

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30

2017

PETER FRANCHOT, COMPTROLLER *State of Maryland*



Baltimore



Ocean City



Silver Spring

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30

2017



PHOTO:BOB-PETERSONPHOTOGRAPHY.COM

The Thomas Point Shoal Light Station, Anne Arundel County, at the mouth of the South River in the Chesapeake Bay.

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*Chief Judge
Court of Appeals of Maryland*

THE SEAL OF THE COMPTROLLER OF THE TREASURY



THE COMPTROLLER OF THE TREASURY was created by Maryland's state constitution of 1851 to have "general superintendence of the fiscal affairs of the state." More specifically, the Comptroller's Office was created to keep watch over the State Treasurer whose activities had previously gone unchecked. The seal was authorized by the Maryland General Assembly on March 10, 1858, effective May 1, 1858. The seal is decorated with a shield bearing the coats-of-arms (family symbols) of the Calvert and Crossland families — the paternal and maternal lineage of George Calvert, first baronet of Baltimore, who founded the Maryland Colony in 1634.

Among the symbols on the seal are crossed keys, symbolizing security. The two keys also represent the two constitutional fiscal officers: the Comptroller and the Treasurer. By law, all money paid out of the State Treasury has to be approved by both.

Further symbols include: an eagle, symbolizing higher vision; a caduceus, symbol of commerce and negotiation; a safe, symbolizing financial security; and a dog, symbolizing the Comptroller's role as watchdog or guardian of the public trust. The Seal also bears the Comptroller's motto, "Crescite et Multiplicamini," which in Latin translates to "Increase and Multiply."



A MESSAGE
FROM
COMPTROLLER
PETER FRANCHOT

Dear Marylanders,

I'm proud of the track record of sound fiscal management that my agency has established over the past ten years, and I hope to continue to build on our accomplishments as we move forward.

As Maryland's chief fiscal officer, I remain committed to working with the Governor and the legislature to advance policies that strengthen our state's long-term fiscal and economic health, because I am keenly aware of the fact that while we have made tremendous progress in our economic recovery since the Great Recession, Maryland families continue to struggle to make ends meet.

Furthermore, I take great pride in my agency's national reputation for providing first-class customer service, safeguarding the taxpayers' hard-earned money, and operating in the most effective and efficient manner possible to ensure the best results. Providing respectful, responsive, and results-oriented service is a promise that we have made to all taxpayers of Maryland.

From processing the vast majority of tax returns in less than 3 business days, to combatting tax fraud and identity theft, or returning billions of dollars of unclaimed property to its rightful owners, my agency is committed to providing the level of service that Marylanders expect and deserve.

Sincerely,

Comptroller Peter Franchot

COMPTROLLER OF MARYLAND

PETER FRANCHOT

Comptroller

SHARONNE BONARDI

Deputy Comptroller

LEN FOXWELL

Chief of Staff

JOHN T. GONTRUM

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TOURISM IN MARYLAND: *“America in Miniature”*



Recreation on Deep Creek Lake State Park in Garrett County.



Wednesday Night Races on the Chesapeake Bay.



R House food hall in the Remington neighborhood, Baltimore City.



Lakeside rentals, Deep Creek Lake in Garrett County.

Maryland is called “America in Miniature” for a reason — we have just about every kind of natural feature within our state lines. Without leaving the state, you can visit lakes,

rivers, mountains, wetlands, the Bay, and the ocean. In addition to natural treasures, Maryland is home to great restaurants, sports teams, historical and cultural institutions and entertainment. ■



PHOTO: DAVID B. STINSON

Peabody Heights Brewery in Baltimore City.



Camden Yards, Baltimore City.



The inaugural Maryland Baseball & Brew scorecard.



Baysox Stadium, Bowie.

This year, I introduced the *Maryland Baseball & Brew Scorecard* promotion to encourage tourism across the state at craft breweries and baseball-themed attractions. Participants receive stamps at each location on the scorecard that they visit. The program highlights Maryland’s growing craft beer industry as well as the state’s rich history

of baseball. Whether you’re visiting Oakland in Garrett County and taking in the breathtaking views of the surrounding mountains, or exploring the streets of Baltimore City or Annapolis, or enjoying the scenic views that Maryland’s Eastern Shore offers, there is never a shortage of places to visit and things to do in our great state. ■

THE COMPTROLLER'S ECONOMIC INITIATIVE: *"Reform On Tap"*



The Comptroller at Burley Oak Brewing Company, Worcester County, Berlin, Maryland.



In 2017, I created the Reform on Tap Task Force in response to the passage of House Bill 1283 during the 2017 Legislative Session which limits the growth of Maryland's craft brewing industry. The purpose of this task force is to work with industry leaders to modernize the state's antiquated beer laws. I chair the task force which is made up of 40 members representing key stakeholder groups in the state's beer industry. Together, we are performing a comprehensive review of Maryland's laws and regulations that currently govern the manufacturing, distribution, and sales of craft beer. The task force's goal is to develop a set of legislative proposals to more sensibly regulate the state's craft beer industry to promote economic growth by facilitating existing brewers' ability to operate as well as

new breweries to the state. The craft beer industry is one of the fastest growing manufacturing sectors in the United States. However, legislative reform is needed in Maryland to spur brewery growth by creating a more economically viable environment. Proper reform will allow small brewers to grow their businesses and will also attract new entrepreneurs to the state. My goal is to competitively position Maryland to meet the increasing demand for craft beer. I believe the craft beer industry has room to grow in Maryland and can have a positive economic impact on the State by creating quality manufacturing jobs. ■

SERVING THE TAXPAYERS: *“Respect, Responsiveness, Results”*

INVESTING IN OUR PUBLIC SCHOOLS.

As a member of the Board of Public Works, I have voted for more than \$3 billion in school construction projects to renovate and expand our schools and to ensure that our students, teachers, and staff are able to learn and work in safe and equitable facilities. To better prepare our kids to succeed in college and beyond, I believe it is essential that our schools are equipped with proper technology and necessary resources that advance student achievement.

CUSTOMER SERVICE.

My agency’s continued emphasis on delivering excellent taxpayer service is evident in the work that we do on a daily basis. In our efforts to improve convenience and efficiency, this year we opened our first remote customer call center in Salisbury. The new call center substantially increased our ability to respond to taxpayers’ calls and concerns. Additionally, we have announced the future opening of another call center in Hagerstown. We also maintain 12 regional branch offices across the State that provide direct assistance and services to taxpayers in those areas, and we have dedicated employees who answer phone calls and emails from Marylanders who reach out to our office.

TAXPAYER PROTECTION ACT.

This year the Maryland General Assembly passed the Taxpayer Protection Act which was my top legislative priority in recognition of an increasingly sophisticated area of criminal activity afflicting the nation. The Taxpayer Protection Act will provide better protection for Maryland taxpayers against tax fraud and identity theft. This law expands my agency’s enforcement authority to protect taxpayer information and hold fraudulent tax preparers and filers accountable. ■



Comptroller Franchot chats with students during one of his many visits to schools in Baltimore City.



Underscoring his commitment to providing first class service, Comptroller Franchot opens his new branch office in Hagerstown.



Comptroller Franchot discusses the provisions of the Taxpayer Protection Act, which strengthens the ability of the Comptroller’s Office to protect Maryland families from being victimized by tax fraud and identity theft.



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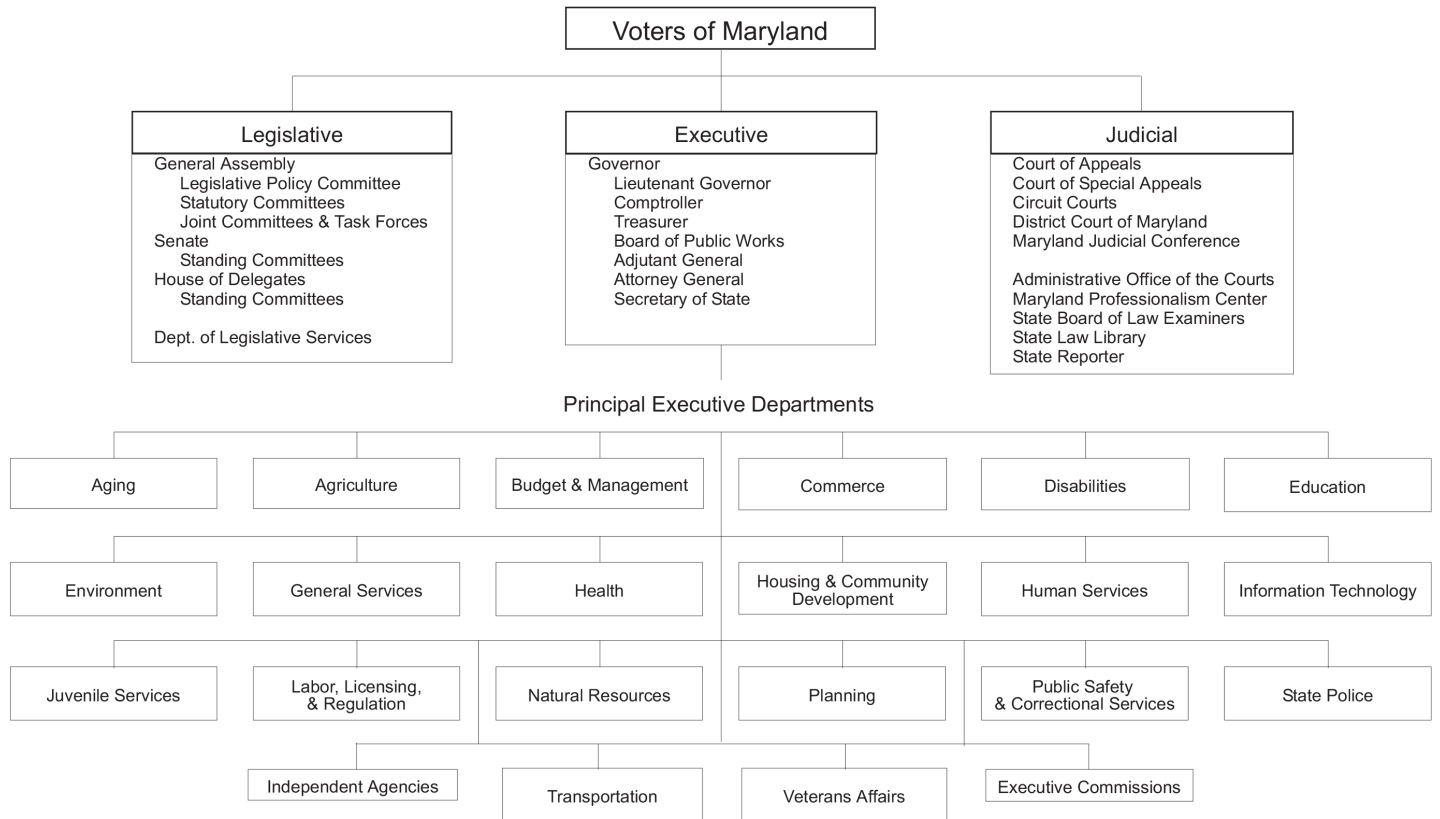
State of Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

MARYLAND STATE GOVERNMENT OVERVIEW:





STATE OF MARYLAND
Comprehensive Annual Financial Report
for the fiscal year ended June 30, 2017

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Introductory Section

Comprehensive Annual Financial Report, State of Maryland





Peter Franchot
Comptroller

December 15, 2017

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

The Comprehensive Annual Financial Report (CAFR) of the State of Maryland (State), for the Fiscal Year ended June 30, 2017, 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 four 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 Comptroller's Office and other units of the Executive branch 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 also performed an audit to meet the requirements of the Office of Management and Budget (OMB) 2 CFR 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," and such information is 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 Maryland Prepaid College Trust of the Maryland 529 Plans, 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 Development 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 October 1 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:

In light of present federal budget uncertainty, risk remains to Maryland's economic forecast. A lower spending and hiring trajectory for the federal government will have impacts on Maryland similar to the sequester, under which spending targets will restrain growth in discretionary spending until 2019. However, fiscal stimulus in the form of tax cuts will benefit the State's relatively wealthier on average residents. At the same time, the Federal Reserve is tightening monetary policy, resulting in a higher federal funds rate: additional fiscal stimulus in this context is likely to lead to tighter monetary policy in order for the Fed to accomplish its dual mandate of low and stable unemployment and inflation.

Fiscal policy will also be a possible positive risk to this forecast. Federal sequestration did little to fix federal fiscal problems or address national debt. The economic impact of federal fiscal policy reduced economic growth without solving longer term spending issues. The real issues for the federal fiscal outlook are entitlements (also related to demographics). Should Congress address the real problem, and remove the sequester altogether, Maryland will grow at a higher trajectory.

Maryland's economy will expand in 2017 and growth in employment is expected to be 1.3%, down from 1.4% in 2016. Employment growth in 2018 is expected to slow as a result of having reached full employment and declining working age population growth. Growth in the average wage for 2017 is expected to rise to 2.3% from 1.6% in 2016. There appear to have been timing issues, such as an extra pay period at the end of 2015, which has brought artificial volatility to year over year wage growth statistics. The rate of wage growth is expected to increase as the labor market tightens and workers gain experience, but remain low relative to historical norms. Aggregate wage growth and personal income measures increase as employment and the average wage improves. The outlook for the largest general fund revenue source, the income tax, is relatively strong. This is due to Maryland's strong concentration of wealthy taxpayers. However, comparing the number of taxpayers to population estimates, the share of Maryland residents filing tax returns has been declining. This suggests that a lesser share of residents are paying personal income taxes, though the reasons are not known with certainty and the issue requires further analysis.

Revenue growth of the sales and use tax per unit of overall economic growth as well as per dollar spent by consumers appears to have declined. This is due in part to demographic forces. Beyond middle age, individuals tend to consume less overall and a greater share of non-taxable services. In addition to the rise of online retailing and digital goods, the internet has enabled a sharing economy and more frequent consumer-to-consumer sales of used goods. Real estate and construction however, are relative bright spots in the recent history and outlook. The number of houses in foreclosure has declined back to rates observed in the late 1990s and early 2000s, while sales have been strong. The median existing house price grew 3.7% in 2016 and is up 4.9% year to date as of October. Employment in residential construction grew 3.2% in 2016. Sales and use tax receipts point to strength in the construction sector as a whole. In fiscal year 2017, sales and use tax receipts from the construction sector grew by 4.2%, following growth of 4.4% in fiscal year 2016.

Inflation has been historically low since the Great Recession. As measured by the Consumer Price Index, inflation has risen to 1.8% as of October. All else equal, lower inflation would mean lower nominal wage growth, as employers do not need to increase nominal wages by as much to keep up with inflation. An increase in inflation and nominal wage growth would result in higher income tax revenues than would otherwise be the case. Increasing nominal prices could, by the same logic, lead to faster growth in nominal sales and use tax revenue. However, inflation has been driven lately by increasing prices of services rather than taxable goods. When all else is not equal, the net effect depends on the cause of inflation. If the source is negative supply shock, such as during the 1970s oil price spike, real growth, and ultimately tax collections, may be harmed.

Another risk to Maryland's economy is oil prices. While oil price changes still impact the economy, the rise of domestic shale oil producers and their ability to respond quickly to price changes means the US economy is affected to a lesser extent by swings in the international oil market than was the case in the past. Positive risks include increased infrastructure spending and the expansion of the Panama Canal. 2016 was a record year in terms of containers and general cargo tons processed. Should there be a meaningful surge in activity and jobs, there will also be positive indirect and induced impacts.

Major Initiatives and Long Term Financial Planning:

The fiscal year 2018 budget adheres to Spending Affordability Committee recommendations and is structurally balanced. The general fund spends \$17.1 billion which is less than previous year spending and maintains \$1 billion in the Reserve Fund for any future write downs in

revenues. The sizeable fund balance and decision not to spend restricted funds from reserve funds provided a cushion in fiscal year 2017 to soften the impact of the significant decline in anticipated revenues in that year and projected in the budget year.

The budget includes additional funds for business investment, business development, and to support emerging technologies. It allocates \$20 million in the Reserve Fund's "Sunny Day" Fund for a multi-year commitment to invest in a new international headquarters for Marriott International, Inc. and \$5 million for continued loan payments to the Northrop Grumman Corporation for a \$20 million multi-year commitment in aerospace and defense research. The budget includes \$22 million, a 14% increase over the prior year, for the Enterprise Zone Tax Credit program within economically distressed areas. Also included are \$15 million in emerging industries tax credits, including the Biotechnology Investment Incentive Tax Credit, Cybersecurity Investment Incentive Tax Credit and Cybersecurity Investment Fund. In the area of workforce development, the fiscal year 2018 allowance includes more than \$28 million for job search and occupational skills assistance and on-the-job and entrepreneurial training. The budget doubles the investment in the Employment Advancement Right Now (EARN) program, which will make \$1 million available for training partnerships for green jobs and \$3 million for jobs in cybersecurity and information technology.

Maryland's public colleges are funded at levels to hold tuition increases to 2%. Local community colleges are provided \$256 million in formula and grant funding in fiscal year 2018, the highest level for these programs. Funding for State financial programs is \$129 million, including \$83 million for Educational Excellence Awards distributed on the basis of financial need.

The education budget includes a \$60 million increase in direct aid to local schools for a total of \$6.4 billion for State aid to public schools. The budget includes \$11 million in additional funds for school lunch and breakfast programs for a total of \$440 million in fiscal year 2018.

For health care in the State, an additional \$79 million in fiscal year 2018 is provided for health care and group home providers, including \$22 million for the Developmental Disabilities Administration for direct care workers. The Medicaid budget includes \$31 million for autism services. In addition to the \$159 million in the fiscal year 2018 budget dedicated to existing non-Medicaid substance use disorder treatment programs, an additional \$4 million will be provided to assist persons with heroin and opioid addiction.

Programs funded by the transfer tax, such as Program Open Space, are provided \$186 million, an increase of \$64 million from the prior year. The fiscal year 2018 budget provides \$7 million to continue a multi-year fleet upgrade for the Maryland State Police.

The fiscal year 2018 capital budget totals \$4.7 billion. The budget limits borrowing for capital projects to \$995 million in an effort to reduce the general fund subsidy for debt service.

Transportation projects are provided \$2.8 billion in the 2018 capital budget. Of this amount, \$1 billion is expected to be received from federal funds. Highway projects constitute \$1.5 billion, including \$643 million in federal aid, the largest share of the capital program for transportation. Mass transit's capital budget totals \$697 million, with \$356 million coming from federal sources. Improvements include \$336 million for Purple Line Transitway construction in the Washington area. School construction projects included in the capital budget total \$334 million. The budget also includes \$20 million to meet the State's annual commitment to the multi-year Baltimore City schools revitalization and reconstruction program.

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, 2016. 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 37 consecutive years (Fiscal Years ended 1980 – 2016). 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,



Peter Franchot,
Comptroller of Maryland

Financial Section

Comprehensive Annual Financial Report, State of Maryland





REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Honorable Peter Franchot
 Comptroller of Maryland

Report on the Financial Statements

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 and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the State’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

The State’s management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain Economic Development Loan Programs; the Maryland Lottery and Gaming Control Agency; certain Economic Development Insurance Programs; certain foundations included in the higher education component units; the Maryland Technology Development Corporation; and the Investment Trust Fund. 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 State, is based solely on the report 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 from material misstatement.

The financial statements that we did not audit which are listed above represent the percentages of the total assets, total net position, and total revenues of the accompanying financial statements as listed below.

	Percentage of Opinion Unit		
	Total Assets	Total Net Position	Total Operating Revenues
Business-Type Activities			
Major -			
Certain Economic Development Loan Programs	18.1 %	5.1 %	1.8 %
Maryland Lottery and Gaming Control Agency	1.6	0.0	65.8
Non-Major -			
Economic Development Insurance Programs	0.6	0.9	0.0
Total percentage of business-type activities	<u>20.3 %</u>	<u>6.0%</u>	<u>67.6 %</u>
Component Units			
Major -			
Certain foundations included in the higher education component units	14.5%	16.9 %	6.0%
Non-Major -			
Maryland Technology Development Corporation	1.1	1.2	0.7
Total percentage of component units	<u>15.6 %</u>	<u>18.1 %</u>	<u>6.7 %</u>
Fiduciary Funds			
Investment Trust Fund	5.7%	6.3 %	69.2 %



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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; schedule of revenues expenditures and changes in fund balances - budget and actual - budgetary general, special and federal funds; schedule of employer contributions for Maryland State Retirement and Pension System; schedule of employer net pension liability for Maryland State Retirement and Pension System; schedule of employer contributions for Maryland Transit Administration Pension Plan; schedule of changes in net pension liability and related ratios for Maryland Transit Administration Pension Plan; schedule of employer net pension liability for Maryland Transit Administration Pension Plan; schedule of investment returns for Maryland State Transit Administration Pension Plan; schedule of changes in net OPEB liability and related ratios for Other Post-Employment Benefit Plan; schedule of funding progress for Other Post-Employment Benefit Plan; schedule of employer contributions for Other Post-Employment Benefit Plan; Schedule of Investment Returns for Other Post-Employment Benefit Plan; schedule of funding progress for Maryland Transit Administration Retiree Healthcare Benefit Plan; and the schedule of employer contributions for Maryland Transit Administration Retiree Healthcare Benefit Plan 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 inquiries 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 sufficient evidence to express an opinion or provide any assurance.



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Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining financial statements, 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.

The combining financial statements and financial schedules required by law are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion and based on the reports of the other auditors, the combining financial statements, are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections as listed in table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Hunt Valley, Maryland
December 15, 2017

A handwritten signature in black ink that reads "SB & Company, LLC". The signature is written in a cursive, flowing style.

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, 2017. 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 a deficit of \$2.5 billion in fiscal year 2017 and a deficit of \$2.4 billion in fiscal year 2016.
- Of the deficit in fiscal year 2017, a deficit balance of \$24.6 billion was reported as total unrestricted net position, which includes a \$27.0 billion deficit balance in governmental activities and a \$2.4 billion balance in business-type activities.
- The State's total net position decreased by \$83 million as a result of this year's operations. The net position for governmental activities decreased by \$536 million. Net position of business-type activities increased by \$453 million.
- The State's governmental activities had total expenses of \$36.7 billion; total revenues of \$35.1 billion; and net transfers from business-type activities of \$1.0 billion for a net decrease of \$536 million.
- Business-type activities had total expenses of \$3.8 billion; program revenues of \$5.2 billion; general revenues of \$7 million; and transfers out of \$1.0 billion for a net increase in net position of \$453 million.
- Total State revenues were \$40.4 billion, while total costs for all programs were \$40.4 billion.

Fund Level

- Governmental funds reported a combined fund balance of \$2.0 billion, a decrease of \$688 million (25.4%) from the prior year.
- The general fund reported an unassigned fund balance deficit of \$789 million and a remaining fund balance (nonspendable, restricted, and committed) of \$2.1 billion, compared to an unassigned fund balance deficit of \$509 million and a remaining fund balance of \$2.3 billion last year. This represents a net decrease of \$438 million in general fund, fund balance. The total unassigned fund balance deficit in the governmental funds was \$1.1 billion in the current year and \$783 million in the prior year.
- Governmental funds reported a total nonspendable, restricted, and committed fund balance of \$3.1 billion in 2017, compared to \$3.5 billion in the prior year.

Long-term Debt

- Total bonds and obligations under long-term leases at year end were \$19.7 billion, net of related premiums, discounts and adjustments, a net decrease of \$27 million in 2017 (.1%) from the prior year.
- \$1.1 billion General Obligation Bonds and \$893 million Transportation 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 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 two statements.

The *Statement of Net Position* presents all of the State's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as "net position". Over time, increases and decreases in the State's net position 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 position changed during the most recent fiscal year. All changes in net position 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 the 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 Maryland Lottery and Gaming Control Agency (MLGCA), the Maryland Transportation Authority and the 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 Maryland Prepaid College Trust, 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 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 31 and 33) 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.

- Other amounts that otherwise meet the definition of a revenue or expense that relate to a future period are deferred only on the government-wide statements.
- 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 26 - 29 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 inflows and outflows 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, are 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 30 and 32 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 business-type financial statements for business-type activities and the enterprise fund financial statements because they both utilize accrual accounting, the same method used for business 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 Maryland Lottery and Gaming Control Agency and the Maryland 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 36 – 40 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, the Investment Trust Fund and Agency Funds. The Pension and Other Employee Benefits Trust Funds consist of the Retirement and Pension System, the Maryland Transit Administration Pension Plan, the Postretirement Health Benefits Trust Fund and the Deferred Compensation Plan. The Investment Trust Fund accounts for the transactions, assets, liabilities and net position 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 41 – 42 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 Position and the Statement of Activities. Combining Statement of Net Position 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 44 – 46 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 48 – 116 of this report.

