,063	20,218	1,171,332	226,044	464,975	1,862,351	86,850,134	2.14
Queen Anne's .....	139	74,741	11,716	86,596	24,708	33,142	144,446	8,321,192	1.74
St. Mary's .....	199	129,611	6,057	135,867	28,717	76,344	240,928	12,993,055	1.85
Somerset .....	75	43,573	6,085	49,733	11,942	6,601	68,276	1,686,071	4.05
Talbot .....	87	23,556	605	24,248	8,597	21,528	54,373	9,746,072	0.56
Washington .....	231	197,537	9,980	207,748	42,031	63,476	313,255	13,411,936	2.34
Wicomico .....	185	161,258	18,391	179,834	30,917	41,373	252,124	7,147,731	3.53
Worcester .....	136	39,678	4,606	44,420	16,960	15,980	77,360	17,676,352	0.44
Baltimore City .....	109,334	1,477,299	43,599	1,630,232	399,526	260,819	2,290,577	38,779,088	5.91
<b>Total .....</b>	<b>\$116,026</b>	<b>\$7,154,096</b>	<b>\$395,937</b>	<b>\$7,666,059</b>	<b>\$1,570,320</b>	<b>\$4,221,452</b>	<b>\$13,457,831</b>	<b>\$712,359,497</b>	

(1) In addition to the amounts shown for counties and Baltimore City, \$145,048,000 was distributed to municipalities within the counties.  
(2) Source: Sixty-seventh Report of the Department of Assessments and Taxation, dated January 2011. Assessed value of property is 100%

**STATE OF MARYLAND**  
**Schedule of Taxes Receivable from**  
**Collectors of State Property Taxes**  
**June 30, 2011**

*(Expressed in Thousands)*

Political Subdivision	Taxes Receivable		
	Current Year	Prior Years	Total
Allegany .....	\$ 403	\$ 144	\$ 547
Anne Arundel .....	876	92	968
Baltimore County .....	402	92	494
Calvert.....	478	92	570
Caroline .....	71	1	72
Carroll.....	181	18	199
Cecil.....	57	475	532
Charles .....	53	39	92
Dorchester .....	454	37	491
Frederick.....	146	182	328
Garrett.....	440	6	446
Harford .....	194	6	200
Howard .....	39	934	973
Kent .....	234	12	246
Montgomery .....	749	(518)	231
Prince George's.....	92	228	320
Queen Anne's .....	4	3	7
St. Mary's.....	381	15	396
Somerset .....	320	149	469
Talbot .....	8		8
Washington .....	398	(455)	(57)
Wicomico .....	154	72	226
Worcester .....	734	13	747
Baltimore City.....	7,357	1,322	8,679
Total.....	\$14,225	\$2,959	\$17,184



**STATE OF MARYLAND**  
**Schedule of Estimated Revenues - Budgetary Basis**  
**For the Year Ending June 30, 2012**  
*(Expressed in Thousands)*