Required Supplementary Information

The required supplementary information includes budgetary comparison schedules for the budgetary general, special 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 and related notes. This report also presents certain required supplementary information concerning the State’s

contributions and liabilities for its pension plans and contributions and progress in funding obligations to provide post-employment healthcare benefits and related notes. 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 position (governmental and business-type activities) totaled \$2.5 billion deficit at the end of 2017 and \$2.4 billion deficit at the end of 2016.

Net Position as of June 30,						
<i>(Expressed in Millions)</i>						
	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Current and other assets.....	\$ 6,290	\$ 6,945	\$ 8,317	\$ 8,258	\$ 14,607	\$ 15,203
Capital assets.....	23,905	22,494	5,992	5,931	29,897	28,425
Total assets.....	30,195	29,439	14,309	14,189	44,504	43,628
Total deferred outflows of resources..	6,146	4,783	104	84	6,250	4,867
Long-term liabilities.....	40,223	37,470	5,484	5,764	45,707	43,234
Other liabilities.....	5,100	4,965	768	797	5,868	5,762
Total liabilities.....	45,323	42,435	6,252	6,561	51,575	48,996
Total deferred inflows of resources...	1,616	1,849	70	74	1,686	1,923
Net position:						
Net invested in capital assets.....	16,164	15,311	3,465	3,278	19,629	18,589
Restricted.....	249	299	2,183	1,902	2,432	2,201
Unrestricted.....	(27,011)	(25,672)	2,443	2,458	(24,568)	(23,214)
Total net position.....	\$ (10,598)	\$ (10,062)	\$ 8,091	\$ 7,638	\$ (2,507)	\$ (2,424)

The largest portion of the State's net position, \$19.6 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, as adjusted by any deferred inflows or deferred outflows of resources. 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 position, \$2.4 billion, represents resources that are subject to external restrictions or enabling legislation on how they may be used. The remaining balance for unrestricted net position, a deficit of \$24.6 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 position changed during the fiscal year.

Changes in Net Position

For the Year Ended June 30,

(Expressed in Millions)

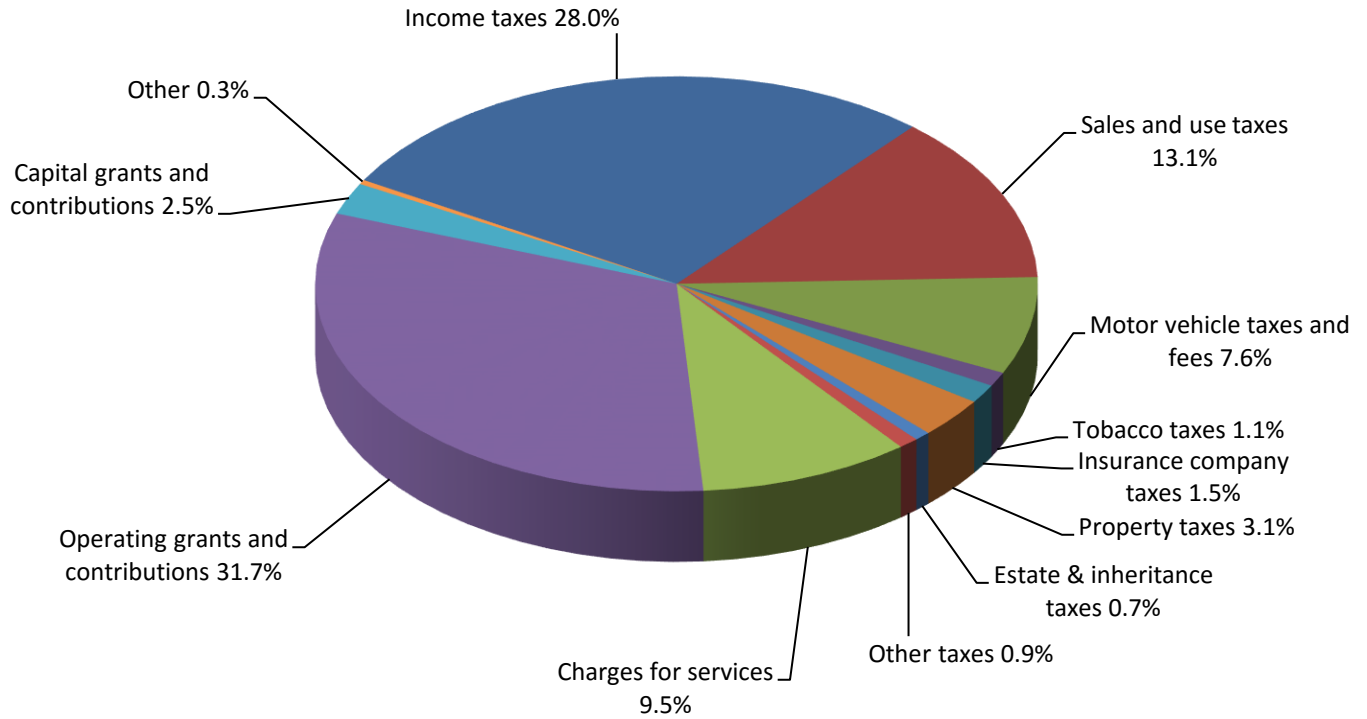
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services.....	\$ 3,321	\$ 3,338	\$ 5,151	\$ 4,894	\$ 8,472	\$ 8,232
Operating grants and contributions	11,120	10,343	98	131	11,218	10,474
Capital grants and contributions.....	872	741			872	741
General revenues:						
Income taxes	9,828	9,797			9,828	9,797
Sales and use taxes.....	4,613	4,506			4,613	4,506
Motor vehicle taxes.....	2,658	2,555			2,658	2,555
Tobacco taxes	387	395			387	395
Insurance company taxes.....	512	491			512	491
Property taxes.....	1,100	1,053			1,100	1,053
Estate & inheritance taxes.....	252	289			252	289
Other taxes	313	312			313	312
Unrestricted investment earnings	121	198	7	16	128	214
Total revenues.....	35,097	34,018	5,256	5,041	40,353	39,059
Expenses:						
General government.....	946	880			946	880
Health and mental hygiene	13,414	12,215			13,414	12,215
Education.....	8,487	7,860			8,487	7,860
Aid for higher education	2,323	2,351			2,323	2,351
Human resources.....	2,446	2,510			2,446	2,510
Public safety	2,279	2,031			2,279	2,031
Transportation	3,479	3,707			3,479	3,707
Judicial	804	734			804	734
Labor, licensing and regulation.....	349	313			349	313
Natural resources and recreation.....	360	255			360	255
Housing and community development.....	322	283			322	283
Environment.....	111	112			111	112
Agriculture	111	95			111	95
Commerce	109	84			109	84
Intergovernmental grants.....	650	663			650	663
Interest.....	483	503			483	503
Economic development insurance programs ...			1	3	1	3
Economic development loan programs			355	412	355	412
Unemployment insurance program			546	571	546	571
Maryland Lottery and Gaming Control Agency..			2,265	1,994	2,265	1,994
Maryland Transportation Authority.....			538	539	538	539
Maryland Correctional Enterprises			58	58	58	58
Total expenses.....	36,673	34,596	3,763	3,577	40,436	38,173
Increase (decrease) in net position						
before transfers	(1,576)	(578)	1,493	1,464	(83)	886
Transfers	1,040	989	(1,040)	(989)		
Special Item - Transfer of operations				(103)	-	(103)
Change in net position.....	(536)	411	453	372	(83)	783
Net position – beginning.....	(10,062)	(10,473)	7,638	7,266	(2,424)	(3,207)
Net position – ending.....	\$ (10,598)	\$ (10,062)	\$ 8,091	\$ 7,638	\$ (2,507)	\$ (2,424)

The following table compares financial information from the Government-wide Statement of Activities for this and the prior fiscal year to indicate how the State's revenues and expenses changed from year to year.

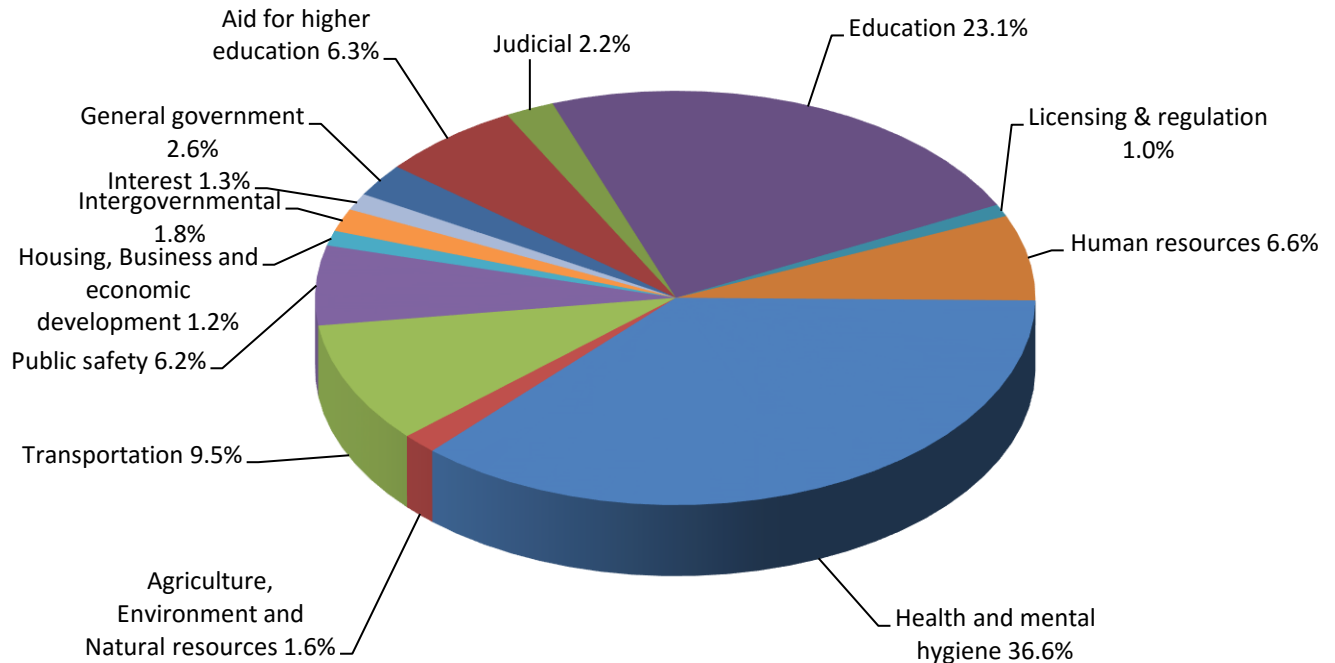
Analysis of Changes in Net Position
For the Year Ended June 30, 2017, Compared to June 30, 2016
(Expressed in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	Amount of Increase/ (Decrease)	Percentage of Increase/ (Decrease)	Amount of Increase/ (Decrease)	Percentage of Increase/ (Decrease)	Amount of Increase/ (Decrease)	Percentage of Increase/ (Decrease)
Revenues:						
Program revenues:						
Charges for services.....	\$ (17)	-0.5%	\$ 257	5.3%	\$ 240	2.9%
Operating grants and contributions.....	777	7.5%	(33)	-25.2%	744	7.1%
Capital grants and contributions.....	131	17.7%			131	17.7%
General revenues:						
Income taxes	31	0.3%			31	0.3%
Sales and use taxes	107	2.4%			107	2.4%
Motor vehicle taxes.....	103	4.0%			103	4.0%
Tobacco taxes.....	(8)	-2.0%			(8)	-2.0%
Insurance company taxes.....	21	4.3%			21	4.3%
Property taxes.....	47	4.5%			47	4.5%
Estate & inheritance taxes	(37)	-12.8%			(37)	-12.8%
Other taxes	1	0.3%			1	0.3%
Unrestricted investment earnings	(77)	-38.9%	(9)	-56.3%	(86)	40.2%
Total revenues	1,079	3.2%	215	4.3%	1,294	3.3%
Expenses:						
General government.....	66	7.5%			66	7.5%
Health and mental hygien.....	1,199	9.8%			1,199	9.8%
Education.....	627	8.0%			627	8.0%
Aid for higher education.....	(28)	-1.2%			(28)	-1.2%
Human resources.....	(64)	-2.5%			(64)	-2.5%
Public safety.....	248	12.2%			248	12.2%
Transportation	(228)	-6.2%			(228)	-6.2%
Judicial.....	70	9.5%			70	9.5%
Labor, licensing and regulation.....	36	11.5%			36	11.5%
Natural resources and recreation.....	105	41.2%			105	41.2%
Housing and community development.....	39	13.8%			39	13.8%
Environment.....	(1)	-0.9%			(1)	-0.9%
Agriculture.....	16	16.8%			16	16.8%
Commerce.....	25	29.8%			25	29.8%
Intergovernmental grants.....	(13)	-2.0%			(13)	-2.0%
Interest.....	(20)	-4.0%			(20)	-4.0%
Economic development insurance programs ...			(2)	-66.7%	(2)	-66.7%
Economic development loan programs			(57)	-13.8%	(57)	-13.8%
Unemployment insurance program			(25)	-4.4%	(25)	-4.4%
Maryland Lottery and Gaming Control Agency...			271	13.6%	271	13.6%
Transportation Authority.....			(1)	-0.2%	(1)	-0.2%
Total expenses.....	\$2,077	6.0%	\$186	5.2%	\$2,263	5.9%

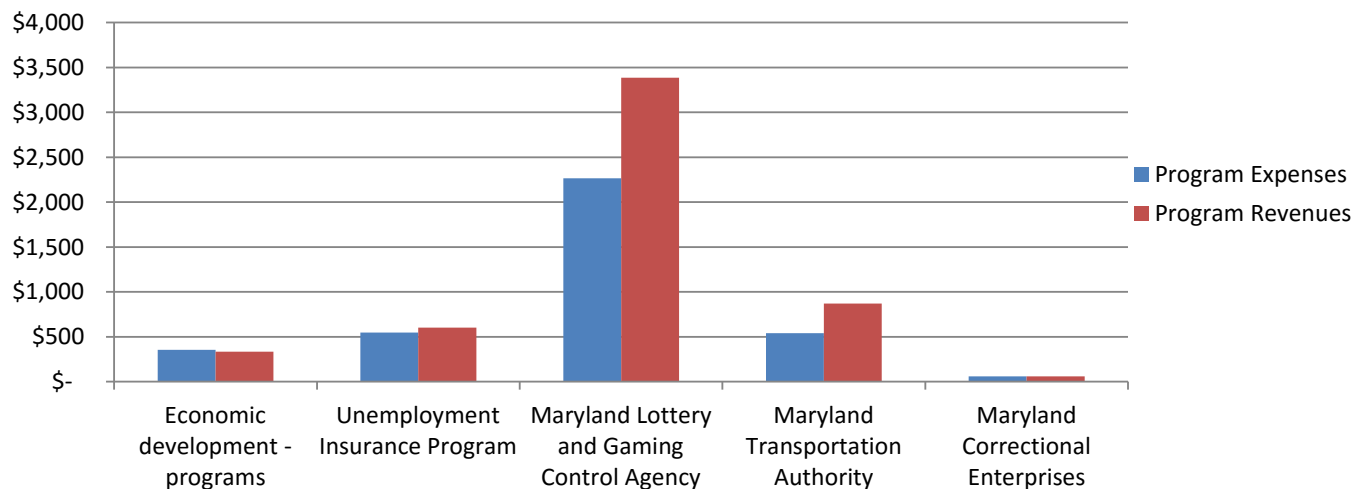
2017 REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



2017 EXPENSES BY FUNCTION - GOVERNMENTAL ACTIVITIES



2017 Expenses and Program Revenues - Business-Type Activities (Expressed in Millions)



Governmental Activities

- Liabilities and deferred inflows exceeded assets and deferred outflows by \$10.6 billion at the end of fiscal year 2017. For the current year, there was a decrease in net position of \$536 million from the previous year.
- Included in the decrease in net position, capital assets increased by \$1.4 billion, deferred outflows, net of deferred inflows, increased by \$1.6 billion, and long-term liabilities increased by \$2.8 billion. The major capital asset events are discussed in the Capital Assets section of this analysis. Among the components of the increase in long-term liabilities were increases in bonds and notes payable (\$291 million); the State's net pension liability (NPL) (\$2.2 billion); and net other post-employment benefits obligation (OPEB) (\$356 million). The increase in bonds and notes payable is discussed in the Long-Term Debt section of this analysis. The increase in the NPL of \$2.2 billion is offset by the net increase in deferred outflows over deferred inflows related to pensions of \$1.5 billion. The increase in deferred outflows for pensions is primarily for a difference between projected and actual earnings on pension plan investments and changes in actuarial assumptions and will be recognized as a reduction of the NPL in future years. The NPL and deferred outflows and deferred inflows related to pensions are discussed in Note 15 to the financial statements. The increase in the net OPEB obligation resulted from the underfunding of the OPEB annual required contribution.

Business-type Activities

Business-type activities increased the State's net position by \$1.5 billion before transfer of \$1.0 billion to governmental activities, for a net increase of \$453 million in net position. The increase compares to an increase of \$1.5 billion before transfers of \$989 million and a decrease of \$103 million for a special item for a transfer of operations, for a net increase of \$372 million in net position, in the prior year. Key elements of this increase are as follows:

- Net position of the Maryland Transportation Authority increased by \$333 million compared to an increase of \$312 million in the prior year. Net operating income was \$451 million compared to \$414 million in the prior year.

- The Unemployment Insurance Program net position increased by \$53 million in 2017. Net position increased by \$91 million in 2016. Net operating income was \$19 million compared to the prior year's \$57 million. Charges for services (unemployment taxes) decreased by \$62 million (9.9%) and benefit payments were reduced by \$25 million (4.3%). Both the amount 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 \$2.3 million (18.6%).
- Net position for the Economic Development Loan Programs increased by \$74 million compared to a decrease of \$34 million in the prior year. This resulted primarily from activity in the Maryland Water Quality Administration and Housing's State Funded Loan Programs. Net income of the Administration increased by \$48 million. A decrease of \$9 million in fee revenue to the Administration for a one-time Bay Restoration Fund fee settlement from Baltimore City in the prior year was offset by a decrease of \$58 million in bay restoration capital grant disbursements, primarily due to large construction reimbursements in the prior year. Net income of the State Funded Loan Programs increased by \$34 million, primarily due to State contributions of \$54 million offsetting an operating loss of \$24 million.
- Lottery tickets sales were \$1.9 billion in 2017, an increase of \$26 million or 1.4 % from the prior year. In 2017, MLGCA oversaw the operation of six casinos. Gross video lottery terminal and table game revenue was \$1.4 billion in 2017, an increase of \$277 million (24.2%) over the prior year. Operating expenses increased by \$271 million or 13.6% over the prior year largely for an increase of 193 million in commissions paid to casino operators for the opening of the MGM Casino and an increase in commission rates for the Maryland Live! Casino and Horseshoe Baltimore Casino of 8% and 7%, respectively, for lost revenue due to the opening of the MGM Casino. Transfers to governmental activities by MLGCA were \$1.1 billion in 2017, an increase of \$41 million (3.7%) over 2016.

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 \$2.0 billion, a decrease of \$688 million from the prior year. The combined fund balance includes a deficit of \$1.1 billion in unassigned for governmental funds, including a deficit of \$789 million for the General Fund, a fund balance of \$84 million for the special revenue fund, and a deficit of \$348 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 the fund balance is 1) unspendable because it is in the form of prepaid items, inventories and long-term loans and notes receivable (\$675 million); 2) restricted by outside parties or to pay debt service on general obligation bonds and transportation bonds from specific taxes (\$254 million); or 3) committed to legislated purposes or encumbered as committed fund balance based on the constraints and approval in place at year end or where appropriate when existing resources are not sufficient to liquidate encumbrances (\$2.1 billion). Included in committed fund balance is \$861 million in the "State Reserve Fund" which is set aside to meet future financial needs in circumstances that are not expected to occur routinely. 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.

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 \$789 million, while total fund balance was \$1.4 billion. The fund balance of the State's General Fund decreased by \$438 million during 2017, compared to an increase of \$513 million for 2016. Revenues increased by \$645 million (2.2%) to \$29.8 billion while expenditures increased by \$1.6 billion (5.3%) to \$30.8 billion.

The increase in total revenue was primarily composed of \$723 million from federal revenue, a 7.0% increase from the prior year. This was partially offset by a decrease of \$115 million in interest and other investment income for an unrealized loss on investments of \$112 million in the current year compared to an unrealized gain of \$19 million in the prior year. The unrealized loss is primarily due to rising interest rates and a corresponding decline in bond prices.

General Fund expenditures increased by \$1.6 billion. Expenditures for health and mental hygiene increased by \$1.1 billion (9.2%), primarily for an increase of 976 million in the Medicaid program for a 9% enrollment increase and a 3% increase in cost per service and number of services per enrollee.

Transfers in to the General Fund were \$1.2 billion in 2017, an increase of \$44 million (3.8%) over 2016. Transfers consisted primarily of \$1.1 billion transferred from MLGCA in 2017. Transfers out from the general fund were \$679 million this year compared to \$601 million for the prior year. This increase was due primarily to an increase of \$70 million to the capital projects fund for Program Open Space and waterway improvements.

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 \$203 million as of June 30, 2017, an increase of \$92 million compared to a decrease of \$245 million in the prior fiscal year. Revenues increased by \$340 million (8.7%), expenditures increased by \$308 million (7.0%), and other sources of financial resources increased by \$305 million. The increase in revenues was primarily from an increase in motor vehicle taxes and fees of \$103 million (4.0%) and an increase of \$248 million (34.4%) in Federal revenues, including \$135 million in capital grants. The increase in expenditures was primarily from an increase in capital outlays. The increase in other sources of financial resources was substantially due to an increase in bond issues made during the year, including premiums received and net of amounts paid to refund previously issued debt (\$401 million).

Budgetary Highlights

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

Overall, the change between the original and final amended general fund budget was an increase of \$53 million, or 0.3%. The \$16 million variance for payments of revenue to civil divisions of the State is due to a \$20 million deficiency that was provided to local jurisdictions to help cover the increased costs of their teachers retirement, offset by \$4 million in local Disparity Grant reductions. The \$30 million variance for the Department of Housing and Community Development results from budget amendments and a deficiency appropriation related to capital projects. The variance in the Department of State Police is due to \$17 million in budget amendments that appropriated funds for increments and State Law Enforcement Officers Labor Alliance adjustments and realigned appropriations between agencies based on estimated expenditures for telecommunications.

The difference between the final budget, \$17.4 billion, and actual expenditures, \$17.0 billion, was \$363 million, or 2.1%. Of this amount, \$74 million was returned to the general fund, and \$289 million was encumbered for future spending. The variance for the General Assembly is attributable to encumbrances of \$18 million that were retained primarily for building interior maintenance and improvements, critical telecommunications and information technology equipment, and continued support of wireless communications on the floor of the Senate and House Chambers. Encumbrances of \$44 million, primarily from Neighborhood Revitalization, Rental Housing Programs, and Partnership Rental Housing capital appropriation programs, created the variance in the Department of Housing and Community Development. The difference in the Department of Commerce is primarily due to encumbrances of 22 million for grants, loans, marketing, or small business assistance. The Department of the Environment's variance is substantially due to a \$10 million budget amendment to increase support for capital programs that had been funded through the use of taxable general obligation bonds. The variance in the State Reserve Fund is due to funding of \$80 million needed for prior legislative priorities being reverted.

Significant Differences between Original Budget, Final Budget, and Actual Amounts

for the year ended June 30, 2017 (Expressed in Thousands)

General Fund

	Original Budget	Final Budget	Final Budget	Percentage Change	Actual Amounts	Final Budget versus Actual Budget	Percentage Change
Expenditures and encumbrances by function:							
Payments of revenue to civil divisions of the State	\$164,377	\$180,150	\$15,773	9.6%	\$179,150	\$1,000	0.6%
Public debt.....	283,000	259,395	(23,605)	-8.3%	259,395	-	0.0%
Legislative.....	100,596	102,104	1,508	1.5%	84,192	17,912	17.5%
Judicial review and legal.....	627,560	634,533	6,973	1.1%	616,442	18,091	2.9%
Executive and administrative control.....	286,705	239,830	(46,875)	-16.3%	228,319	11,511	4.8%
Financial and revenue administration.....	237,292	235,944	(1,348)	-0.6%	226,233	9,711	4.1%
Budget and management.....	171,715	85,079	(86,636)	-50.5%	83,304	1,775	2.1%
General services.....	72,729	75,375	2,646	3.6%	69,377	5,998	8.0%
Natural resources and recreation.....	59,340	60,553	1,213	2.0%	60,029	524	0.9%
Agriculture.....	29,264	30,003	739	2.5%	29,905	98	0.3%
Health, hospitals and mental hygiene.....	4,350,441	4,436,494	86,053	2.0%	4,368,961	67,533	1.5%
Human resources.....	626,570	651,244	24,674	3.9%	646,611	4,633	0.7%
Labor, licensing and regulation.....	49,082	49,648	566	1.2%	44,268	5,380	10.8%
Public safety and correctional services.....	1,245,960	1,258,799	12,839	1.0%	1,217,960	40,839	3.2%
Public education.....	8,067,125	8,078,614	11,489	0.1%	8,035,296	43,318	0.5%
Housing and community development.....	35,983	65,973	29,990	83.3%	21,352	44,621	67.6%
Commerce.....	140,317	137,175	(3,142)	-2.2%	114,512	22,663	16.5%
Environment.....	32,617	41,107	8,490	26.0%	30,107	11,000	26.8%
Juvenile services.....	287,403	276,864	(10,539)	-3.7%	271,068	5,796	2.1%
State police.....	266,899	284,266	17,367	6.5%	283,153	1,113	0.4%
State reserve fund.....	235,336	240,336	5,000	2.1%	160,377	79,959	33.3%
Reversions.....	(30,000)	(30,000)		0.0%		(30,000)	100.0%
Total expenditures and encumbrances.....	\$17,340,311	\$17,393,486	\$53,175	0.3%	\$17,030,011	\$363,475	2.1%

Capital Assets and Debt Administration

Capital assets

At June 30, 2017, the State had invested \$29.9 billion (net of accumulated depreciation) in a broad range of capital assets (see table below). Depreciation expense for the fiscal year totaled \$1.4 billion (\$1.3 billion for governmental activities and \$142 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 \$1.5 billion (an increase of \$1.4 million for governmental activities and an increase of \$61 million for business-type activities).

Capital Assets as of June 30,

(Net of Depreciation, Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
	Land and improvements.....	\$ 3,618	\$ 3,526	\$ 396	\$ 397	\$ 4,014
Art and historical treasures.....	23	22			23	22
Structures and improvements.....	3,993	3,835	134	128	4,127	3,963
Equipment.....	907	830	68	77	975	907
Infrastructure.....	9,689	9,498	4,172	4,042	13,861	13,540
Construction in progress.....	5,675	4,783	1,222	1,287	6,897	6,070
Total.....	\$ 23,905	\$ 22,494	\$ 5,992	\$ 5,931	\$ 29,897	\$ 28,425

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
- Preservation of agricultural and open space land through the purchase of easements
- Veteran’s cemetery improvements
- Improvements to the statewide telecommunications network including One Maryland broadband wiring and high speed data network wiring
- Energy efficiency improvements in State buildings
- Software developments and upgrades for Department of Human Resources for the Children Electronic Social Services Information Exchange (CHESSIE) and Client Automated Resources Eligibility System (CARES) projects
- Construction of a new visitor center, new property acquisitions for the Department of Information Technology
- Construction and improvements to recreation and park facilities under the Department of Natural Resources
- Renovation projects for the Maryland School for the Deaf
- Construction of a new juvenile facility
- Construction and renovations of the Military Department Armories
- Acquisition of helicopters for the State police
- Renovation of police and correctional training facilities
- Building improvements at correctional facilities and at the Department of Health and Mental Hygiene

Elements of increases in capital assets of business-type activities include the expansion of the electronic toll lane project on the JFK Memorial Highway (I-95), which resulted in increases in infrastructure, and 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, 2017, the State had outstanding bonds, net of related premiums, discounts and adjustments, totaling \$18.7 billion. Of this amount, \$10.5 billion were general obligation bonds, backed by the full faith and credit of the State. The remaining \$8.2 billion were secured solely by the specified revenue sources.

Outstanding Bond Debt as of June 30,

(Expressed in Millions)

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
General Obligation Bonds (backed by the State).....	\$ 10,526	\$ 10,672			\$ 10,526	\$ 10,672
Transportation Bonds (backed by specific revenues).....	2,861	2,360			2,861	2,360
Revenue bonds (backed by specific revenues)			\$ 5,345	\$ 5,631	5,345	5,631
Total	\$ 13,387	\$ 13,032	\$ 5,345	\$ 5,631	\$ 18,732	\$ 18,663

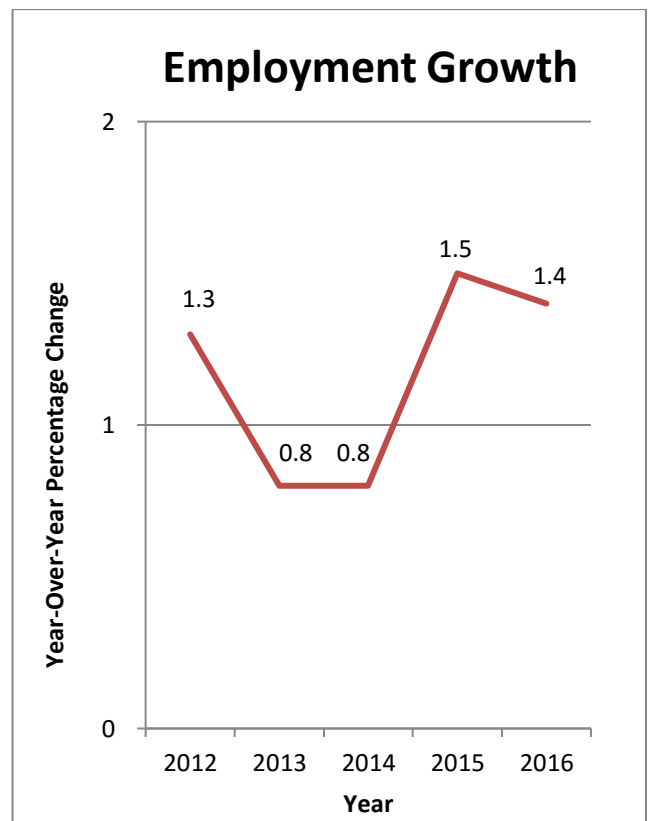
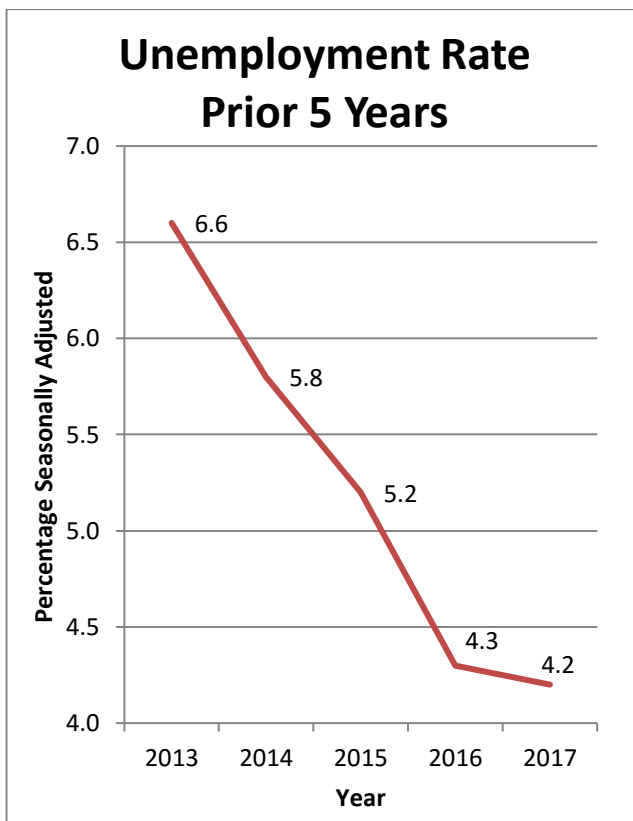
The total increase in bonded debt in the current fiscal year was \$69 million (\$146 million decrease related to general obligation bonds, \$501 million increase related to transportation bonds, and \$286 million decrease related to revenue bonds). The State’s general obligation bonds are rated Aaa by Moody’s and AAA by Standard and Poors and Fitch. During fiscal year 2017, the State issued general obligation debt totaling \$1.1 billion at a premium of \$165 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 \$4.5 billion. The aggregate principal amount of these bonds that was authorized to be outstanding as of June 30, 2017, was \$2.8 billion. The actual par amount in Consolidated Transportation Bonds outstanding was \$2.6 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

The forecast of the Maryland economy by the Board of Revenue Estimates is the basis for Maryland’s revenue outlook. Employment growth of 1.3% and 0.8% is expected in calendar years 2017 and 2018, respectively. The unemployment rate was 4.2% in June 2017 and has continued a downward trend since 2012. Historical employment growth and the unemployment rate for the past five years are depicted below.



Growth in personal income of 3.6% and 3.7% in calendar years 2017 and 2018, respectively, is expected. General fund revenues are estimated to increase by 2.6% in fiscal year 2018.

Maryland’s budget in fiscal year 2018 is \$43.5 billion, a 1.1% increase over 2017. Key provisions of the budget include:

- Providing a general fund budget of \$17.1 billion and maintaining \$1.0 billion in reserves, including a projected \$144 million fiscal year 2018 surplus.
- To account for general fund revenues projected to be \$55 million less than the fiscal year 2017 approved budget, the fiscal year 2018 budget limits deficiency spending, makes additional budget reductions, and uses the State Reserve Fund's Rainy Day Fund greater than 5% of State revenues.
- The budget attempts to surpass the Spending Affordability Committee's recommendation of a 50% reduction in the fiscal year 2018 structural deficit.
- Allowing a 2% in-state tuition increase at the University System of Maryland, Morgan State University, and St. Mary's College.
- Providing a 2% rate increase for most health and social service providers.

Subsequent Effect of New Governmental Accounting Standards

Beginning in fiscal year 2018, Statement No. 75 of the Governmental Accounting Standards Board will require changes to the State's other postemployment benefit (OPEB) accounting and reporting. The net OPEB liability (NOL) defined by the pronouncement, similar to the unfunded actuarial accrued liability disclosed in Note 16 in the financial statements, will be reported as a liability on the government-wide statement of net position. It is a present value measure of benefits to be provided based on the employees' past service, and accordingly, recognizes the entire net OPEB expense, regardless of when this expense will be funded. It will replace the net OPEB obligation (NOO) currently reported as a liability. The NOO is the cumulative difference between required contributions to the OPEB plans to meet obligations as they come due and actual contributions, and therefore, measures the funding obligation only.

For fiscal year 2017, the State's contribution to the Employee and Retiree Health and Welfare Benefits Plan was \$527 million. The State's NOL for the Plan was calculated as \$11.1 billion as of June 30, 2017. The State's NOO for the plan reported as of June 30, 2017, was \$4.6 billion.

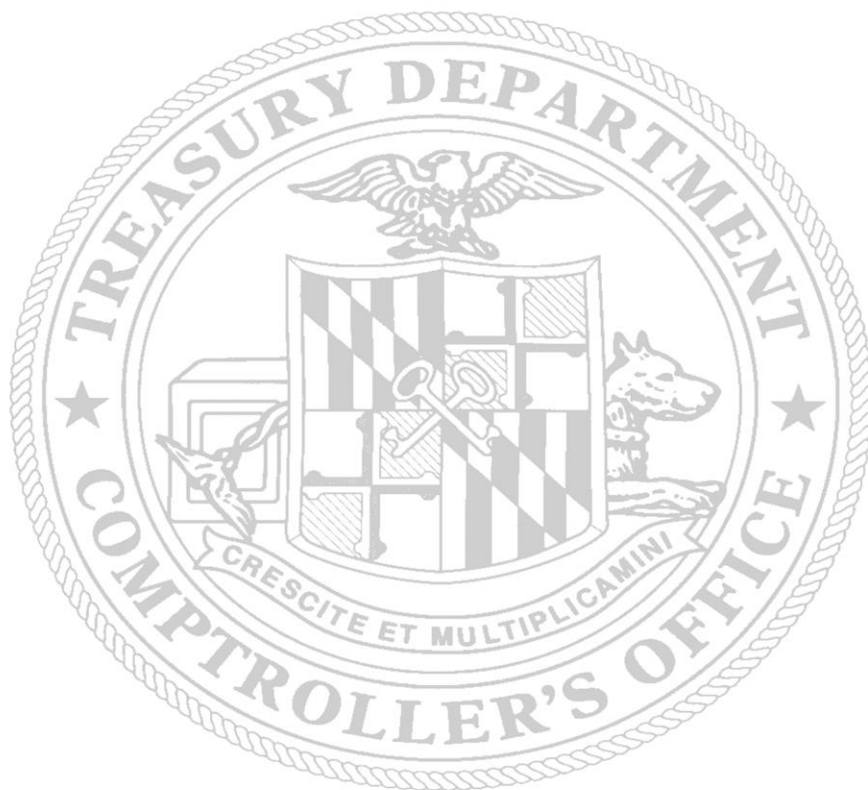
Requests for Information

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

Comprehensive Annual Financial Report, State of Maryland



STATE OF MARYLAND
Statement of Net Position
June 30, 2017
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash	\$ 87,110	\$ 187,868	\$ 274,978	\$ 180,426
Equity in pooled invested cash	1,634,718	623,270	2,257,988	2,437,856
Investments	255,125	835,716	1,090,841	1,106,149
Endowment investments				269,391
Foundation investments				1,346,513
Inventories	125,117	16,193	141,310	12,119
Prepaid items	525,063		525,063	14,326
Taxes receivable, net	1,556,273		1,556,273	
Intergovernmental receivables	1,116,943		1,116,943	
Tuition contracts receivable				232,236
Due from primary government				17,642
Due from component units	1,339		1,339	
Other accounts receivable	699,233	96,977	796,210	431,229
Loans and notes receivable, net	25,888	1,521,445	1,547,333	62,682
Investment in direct financing leases		416,055	416,055	103,100
Other assets	5,192	12,436	17,628	19,996
Restricted assets:				
Cash	45,366	1,913,150	1,958,516	101,593
Equity in pooled invested cash	167,847	82,031	249,878	
Investments	24,661	624,474	649,135	264,735
Taxes receivable, net	18,990		18,990	
Loans and notes receivable	1,398	1,762,955	1,764,353	
Other accounts receivable	281	224,885	225,166	
Capital assets, net of accumulated depreciation:				
Land	3,617,892	396,549	4,014,441	208,899
Art and historical treasures	22,632		22,632	
Structures and other improvements	3,993,135	133,916	4,127,051	5,503,118
Equipment	906,754	67,603	974,357	472,027
Infrastructure	9,689,551	4,172,236	13,861,787	273,575
Construction in progress	5,674,592	1,221,619	6,896,211	703,126
Total capital assets	23,904,556	5,991,923	29,896,479	7,160,745
Total assets	30,195,100	14,309,378	44,504,478	13,760,738
Deferred outflows of resources	6,145,094	103,522	6,248,616	657,403

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Bank overdrafts		\$ 1,115	\$ 1,115	
Salaries payable	\$ 148,463		148,463	\$ 108,450
Vouchers payable	420,117		420,117	
Accounts payable and accrued liabilities	2,566,446	343,117	2,909,563	351,012
Internal balances	(53,120)	53,120		
Due to primary government				1,339
Due to component units	13,867		13,867	
Accounts payable to political subdivisions	169,858		169,858	
Unearned revenue	371,290	29,405	400,695	284,694
Interest rate swaps		1,917	1,917	
Accrued insurance on loan losses		11,182	11,182	3,211
Other liabilities				2,073
Bonds and notes payable:				
Due within one year	1,057,156	260,085	1,317,241	131,626
Due in more than one year	12,329,824	5,084,996	17,414,820	1,772,573
Other noncurrent liabilities:				
Due within one year	405,807	67,908	473,715	208,758
Due in more than one year	27,892,780	398,974	28,291,754	2,360,679
Total liabilities	45,322,488	6,251,819	51,574,307	5,224,415
Deferred inflows of resources	1,616,052	70,086	1,686,138	385,138
Net Position				
Net investment in capital assets	16,164,081	3,465,391	19,629,472	5,471,784
Restricted for:				
Debt service	238,060	168,058	406,118	2,265
Capital improvements		564	564	3,333
Higher education-nonexpendable				887,200
Higher education-expendable				681,788
Unemployment compensation benefits		1,296,480	1,296,480	
Loan programs		635,898	635,898	61,183
Insurance programs		81,755	81,755	
Other	10,459		10,459	
Unrestricted (deficit)	(27,010,946)	2,442,849	(24,568,097)	1,701,035
Total net position	\$ (10,598,346)	\$ 8,090,995	\$ (2,507,351)	\$ 8,808,588

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, 2017

(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government -								
Governmental activities:								
General government	\$ 946,670	\$ 778,578	\$ 82,817	\$ 2,940	(82,335)		\$ (82,335)	
Health and mental hygiene.....	13,414,334	1,082,744	7,574,704		(4,756,887)		(4,756,887)	
Education	8,486,468	42,776	1,061,425		(7,382,266)		(7,382,266)	
Aid for higher education.....	2,323,284	21,645	1,579		(2,300,059)		(2,300,059)	
Human resources.....	2,446,063	79,327	1,659,849		(706,887)		(706,887)	
Public safety.....	2,278,563	107,146	142,883	9,032	(2,019,502)		(2,019,502)	
Transportation	3,478,387	625,103	94,499	858,187	(1,900,598)		(1,900,598)	
Judicial.....	803,668	305,700	4,672		(493,297)		(493,297)	
Labor, licensing and regulation	349,394	40,645	158,409		(150,340)		(150,340)	
Natural resources and recreation.....	360,187	113,522	26,468	1,569	(218,629)		(218,629)	
Housing and community development	321,792	31,943	267,746		(22,103)		(22,103)	
Environment	110,577	39,027	26,638		(44,912)		(44,912)	
Agriculture	111,321	26,993	4,014		(80,314)		(80,314)	
Commerce.....	109,054	24,892	3,033		(81,129)		(81,129)	
Intergovernmental grants and revenue sharing.....	649,794				(649,794)		(649,794)	
Interest	483,332	1,106	11,533		(470,694)		(470,694)	
Total governmental activities.....	36,672,888	3,321,147	11,120,269	871,728	(21,359,746)		(21,359,746)	
Business-type activities:								
Economic development - insurance programs.....	1,227	2,002	1,152		\$ 1,927		1,927	
Economic development - general loan programs.....	23,498	7,512			(15,986)		(15,986)	
Economic development - water quality loan programs	168,631	155,650	44,040		31,059		31,059	
Economic development - housing loan programs.....	163,267	106,882	19,350		(37,035)		(37,035)	
Unemployment insurance program.....	546,415	565,671	34,222		53,478		53,478	
Maryland Lottery and Gaming Control Agency.....	2,264,581	3,384,334	(2,109)		1,117,644		1,117,644	
Maryland Transportation Authority.....	537,773	869,605	970		332,802		332,802	
Maryland Correctional Enterprises.....	57,467	59,067			1,600		1,600	
Total business-type activities	3,762,859	5,150,723	97,625		1,485,489		1,485,489	
Total primary government	40,435,747	8,471,870	11,217,894	871,728	(21,359,746)		(19,874,256)	

Component Units-						
Higher education.....	\$	5,431,778	\$	2,637,540	\$	1,429,949
Maryland Prepaid College Trust.....		39,845		36,667		265,897
Maryland Stadium Authority		252,749		41,211		94,960
Other component units.....		207,794		182,490		31,720
Total component units.....	\$	5,932,166	\$	2,897,908	\$	1,556,629
						265,897
						\$ (1,098,392)
						(3,178)
						(116,578)
						6,416
						\$ (1,211,732)
General revenues:						
Income taxes		9,828,434				9,828,434
Sales and use taxes		4,612,619				4,612,619
Motor vehicle taxes.....		2,657,696				2,657,696
Tobacco taxes		386,965				386,965
Insurance company taxes.....		512,033				512,033
Property taxes		1,099,731				1,099,731
Estate & inheritance taxes.....		252,118				252,118
Other taxes		312,867				312,867
Grants and contribution not restricted to specific programs...						1,471,602
Unrestricted investment earnings		120,657		7,482		128,139
Additions to permanent endowments						204,939
Transfers		1,039,758		(1,039,758)		59,379
Total general revenues, additions to permanent endowments, and transfers		20,822,878		(1,032,276)		19,790,603
Changes in net position.....		(536,868)		453,213		(83,655)
Net position, beginning of the year.....		(10,061,478)		7,637,782		(2,423,696)
Net position, end of the year	\$	(10,598,346)	\$	8,090,995	\$	(2,507,351)
						8,808,588

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

STATE OF MARYLAND
Balance Sheet
Governmental Funds
June 30, 2017

(Expressed in Thousands)

	General	Special Revenue		Total Governmental Funds
		Maryland Department of Transportation	Other Governmental Funds	
Assets:				
Cash	\$ 87,110			\$ 87,110
Equity in pooled invested cash	1,434,597	\$ 67,140	\$ 132,981	1,634,718
Investments			255,125	255,125
Prepaid items	525,063			525,063
Taxes receivable, net	1,422,411	133,862		1,556,273
Intergovernmental receivables	693,375	423,568		1,116,943
Other accounts receivable	609,970	87,008	131	697,109
Due from other funds	115,339	116,082		231,421
Due from component units	1,339			1,339
Inventories	21,607	103,510		125,117
Loans and notes receivable, net	25,888			25,888
Restricted assets:				
Cash		9,497		9,497
Cash with fiscal agent			35,869	35,869
Equity in pooled invested cash			167,847	167,847
Investments	5,217		19,444	24,661
Taxes receivable, net			18,990	18,990
Other accounts receivable			281	281
Loans and notes receivable, net			1,398	1,398
Total assets	\$ 4,941,916	\$ 940,667	\$ 632,066	\$ 6,514,649
Liabilities:				
Salaries payable	\$ 129,566	\$ 18,897		\$ 148,463
Vouchers payable	347,294		\$ 72,822	420,116
Accounts payable and accrued liabilities	1,023,069	468,773	34,326	1,526,168
Due to other funds	995,414	10,276	52,850	1,058,540
Due to component units	13,867			13,867
Accounts payable to political subdivision	110,614	46,136	13,108	169,858
Unearned revenue	251,695	23,836		275,531
Accrued self-insurance costs	120,762			120,762
Total liabilities	2,992,281	567,918	173,106	3,733,305
Deferred inflows of resources	591,449	169,947		761,396
Fund balances:				
Nonspendable	571,891	103,510		675,401
Restricted	10,459		243,829	254,288
Committed	1,564,668	15,402	563,388	2,143,458
Unassigned	(788,832)	83,890	(348,257)	(1,053,199)
Total fund balances	1,358,186	202,802	458,960	2,019,948
Total liabilities and fund balances	\$ 4,941,916	\$ 940,667	\$ 632,066	\$ 6,514,649

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

STATE OF MARYLAND
Reconciliation of the Governmental Funds' Fund Balance
to the Statement of Net Position, Net Position Balance
June 30, 2017

(Expressed in Thousands)

Amounts reported for governmental activities in the Statement of Net Position (pages 26-27) differ from the amounts for the governmental funds' fund balances because of:

Amount in governmental funds, fund balance (page 30)	\$ 2,019,948
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	23,904,556
Taxes and other receivables that will not be available to pay for current period expenditures and, therefore, are deferred in the funds	761,396
Accrued interest payable on bonds and capital leases are not liquidated with current financial resources in the governmental funds	(160,040)
Other long-term assets not available to pay for current period expenditures	7,316
Deferred outflows of resources not recognized as current period expenditures	6,145,094
Deferred inflows of resources not recognized as current period revenues	(1,711,811)
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds:	
General Obligation Bonds	(9,334,205)
Premiums to be amortized over the life of the debt	(1,191,946)
Transportation Bonds	(2,578,385)
Premiums to be amortized over the life of the debt	(282,443)
Accrued self-insurance costs	(247,413)
Accrued annual leave	(333,013)
Pension liabilities	(21,489,216)
Other post-employment benefits liability	(4,995,967)
Pollution remediation	(162,919)
Obligation under capital leases	(842,363)
Obligations under capital leases with component units	(103,100)
Agricultural land preservation installment obligations	(3,834)
Net Position of governmental activities (page 26 and 27)	\$ (10,598,346)

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, 2017
(Expressed in Thousands)