	General Fund	Special Fund	Federal Fund	Current Unrestricted Fund	Current Restricted Fund	Total
Income taxes .....	\$ 7,310,551	\$ 171,803				\$ 7,482,354
Retail sales and use tax and licenses .....	4,164,055	40,655				4,204,710
Motor vehicle fuel taxes and licenses.....	193,004	737,600				930,604
Motor vehicle tax and licenses.....		989,600				989,600
Property taxes.....		794,725 (1)				794,725
Insurance company taxes, licenses and fees.....	300,027					300,027
Franchise and corporation taxes .....	215,293					215,293
State tobacco tax and licenses .....	408,709					408,709
Alcoholic beverages taxes and licenses.....	32,213					32,213
Death taxes .....	211,982					211,982
Miscellaneous taxes, fees and other revenues....	178,470	107,962 (1)	\$11,060 (1)			297,492
Budgeted tobacco settlement recoveries .....		149,175				149,175
Horse racing taxes and licenses .....		3,531				3,531
District courts fines and costs.....	87,755					87,755
Interest on investments.....	70,000	4,000				74,000
Hospital patient recoveries.....	67,985					67,985
Legislative .....	53	100				153
Judicial review and legal .....	54,981	91,563	\$6,509			153,053
Executive and administrative control .....	6,136	256,748	195,199			458,083
Financial and revenue administration.....	10,000	27,662				37,662
Budget and management.....	850	22,304	7,361			30,515
State lottery agency.....	503,949	407,958				911,907
Information technology development.....		21,477	43,763			65,240
Retirement and pension .....	363	29,107				29,470
General services.....	75	1,706	1,052			2,833
Transportation and highways .....		640,178	915,132			1,555,310
Natural resources and recreation .....	69	79,059	34,989			114,117
Agriculture .....	90	21,574	4,151			25,815
Health, hospitals and mental hygiene.....	27,061	1,003,246	4,569,329			5,599,636
Human resources.....	1,325	94,351	1,954,202			2,049,878
Labor, licensing and regulation .....	10,537	89,539	175,803			275,879
Public safety and correctional services.....	11,222	141,875	28,465			181,562
Public education .....	38,783	52,095	1,024,851	\$3,590,833	\$1,256,489	5,963,051
Housing and community development.....	1,000	50,904	263,770			315,674
Business and economic development.....		33,554	1,760			35,314
Environment .....	512	149,845	91,741			242,098
Juvenile justice .....		482	10,478			10,960
State police.....	2,999	89,205	1,436			93,640
Higer Education Investment Fund.....		58,358				58,358
<b>Total estimated revenues (2) .....</b>	<b>\$13,910,049</b>	<b>\$6,361,941</b>	<b>\$9,341,051</b>	<b>\$3,590,833</b>	<b>\$1,256,489</b>	<b>\$34,460,363</b>

(1) Includes \$882,263,000 recorded in the Debt Service Fund for accounting purposes.

(2) Amounts are reported as of July 1, 2011, and do not reflect revisions, if any, subsequent to that date.

**STATE OF MARYLAND**  
**Schedule of General, Special, Federal, Current Unrestricted**  
**and Current Restricted Fund Appropriations - Budgetary Basis**  
**For the Year Ending June 30, 2012**  
*(Expressed in Thousands)*

	General Fund	Special Fund	Federal Fund	Current Unrestricted Fund	Current Restricted Fund	Total
Payments of revenue to civil divisions of the State.....	\$ 110,927					\$ 110,927
Public debt.....		\$ 871,203 (1)	\$ 11,060			882,263
Legislative .....	76,420	100				76,520
Judicial review and legal .....	475,978	92,502	6,509			574,989
Executive and administrative control .....	248,318	259,748	195,199			703,265
Financial and revenue administration.....	197,265	220,839				418,104
Budget and management.....	74,080	43,781	51,124			168,985
Retirement and pension .....		29,108				29,108
General services.....	53,254	1,706	1,052			56,012
Transportation and highways .....		2,560,337	915,132			3,475,469
Natural resources and recreation .....	42,859	131,058	34,989			208,906
Agriculture .....	26,757	28,573	4,151			59,481
Health, hospitals and mental hygiene.....	4,021,045	1,141,453	4,569,328			9,731,826
Human resources.....	561,552	94,351	1,954,203			2,610,106
Labor, licensing and regulation .....	34,967	91,595	175,803			302,365
Public safety and correctional services.....	1,062,502	141,875	28,465			1,232,842
Public education .....	7,227,061	329,723	1,024,851	\$3,590,833	\$1,256,489	13,428,957
Housing and community development.....	3,940	50,904	263,770			318,614
Business and economic development.....	74,282	33,554	1,760			109,596
Environment .....	30,690	149,845	91,741			272,276
Juvenile justice .....	257,477	481	10,478			268,436
State police.....	186,762	89,205	1,436			277,403
State reserve fund .....	15,000					15,000
<b>Total appropriations (2).....</b>	<b>\$14,781,136</b>	<b>\$6,361,941</b>	<b>\$9,341,051</b>	<b>\$3,590,833</b>	<b>\$1,256,489</b>	<b>\$35,331,450</b>

(1) Recorded in the Debt Service Fund for accounting purposes.

(2) Amounts are reported as of July 1, 2011, and do not reflect revisions, if any, subsequent to that date.





## Comptroller of Maryland

**Peter Franchot**

P.O. Box 466  
Annapolis, MD 21404-0466

[www.marylandtaxes.com](http://www.marylandtaxes.com)  
[gad@comp.state.md.us](mailto:gad@comp.state.md.us)

1.888.784.0144