	General	Special Revenue		Total Governmental Funds
		Maryland Department of Transportation	Other Governmental Funds	
Revenues:				
Income taxes.....	\$ 9,786,505			\$ 9,786,505
Sales and use taxes.....	4,609,782			4,609,782
Motor vehicle taxes.....		\$ 2,657,696		2,657,696
Tobacco taxes.....	386,965			386,965
Insurance company taxes.....	512,033			512,033
Property taxes.....	324,441		\$ 775,290	1,099,731
Estate & inheritance taxes.....	252,118			252,118
Other taxes.....	312,867			312,867
Other licenses and fees.....	604,004			604,004
Charges for services.....	1,538,017	577,392		2,115,409
Interest and other investment income.....	(63,033)	627	2,532	(59,874)
Federal revenue.....	10,992,657	966,547	11,533	11,970,737
Other.....	542,086	26,661	6,037	574,784
Total revenues.....	29,798,442	4,228,923	795,392	34,822,757
Expenditures:				
Current:				
General government.....	872,453			872,453
Health and mental hygiene.....	13,334,642			13,334,642
Education.....	7,726,295		354,508	8,080,803
Aid to higher education.....	1,990,780		331,970	2,322,750
Human resources.....	2,391,286			2,391,286
Public safety.....	2,076,945			2,076,945
Transportation.....		1,533,532		1,533,532
Judicial.....	740,041			740,041
Labor, licensing and regulation.....	334,642			334,642
Natural resources and recreation.....	306,062			306,062
Housing and community development.....	319,809			319,809
Environment.....	108,702			108,702
Agriculture.....	71,000			71,000
Commerce.....	106,959			106,959
Intergovernmental grants and revenue sharing.....	412,329	730,194	237,465	1,379,988
Capital outlays.....		2,455,869	138,625	2,594,494
Debt service:				
Principal retirement.....			993,324	993,324
Interest.....			496,946	496,946
Bond issuance costs.....	561	3,614	2,177	6,352
Total expenditures.....	30,792,506	4,723,209	2,555,014	38,070,729
Excess (Deficiency) of revenues over (under) expenditures.....	(994,065)	(494,286)	(1,759,622)	(3,247,973)
Other financing sources (uses):				
Capital leases.....	9,900	15,040		24,940
Bonds issued.....		650,000	679,680	1,329,680
Refunding bonds issued.....		242,525	465,685	708,210
Bond premium.....		112,264	176,486	288,750
Advanced lease payments.....		(16,270)		(16,270)
Payments to refunded bond escrow agent.....		(277,611)	(537,419)	(815,030)
Transfers in.....	1,224,862	215,235	664,450	2,104,547
Transfers out.....	(678,964)	(355,190)	(30,634)	(1,064,788)
Total other sources (uses) of financial resources.....	555,798	585,993	1,418,248	2,560,039
Net changes in fund balances.....	(438,267)	91,707	(341,374)	(687,934)
Fund balances, beginning of year.....	1,796,453	111,095	800,334	2,707,882
Fund balances, end of year.....	\$ 1,358,186	\$ 202,802	\$ 458,960	\$ 2,019,948

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

STATE OF MARYLAND
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017
(Expressed in Thousands)

Amounts reported for governmental activities in the Statement of Activities (pages 28-29) are different from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds because of the following:		
Net change in fund balances - total governmental funds (page 32).....	\$	(687,934)
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.		
Capital outlays.....	\$	2,686,995
Depreciation expense	<u>(1,251,384)</u>	1,435,611
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		
Net loss on disposals and trade-ins.....		(25,272)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds:		
Deferred inflows of resources for taxes are recognized		
net of revenue already recognized in the prior year.....	44,766	
Deferred inflows of resources for other revenues are recognized,		
net of revenue already recognized in the prior year.....	44,568	
Revenues from deferred outflows are recognized,		
net of revenue already recognized in the prior year.....	<u>1,454,535</u>	1,543,869
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 position. Also, the governmental funds report the effect of 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.		
Debt issued, General Obligation Bonds.....	(655,060)	
Debt issued, Transportation Bonds.....	(892,525)	
Capital lease financing	(24,940)	
Premiums, discounts and deferred outflows of resources on refundings	(49,522)	
Principal repayments:		
General Obligation Bonds.....	786,139	
Transportation Bonds.....	460,225	
Capital leases.....	<u>110,570</u>	(265,113)
Some expenses reported in the Statement of Activities (net of expenses already recognized in the prior year) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Accrued interest.....	1,997	
Compensated absences	8,776	
Self-insurance.....	(12,697)	
Net pension liability	(2,189,819)	
Other post-employment benefits liability.....	(356,391)	
Pollution remediation liabilities.....	8,069	
Agricultural Land Preservation obligations	<u>2,036</u>	(2,538,029)
Change in net position of governmental activities (page 29)	<u>\$</u>	<u>(536,868)</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

Economic Development Loan Programs

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

Unemployment Insurance Program

This fund reflects the transactions, assets, liabilities and net position 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 Lottery and Gaming Control Agency

This fund accounts for the operation of the State Lottery and the regulation of the operation of the Video Lottery Terminal and table game casinos.

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

Other Enterprise Funds

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

STATE OF MARYLAND
Statement of Fund Net Position
Enterprise Funds
June 30, 2017

(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland Lottery and Gaming Control Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Assets-						
Current assets:						
Cash	\$ 1,746		\$ 1,983	\$ 184,139	\$	187,868
Equity in pooled invested cash.....	493,226		112,662		\$ 17,382	623,270
Investments	3,969			797,941		801,910
Other accounts receivable.....	14,000		48,896	28,486	5,595	96,977
Due from other funds	96,761	\$ 1,834		6,898		105,493
Inventories				5,658	10,535	16,193
Loans and notes receivable, net.....	78,088					78,088
Investment in direct financing leases				26,020		26,020
Other assets			59		1,163	1,222
Current restricted assets:						
Cash	573,987	2,905	1,570	153,938		732,400
Cash on deposit with U.S. Treasury.....		1,180,750				1,180,750
Equity in pooled invested cash.....					82,031	82,031
Investments	40,078		3,438			43,516
Loans and notes receivable, net.....	88,437					88,437
Other accounts receivable	70,156	151,382	3,347			224,885
Total current assets	1,460,448	1,336,871	171,955	1,203,080	116,706	4,289,060
Non-current assets:						
Investments	31,633				2,173	33,806
Loans and notes receivable, net	1,443,357					1,443,357
Investment in direct financing leases				390,035		390,035
Other assets				11,214		11,214
Restricted non-current assets:						
Investments.....	413,892		29,024	138,042		580,958
Loans and notes receivable, net.....	1,674,518					1,674,518
Capital assets, net of accumulated depreciation:						
Land.....				396,549		396,549
Structures and improvements				131,544	2,372	133,916
Equipment.....	54		35,735	28,721	3,093	67,603
Infrastructure.....				4,172,236		4,172,236
Construction in progress				1,219,691	1,928	1,221,619
Total non-current assets.....	3,563,454		64,759	6,488,032	9,566	10,125,811
Total assets	5,023,902	1,336,871	236,714	7,691,112	126,272	14,414,871
Deferred outflows of resources.....	1,917		13,880	79,590	8,135	103,522

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland Lottery and Gaming Control Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Liabilities-						
Current liabilities:						
Bank overdrafts		\$ 1,115			\$ 1,115	
Accounts payable and accrued liabilities	\$ 94,600	39,276	\$ 54,298	\$ 153,146	\$ 1,797	343,117
Due to other funds	11,307		100,654	46,652		158,613
Accrued insurance on loan losses.....	442				10,740	11,182
Other liabilities	37,516		17,948	11,366	1,078	67,908
Unearned revenue.....	17		2,237	26,366	785	29,405
Revenue bonds and notes payable - current	108,908			151,177		260,085
Total current liabilities.....	252,790	40,391	175,137	388,707	14,400	871,425
Non-current liabilities:						
Interest rate swaps.....	1,917					1,917
Other liabilities.....	28,379		79,263	270,625	20,707	398,974
Revenue bonds and notes payable.....	2,269,171			2,815,825		5,084,996
Total non-current liabilities.....	2,299,467		79,263	3,086,450	20,707	5,485,887
Total liabilities.....	2,552,257	40,391	254,400	3,475,157	35,107	6,357,312
Deferred inflows of resources.....	918		1,104	67,190	874	70,086
Net Position-						
Net investment in capital assets.....	54		67	3,457,877	7,393	3,465,391
Restricted for:						
Debt service.....	48,487			119,571		168,058
Capital improvements.....				564		564
Unemployment compensation benefits		1,296,480				1,296,480
Loan programs.....	635,898					635,898
Insurance programs.....					81,755	81,755
Unrestricted	1,788,205		(4,977)	650,343	9,278	2,442,849
Total net position.....	\$ 2,472,644	\$ 1,296,480	\$ (4,910)	\$ 4,228,355	\$ 98,426	\$ 8,090,995

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

STATE OF MARYLAND
Statement of Revenues, Expenses and Changes in Fund Net Position
Enterprise Funds
For the Year Ended June 30, 2017
(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland Lottery and Gaming Control Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Operating revenues:						
Lottery ticket sales.....			\$ 1,931,546			\$ 1,931,546
Charges for services and sales.....	\$ 149,969	\$ 565,671	1,432,044	\$ 867,960	\$ 60,323	3,075,967
Loan and grant recoveries	5,221					5,221
Unrestricted interest on loan income	19,364				527	19,891
Restricted interest on loan income	83,928					83,928
Other	4,991		20,706	1,645	219	27,561
Total operating revenues	263,473	565,671	3,384,296	869,605	61,069	5,144,114
Operating expenses:						
Prizes and claims			1,196,511			1,196,511
Commissions and bonuses			965,273			965,273
Cost of sales and services.....			36,490		45,940	82,430
Operation and maintenance of facilities				255,891		255,891
General and administrative.....	65,781		52,692	35,092	11,492	165,057
Benefit payments		546,415				546,415
Capital grant distributions	171,214					171,214
Depreciation and amortization.....	24		12,982	127,868	942	141,816
Provision for insurance on loan losses	7,549				320	7,869
Other	24,592					24,592
Total operating expenses.	269,160	546,415	2,263,948	418,851	58,694	3,557,068
Operating income (loss)	(6,687)	19,256	1,120,348	450,754	2,375	1,587,046
Non-operating revenues (expenses):						
Unrestricted interest and other investment income ...	7,608			(126)		7,482
Restricted interest and other investment income.....	19,363	24,216	(2,109)	970	1,152	43,592
Interest expense	(85,448)		(633)	(112,896)		(198,977)
Federal grants and distributions	44,027	10,006				54,033
Other.....	5,783		38	(6,026)		(205)
Total non-operating revenues (expenses)	(8,667)	34,222	(2,704)	(118,078)	1,152	(94,075)
Income (loss) before transfers.....	(14,354)	53,478	1,117,644	332,676	3,527	1,492,971
Transfers in	88,706					88,706
Transfers out.....	(490)		(1,124,531)		(3,443)	(1,128,464)
Change in net position.....	73,862	53,478	(6,887)	332,676	84	453,213
Total net position – beginning	2,398,782	1,243,002	1,977	3,895,679	98,342	7,637,782
Total net position - ending.....	\$ 2,472,644	\$ 1,296,480	\$ (4,910)	\$ 4,228,355	\$ 98,426	\$ 8,090,995

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

STATE OF MARYLAND
Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2017
(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Programs	Maryland Lottery and Gaming Control Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Cash flows from operating activities:						
Receipts from customers	\$ 78,466	\$ 586,609	\$ 3,378,929	\$ 841,386	\$ 62,517	\$ 4,947,907
Payments to suppliers	(1,799)		(63,757)	(125,001)	(38,103)	(228,660)
Payments to employees	(33,876)		(23,794)	(155,600)	(17,419)	(230,689)
Other receipts	138,115			136,171	1,255	275,541
Other payments	(218,542)	(550,652)	(965,244)	(80,785)	(719)	(1,815,942)
Lottery prize payments.....			(1,191,358)			(1,191,358)
Net cash from operating activities.....	(37,636)	35,957	1,134,776	616,171	7,531	1,756,799
Cash flows from non-capital financing activities:						
Proceeds from the sale of revenue bonds.....	688,830					688,830
Payment on revenue bonds	(824,139)			(25,025)		(849,164)
Interest payments.....	(101,728)			(20,956)		(122,684)
Payments on loans		(557)				(557)
Transfers in	78,060					78,060
Transfers out	(490)		(1,162,280)		(3,443)	(1,166,213)
Grants	49,425	10,006				59,431
Lottery installment payments			(4,715)			(4,715)
Net cash from non-capital financing activities.....	(110,042)	9,449	(1,166,995)	(45,981)	(3,443)	(1,317,012)
Cash flows from capital and related financing activities:						
Principal paid on notes payable and revenue bonds.....				(108,550)		(108,550)
Interest payments			(633)	(118,986)		(119,619)
Proceeds from sales of capital assets				(6,268)		(6,268)
Acquisition of capital assets.....				(201,873)	(2,791)	(204,664)
Payment of capital lease obligations.....			(12,616)			(12,616)
Net cash from capital & related financing activities			(13,249)	(435,677)	(2,791)	(451,717)
Cash flows from investing activities:						
Receipts from collections of loans	253,655					253,655
Receipts from sales of debt instruments-other entities.....	443,977		4,715	803,423		1,252,115
Interest received as returns on loans.....	109,877					109,877
Interest received on debt instruments of other entities.....	18,167	24,216		(549)	1,152	42,986
Disbursements for loans	(312,406)					(312,406)
Disbursements for debt instruments of other entities.....	(417,578)		(2,870)	(797,493)		(1,217,941)
Net cash from investing activities.....	95,692	24,216	1,845	5,381	1,152	128,286
Net change in cash and cash equivalent.....	(51,986)	69,622	(43,623)	139,894	2,449	116,356
Balance - beginning of the year.....	1,120,945	1,114,033	159,838	198,183	96,964	2,689,963
Balance - end of the year	\$ 1,068,959	\$ 1,183,655	\$ 116,215	\$ 338,077	\$ 99,413	\$ 2,806,319

STATE OF MARYLAND
Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2017

(Continued)

(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Programs	Maryland Lottery and Gaming Control Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Reconciliation of operating income (loss) to net cash from operating activities:						
Operating income (loss).....	\$ (5,687)	\$ 19,256	\$ 1,120,348	\$ 450,754	\$ 2,375	\$ 1,587,046
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation and amortization	24		12,982	127,869	942	141,817
Interest received as returns on loans	(111,846)					(111,846)
Deferred inflows of resources			(332)	(3,050)	(4,971)	(8,353)
Deferred outflows of resources			(2,486)	(18,625)	(101)	(21,212)
Deferred prize payments			2,870			2,870
Effect of changes in assets and liabilities:						
Other accounts receivable.....	(1,377)	20,849	(6,348)	(685)	3,141	15,580
Due from other funds.....	(3,364)	89		706		(2,569)
Inventories.....				(76)	925	849
Loans and notes receivable	51,095			47,498	344	98,937
Other assets.....			28		(233)	(205)
Accounts payable and accrued liabilities	(784)	(4,237)	3,971	10,370	190	9,510
Due to other funds	4,778			(22,227)		(17,449)
Accrued insurance on loan losses	(121)				(1,060)	(1,181)
Other liabilities.....	29,639		4,331	21,676	6,868	62,514
Unearned revenue	7		(588)	1,961	(889)	491
Total adjustments	(31,949)	16,701	14,428	165,417	5,156	169,753
Net cash provided (used) by operating activities.....	\$ (37,636)	\$ 35,957	\$ 1,134,776	\$ 616,171	\$ 7,531	\$ 1,756,799
Noncash transactions (amounts expressed in thousands):						
Unrealized gain on investments	\$ (15,139)		\$ (2,109)			

STATE OF MARYLAND
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017
(Expressed in Thousands)

	Pension and Other Post-Employment Benefits Trust Funds	Investment Trust Fund	Agency Funds
Assets:			
Cash	\$ 1,042,354		\$ 91,695
Equity in pooled invested cash			630,452
Investments:			
U.S. Treasury and agency obligations	6,452,706	\$ 2,636,095	
Repurchase agreements		96,481	
Bonds	3,620,957		
Corporate equity securities	17,170,618		
Commercial paper		326,403	
Bankers acceptances			
Mortgage related securities	1,531,781		
Mutual funds	2,634,667	538,646	
Guaranteed investment contracts	782,866		
Real estate	2,697,325		
Annuity contracts	75,756		
Private equity	5,787,953		
Commingled funds	9,895,337		
Investment held by borrowers under Securities lent with cash collateral	2,484,281		
Total investments	53,134,247	3,597,625	
Taxes receivable, net			199,413
Intergovernmental receivables			242,010
Other receivables	1,172,969	1,648	
Accounts receivable from state treasury			880,239
Collateral for lent securities	2,553,919		
Total assets	57,903,488	3,599,273	2,043,809
Liabilities:			
Accounts payable and accrued liabilities	2,247,343	2,917	185,745
Accounts payable to political subdivisions			1,858,064
Collateral obligation for lent securities	2,553,919		
Total liabilities	4,801,262	2,917	2,043,809
Net position:			
Restricted for:			
Pension benefits	49,260,183		
Deferred compensation benefits	3,535,371		
Local Government Investment Pool participants		3,596,356	
Postretirement health benefits	306,673		
Total net position	\$ 53,102,227	\$ 3,596,356	

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

STATE OF MARYLAND
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2017
(Expressed in Thousands)

	Pension and Other Post-Employment Benefits Trust Funds	Investment Trust Fund
Additions:		
Contributions:		
Employers	\$ 1,891,608	
Members	938,319	\$ 7,963,889
Sponsors	712,536	
Total contributions	<u>3,542,463</u>	<u>7,963,889</u>
Investment earnings:		
Net increase (decrease) in fair value of investments	3,294,398	
Interest	284,795	23,520
Dividends	1,538,740	
Total investment earnings	<u>5,117,933</u>	<u>23,520</u>
Less: investment expense	<u>333,833</u>	<u>1,068</u>
Net investment earnings	<u>4,784,100</u>	<u>22,452</u>
Total additions	<u>8,326,563</u>	<u>7,986,341</u>
Deductions:		
Benefit payments	4,345,202	
Distributions to participants		22,455
Redemptions (unit transactions at \$1.00 per unit)		7,792,584
Refunds	63,441	
Administrative expenses	38,062	
Total deductions	<u>4,446,705</u>	<u>7,815,039</u>
Net increase (decrease)	<u>3,879,858</u>	<u>171,302</u>
Net position – beginning	<u>49,222,369</u>	<u>3,425,054</u>
Net position – ending	<u>\$ 53,102,227</u>	<u>\$ 3,596,356</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

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 Maryland 529 Plans 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

Other Component Units

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

STATE OF MARYLAND
Combining Statement of Net Position
Component Units
June 30, 2017

(Expressed in Thousands)

	Higher Education	Maryland Prepaid College Trust	Maryland Stadium Authority	Other Component Units	Total
Assets:					
Cash	\$ 130,124	\$ 4,108	\$ 219	\$ 45,975	\$ 180,426
Equity in pooled invested cash.....	2,273,463		104,719	59,674	2,437,856
Investments	11,133	1,019,728		75,288	1,106,149
Endowment investments	269,391				269,391
Foundation investments	1,346,513				1,346,513
Tuition contracts receivable.....	76,865	155,371			232,236
Other accounts receivable.....	390,630	1,268	10,396	28,935	431,229
Due from primary government.....			3,775	13,867	17,642
Inventories	12,119				12,119
Prepaid items	14,326				14,326
Loans and notes receivable, net	52,194		2,395	8,093	62,682
Investments in direct financing leases			103,100		103,100
Other assets	10,263		357	9,376	19,996
Restricted assets:					
Cash	100,061			1,532	101,593
Investments.....	5,005		257,484	2,246	264,735
Capital assets (net of accumulated depreciation):					
Land	199,365			9,534	208,899
Structures and improvements.....	5,382,193		77,952	42,973	5,503,127
Infrastructure	273,377			198	273,575
Equipment	462,148	9	2,061	7,809	472,027
Construction in progress.....	698,459			4,667	703,126
Total assets	11,707,629	1,180,484	562,458	310,167	13,760,738
Deferred outflows of resources.....	649,581	481	5,379	1,962	657,403
Liabilities:					
Salaries payable.....	108,450				108,450
Accounts payable and accrued liabilities	207,512	1,129	103,459	38,912	351,012
Due to primary government	916			423	1,339
Unearned revenue.....	259,732	13,608		11,354	284,694
Accrued insurance on loan losses.....				3,211	3,211
Other liabilities.....	1,858			215	2,073
Bonds and notes payable:					
Due within one year	103,270		27,213	1,143	131,626
Due in more than one year	1,280,410		473,171	18,992	1,772,573
Other noncurrent liabilities:					
Due within one year	119,739	66,951	110	21,958	208,758
Due in more than one year.....	1,602,666	717,008	23,204	17,801	2,360,679
Total liabilities	3,684,553	798,696	627,157	114,009	5,224,415
Deferred inflows of resources:	384,665	40	295	138	385,138

	Higher Education	Maryland Prepaid College Trust	Maryland Stadium Authority	Other Component Units	Total
Net position:					
Net investment in capital assets.....	\$ 5,372,703	\$ 9	\$ 57,797	\$ 41,275	\$ 5,471,784
Restricted:					
Debt service			2,265		2,265
Capital improvements and deposits		3,321		12	3,333
Nonexpendable:					
Scholarships and fellowships.....	375,840				375,840
Research	13,748				13,748
Other	497,612				497,612
Expendable:					
Debt service	4,885				4,885
Capital projects	6,351				6,351
Loans and notes receivable.....	61,183				61,183
Scholarships and fellowships	163,267				163,267
Research	116,536				116,536
Other	390,749				390,749
Unrestricted.....	1,285,118	378,899	(119,677)	156,695	1,701,035
Total net position	\$ 8,287,992	\$ 382,229	\$ (59,615)	\$ 197,982	\$ 8,808,588

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, 2017
(Expressed in Thousands)

	Higher Education	Maryland Prepaid College Trust	Maryland Stadium Authority	Other Component Units	Total
Expenses:					
General and administrative		\$ 3,382	\$ 10,472	\$ 19,502	\$ 33,356
Operation and maintenance of facilities.....	\$ 390,149		27,832	150,406	568,387
Provision for insurance on loan losses, net				598	598
Instruction	1,421,124				1,421,124
Research	1,033,755				1,033,755
Public service	161,659				161,659
Academic support	485,110				485,110
Student services	264,011				264,011
Institutional support.....	577,204				577,204
Scholarships and fellowships	128,700				128,700
Tuition benefits		36,454			36,454
Auxiliary	624,008				624,008
Hospitals	207,610				207,610
Interest on long-term debt.....	46,135		21,792	1,098	69,025
Depreciation and amortization.....		9	17,601	4,299	21,909
Foundation expenses.....	92,289				92,289
Other	24		175,052	31,891	206,967
Total expenses	5,431,778	39,845	252,749	207,794	5,932,166
Program revenues:					
Charges for services:					
Student tuition and fees (net of \$323,301) in allowances)	1,407,402				1,407,402
Auxiliary enterprises (net of \$33,068) in allowances).....	693,871				693,871
Restricted investment earnings	95,164				95,164
Other	441,103	36,667	41,211	182,490	701,471
Total charges for services	2,637,540	36,667	41,211	182,490	2,897,908
Operating grants and contributions	1,429,949		94,960	31,720	1,556,629
Capital grants and contributions	265,897				265,897
Total program revenues.....	4,333,386	36,667	136,171	214,210	4,720,434
Net program revenue (expense)	(1,098,392)	(3,178)	(116,578)	6,416	(1,211,732)
General revenues:					
Grants and contributions not restricted to specific programs	1,471,602				1,471,602
Unrestricted investment earnings.....	89,194	112,875		2,870	204,939
Additions to permanent endowments.....	59,379				59,379
Total general revenues and additions to permanent endowments...	1,620,175	112,875		2,870	1,735,920
Change in net position.....	521,783	109,697	(116,578)	9,286	524,188
Net position - beginning of the year	7,766,209	272,532	56,963	188,696	8,284,400
Net position - end of the year.....	\$ 8,287,992	\$ 382,229	\$ (59,615)	\$ 197,982	\$ 8,808,588

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, 2017

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STATE OF MARYLAND
Notes to the Financial Statements
For the Year Ended June 30, 2017

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 Statements No. 39 and 61.

The Maryland Prepaid College Trust (Proprietary Fund Type) is a program of the Maryland 529 Plans 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 is an instrumentality of the State. MIDFA consists of nine members, the Secretary of the Department of Commerce, or his designee; the State Treasurer or the State Comptroller, as designated by the Governor; and seven members appointed by the Governor and confirmed by the Senate. 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 (TEDCO) was established as a body corporate and politic and a public instrumentality of the State. TEDCO's Board of Directors consists of 15 individuals; the Secretary of the Department of Commerce 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. TEDCO 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. TEDCO administers the Maryland Technology Incubator Program, the Maryland Stem Cell Research Fund and the Maryland Venture Fund.

Complete financial statements of the individual component units and the Maryland 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 Worker's 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, 2017, the Economic Development Loan Programs, major enterprise funds, had transactions with MEDCO that included loans, investments and grants totaling \$6,387,000.

B. Government-wide and Fund Financial Statements

The State's government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government and its component units. Inter-fund 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 commerce. 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. Revenue sources dedicated to transportation operations include the excise taxes on motor vehicle fuel and motor vehicle titles, a portion of the State's corporation income tax and the State's sales tax, wharfage and landing fees, fare box revenues, bond proceeds, federal grants for transportation purposes and other receipts of the Department's agencies.

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 include the direct loan programs of the Maryland Departments of Housing and Community Development, Commerce and Environment.

2. The Unemployment Insurance Program reflects the transactions and account balances 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 Lottery and Gaming Control Agency operates the State Lottery and regulates the operation of video lottery terminal (VLT) and table game 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 Post-Employment Benefits Trust Funds (Pension and OPEB Trust Funds) include the Maryland State Retirement and Pension System, Maryland Transit Administration Pension Plan, Deferred Compensation Plan and Post-Employment Health Benefits Trust Fund. The Pension Trust Funds reflect the transactions and account balances of the plans administered by the State, and are 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. The Other Post-Employment 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 and account balances 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.
2. The Investment Trust Fund reflects the transactions and account balances of the Maryland Local Government Investment Pool and is accounted for using the flow of economic resources measurement focus.
3. 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 employee's payroll.

D. New Pronouncements

GASB statements which have been issued and which affect future periods are the following:

- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued in June 2015, is effective for fiscal years beginning after June 15, 2017.
- Statement No. 81, *Irrevocable Split-Interest Agreements*, issued in March 2016, is effective for fiscal years beginning after December 15, 2016.
- Statement No. 83, *Certain Asset Retirement Obligations*, issued in November 2016, is effective for fiscal years beginning after June 15, 2018.
- Statement No. 84, *Fiduciary Activities*, issued in January 2017, is effective for fiscal years beginning after December 15, 2018.
- Statement No. 85, *Omnibus 2017*, issued in March 2017, is effective for fiscal years beginning after June 15, 2017.
- Statement No. 86, *Certain Debt Extinguishment Issues*, issued in May 2017, is effective for fiscal years beginning after June 15, 2017.
- Statement No. 87, *Leases*, issued in June 2017, is effective for fiscal years beginning after December 15, 2019.

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, Statement No. 75 is expected to affect the financial position of the State as described below.

The net other postemployment benefits (OPEB) liability (NOL), as established by actuarial valuations under methods and assumptions required by Statement No. 75, will replace the unfunded actuarial accrued liability previously disclosed for the State Employee and Retiree Health and Welfare Benefits Plan (Plan) and the Maryland Transit Administration Retiree Healthcare Benefit Plan. Refer to the unfunded liability in Note 16 to the financial statements. The NOL is a present value measure of benefits to be provided to current active and inactive employees that is attributable to those employees' past service, less the amount of the fiduciaries' net position. It is required to be reported as a liability on the government-wide statement of net position. It replaces the net OPEB obligation, which is the cumulative difference between annual required contributions to the OPEB plan, as adjusted, to meet OPEB obligations as they come due and actual contributions, on the statement of net position. As reported in Note 16, the NOL for the Plan was \$11,085,210,000, as of June 30, 2017.

2. Summary of Significant Accounting Policies- Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position 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 exempt 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
- Any obligation unconditionally guaranteed by an eligible supranational issuer
- Repurchase agreements that any of the above obligations secure
- Certificates of deposits of Maryland financial institutions
- Bankers 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. 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 are recorded at fair value, except for the following:

- Investments held by the Maryland Local Government Investment Pool, a qualifying investment pool, are measured at amortized cost, which approximates fair value.
- Synthetic guaranteed investment contracts that are fully benefit-responsive are measured at contract value.
- Investments in qualifying external investment pools are measured at amortized cost.

The State categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

Changes in fair value are recognized as revenue. 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 Pension 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 non-dividend 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 would 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 Post-Employment Health Benefits Trust Fund (OPEB Trust) and the Maryland Transit Administration (MTA) Pension Plan are stated at fair value, except that investments in 2a7-like external investment pools are measured at the net asset value per share determined by the pool. 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. In addition, 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 (the 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 valued at fair value, except for the following:

- Investments in synthetic guaranteed investment contracts that are fully benefit-responsive are measured at contract value.
- Investments in life insurance contracts are measurement at cash surrender value.
- Investments in qualifying external investment pools are measured at amortized cost.

Retirement Costs:

Substantially all State employees participate in one of several State retirement systems (See Note 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 Note 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, donated works of art; historical treasures, and similar assets; and capital assets received in a service concession arrangement are recorded at acquisition value. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets life 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	5-75
Building improvements	5-75
Vehicles	3-25
Office equipment	2-10
Computer equipment	2-10
Other machinery and equipment	3-20
Computer software	5-10
Infrastructure	10-75

Deferred Outflows and Deferred Inflows of Resources:

Deferred outflows of resources are consumption of net position that applies to future reporting periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources are presented separately after “Total Assets” in the State’s financial statements.

Deferred inflows of resources are acquisition of net position that applies to future reporting periods and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are presented separately after “Total Liabilities” in the State’s financial statements.

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 position. Bond premiums and discounts adjust the carrying value of the bonds and are amortized over the life of the bonds. Issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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. Issuances costs 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 Position:

Net position is divided into three categories. Net investment in capital assets is the capital assets less accumulated depreciation and outstanding principal of the related debt. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of capital assets or related debt also are included in this category. Restricted net position reflects restrictions on assets and deferred outflows imposed by parties outside the State or imposed by the State by constitutional provisions or enabling legislation, net of related liabilities and deferred inflows. Unrestricted net position is total net position of the State less net investment in capital assets and restricted net position. Unrestricted net position is comprised mainly of cash, investments, loans and receivables.

B. Government 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 State 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 unearned 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 2017 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. The non-spendable 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. Otherwise, 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. The 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. The 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. The unassigned fund balance is the residual classification for the general fund.

Encumbrances are commitments related to unperformed contracts for goods or services. The State utilizes encumbrance accounting as part of the budgetary integration for the general, special revenue, and capital projects funds. Certain amounts which were available for specific purposes have been encumbered as either restricted, committed or assigned fund balance depending on the constraints and approval in place at year end. In addition, where existing resources are not sufficient to liquidate encumbrances, the encumbrances are reported within committed or assigned fund balance, as appropriate. Encumbrances outstanding at year-end are reported as committed fund balance in the general, special revenue, and capital projects funds. Encumbrances are not displayed on the face of the financial statements but are disclosed in Note 17.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the State considers restricted resources to have been spent first. 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 75 years for depreciable real property and building improvements, and 2 to 20 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.

MLGCA Revenues, Prizes and Related Transfers:

Revenues and prizes of the Maryland Lottery and Gaming Control Agency (MLGCA) 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 MLGCA 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 MLGCA recognizes VLT revenue as gross terminal revenue equivalent to all wagers, net of related prizes. The casino operators' share is recorded as commissions and bonuses. The six casino operators receive between 39% and 50% of the gross terminal revenue to operate their casinos. After deducting operating costs, State law requires the MLGCA to transfer the remainder of the gross terminal revenue to various general fund agencies, which are responsible for making further distributions.

The casinos also operate table games. Table games include blackjack, roulette, craps and various poker games, among others. Table game revenue is equivalent to all wagers, net of related prizes. Casino operators receive 80% of the table game revenue to operate their casinos. These costs are recorded as commissions and bonuses. The remainder is remitted to the MLGCA which transfers 15% to public education programs in the general fund and 5% to local jurisdictions in accordance with the enabling legislation.

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, 2017, reconcile to cash deposit and investment disclosures as follows (amounts expressed in thousands).

Government-wide statement of net position:	
Cash.....	\$ 455,404
Equity in pooled invested cash	4,695,844
Investments.....	3,812,894
Restricted cash	2,060,109
Restricted equity in pooled invested cash.....	249,878
Restricted investments	913,870
Statement of fiduciary net position:	
Cash	1,134,049
Equity in pooled invested cash	630,452
Investments	56,731,872
Collateral for lent securities	2,553,919
Total cash and investments per basic financial statements	73,238,291
Less: Cash and investments of higher education foundations not subject to disclosure	1,425,363
Total cash and investments per Note 3	\$ 71,812,928
Cash deposit:	
Governmental funds.....	\$ 101,823
Enterprise funds	1,256,886
Fiduciary funds.....	227,085
Component units	102,860
Investments:	
Governmental fund	5,886,612
Enterprise funds	2,304,322
Fiduciary funds.....	60,192,753
Component units	1,740,587
Total cash deposits and investments	\$ 71,812,928

Cash and equity in pooled invested cash for financial statement presentation includes 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, 2017, the carrying value for the bank deposits of the governmental funds, enterprise funds, fiduciary funds and component units were \$101,823,000, \$1,256,886,000, \$227,085,000, and \$102,860,000, respectively. The bank balances were \$101,823,000, \$1,256,467,000, \$227,085,000, and \$103,835,000, respectively.

Custodial 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) 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, 2017, \$1,537,000, and \$18,910,000, respectively, of their bank balances were exposed to custodial credit risk as uninsured and uncollateralized.

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 Note 2.A.

The governmental funds investments’ fair value measurements and the valuation techniques used to categorize the investments in the hierarchy level as of June 30, 2017, are as follows:

- U.S. agency securities (\$4,078,725,000) are comprised of agency issued debt. Agency issued debt securities are valued at the closing price reported in the active market in which the individual security is traded as Level 1 securities.
- Supranationals (\$1,203,540,000) are comprised of international development institutions that provide financing for economic development. Supranational issued debt securities are valued by consensus of international financial institutions based on observable inputs as Level 1 securities.
- Repurchase agreements (\$473,110,000) are valued based on a model that incorporates market observable pricing information and are categorized as Level 2.
- Investment in the Local Government Investment Pool (\$131,237,000) is valued at amortized cost.

The investments and maturities as of June 30, 2017, for the governmental funds of the primary government were 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).....	\$ 4,078,725	\$ 344,293	\$ 340,371 (a)	\$ 3,394,062 (b)
Supranationals.....	1,203,540		49,517 (c)	1,154,023 (d)
Repurchase Agreements	473,110	437,241	7,026	28,843
Local Government Investment Pool	131,237	131,237		
Total Investments.....	\$ 5,886,612	\$ 912,771	\$ 396,914	\$ 4,576,928

(a) Bonds in the amount of \$277,087,000, mature May 2019 to August 2019, but are callable July 2017 to August 2017.

(b) Bonds in the amount of \$2,908,074,000, mature August 2020 to June 2022, but are callable July 2017 to June 2018.

(c) Bonds in the amount of \$49,517,000, mature October 2019, but are callable October 2017.

(d) Bonds in the amount of \$489,016,000, mature September 2021 to November 2021, but are callable July 2017 to November 2017.

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 2020 were \$35,869,000.

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, Federal Home Loan Mortgage Corporation and Tennessee Valley Authority are rated Aaa by Moody’s, AA by Standard & Poor’s, and AAA by Fitch. Obligations of the Federal Home Loan Bank are rated Aaa by Moody’s and AA by Standard & Poor’s. Obligations of the Federal Agricultural Mortgage Corporation are not rated.

Supranational obligations are required to be rated in the highest credit rating category by a nationally recognized statistical rating organization. World Bank bonds and African Development Bank bonds are rated Aaa by Moody's and AAA by Standard & Poor's and Fitch. Asian Development Bank bonds are Aaa by Moody's and AAA by Standard & Poor's. AID - Ukraine bonds and bonds of Overseas Private Investment Corporation have not been 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% of the governmental funds’ investments are in the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, and Federal Home Loan Bank. These investments are 45.6%, 14.2%, and 10.6% 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.

The investments and maturities as of June 30, 2017, for the enterprise 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	11-15	More than 15
U.S. Treasury obligations	\$ 417,352	\$ 1,786	\$ 29,905	\$ 22,852		\$ 362,809
U.S government agency obligations	594,143	71,184	433,025	16,587	\$ 3,975	69,372
Repurchase agreements	2,408				2,408	
Guaranteed investment contracts	6,810	3,969		2,841		
Money market mutual funds	847,489	847,489				
Municipal bonds.....	101,987	20,457	81,530			
Supranationals	275,808	9,961	265,847			
Total.....	\$ 2,245,997	\$ 954,846	\$ 810,307	\$ 42,280	\$ 6,383	\$ 432,181

In addition to the investments scheduled above, as of June 30, 2017, the enterprise funds’ investments also include the fair value of direct equity investments, \$25,863,000.

The MLGCA, 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 MLGCA. As of June 30, 2017, the fair value of these investments was \$32,366,000, and \$96,000, respectively.

The enterprise funds have the following fair value measurements as of June 30, 2017 (amounts expressed in thousands):

Investments by Type	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. Treasury Obligations	\$ 449,718	\$ 86,909	\$ 362,809	
U.S. Government agency obligations	594,143	527,662	66,481	
Guaranteed investment contracts	6,810		6,810	
SBA pool securities.....	38	38		
Municipal bonds.....	101,987	101,987		
Supranationals	275,808	275,808		
Total debt securities	1,428,504	992,404	436,100	
Equity securities				
Direct equity investments	25,863			\$ 25,863
Total equity securities	25,863			25,863
Pay-fixed, receive-variable interest rate swap agreements.....	1,917		1,917	
Total investments by fair value level	1,456,284	\$ 992,404	\$ 438,017	\$ 25,863
Investments measured at contract value				
Annuity contracts	96			
Investment agreements	2,408			
Investments measured at amortized cost				
Money market mutual funds	847,451			
Total investments	\$ 2,306,239			

- Level 1 investments are valued at the closing price reported in the active market in which the individual security is traded. Supranational issued debt securities (\$275,808,000) are valued by consensus of international financial institutions based on observable inputs.
- Level 2 investments are valued using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. GNMA direct U.S. Government obligations (\$362,809,000), FNMA U.S. Government agency obligations (\$66,481,000) and the interest rate swap agreement are valued using the matrix pricing technique.
- Direct equity investments classified as Level 3 are assessed by management for impairment based on financial condition, operating results and other factors on an annual basis.

Investments measured at net asset value per share (or its equivalent) are not material for reporting redemption frequency and notice period.

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 and that commercial paper 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 ratings on the Loan Programs' bonds as of June 30, 2017, were Aa by Moody's and AA by Fitch, or higher.

As of June 30, 2017, 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.....	\$ 75,652	Aaa	Moody's	3.28 %
U.S. government agency obligations.....	518,491	AA	S&P	22.50
Money market mutual funds.....	847,451	AAAm/Aaa	S&P/Moody's	36.78
Money market mutual funds	38	Unrated		
Guaranteed investment contracts	6,810	Aaa	Moody's	0.30
Municipal bonds.....	101,987	AAA	S&P	4.43
Supranationals	275,808	AAA	S&P	11.97
Total.....	\$ 1,826,237			79.26 %

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 6.3% and 13.4%, of the enterprise funds' total investments, respectively.

3. Investments – Fiduciary Funds:

The Pension Trust Funds, Post-Employment Health Benefits Trust Fund, and Maryland Local Government Investment Pool are authorized to make investments as stated in Note 2.A.

The investments and maturities as of June 30, 2017, 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	\$ 7,100,364	\$ 638,117	\$ 1,042,068	\$ 1,622,595	\$ 3,797,584
U.S. Treasury strips	288,656				288,656
U.S. Government agency obligations.....	2,701,710	2,206,907	209,069	28,109	257,625
Repurchase agreements	96,481	96,481			
Commercial paper	326,403	326,403			
Guaranteed investment contracts	782,866		782,866		
Corporate bonds.....	3,042,360	101,329	866,433	1,418,301	656,298
International bonds	121,648	44,530	9,543	41,120	26,454
Other government bonds.....	679,509	14,991	178,522	307,111	178,885
Mortgage-backed securities	1,531,781	12,364	17,859	44,813	1,456,744
Asset-backed securities.....	237,079		40,858	52,637	143,584
Bond mutual funds.....	2,542,076	87,456	1,366,206	759,515	328,899
Swaps.....	15,159	2,696	2,358	10,101	4
Money market mutual funds.....	1,442,566	1,442,566			
Total investments	20,908,658	4,973,840	4,515,782	4,284,302	7,134,733
Collateral for lent securities	2,553,919	2,553,919			
Total investments and collateral for lent securities	\$ 23,462,577	\$ 7,527,759	\$ 4,515,782	\$ 4,284,302	\$ 7,134,733

In addition to the investments scheduled above, as of June 30, 2017, the fiduciary funds' investments also include the fair value of corporate equity securities of \$18,165,757,000, commingled investments of \$7,476,682,000, private equity of \$5,787,953,000, real estate of \$2,697,325,000, stock mutual funds of \$2,523,660,000, annuity contracts of \$75,756,000, and insurance contracts of \$3,043,000.

The fiduciary funds have the following fair value measurements as of June 30, 2017 (amounts expressed in thousands):

Investments by Fair Value Level	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. Treasury notes and bonds	\$ 6,835,388	\$ 6,835,388		
U.S. Treasury strips	288,656	288,656		
U.S. Government agency obligations	330,591	330,591		
Repurchase agreements	96,481		96,481	
Corporate bonds	3,042,360		3,042,360	
International bonds	121,648		121,648	
Other government bonds	679,509		679,509	
Mortgage-backed securities	1,531,781		8,065	1,523,716
Bond mutual funds	111,007	111,007		
Money market mutual funds	903,920	903,920		
Collateral for lent securities	2,553,919		2,553,919	
Total debt securities	16,495,260	8,469,562	6,501,982	1,523,716
Equity securities				
Corporate equities	18,165,757	18,165,757		
Stock mutual funds	2,523,660	2,523,660		
Total equity securities	20,689,417	20,689,417		
Real estate	30,175			30,175
Total investments by fair value level	37,214,852	\$ 29,158,979	\$ 6,501,982	\$ 1,553,891
Investments measured at net asset value				
Asset-backed securities funds	237,079			
Bond mutual funds	2,431,069			
Real estate funds	2,667,150			
Private equity funds	5,787,953			
Commingled investments	7,491,841			
Total investments measured at net asset value ...	18,615,092			
Investments measured at amortized cost				
U.S. Treasury notes and bonds	264,976			
U.S. Government agency obligations	2,371,119			
Commercial paper	326,403			
Money market mutual funds	538,646			
Total investments measured at amortized cost ...	3,501,144			
Investments measured at contract value				
Guaranteed investment contracts	782,866			
Annuity contracts	75,756			
Total investments measured at contract value ...	858,622			
Investments measured at cash surrender value				
Insurance contracts	3,043			
Total investments	\$ 60,192,753			

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Level 2 investments include the following:

- Debt securities valued using a combination of prevailing market prices and interest payments that are discounted at prevailing interest rates for similar instruments.
- Mortgage-backed securities issued as U.S. agency securities categorized as mortgage pass-through. Mortgage pass-through includes to-be-announced (TBA) securities and mortgage pass-through certificates. TBA securities and mortgage pass-through is generally valued on the basis of their fortune principal and interest payments discounted at prevailing interest rates for similar investments.
- Collateral for lent securities invested in the lending agent’s short term investment pool operating as an open-end money market mutual fund, together with the related obligation.
- Commingled investments whose valuation methodology and valuation frequency of the pooled investment vehicles may not be able to appraise whether the net asset value represents the exit value of the fund.

Level 3 investments include the following:

- Commercial and residential mortgage-backed securities valued using discounted cash flow techniques.
- Real estate valued on the basis of a discounted cash flow approach, which includes the future rental receipts, expenses, and residual values as the highest and best use of the real estate from a market participant view as rental property.

The valuation method for investments measured at net asset value per share (or its equivalent) is presented on the following table (in millions):

June 30, 2017				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private funds (includes equity, credit, energy, infrastructure, and timber)	\$ 7,902	\$ 6,524		
Real estate-open ended.....	2,592		Quarterly	45-90 days
Commodities	427		Monthly	5-30 days
	9		N/A	Daily
Global macro.....	307		Weekly	3 days
Global tactical	342		Monthly	5 days
Multi-strategy.....	108		Weekly	3 days
Hedge Funds				
Commodity	305		Monthly	30-60 days
Equity long/short	1,098		Monthly	30-45 days
	512		Quarterly	45-90 days
Event-driven.....	169		Annual	45 days
	150		Quarterly	65 days
	149		Monthly	45 days
	96		N/A	Liquidating
Global macro	617		Monthly	5 days
Multi-asset	26		N/A	Liquidating
Multi-strategy.....	1,682		Quarterly	60-90 days
Opporunitstic	220		Quarterly	90 days
	49		Semi Annual	90 days
	\$ 16,760	\$ 6,524		

Interest Rate Risk. As of June 30, 2017, the System had \$1.1 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, 2017, the carrying value of these investments was \$75,756,000, and \$3,043,000, 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 bankers acceptances and commercial paper subject to certain credit rating guarantee and/or collateral requirements. As of June 30, 2017, 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.....	\$ 43,850	AAA	0.08%
U.S. Government agency obligations.....	2,642,919	AA	4.59%
U.S. Government agency obligations.....	1,076	A	0.00%
U.S. Government agency obligations.....	584	BBB	0.00%
U.S. Government agency obligations.....	13,282	Unrated	0.02%
Money market mutual funds.....	538,646	AAA	0.93%
Money market mutual funds.....	903,920	A	1.57%
Commercial paper.....	326,403	AAA	0.57%
Guaranteed investment contracts.....	779,301	AA	1.35%
Guaranteed investment contracts.....	3,565	Unrated	0.01%
Corporate bonds.....	35,849	AAA	0.06%
Corporate bonds.....	59,262	AA	0.10%
Corporate bonds.....	402,535	A	0.70%
Corporate bonds.....	84,214	BAA	0.15%
Corporate bonds.....	10,360	BA	0.02%
Corporate bonds.....	1,036,476	BBB	1.80%
Corporate bonds.....	398,903	BB	0.69%
Corporate bonds.....	233,776	B	0.41%
Corporate bonds.....	37,355	CAA	0.06%
Corporate bonds.....	41,607	CCC	0.07%
Corporate bonds.....	1,963	CC	0.00%
Corporate bonds.....	700,059	Unrated	1.21%
International bonds.....	2,675	AAA	0.00%
International bonds.....	12,720	AA	0.02%
International bonds.....	8,130	A	0.01%
International bonds.....	3,782	BAA	0.01%
International bonds.....	15,887	BA	0.03%
International bonds.....	2,439	BBB	0.00%
International bonds.....	15,046	BB	0.03%
International bonds.....	439	CAA	0.00%
International bonds.....	60,529	Unrated	0.11%
Other government bonds.....	12,965	AAA	0.02%
Other government bonds.....	60,345	AA	0.10%
Other government bonds.....	196,040	A	0.34%
Other government bonds.....	26,565	BAA	0.05%
Other government bonds.....	1,928	BA	0.00%
Other government bonds.....	214,061	BBB	0.37%
Other government bonds.....	60,213	BB	0.10%
Other government bonds.....	101,658	B	0.18%

Investment Type	Fair Value	Quality Rating	Percentage of Total Investments
Other government bonds	4,090	CCC	0.01%
Other government bonds	135	CC	0.00%
Other government bonds	818	D	0.00%
Other government bonds	691	Unrated	0.00%
Mortgage-backed securities	90,292	AAA	0.16%
Mortgage-backed securities	26,905	AA	0.05%
Mortgage-backed securities	32,555	A	0.06%
Mortgage-backed securities	28,158	BAA	0.05%
Mortgage-backed securities	1,800	BA	0.00%
Mortgage-backed securities	3,700	BBB	0.01%
Mortgage-backed securities	604	BB	0.00%
Mortgage-backed securities	7,730	B	0.01%
Mortgage-backed securities	1,555	CAA	0.00%
Mortgage-backed securities	2,977	CA	0.01%
Mortgage-backed securities	13,659	CCC	0.02%
Mortgage-backed securities	14,189	D	0.02%
Mortgage-backed securities	1,307,658	Not rated	2.27%
Asset-backed securities-Other	126,350	AAA	0.22%
Asset-backed securities-Other	19,035	AA	0.03%
Asset-backed securities-Other	26,976	A	0.05%
Asset-backed securities-Other	24,269	BAA	0.04%
Asset-backed securities-Other	907	BA	0.00%
Asset-backed securities-Other	3,816	BBB	0.01%
Asset-backed securities-Other	60	B	0.00%
Asset-backed securities-Other	7,560	CCC	0.01%
Asset-backed securities-Other	1,097	CC	0.00%
Asset-backed securities-Other	3,260	D	0.01%
Asset-backed securities-Other	23,749	Not rated	0.04%
Repurchase agreements.....	96,481	A	0.17%
Bond mutual funds	2,542,076	Not rated	4.41%
Swaps	15,159	Not rated	0.03%
Total.....	<u>\$ 13,519,638</u>		<u>23.45%</u>

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, 2017, was as follows (amounts expressed in thousands):

Currency	Equity	Fixed Income	Cash	Alternative Investments	Total
Australian Dollar.....	\$ 207,008	\$ 966	\$ 858	\$ 129,887	\$ 338,719
Brazilian Rea	68,482	13,882	1,122		83,486
Canadian Dollar	315,912	4,868	7,125	13,292	341,197
Czech Koruna	8,372		1		8,373
Danish Krone	102,089	97	709		102,895
Egyptian Pound.....	2,359				2,359
Euro Currency.....	1,776,201	118,984	16,493	674,712	2,586,390
Hong Kong Dollar	520,205		6,549	57,038	583,792
Hungarian Forint.....	7,813		21		7,834
Indonesian Rupiah	47,071	6,795	554		54,420
Japanese Yen	1,064,349	38,315	6,348	67,219	1,176,231
Malaysian Ringgit	9,331		199		9,530

Currency	Equity	Fixed Income	Cash	Alternative Investments	Total
Mexican Peso.....	78,462	1,018	929		80,409
New Israeli Sheqel.....	22,585		161	246	22,992
New Taiwan Dollar.....	75,113		7,527		82,640
New Zealand Dollar.....	6,211		235	218	6,664
Norwegian Krone.....	44,222	347	380	2,084	47,033
Philippine Peso.....	16,234		10		16,244
Polish Zloty.....	30,639	495	285		31,419
Pound Sterling.....	857,947	58,602	9,108	207,871	1,133,528
Qatari Rial.....	1,841				1,841
Russian Ruble.....		15,799	617		16,416
Singapore Dollar.....	62,412		926	10,662	74,000
South African Rand.....	64,292		417		64,709
South Korean Won.....	303,439		404		303,843
Swedish Krona.....	139,521	155	1,102	5,975	146,753
Swiss Franc.....	391,532		904	4,942	397,378
Thailand Baht.....	46,380		383		46,763
Turkish Lira.....	11,565	393	205		12,163
Uae Dirham.....	15,856				15,856
Not Applicable (1).....	3,292,108	3,504		29,460	3,325,072
Total.....	\$ 9,589,551	\$ 264,220	\$ 63,572	\$ 1,203,606	\$ 11,120,949

(1) This line includes American Depository Receipts and international obligations valued in U.S. dollars, however, they are considered to have exposure to multiple foreign currencies.

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, 2017		Notional*
	Classification	Amount	Classification	Amount	
Commodity futures long	Investment revenue	\$ (13,727)	Futures		\$ 170,339
Commodity futures short	Investment revenue	(2,508)	Futures		(20)
Credit default swaps bought	Investment revenue	(112)	Swaps	\$ (25)	1,141
Credit default swaps written	Investment revenue	1,345	Swaps	1,591	91,830
Fixed income futures long	Investment revenue	(67,200)	Futures		811,420
Fixed income futures short	Investment revenue	7,291	Futures		(1,054,704)
Fixed income options bought	Investment revenue	2,597	Options	15,537	653,796
Fixed income options written	Investment revenue	(3,700)	Options	(15,728)	(1,574,200)
Foreign currency futures short	Investment revenue	(3,040)	Futures		
Futures options bought	Investment revenue	(270)	Options	186	5,728
Futures options written	Investment revenue	10,446	Options	(873)	(8,178)

	Changes in Fair Value		Fair Value as of June 30, 2017		Notional*
	Classification	Amount	Classification	Amount	
FX forwards	Investment revenue	(41,734)	Long term instruments	(48,880)	20,505,582
Index futures long	Investment revenue	6,582	Futures		946
Index futures Short	Investment revenue	(2,220)	Futures		
Pay fixed interest rate swaps	Investment revenue	34,916	Swaps	12,295	844,857
Receive fixed interest rate swaps	Investment revenue	110,405	Swaps	(120)	24,696
Rights	Investment revenue	1,282	Common stock	229	597
Total return swaps bond	Investment revenue	5,423	Swaps	4	5,566
Warrants	Investment revenue	3,297	Common stock	46,127	12,581
Grand Totals		\$ 49,073		\$ 10,343	

*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, 2017, was \$386,638,000. 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
\$ 123,923	AA	\$ 86,244	Aa	\$ 328,482	AA
259,167	A	300,390	A	58,156	A
3,548	BBB	4	Baa		
\$ 386,638		\$ 386,638		\$ 386,638	

Risk concentrations are presented in the table below.

Counterparty Name	Percentage of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
State Street Bank London	29 %	A	AA	A
HSBC Bank PLC	13	A	AA	A
Toronto Dominion Bank	12	AA	AA	Aa
Citibank N.A.	10	A	A	A
Northern Trust Company	9	AA	AA	A
Royal Bank of Canada (UK)	7	AA	AA	A
JPMorgan Chase Bank NA London	6	A	AA	Aa
Westpac Banking Corporation	4	AA	AA	Aa
USB AG London	4	A	A	A
Bank of New York	3	A	AA	A
Wells Fargo LCH	2	A	AA	A
Morgan Stanley CME	1	BBB	A	A
Wells Fargo CME	1	A	AA	A

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 disclosures below because the foundations are not required to and do not follow 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 Prepaid College Trust’s Statement of Investment Policy (Investment Policy), adopted by the Board as required by the enabling legislation, allows the Trust to purchase investments including domestic, international and private equities; domestic, foreign and high yield bonds; global real estate equities; private real estate; commodities and other governmental agency instruments, as well as money market deposits based on the Investment Policy’s specified portfolio allocation.

The investments and maturities as of June 30, 2017, 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.....	\$ 846	\$ 94	\$ 342	\$ 269		\$ 141
U.S. government agency obligations.....	12,611	6,358	5,911	19	\$ 142	181
Bond mutual funds.....	168,328	168,328				
Corporate debt securities.....	149,782	7,992	69,216	53,363	19,051	160
Money market mutual funds.....	365,076	365,076				
Total.....	\$ 696,643	\$ 547,848	\$ 75,469	\$ 53,652	\$ 19,193	\$ 482

In addition to the investments scheduled above, as of June 30, 2017, the component units’ investments include the fair value of stock mutual funds of \$12,000, corporate equity securities of \$634,579,000, real estate of \$145,245,000, and the share of assets invested with the foundation of \$264,108,000.

The component units had the following fair value measurements as of June 30, 2017 (amounts expressed in thousands):

Investments by Fair Value Level	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. Treasury obligations.....	\$ 846	\$ 846		
U.S. Government agency obligations.....	12,611	12,611		
Bond mutual funds.....	168,328	168,328		
Corporate debt securities.....	100,522	100,515	\$ 7	
Money market mutual funds.....	364,826	364,826		
Total debt securities.....	647,133	647,126	7	

Investments by Fair Value Level	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities				
Corporate equities - Publicly held	548,676	490,909	57,767	
Equity investments in privately-held companies and venture capital partnerships:				
Publicly traded.....	1,006	1,006		
Not publicly traded.....	84,895			\$ 84,895
Stock mutual funds.....	12	12		
Total equity securities.....	634,589	491,927	57,767	84,895
Real estate.....	83,125			83,125
The share of the USM's investment in the open-end mutual fund investment of the University System of Maryland Foundations, Inc.....	264,108		264,108	
Total investments by fair value level	1,628,955	\$ 1,139,053	\$ 321,882	\$ 168,020
Investments measured at net asset value (NAV)				
Corporate debt securities	49,261			
Real estate	62,120			
Total investments measured at NAV.....	111,381			
Investments measured at amortized cost				
Money market mutual funds	251			
Total investments	\$ 1,740,587			

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Corporate bonds are categorized as Level 2 investments based on yields currently available on comparable securities of issuers with similar credit ratings. The share of the University System of Maryland's (USM) investment in the open-end mutual fund investment of the USM Foundation, Inc is considered a common trust fund whose valuation methodology and valuation frequency of the pooled investment vehicles may not be able to appraise whether the net asset value represents the exit value of the fund and is classified as Level 2.

Level 3 investments include the investments in not publicly traded, privately-held companies and venture capital partnerships which are valued by management after consideration of, among other factors, the financial condition, operating results, significant recent events, and other security offerings of the investors. Also, interest in private real estate is valued based on discounted cash flows, including future rental receipts, expenses, and residual values as the highest and best use of the real estate from a market participant view as rental property as a Level 3 investment.

Investments measured at net asset value per share (or its equivalent) are not material for reporting redemption frequency and notice period.

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. It is the practice of the Maryland Prepaid College Trust to have no investments with maturities longer than required to fund tuition obligations based on actuarial projections.

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 details the minimum quality standards for the Trust's bond portfolios.

As of June 30, 2017, the component units 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. agencies.....	\$ 6,715	AAA/Aaa	S&P & Moody's	0.39%
U.S. agencies.....	193	AA/Aaa	S&P & Moody's	0.01%
U.S. agencies.....	5,703	Not rated		0.33%
Money market mutual funds.....	364,825	Aaa	Moody's	20.96%
Money market mutual funds.....	251	Not rated		0.01%
Corporate debt securities.....	57,454	AAA	S&P	3.30%
Corporate debt securities.....	3,582	AA	S&P	0.21%
Corporate debt securities.....	23,251	A	S&P	1.34%
Corporate debt securities.....	8,625	BBB	S&P	0.50%
Corporate debt securities.....	7	Not rated		0.00%
Total.....	\$ 470,606			27.05%

Concentration of Credit Risk. The higher education component units place no limit on the amount they may invest in U.S. government issuers. The Prepaid College Trust's guidelines limit a single investment to 5% of each bond portfolio's market value, except U.S. Treasury notes and bonds.

In addition to the Maryland Prepaid College Trust, the Maryland 529 Plans consist of the Maryland College Investment Plan, a fiduciary component unit. As of June 30, 2017, the Plan has \$5,187,587,000 of investments held in trust for individuals and organizations.

C. Securities Lending Transactions:

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 Fund's custodian lends specified securities to independent brokers in return for collateral of greater value. The preceding Investments-Fiduciary Funds Schedule in Note 3.B.3 includes securities lent at year-end for cash collateral and collateral received from lent securities.

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, 2017, 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	
Lent for cash collateral:			
U.S. government and agency securities.....	\$ 775,281	\$ 794,279	102.45 %
U.S. corporate bond and equity securities	827,271	846,628	102.34
International fixed income securities.....	5,876	6,006	102.21
International equities	145,134	153,380	105.68
Lent for noncash collateral:			
U.S. government and agency securities.....			
U.S. corporate bond and equity securities.....	226,648	231,348	102.07
International equities.....	467,638	483,818	103.46
Total securities lent.....	36,433	38,460	105.56
	\$ 2,484,281	\$ 2,553,919	102.80 %

During fiscal year 2017, 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, 2017, had an average duration of 26 days and an average final maturity of 63 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 have received cash or securities that can be sold or pledged without a borrower default.

4. Receivables:

Taxes receivable, as of June 30, 2017, consisted of the following (amounts expressed in thousands).

	Major Governmental Funds		Non-Major Governmental Funds	Total Governmental Funds
	General	Special Revenue		
Income taxes	\$ 916,052			\$ 916,052
Sales and use taxes	474,421			474,421
Transportation taxes, primarily motor vehicle fuel and excise		\$ 133,862		133,862
Other taxes, principally alcohol, tobacco and property ...	44,131		\$ 18,990	63,121
Less: Allowance for uncollectibles	12,193			12,193
Taxes receivable, net.....	\$ 1,422,411	\$133,862	\$ 18,990	\$ 1,575,263

Tax revenues are reported net of uncollectible amounts. Total uncollectible amounts related to tax revenues of the current period were \$1,881,000.

Other accounts receivable in the governmental funds of \$697,390,000, including \$106,525,000, 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, child support and public assistance overpayments and the tobacco settlement.

Other accounts receivable for the enterprise funds of \$321,862,000, primarily consisted of \$151,382,000, due to the Unemployment Insurance Program from employers and for benefit overpayments, \$60,498,000, due to the Community Development Administration from accrued interest and claims receivable on foreclosed and other loans and \$48,896,000, due to the Maryland Lottery and Gaming Control Agency from lottery retailers for ticket sales proceeds and from casino operators for gross terminal revenue and table game revenue.

5. Deferred Outflows of Resources and Deferred Inflows of Resources:

Deferred outflows of resources and deferred inflows of resources are reported when a given item that otherwise meets the definition of a revenue or expenditure/expense relates to a future period. These deferred amounts apply to governmental activities, business-type activities, proprietary funds, and fiduciary funds, except that deferred inflows apply to governmental funds for revenues that are not considered to be available to liquidate liabilities of the current period.

As of June 30, 2017, the State's deferred outflows of resources and deferred inflows of resources consist of the following components (amounts expressed in thousands).

	Governmental Funds		Governmental Activities	Business-Type Activities	Component Units
	General Fund	Special Revenue Fund			
Deferred Outflows of Resources:					
Loss on refunding of debt – Refunding of some previously outstanding general obligation bonds and revenue bonds resulted in losses			\$ 287,809	\$ 6,439	\$ 21,401
Interest Rate Exchange Agreements (Swaps) - CDA has entered into pay-fixed, receive- variable interest rate swap agreements in connection with certain variable rate bond series.....				1,917	

	Governmental Funds		Governmental Activities	Business- Type Activities	Component Units
	General Fund	Special Revenue Fund			
Pension-related deferred outflows (see Note 15)			5,857,285	95,166	636,002
Total for Deferred Outflows of Resources.....	\$ -	\$ -	\$ 6,145,094	\$ 103,522	\$ 657,403
Deferred Inflows of Resources:					
Governmental fund receivables for revenues that are not considered to be available to liquidate liabilities of the current period	\$ 591,449	\$ 169,947			
Gain on refunding of debt – Refunding of some previously outstanding residential revenue bonds - deferred bond premiums				\$ 918	
Service Concession Arrangement receipts of the:					
Maryland Department of Transportation.....			\$ 48,681		
Maryland Transportation Authority.....				51,454	
University System of Maryland					\$ 307,288
Pension-related deferred inflows (see Note 15).....			1,567,371	17,714	77,850
Total for Deferred Inflows of Resources.....	\$ 591,449	\$ 169,947	\$ 1,616,052	\$ 70,086	\$ 385,138

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

A. Loans and Notes Receivable:

Loans and notes receivable, as of June 30, 2017, consisted of the following (amounts expressed in thousands).

	Primary Government			Component Units		
	General	Non-major Governmental Funds	Enterprise	Higher Education	Maryland Stadium Authority	Other
Notes receivable:						
Political subdivisions:						
Water quality projects	\$	1,385	\$ 1,228,327			
Public school construction		13				
Other.....			154,372			
Volunteer fire & rescue companies	\$ 18,611					
Permanent mortgage loans.....			2,248,057			
Student and health profession loans				\$ 65,467		
Shore erosion loans.....	7,190					
Other.....	87			6,217	\$ 2,395	\$ 17,811
Total.....	25,888	1,398	3,630,756	71,684	2,395	17,811
Less: Allowance for possible loan losses ...			346,356	19,490		9,718
Loans and notes receivable, net	25,888	1,398	3,284,400	52,194	2,395	8,093
Due within one year	2,372	77	166,525	8,241	456	509
Due in more than one year.....	\$ 23,516	\$ 1,321	\$ 3,117,875	\$ 43,953	\$ 1,939	\$ 7,584

Certain notes receivable for advances of general obligation bond proceeds bear interest at rates ranging from 4.5% to 6.6% and mature within 16 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. Substantially all of the loans are secured by first liens on the related property and are

insured or credit enhanced by the Federal Housing Administration mortgage insurance programs, the Veterans Administration and USDA/RD guarantee programs, Federal Home Loan Mortgage Corporation (Freddie Mac), FNMA, GNMA, Maryland Housing Fund or by private mortgage insurance policies.

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, 2017, 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 direct financing leases as of June 30, 2017, was \$416,055,000. As of June 30, 2017, the Authority held \$63,889,000, 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).

2018.....	\$	26,020
2019.....		27,976
2020.....		29,286
2021.....		30,705
2022.....		31,523
2023-2027.....		177,758
2028-2032.....		119,533
2033-2037.....		14,825
Total.....		457,626
Unearned interest income.....		22,318
Total lease payments.....		479,944
Restricted investments related to unexpended bond proceeds.....		63,889
Net investment in direct financing leases.....	\$	416,055

Component Units:

As of June 30, 2017, the Maryland Stadium Authority (Authority) has direct financing leases with the State. The present value of the direct financing leases as of June 30, 2017, is \$103,100,000. As of June 30, 2017, the Authority held \$865,000, 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).

2018.....	\$	23,965
2019.....		23,954
2020.....		23,854
2021.....		10,329
2022.....		10,342
2023-2027.....		31,408
Total.....		123,852
Less: unearned interest income.....		19,887
Net lease payments.....		103,965
Less: Restricted investments related to unexpended bond proceeds.....		865
Net investment in direct financing leases.....	\$	103,100

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 Position. The purpose and amount of restricted assets as of June 30, 2017, are as follows (amounts expressed in thousands).

Amount	Purpose
Governmental Activities:	
\$ 9,497	Represents money restricted for construction retainages related to highway and airport projects
238,060	Represents State property taxes restricted to pay debt service on general obligation debt
5,769	Represents cash restricted to pay debt service on transportation bonds
5,217	Represents certificates of deposit linked to funds loaned under the State's housing loan program (\$1,383) and certificates of deposit restricted for Agricultural Land Preservation easement purchases (\$3,834)
<u>\$ 258,543</u>	
Business-type Activities:	
\$ 2,608,676	Assets of the Community Development Administration and State Funded Loan programs are restricted for various mortgage loans for low-income housing and loans for local governments' public facilities
252,392	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
1,335,037	Restricted assets represent deposits with the U.S. Treasury and amounts due from employers to pay unemployment compensation benefits in accordance with Federal statute
37,379	Restricted assets in the Maryland Lottery and Gaming Control Agency include cash held in separate annuity contracts and coupon bonds for winning lottery ticket payouts; escrow deposits from lottery agents, casino operator license applicants and other gaming license applicants prior to being recognized as revenue; and prize fund reserves for multi-state lotteries.
291,980	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
82,031	Assets have been restricted by the Maryland Housing Fund to pay possible future claims under insurance for losses on mortgage loans
<u>\$ 4,607,495</u>	
Component Units:	
\$ 105,065	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
257,484	Restricted assets of Maryland Stadium Authority include cash and investments that relate to revenue bond indentures
2,505	Restricted assets include cash and investments that relate to revenue bond indentures and to restricted project funds for the provision of water supply, wastewater treatment and solid waste management by the Maryland Environmental Service
1,274	Cash has been restricted to fulfill funding commitments of certain investments of Maryland Technology Development Corporation
<u>\$ 366,328</u>	

8. Interfund Receivables and Payables:

Interfund balances, as of June 30, 2017, consisted of the following (amounts expressed in thousands).

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Fund	\$ 3,378 (a)
	Enterprise Funds –	
	Economic Development Loan Programs	11,307 (b)
	Maryland Lottery and Gaming Control Agency	100,654 (c)
		<u>\$ 115,339</u>
Special Revenue Fund	General Fund	\$ 69,430 (d)
	Enterprise Funds -	
	Maryland Transportation Authority	46,652 (e)
		<u>\$ 116,082</u>

Receivable Fund	Payable Fund	Amount
Enterprise Funds -		
Economic Development Loan Programs	General Fund	\$ 43,911 (f)
	Non-major governmental funds	52,850 (g)
Unemployment Insurance Program	General Fund	1,834 (f)
Maryland Transportation Authority	Special Revenue Fund	6,898 (h)
		<u>\$ 105,493</u>
Agency Fund –		
Local Income Taxes	General Fund	\$ 880,239 (i)

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, 2017, consist of the following (amounts expressed in thousands).

Receivable Fund	Payable Fund	Amount
General Fund	Higher Education Fund	\$ 916
	Non-major component units	423
		<u>\$1,339</u>
Component Units –	Agency Fund –	
Maryland Stadium Authority	Local Transportation Funds and Other Taxes	\$ 3,775
Non-major component units	General Fund	13,867
		<u>\$ 17,642</u>

The receivable and payable transactions between the general fund and component unit are reported as due from/due to component units and due to/due from 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, 2017.
- (b) This amount represents payable balances for economic development loan program transfers.
- (c) This amount represents monies collected by the Maryland Lottery and Gaming Control Agency in June, 2017, and paid to the general fund in July, 2017.
- (d) The amount represents income and sales tax subsidies and return of health insurance costs from the general fund.
- (e) 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.
- (f) These amounts represent receivable balances from general fund subsidies.
- (g) Bond funds collected by the capital projects fund on behalf of the economic development loan programs.
- (h) The Maryland Transportation Authority receives rent, interest income and fees for services from the special revenue fund.

- (i) 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 among other uses.

All Interfund balances except for (i) above, are expected to be repaid by June 30, 2018. For (i) above, the General Fund is required to pay to the agency fund \$33,333,000, a year in each of fiscal years 2021 through 2026 and \$10,000,000, a year in each of fiscal years 2018 through 2025. The remaining balance is due to pay local income taxes at unspecified dates in the future.

9. Interfund Transfers:

Interfund transfers, for the year ended June 30, 2017, consisted of the following (amounts expressed in thousands).

Transfers In	Transfers Out	Amount
General Fund	Special Revenue Fund	\$ 67,298
	Non-major Governmental Funds	30,043
	Enterprise Funds –	
	Maryland Lottery and Gaming Control Agency	1,124,531
	Economic Development Loan Programs	490
	Non-major Enterprise Funds	2,500
		<u>\$ 1,224,862</u>
Special Revenue Fund	General Fund	<u>\$ 215,235</u>
Non-major Governmental Funds	General Fund	\$ 376,558
	Special Revenue Fund	287,892
		<u>\$ 664,450</u>
Enterprise Funds - Loan Programs	General Fund	\$ 87,172
	Non-major Governmental Funds	591
	Non-major Enterprise Funds	943
		<u>\$ 88,706</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 \$27,568,000, of Program Open Space funds, \$1,980,000, of interest earned on bonds and \$495,000, for expenses for bond sales to the general fund.

The Maryland Lottery and Gaming Control Agency transferred revenue in excess of funds allocated to prize awards, casino operators, operating expenses and capital expenditure payments in the amount of \$1,124,531,000, to the general fund. The general fund transferred \$87,172,000, to support the operations of Enterprise Funds – Loan Programs, and the Enterprise Funds – Loan Programs transferred \$490,000, of unused funds to the general fund. Expenditures for capital projects of \$591,000, were transferred to Enterprise Funds – Loan Programs.

During the year, the general fund and other governmental funds had expenditures of \$1,453,765,000, and \$250,910,000, 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 \$40,000,000, that were for funds provided to supplement revenues of the Maryland Stadium Authority. The general fund transferred \$26,582,000, to the non-major component unit, the Maryland Technology Development Corporation, TEDCO, for Maryland Stem Cell Research and other operating grants. TEDCO transferred to the general fund \$423,000, as distributions/returns from Venture Capital Limited Partnerships.

10. Capital Assets:

A. Capital Assets, Primary Government:

Capital assets activity by asset classification net of accumulated depreciation, for the year ended June 30, 2017, was as follows (amounts expressed in thousands).

Governmental activities:					
Classification	Balance July 1, 2016	Additions	Deletions	Transfers in (out)	Balance June 30, 2017
Capital assets, not depreciated,					
Land and improvements.....	\$ 3,526,164	\$ 45,971	\$ 31	\$ 45,788	\$ 3,617,892
Art and historical treasures	22,632				22,632
Construction in progress.....	4,783,177	1,431,948	19,714	(520,819)	5,674,592
Total capital assets, not depreciated	8,331,973	1,477,919	19,745	(475,031)	9,315,116
Capital assets, being depreciated,					
Structures and improvements	7,414,410	192,411	5,201	165,100	7,766,720
Equipment	3,214,630	118,200	53,073	117,669	3,397,426
Infrastructure.....	23,407,209	898,467	38	192,262	24,497,900
Total capital assets, being depreciated.....	34,036,249	1,209,078	58,312	475,031	35,662,046
Less accumulated depreciation for,					
Structures and improvements.....	3,580,215	194,475	1,105		3,773,585
Equipment	2,384,828	157,524	51,680		2,490,672
Infrastructure	13,908,963	899,386			14,808,349
Total accumulated depreciation.....	19,874,006	1,251,385	52,785		21,072,606
Total capital assets, net	\$ 22,494,216	\$ 1,435,612	\$ 25,272	\$ -	\$ 23,904,556

Business-type activities:

Classification	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets, not depreciated,				
Land and land improvements.....	\$ 397,382	\$ 125	\$ 958	\$ 396,549
Construction in progress	1,286,379	208,273	273,033	1,221,619
Total capital assets, not depreciated	1,683,761	208,398	273,991	1,618,168
Capital assets, being depreciated,				
Structures and improvements.....	154,524	8,783	986	162,321
Equipment	170,442	8,882	4,445	174,879
Infrastructure	5,595,081	258,782	42,549	5,811,314
Total-Capital assets, being depreciated.....	5,920,047	276,447	47,980	6,148,514
Less: accumulated depreciation,				
Structures and improvements.....	26,462	2,192	250	28,404
Equipment	93,360	18,361	4,444	107,277
Infrastructure	1,553,172	121,263	35,357	1,639,078
Total accumulated depreciation	1,672,994	141,816	40,051	1,774,759
Total capital assets, net.....	\$ 5,930,814	\$ 343,029	\$ 281,920	\$ 5,991,923

B. Depreciation Expense, Primary Government:

The depreciation expense for the year ended June 30, 2017, for the primary government was charged as follows (amounts expressed in thousands).

Governmental activities:

Function	Amount
General government	\$ 32,873
Education.....	4,203
Human resources	18,906
Health and mental hygiene.....	9,889
Environment	773
Public safety	44,283
Housing and community development	127
Natural resources and recreation	20,749
Transportation	1,081,475
Agriculture	33,811
Labor, licensing and regulation.....	487
Judicial	3,809
Total depreciation expense – governmental activities.....	\$1,251,385

Business-type activities:

Function	Amount
MLGCA	\$ 12,982
Transportation Authority.....	127,868
Maryland Correctional Enterprises.....	942
Economic Development Loan Programs.....	24
Total depreciation expense – business-type activities	\$ 141,816

11. Long-Term Obligations:

A. Governmental Activities:

Changes in governmental activities' long term debt, for the year ended June 30, 2017, were as follows (amounts expressed in thousands).

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year
Bonds and Notes Payable:					
General Obligation Bonds.....	\$ 9,465,285	\$ 1,145,365	\$ 1,276,445	\$ 9,334,205	\$ 835,446
Transportation Bonds	2,146,085	892,525	460,225	2,578,385	221,710
Add: Issuance premiums	1,420,432	287,576	233,618	1,474,390	
Total bonds and notes payable.....	13,031,802	2,325,466	1,970,288	13,386,980	1,057,156
Other Liabilities:					
Compensated absences.....	342,165	198,288	207,440	333,013	180,655
Self insurance costs	356,727	1,625,041	1,613,593	368,175	138,110
Net pension liability.....	19,299,399	2,345,041	155,224	21,489,216	
Net other post employment benefits obligation	4,639,576	356,391		4,995,967	
Obligations under capital leases	907,426	24,940	90,003	842,363	64,808

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year
Obligations under capital leases					
with component units	121,543		18,443	103,100	19,175
Pollution remediation	170,988	116	8,185	162,919	1,609
Agricultural preservation installment obligation.....	5,870		2,036	3,834	1,450
Total other liabilities	25,843,694	4,549,817	2,094,924	28,298,587	405,807
Total long-term liabilities - governmental activities.....	\$ 38,875,496	\$ 6,875,283	\$ 4,065,212	\$ 41,685,567	\$ 1,462,963

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, 2017. Bonds 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 2017, the State issued \$1,145,365,000, of general obligations at a premium of \$165,413,000, with related issuance costs of \$2,738,000.

Included in bond issuances were \$465,685,000, to refund certain outstanding general obligation bonds issued between 2009 and 2015. From the refunding bonds and related premium of \$72,221,000, \$537,419,000, was transferred to an escrow account and used to purchase U.S. Government securities. These securities will be used to secure the principal and interest related to the refunded bonds. The interest rates on the refunded bonds range from 2.0% to 5.3%. 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 was \$29,044,000. 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 \$24,251,000.

Refunded bonds of \$1,745,075,000, maturing in fiscal years 2018-2028 and callable in fiscal years 2018-2024 were considered defeased as of June 30, 2017. Accordingly, the trust account assets and the liability for the defeased bonds are not included in these financial statements.

General obligation bonds issued and outstanding, as of June 30, 2017, were as follows (amounts expressed in thousands).

Issue	Maturity	Interest Rates	Annual Principal Installments	Principal Issued	Principal Outstanding
8/15/02 (a)	2006-2018	4.8-5.5 %	\$ 21,820-23,055	\$ 515,830	\$ 23,055
3/6/03	2006-2018	5.3	47,455-49,830	500,000	49,830
11/30/04 (b)	2020	-	9,043	9,043	9,043
12/20/06 (b)	2022	-	4,378	4,378	4,378
8/16/07	2011-2023	5.0	29,800	375,000	29,800

Issue	Maturity	Interest Rates	Annual Principal Installments	Principal Issued	Principal Outstanding
12/18/07 (b)	2023	-	4,986	4,986	4,986
7/28/08	2012-2024	5.0	31,125-32,680	415,000	63,805
12/16/08 (b)	2010-2021	1.6	464	5,563	1,854
3/16/09(f)	2012-2023	4.0-5.0	21,075-26,110	199,220	47,185
8/18/09 Ser A	2013-2024	2.0-5.0	6,130-19,015	235,000	19,015
8/18/09 Ser B	2013-2024	4.0-5.3	13,710-25,775	200,000	74,805
8/18/09 (c)	2025	4.6	50,000	50,000	50,000
11/3/09	2013-2022	5.0	13,690-16,720	141,800	45,425
11/3/09 (c)	2023-2025	4.5-4.8	18,400-20,400	58,200	58,200
12/16/09 (d)	2025	-	50,320	50,320	50,320
12/17/09 (b)	2011-2025	1.6	371	5,563	2,967
12/18/09 (a)	2016-2021	2.0-5.0	29,560-178,775	602,765	448,020
3/9/10 (c)	2019-2025	4.0-4.6	52,450-62,170	400,000	400,000
3/9/10 (a)	2018-2023	3.0-5.0	2,330-60,600	195,315	195,315
8/10/10 Ser A	2014-2019	2.0-5.0	17,625-21,975	143,335	38,215
8/10/10 Ser B	2014-2022	2.5-5.0	15,400-44,765	221,665	76,265
8/10/10 (c)	2023-2026	4.2-4.3	17,960-19,575	75,000	75,000
8/10/10 (d)	2026	4.4	45,175	45,175	45,175
12/8/10 (b)	2026	5.0	4,543	4,543	4,543
3/22/2011 (g)	2014-2026	2.0-5.0	380-16,705	130,770	29,090
3/22/2011 (h)	2014-2026	3.0-5.0	17,205-38,375	354,230	47,115
8/5/2011 (g)	2015-2026	2.0-4.0	975-6,965	71,730	25,770
8/5/2011 (h)	2015-2027	3.5-5.0	26,445-44,545	418,270	180,710
8/5/2011 (b)	2027	4.2	15,900	15,900	15,900
8/5/2011 (i)	2027	4.2	6,500	6,500	6,500
9/28/2011 (a)	2020	1.2	30,025-52,385	254,915	101,850
3/20/2012 (g)	2027	2.2	150-7,385	56,085	19,870
3/20/2012 (h)	2027	2.4	34,235-54,210	543,915	316,720
3/20/2012 (a)	2023	1.7	25,055-40,005	138,380	103,355
8/14/2012 (g)	2016-2028	2.5	70-9,290	26,340	9,605
8/14/2012 (h)	2016-2028	2.2	27,335-48,770	478,660	402,735
8/14/2012 (b)	2028	2.8	15,230	15,230	15,230
8/14/2012 (a)	2019-2021	1.3	22,905-105,425	183,795	183,795
3/15/2013 (h)	2016-2028	2.4	29,835-49,105	500,000	321,715
3/15/2013 (a)	2018-2022	1.1	4,215-66,135	165,135	165,135
8/6/2013 (h)	2018-2029	3.2	16,295-46,770	435,000	360,650
8/6/2013 (e)	2017-2018	1.2	12,155-27,845	40,000	12,155
12/19/2013 (b)	2015-2029	-	303	4,549	3,639
3/18/2014 (h)	2018-2029	2.8	12,145-46,695	450,000	370,710
3/18/2014 (e)	2017-2018	0.9	19,090-30,910	50,000	19,090
3/18/2014 (a)	2015-2022	1.2	15,440-83,410	236,855	198,355
8/5/14 (g)	2017-2020	2.0-5.0	4,870-31,675	50,385	50,385
8/5/14 (h)	2017-2029	3.0-5.0	22,490-48,920	449,615	411,325
8/5/14 (a)	2020-2024	5.0-5.3	35,500-201,915	649,715	649,715
12/18/14 (b)	2016-2030	-	308	4,625	4,008
3/17/15 (h)	2018-2030	3.0-5.0	29,245-52,520	518,000	478,810
3/17/15 (a)	2020-2026	4.0	1,135-170,850	365,360	365,360
8/3/15 (h)	2020-2031	2.8-5.0	9,230-49,495	450,000	412,025
8/3/15 (e)	2019-2020	1.2-1.5	20,680-29,320	50,000	50,000
12/17/15 (b)	2017-2031	-	308	4,625	4,317
6/22/16 (h)	2019-2031	3.0-5.0	58,490-105,035	1,036,000	1,036,000

Issue	Maturity	Interest Rates	Annual Principal Installments	Principal Issued	Principal Outstanding
12/15/16 (b)	2018-2032	-	312	4,680	4,680
3/22/17 (h)	2022-2032	3.3-5.0	25,345-65,980	575,000	575,000
3/22/17 (e)	2020-2022	1.8-2.3	17,190-41,750	100,000	100,000
3/22/17 (a)	2018-2028	5.0	4,475-123,030	465,685	465,685
				\$ 13,757,650	\$ 9,334,205

- (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
- (e) Taxable bond sale
- (f) Institutional bond sale
- (g) Negotiated bond sale
- (h) Competitive bond sale
- (i) Qualified Energy Construction bond sale

General obligation bonds authorized, but unissued, as of June 30, 2017, totaled \$2,406,265,000.

As of June 30, 2017, 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
2018.....	\$ 835,447	\$ 390,497
2019.....	878,176	355,614
2020.....	918,264	312,987
2021.....	859,486	272,280
2022.....	834,636	232,397
2023 - 2027.....	3,548,046	650,501
2028 - 2032.....	1,460,150	117,409
Total.....	\$ 9,334,205	\$ 2,331,685

Subsequent to June 30, 2017, on August 30, 2017, general obligation bonds aggregating \$550,000,000, were issued for capital improvements, and general obligation refunding bonds in the amount of \$785,340,000, were issued to refund \$884,515,000, outstanding general obligation bonds issued between 2009 and 2015 in order to realize savings on debt service costs. The general obligation bonds have interest rates ranging from 3.0% to 5.0% and mature through 2032. The refunding bonds have an interest rate of 5.0% and mature through 2026.

Transportation Bonds –

Transportation bonds outstanding as of June 30, 2017, were as follows (amount expressed in thousands).

	Outstanding
Consolidated Transportation Bonds – 2.0% to 5.5%, due serially through 2032 for State transportation activity	\$2,014,365
Consolidated Transportation Bonds, Refunding – 4.0% to 5.0%, due serially through 2027 for State transportation activity.....	564,020
Total	\$2,578,385

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 \$4,500,000,000, through June 30, 2017, and thereafter. The aggregate principal amount of those bonds that was allowed to be outstanding as of June 30, 2017, was \$2,773,900,000. The aggregate principal amount of Consolidated Transportation Bonds outstanding as of June 30, 2017, was \$2,578,385,000. 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 payments.

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 2016 session of the General Assembly established a maximum outstanding principal amount of \$609,600,000, as of June 30, 2017, 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, 2017, the Department's nontraditional debt outstanding was \$650,609,000, 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, 2017.

During the year, the Department issued Consolidated Transportation Bonds in the amount of \$650,000,000, with net premiums of \$90,726,000, with maturities ranging from September 2019 to November 2031, and with interest rates ranging from 3.0% to 5.0%. Consolidated Transportation Bonds, Refunding were also issued in the amount of \$242,525,000, with a premium of \$32,611,000, and maturities ranging from May 2020 to May 2032, and with interest rates ranging from 3.1% to 5.0%. As of June 30, 2017, the Department has \$446,295,000, of defeased debt outstanding.

As of June 30, 2017, 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
2018.....	\$ 221,710	\$ 109,635
2019.....	199,410	99,423
2020.....	205,755	89,228
2021.....	223,295	79,178
2022.....	227,855	68,405
2023- 2028-2032	905,815	204,286
	<u>594,545</u>	<u>46,290</u>
Total	\$ 2,578,385	\$ 696,445

County Transportation Bonds are issued by the Department and the proceeds are used by participating counties and Baltimore City to fund local road construction, reconstruction and other transportation projects and facilities and to provide local participating funds for Federally-aided highway projects. Debt service on these bonds is payable from the participating counties' and Baltimore City's share of highway user revenues. County transportation debt is the obligation of the participating counties rather than the Department. Unexpended bond proceeds in the amount of \$23,711,000, and certain debt service sinking fund amounts aggregating \$15,942,000, were invested in money market accounts as of June 30, 2017. These funds are restricted for project funds and county bond debt service, respectively, and are reported as cash and cash equivalents in the agency funds. At year end, \$108,800,000, in County Transportation Revenue Bonds were outstanding.

Subsequent to June 30, 2017, on September 13, 2017, the Department issued \$425,000,000 of Consolidated Transportation Bonds to fund transportation projects.

Obligations Under Capital Leases –

Obligations under capital leases as of June 30, 2017, bore interest at annual rates ranging from 0.1% to 6.7%. Capital lease obligations with third parties in fiscal year 2017 increased by \$9,900,000, for master equipment leases entered into by the general fund and \$15,040,000, for 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. 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, 2017 (amounts expressed in thousands).

Years Ending June 30,	Capital Lease Obligations with	
	Third Parties	Component Units
2018.....	\$ 99,511	\$ 23,965
2019.....	98,468	23,954
2020.....	99,103	23,854
2021.....	94,841	10,329
2022.....	93,320	10,342
2023-2027.....	401,987	31,408
2028-2032.....	234,163	
2033-2037.....	14,696	
Total future minimum payments.....	1,136,089	123,852
Less: Amount representing interest.....	254,980	19,887
Less: Restricted cash and investments.....	38,746	865
Present value of net minimum payments.....	\$ 842,363	\$ 103,100

The reduction shown for restricted cash and investments in the amounts of \$38,746,000, and \$865,000, is 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.....	\$ 134,328
Land and improvements.....	19,040
Buildings and improvements.....	1,451,056
Machinery and equipment.....	250,024
Infrastructure.....	331,878
Total acquired assets.....	2,186,326
Less: Accumulated depreciation.....	935,387
Total capital assets – net.....	\$ 1,250,939

Pollution Remediation Obligations –

The State has recognized a pollution remediation obligation on the statement of net position 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 \$162,919,000, with no 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 \$157,396,000. 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 \$5,523,000, for the clean-up of illegal tire dumps 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 \$830/ton based on historical data, fuel costs, specific site factors and oversight costs.

Agricultural Land Preservation Installment Purchase Obligation–

Under the Maryland Agricultural Land Preservation Program, the State purchases agricultural preservation easements restricting development on prime farmland and woodland.

Landowners have the option to choose a lump-sum payment option or installment payment option. The installment payment option is available by taking payments in equal amounts over two to ten years. The landowner may elect to take a certain amount in cash at the time of settlement and divide the remainder of the offer amount equally to be paid annually over the subsequent years. For the installment payments, the funds are invested by the State Treasurer in certificates of deposit at the interest rate in effect on the day of deposit in order to mature in accordance with the schedule of installments indicated by the landowners. Interest rates currently range from 0.15% to 1.98%. Each installment includes interest minus one-quarter of one percent of the interest earned. All installments are paid either April 1 or October 1 beginning the calendar year after the year settlement has occurred. Installment obligations mature through April 2024.

A summary of long-term debt outstanding for the agricultural land preservation installment purchase obligation at June 30, 2017 is as follows (amounts expressed in thousands):

Years Ending June 30,	Principal	Interest
2018.....	\$ 1,449	\$ 35
2019.....	871	21
2020.....	720	15
2021.....	376	9
2022.....	283	5
2023-2024	135	
Total.....	\$ 3,834	\$ 85

For the governmental activities, compensated absences, self insurance, net pension liability, net other post-employment benefits obligations, obligations under capital leases, pollution remediation obligations, and Agricultural Land Preservation Installment Purchase 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, 2017, were as follows (amounts expressed in thousands).

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year
Bonds Payable:					
Revenue bonds payable.....	\$5,630,773	\$688,830	\$974,522	\$5,345,081	\$260,085
Other Liabilities:					
Lottery prizes.....	32,077	4,904	4,715	32,266	3,352
Escrow deposits	51,359	47,641	20,371	78,629	44,927
Compensated absences	14,925	9,294	8,875	15,344	4,164
Self-insurance costs	13,919	4,223	3,370	14,772	2,215
Pension liability	256,231	33,971		290,202	
Obligation under capital leases.....	48,285		12,616	35,669	13,250
Total other liabilities.....	416,796	100,033	49,947	466,882	67,908
Total long-term liabilities – business type activities.....	\$6,047,569	\$788,863	\$1,024,469	\$5,811,963	\$327,993

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

Year Ending June 30,	Community Development Administration		Maryland Water Quality Financing Administration		Maryland Transportation Authority	
	Principal	Interest	Principal	Interest	Principal	Interest
2018.....	\$ 85,288	\$ 62,219	\$ 23,620	\$ 13,594	\$ 151,177	\$ 133,408
2019	75,755	61,963	22,730	12,430	159,065	126,151
2020	69,155	60,053	23,935	11,330	130,639	118,429
2021.....	57,840	58,184	25,130	10,140	85,470	112,193
2022	57,535	56,509	26,375	8,886	91,278	108,234
2023-2027.....	276,760	257,168	125,365	25,788	515,989	475,125
2028-2032.....	364,210	204,367	70,375	4,168	516,999	356,438
2033-2037.....	368,885	140,780			494,671	239,653
2038-2042.....	293,210	83,603			583,847	106,157
2043-2047.....	260,739	39,780			174,975	14,164
2048-2052.....	68,130	16,596			24,330	309

Year Ending June 30,	Community Development Administration		Maryland Water Quality Financing Administration		Maryland Transportation Authority	
	Principal	Interest	Principal	Interest	Principal	Interest
2053-2057	23,865	7,056				
2058-2062	22,630	1,283				
Total	2,024,002	1,049,561	317,530	86,336	2,928,440	1,790,261
Discounts and premiums	6,889		25,073		38,562	
Totals	\$ 2,030,891	\$ 1,049,561	\$ 342,603	\$ 86,336	\$ 2,967,002	\$ 1,790,261

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 \$2,607,201,000, 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 2059. The principal amount outstanding as of June 30, 2017, was \$2,030,891,000. Substantially all bonds are subject to redemption provisions at the option of the Administration. Redemptions are permitted at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans. During fiscal year 2017, the Administration issued \$664,331,000, of revenue bonds with interest rates ranging from 0.8% to 4.4% and maturing serially through 2059.

Included in this amount were \$329,086,000 of 2016 Series A bonds, which refunded \$321,619,000 of 2006 Series K, L, O, P, and S, and 2007 Series A and B bonds, in full on September 1, 2016. This economic refunding resulted in debt service savings of approximately \$23,700,000. Also included in this amount were \$263,060,000 of 2017 Series A bonds, which refunded \$255,060,000 of 2007 Series D, E, F, H, I, and J bonds, in full on May 8, 2017. This economic refunding resulted in debt service savings of approximately \$25,600,000. The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred inflow of resources at its unamortized balance of \$918,000 as of June 30, 2017.

Subsequent to June 30, 2017, the Administration issued a total of \$39,035,000, and redeemed a total of \$28,205,000, 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 the variable rate revenue bonds totaling \$58,325,000. 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, 2038 through September 1, 2043, and the swaps’ notional amount of \$58,325,000, 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 4.3% 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, 2017. The fair value of one swap with one counterparty is (\$144,000) and the fair value of a second swap with another counterparty is (\$1,773,000). Therefore, the Administration is not exposed to credit risk as of June 30, 2017, 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 Moody’s and AA by Fitch and the second counterparty is rated AA by Standard and Poor’s and Aa by Moody’s. To mitigate the potential for credit risk, if the counterparties’ credit quality falls to A or below, 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 Security 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, 2017, 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.

Year Ending June 30,	Hedged Variable Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2018	\$ 2,740	\$ 516	\$ 1,595	\$ 4,851
2019	2,930	506	1,458	4,894
2020	1,230	487	1,373	3,090
2021	1,400	473	1,319	3,192
2022	1,590	460	1,258	3,308
2023-2027	8,895	2,050	5,297	16,242
2028-2032	9,920	1,625	3,674	15,219
2033-2037	12,280	1,109	1,863	15,252
2038-2042	4,230	623	216	5,069
2043-2047	13,110	176	15	13,301
Total.....	\$ 58,325	\$ 8,025	\$ 1,068	\$ 84,418

Fair value. Because interest rates have generally decreased since execution of the swaps, the swaps have a fair value of (\$1,917,000) as of June 30, 2017. 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, 2016 and 2017, and the changes in fair values for the year ended June 30, 2017 (amounts expressed in thousands).

	Total Fair Value at June 30, 2016	Total Fair Value at June 30, 2017	Change in Fair Value for the Period
Interest rate swaps:			
Cash flow hedges.....	\$ (6,908)	\$ (1,917)	\$ 4,991

The fair value balances of derivative instruments (interest rate swaps) outstanding as of June 30, 2017, classified by type, and the changes in fair value as presented on the financial statements for the year ended June 30, 2017, are as follows (amounts expressed in thousands).

	Change in Fair Value		Fair Value at June 30, 2017		Outstanding Notional Amounts
	Classification	Amount	Classification	Amount	
Cash flow hedges:					
Pay fixed interest rate swaps.....	Deferred outflow	\$ 4,991	Debt	\$ (1,917)	\$ 58,325

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 value measurement for the swaps' deferred outflow and liability is based on Level 2 inputs. 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, 2017, all of the Administration's swaps meet the criteria for effectiveness and the swap fair values are 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 1.5% to 4.1%, payable semiannually, with annual installments from \$2,515,000, to \$23,470,000, to March 1, 2030. The principal amount outstanding as of June 30, 2017, was \$342,603,000. These bonds are payable solely from the revenue, money or property of the Administration.

In November 2016, the Administration issued \$21,025,000, of 2016 Series Water Quality Revolving Loan Fund at an interest rate of 1.5% due serially from March 1, 2017 to March 1, 2025, to advance refund \$23,640,000 Series 2008A bonds. The interest rate on the refunded bonds was 4.1%, and the transaction resulted in a net present value savings of \$2,730,000.

Maryland Transportation Authority Bonds:

Bonds outstanding as of June 30, 2017, are as follows (amounts expressed in thousands).

BWI Consolidated Car Rental Facility Revenue Bonds, Series 2002, maturing in annual installments ranging from \$3,270 to \$8,505 from July 1, 2017, to July 1, 2032, with interest rates ranging from 2.7% to 6.7%, payable semiannually.....	\$ 87,830
BWI Airport Parking Revenue Refunding Bonds, Series 2012A and 2012B, maturing in annual installments ranging from \$11,385 to \$16,455 from March 1, 2018, to March 1, 2027, with interest rates ranging from 4.0% to 5.0% payable semiannually.....	136,900
Lease Revenue Refunding Bonds, Series 2015, maturing in annual installments ranging from \$225 to \$1,422 from July 1, 2017, to July 1, 2032, with an interest rate of 2.6% payable semiannually.....	18,011
Grant and Revenue Anticipation Bonds, Series 2007 (GARVEE bonds), maturing in annual installments ranging from \$32,760 to \$34,390 from March 1, 2018, to March 1, 2019, with an interest rate of 4.0% payable semiannually to finance the Intercounty Connector Highway Project.....	67,150
Series 2007 Revenue Bonds, for construction and improvement of Authority's Transportation Facilities projects, maturing in annual installments of \$6,630 to \$12,685 from July 1, 2017, to July 1, 2041, with interest rates ranging from 4.0% to 5.0% payable semiannually.....	289,280
Series 2008 Revenue Bonds, for construction and improvement of Authority's Transportation Facilities projects, maturing in annual installments of \$10,815 to \$31,070 from July 1, 2017, to July 1, 2041, with interest rates ranging from 4.8% to 5.1% payable semiannually.....	525,170
Series 2008 A Revolving loan under the Transportation Infrastructure Finance and Innovation Act (TIFIA), for the Intercounty Connector Project maturing to July 1, 2047 with a fixed interest rate at 2.6% and an accreted amount.....	529,519
Series 2009 Revenue Bonds, for construction and improvements of Authority's Transportation Facilities projects, maturing from July 1, 2017 to July 1, 2043, with interest rates ranging from 3.0% to 5.9% payable semiannually.....	539,030
Series 2010 Revenue Bonds, for construction and improvements of the Authority's Transportation Facilities projects, maturing from July 1, 2017 to July 1, 2041, with interest rates ranging from 4.0% to 5.8% payable semiannually.....	317,230
Grant and Revenue Anticipation Bonds, Series 2008 (GARVEE bonds), maturing in annual installments ranging from \$44,150 to \$48,865 from March 1, 2018, to March 1, 2020, with an interest rate of 4.3% payable semiannually to finance the Intercounty Connector Highway Project.....	139,440
Passenger Facility Charge Revenue Bonds, Series 2012A, maturing in annual installments of \$2,025 to \$3,780 from June 1, 2018 to June 1, 2032, with interest rates ranging from 0.7% to 4.3% payable semiannually.....	41,535
Series 2012 Revenue Refunding Bonds maturing in annual installments of \$3,725 to \$6,225, from July 1, 2017 to July 1, 2029, with interest rates ranging from 3.0% to 5.0% payable semiannually.....	63,995
Passenger Facility Charge Revenue Bonds, Series 2012B, maturing in annual installments of \$6,025 to \$7,765 from June 1, 2018 to June 1, 2027, with interest rates ranging from 0.6% to 2.7% payable semiannually.....	69,510
Variable Passenger Facility Charge Revenue Bonds, Series 2012C, via sinking fund payments of \$43,400 through June 1, 2032, with a current variable rate of .94%.....	43,400
Passenger Facility Charge Revenue Bonds BWI Thurgood Marshall Airport, Series 2014, maturing in annual installments of \$1,505 to \$2,535 from June 1, 2018 to June 1, 2034, with interest rates ranging from 0.4% to 3.8% payable semiannually.....	36,535
Lease Revenue Refunding Bonds Metrorail Parking Projects, Series 2014, maturing in annual installments ranging from \$1,585 to \$2,395 from July 1, 2017, to July 1, 2028, with interest rates ranging from 2.0% to 5.0%, payable semiannually.....	23,905
Unamortized premium.....	38,562
Total.....	\$ 2,967,002

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. TIFIA bonds payable include an accreted amount of \$13,519,000, as of June 30, 2017.

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

Obligations Under Capital Leases –

Obligations of business-type activities under capital leases as of June 30, 2017, were as follows (amounts expressed in thousands).

Years Ending June 30,	Maryland Lottery and Gaming Control Agency (MLGCA)
2018.....	\$ 13,250
2019.....	13,250
2020.....	9,920
Total minimum lease payments.....	36,420
Less: Imputed interest.....	751
Present value of net minimum lease payments	\$ 35,669

The MLGCA has entered into lease agreements for certain on-line gaming system equipment and a computer system. As of June 30, 2017, assets acquired under leases and the related accumulated amortization totaled \$91,984,000, and \$56,857,000, respectively, and were included in capital assets in the Statement of Net Position, Business-type Activities.

Department of Housing and Community Development (DHCD) State Funded Loan Programs – Note Payable

In April 2010, the DHCD obtained a loan from the John D. and Catherine T. MacArthur Foundation to preserve affordable housing for low-income persons and families near military bases in counties in Maryland impacted by the Base Realignment and Closure initiative (BRAC). In fiscal year 2012, several Maryland counties committed matching funds for participation in the BRAC. As of June 30, 2017, total notes payable for BRAC are \$4,585,000. This balance includes the loans received from the MacArthur Foundation as well as several Maryland counties. The loans bear interest at the rate of 2.0%, and are committed for no less than 10 years.

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).

Year Ending June 30,	Notes Payable and <u>Other Long-Term Debt</u>		<u>Revenue Bonds</u>	
	Principal	Interest	Principal	Interest
2018.....	\$ 5,085	\$ 1,231	\$ 94,521	\$ 52,189
2019.....	4,108	1,559	96,001	46,903
2020	3,320	1,500	95,221	42,608
2021	3,028	1,439	93,051	38,481
2022.....	15,437	983	81,430	34,275
2023-2027.....	28,602	562	369,531	119,079
2028-2032.....			266,205	47,956

Year Ending June 30,	Notes Payable and Other Long-Term Debt		Revenue Bonds	
	Principal	Interest	Principal	Interest
2033-2037.....			100,845	9,459
2038			255	6
Total.....	59,580	7,274	1,197,060	390,956
Accumulated accreted interest, premiums and discounts...			105,201	
Total.....	\$ 59,580	\$ 7,274	\$ 1,302,261	\$ 390,956

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, 2017, higher education institutions have defeased debt outstanding of \$109,025,000, 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, 2017, cash and investments were held by the trustees for the higher education institutions in the amount of \$100,013,000, for the University System of Maryland (System), \$119,000, for St. Mary's College of Maryland, and \$4,885,000, for Morgan State University.

On February 15, 2017, University System of Maryland issued \$115,000,000, of 2017 Series A Bonds at interest rates ranging from 4.0 % to 5.0% maturing from 2018 to 2037. On February 15, 2017, the System also issued \$50,075,000, of 2017 Refunding Series B Bonds at an interest rate of 5.0% maturing from 2018 to 2023 for refinancing \$54,455,000, of previously issued bonds for construction and University facilities renewal. The reduction in future debt service was \$4,873,000. The economic gain on the transaction was \$4,540,000.

Obligations under capital leases of \$25,655,000, existed as of June 30, 2017, and bore interest at annual rates ranging from 1.0% - 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
2018.....	\$ 27,213	\$ 21,174
2019.....	27,981	19,950
2020.....	29,160	18,673
2021.....	16,671	17,632
2022.....	17,475	16,843
2023-2027	68,722	72,466
2028-2032	45,495	58,531
2033-2037	58,070	45,961
2038-2042	74,100	29,919
2043-2046	73,770	9,446
Total.....	438,657	310,595
Unamortized premium net of unamortized discount.....	61,727	
Total	\$ 500,384	\$ 310,595

The Authority has issued various lease revenue bonds and notes to finance the construction of the baseball and football stadiums, Baltimore City Public Schools (BCPS), and certain other facilities. Except for BCPS, 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.

In April 2013, the BCPS Construction and Revitalization Act was passed. The General Assembly authorized the Authority to issue up to \$1.1 billion in debt as limited obligations of the Authority, payable solely from the BCPS Financing Fund, established under the Act. The Authority issued Series 2016 bonds, totaling \$320,000,000,000. In support of the bonds, the Authority will receive \$60,000,000, annually, \$20,000,000, each from the State of Maryland, Baltimore City, and Baltimore City Board of School Commissioners (BCBSC). Sources of revenues include a portion of State lottery revenues, a portion of state education aid currently committed to Baltimore City Public Schools, and other taxes collected by or payable to Baltimore City.

Expenditures for Baltimore City Public School Construction are projected to be spent over an eight-year period while the revenues will be collected for at least thirty (30) years, which will decrease unrestricted net position until the revenues are fully received.

As of June 30, 2017, 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.....	\$ 48,334	0.8% to 6.1%	December 15, 2023
Football Stadium.....	45,466	Variable	March 1, 2026
Hippodrome Performing Arts Center.....	8,910	0.7% to 2.5%	June 15, 2022
Montgomery County Conference Center.....	10,214	4.0% to 5.0%	June 15, 2024
Camden Station.....	5,105	3.0% to 5.2%	December 15, 2024
Camden Yards Complex.....	8,308	2.8% to 5.6%	December 15, 2024
Baltimore City Public Schools Construction.....	374,047	5%	May 1, 2046
Total.....	\$500,384		

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, worker’s 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 worker’s 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 the fiscal year 2017 were as follows (amounts expressed in thousands).

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability	Amounts Due Within One Year
Property, casualty and general liability.....	\$ 16,511	\$ 11,286	\$ 10,035	\$ 17,762	\$ 7,940
Employee health benefits	105,500	1,540,355	1,542,855	103,000	103,000
Workers' compensation.....	234,716	73,399	60,702	247,413	27,170
Governmental activities self-insurance costs	356,727	1,625,040	1,613,592	368,175	138,110
Business-type activities workers' compensation	13,919	4,223	3,370	14,772	2,215
Component units workers' compensation.....	38,166	7,384	6,777	38,773	5,816
Total self-insurance costs.....	\$ 408,812	\$ 1,636,647	\$ 1,623,739	\$ 421,720	\$ 146,141

As of June 30, 2017, the Program held \$338,821,000, in cash and investments designated for payments of these claims.

Changes in the self-insurance liabilities during fiscal year 2016 were as follows (amounts expressed in thousands).

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability	Amounts Due Within One Year
Property, casualty and general liability.....	\$ 16,647	\$ 7,204	\$ 7,340	\$ 16,511	\$ 7,116
Employee health benefits	105,500	1,466,270	1,466,270	105,500	105,500
Workers' compensation	232,394	66,816	64,494	234,716	24,293
Governmental activities self-insurance costs.....	354,541	1,540,290	1,538,104	356,727	136,909
Business-type activities workers' compensation	13,110	4,603	3,794	13,919	2,087
Component units workers' compensation	38,336	8,296	8,466	38,166	5,725
Total self-insurance costs	\$ 405,987	\$ 1,553,189	\$ 1,550,364	\$ 408,812	\$ 144,721

As of June 30, 2016, the Program held \$230,988,000, 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 position is \$27,010,946,000. A portion of the deficit results from the State incurring a 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 position category, net investment in capital assets, but rather in the unrestricted net position category. As of June 30, 2017, the State had reported outstanding general obligation bonds and capital leases applicable to these non-State projects of \$6,118,728,000. Without State financing for these capital assets, the State would have reported an unrestricted deficit for governmental activities in the amount of \$20,892,218,000.

The statement of net position for the primary government reported \$2,431,275,000, of restricted net position, including \$243,829,000, restricted by enabling legislation.

Detail of the fund balance categories and classification shown in the aggregate on the governmental funds balance sheet is 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.....	\$ 571,891	\$ 103,510		\$ 675,401
Restricted:				
Debt service.....			\$ 243,829	243,829
Other purposes.....	10,459			10,459
Committed:				
State Reserve Fund.....	861,456			861,456
AIDS Drug Assistance	78,233			78,233
Hospital Uncompensated Care	14,368			14,368

	General	Special Revenue		Total Governmental Funds
		Maryland Department of Transportation	Other Governmental Funds	
Other health and mental hygiene.....	139,440			139,440
Education.....	22,187			22,187
Aid for higher education.....	15,579			15,579
Human resources.....	25,545			25,545
Public safety.....	61,376			61,376
Transportation.....		15,402		15,402
Mortgage Services Settlement Fund.....	3,733			3,733
Public Utility Customer Investment Fund.....	11,522			11,522
Other judicial.....	31,338			31,338
Labor, licensing and regulation.....	36,695			36,695
Waterway improvements.....	11,264			11,264
Ocean beach replenishment.....	4,449			4,449
Other natural resources and recreation.....	83,963			83,963
Housing and community development.....	7,552			7,552
Environment.....	26,904			26,904
Agriculture.....	22,415			22,415
Commerce.....	10,748			10,748
Capital projects.....			563,388	563,388
Other purposes.....	95,901			95,901
Unassigned.....	(788,832)	83,890	(348,257)	(1,053,198)
Total fund balances.....	\$ 1,358,186	\$ 202,802	\$ 458,960	\$ 2,019,948

A portion of the general fund's committed fund balance, in the amount of \$861,456,000, as of June 30, 2017, includes the State Reserve Fund, which consists primarily of the Revenue Stabilization Account with a balance of \$832,492,000. The Revenue Stabilization Account is authorized in Section 7-311 of the State Finance and Procurement Article, Annotated Code of Maryland. 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.

Transfer of funds from the Revenue Stabilization Account may occur only to support the operation of State government on a temporary basis and only in amounts that are not otherwise offset by reductions made by the General Assembly in the general fund appropriations. These circumstances are not expected to occur routinely.

Transfer of funds from the account that does not result in a balance below 5% of estimated general fund revenues 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 position in other enterprise funds of \$9,722,000, 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:

Condensed Statement of Net Position

As of June 30, 2017

(Expressed in Thousands)

	Community Development Administration	Maryland Water Quality Administration
Assets:		
Current restricted assets	\$ 735,499	\$ 36,074
Non-current restricted assets	1,871,702	216,317
Total assets	2,607,201	252,391
Liabilities:		
Current liabilities	221,391	26,279
Non-current liabilities	1,974,552	318,982
Total liabilities.....	2,195,943	345,261
Net position:		
Restricted	411,258	(92,870)
Total net position.....	\$ 411,258	\$ (92,870)

Condensed Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2017

(Expressed in Thousands)

	Community Development Administration	Maryland Water Quality Administration
Operating income (expenses):		
Interest on loan income.....	\$ 80,842	\$ 3,086
Other operating revenues	11,093	
Other operating expenses	(52,239)	(41,721)
Operating income (loss).....	39,696	(38,635)
Non-operating revenues (expenses)	(56,815)	(46,139)
Change in net position.....	(17,119)	(84,774)
Total net position – beginning	428,377	(8,096)
Total net position – ending.....	\$ 411,258	\$ (92,870)

Condensed Statement of Cash Flows

For the Year Ended June 30, 2017

(Expressed in Thousands)

	Community Development Administration	Maryland Water Quality Administration
Net cash from:		
Operating activities.....	\$ 25,816	\$ (41,722)
Non-capital financing activities.....	(209,721)	(39,628)
Investing activities.....	183,092	39,629
Beginning cash and cash equivalents	574,800	41,721
Ending cash and cash equivalents.....	\$ 573,987	\$ -

15. Retirement Benefits:

Maryland State Retirement and Pension System (System):

The State is an 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 147 participating political subdivision or other entities within the State.

The State Retirement Agency (the “Agency”) is the administrator of the Maryland State Retirement and Pension System (the “System”). The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. Responsibility for the System’s administration and operation is vested in a 15-member Board of Trustees. The System is made up of two cost-sharing employer pools: the “State Pool” and the “Municipal Pool”. The “State Pool” consists of the State agencies, boards of education, community colleges, and libraries. The “Municipal Pool” consists of the participating governmental units that elected to join the System. Neither pool shares in each other’s actuarial liabilities, thus participating governmental units that elect to join the System (the “Municipal Pool”) share in the liabilities of the Municipal Pool only.

The State of Maryland is the statutory guarantor for the payment of all pensions, annuities, retirement allowances, refunds, reserves, and other benefits of the System. The State is obligated to annually pay into the accumulation fund of each State system at least an amount that, when combined with the System’s accumulation funds, is sufficient to provide benefits payable under each plan during that fiscal year. The System is accounted for as one defined benefit plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. Additionally, the System is fiscally dependent on the State by virtue of the legislative and executive controls exercised with respect to its operations, policies, and administrative budget. Accordingly, the System is included in the State’s reporting entity and disclosed in its financial statements as a pension trust fund.

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 or located at <http://www.sra.state.md.us/Agency/Downloads/CAFR/>.

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. For participants enrolled prior to July 1, 2011, vesting occurs after five years of service. A member terminating employment before attaining retirement age, but after completing five 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 of 62 with five years of service, or after completing 30 years of service credit, regardless of age. State Police members enrolled prior to July 1, 2011, 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 enrolled prior to July 1, 2011, 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 enrolled prior to July 1, 2011, may retire with reduced benefits after attaining age 55 and completing 15 years of service.

For new Pension System members hired on or after July 1, 2011, benefit reforms enacted during the 2011 Legislative Session establish the pension benefit multiplier at 1.5% rather than 1.8%, calculate average final compensation based on the five highest consecutive years of service rather than the three highest, and allow vesting after ten years of eligible service rather than five years.

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. Other reforms similar to those enacted for System employees and teachers were enacted for other systems in the State Pool.

Funding Policy:

In accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland, employer contribution rates are established by annual actuarial valuations using the entry age normal cost method and other actuarial assumptions adopted by the Board of Trustees. 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, member of the Retirement system are required to contribute to the System a fixed percentage of their regular salaries and wages, 7% or 5%, depending on the retirement plan selected. Under the 2011 Pension Reforms, members of the Pension System are required to contribute to the System 7% 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% of the regular salaries and wages that exceed the Social Security wage base. State Police members are required to contribute 8% of their regular salaries and wages to the System. Members of the Law Enforcement Officers Pension System are required to contribute 7% 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. As initially established, this method effectively maintained the contribution rate in effect for the Teacher's and Employees' combined systems during the preceding fiscal year (as adjusted for any legislative changes in benefit structure) as long as such systems remained between 90 percent and 110 percent funded. If either system fell below 90 percent funded (i.e. below the corridor), then the contribution rate in effect for the subsequent fiscal year would 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 remains 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 2017, for the State Pool, the State paid \$1,924,203,000, of the required contribution totaling \$1,924,203,000, which was 18.8% of covered payroll and 100.0% of the required payment. 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, 2017, the State's membership includes 167,164 active members, 46,669 vested former members, and 138,236 retirees and beneficiaries.

In the First Special Session of 2012, the General Assembly enacted legislation that requires local school boards to pay a portion of the actuarially determined normal cost of local teachers' retirement phased in beginning in fiscal year 2013 until fiscal year 2017 when the local school boards will pay 100% of normal cost.

Assumptions and Other Inputs:

The significant actuarial assumptions and other inputs listed below were used to measure the total pension liability as of the measurement date of June 30, 2017.

Valuation method	Individual Entry Age Normal Cost Method
Salary increases.....	3.15% to 9.15% including inflation
Inflation.....	2.65% general, 3.15% wage
Rate of return on investments	7.50%
Discount rate.....	7.50%
Post-retirement benefit increase	2.26% - 3.15% for service prior to July 1, 2011
	1.47% - 3.15% for service after June 30, 2011 (depending on system and provisions)
Mortality	RP-2014 Mortality Tables with projected generational mortality improvements based on the MP-2014 2-dimensional mortality improvement scale.

System's Fiduciary Net Position:

The System's fiduciary net position has been determined on the same basis used by the system. The System's financial statements are prepared on the accrual basis of accounting. Accordingly, investment purchases and sales are recorded as of their respective trade dates. Employer and member contributions are recognized in the period when due, pursuant to statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans. Investments are reported at fair value.

Long-term contributions receivable:

In addition to actuarially determined contributions, certain withdrawn employers also make annual installment payments, including interest at the actuarially assumed rate of return in effect at the time of withdrawal (7% or 7.5% per year), for liabilities associated with employees that have elected to stay in the System when their employer elected to withdraw. As of June 30, 2017, the outstanding balance was \$22,965,000. These payments are due over various time periods, based on the date of the employer's withdrawal.

Discount rate:

A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

As of June 30, 2017, the State reported a liability of \$22,173,456,000 (\$20,520,181,000 for Governmental Activities, \$290,202,000 for Business-Type Activities and \$1,363,073,000 for Component Units), for its proportionate share of the net pension liability (NPL). The NPL was measured as of June 30, 2017, and the total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date. The State's proportion of the NPL was based on adjusted contributions to the System in fiscal year 2016 relative to adjusted contributions of the State and all participating local governments, actuarially determined. At June 30, 2017, the State's proportion was 93.98%.

During the year ended June 30, 2012, the State passed legislation that required local school boards of education to fund the current service cost for teachers included in the Teachers Retirement and Pension System (TRS) which is included in the State of Maryland Retirement and Pension System. The intent of the legislation was for the State to be responsible for past service costs, actuarial gains and losses, and the unfunded liability. As a result, the State has determined that the NPL of TRS qualifies as a special funding situation and as such the entire liability associated with TRS and the related deferred outflows and inflows is included in the State's financial statements. The NPL for the TRS is \$13,164,381,000, and for the other State systems is \$9,009,075,000 at June 30, 2017.

The State recognized pension expense of \$2,545,458,000, consisting of \$1,511,238,000 applicable to the TRS and \$1,034,220,000 applicable to the other State systems, for the year ended June 30, 2017 (\$2,357,270,000 for Governmental Activities, \$30,102,000 for Business- Type Activities and \$158,086,000 for Component Units). At that date, the State reported deferred outflows and deferred inflows of resources related to the State systems from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions.....	\$ 898,528	
Difference between projected and actual earning on pension plan investment	3,489,996	\$ 918,557
Contributions made subsequent to the measurement date.....	1,924,203	
Difference between expected and actual experience.....		560,877
Total.....	<u>\$ 6,312,727</u>	<u>\$ 1,479,434</u>
TRS	\$ 3,747,866	\$ 878,340
Other State Systems.....	2,564,861	601,094
Total.....	<u>\$ 6,312,727</u>	<u>\$ 1,479,434</u>

	Year ending June 30,	
The net amount reported as deferred outflows of resources related to pensions (non-contributions) will be recognized in pension expense as shown to the right (amounts expressed in thousands).	2018	\$ 650,215
	2019	650,089
	2020	1,048,684
	2021	603,092
	2022	(42,990)
	Total	<u>\$ 2,909,090</u>

Contributions:

Deferred outflows of resources related to MSRPS of \$1,924,203,000, resulting from State contributions subsequent to the measurement date, will be recognized as a reduction of the NPL in the year ended June 30, 2018.

Sensitivity of the net pension liability to changes in the discount rate:

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.50%, as well as what the plan's net pension liability would be if it were using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher (amounts expressed in thousands):

	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
State's proportionate share of the NPL	\$ 31,170,322	\$ 22,173,456	\$ 14,711,873

Information included in the MSRPS financial statements:

Actuarial assumptions, long-term expected rate of return on pension plan investments, discount rate, and pension plan fiduciary net position are available at www.sra.state.md.us/Agency/Downloads/CAFR/.

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 or located at http://www.mdot.maryland.gov/office_of_finance/index.html.

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 (seven years for participants hired after May 18, 2013).

As of June 30, 2017, membership in the Plan includes 2,654 active members, 509 vested former members, and 1,844 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, 2017, the Administration's covered and total payroll was \$137,154,000.

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 total pension liability. All administrative costs of the Plan are paid by the Plan.

During fiscal year 2017, the administration paid \$40,997,000, of the required contribution totaling \$62,217,000, which was 29.9% of covered payroll and 65.9% of the required payment.

Assumptions and other inputs:

The significant actuarial assumptions and other inputs listed below were used to measure the total pension liability as of the measurement date of June 30, 2017.

Method of funding	Entry Age Normal Actuarial Cost Method
Discount rate.....	4.32%
Postretirement benefit increase.....	2.5% COLAs
Salary increase	Rates vary by participant service
Inflation	3.20%
Investment rate of return.....	7.55%, net of pension plan investment expense, including inflation for funded benefits The effective blended discount rate is 4.32%
Mortality.....	RP-2014 Blue Collar tables with MP-2014. The RP- 2014 Disabled Retiree table is used for disabled members
Cost of living adjustments.....	2.5% per year

Plan Fiduciary Net Position:

The Plan’s fiduciary net position has been determined on the same basis used by the pension plan. The Plan’s financial statements are prepared on the accrual basis of accounting. Accordingly, investment purchases and sales are recorded as of their respective trade dates and all contributions and benefits including refunds of employee contributions are recorded in the period when they become due. Investments are reported at fair value.

Net Pension Liability of the Plan:

The total pension liability of the Plans was determined by an actuarial valuation as of July 1, 2016 rolled forward to June 30, 2017 and the adjustment to the roll-forward liabilities were made to reflect the following assumptions change in the 2017 valuation:

1. An increase of the effective blended discount rate from 3.50% to 4.32%.

The components of the net pension liability as of June 30, 2017, are as follows (amounts expressed in thousands).

Total pension liability.....	\$ 1,242,033
Less Plan fiduciary net position	273,000
Employer net pension liability.....	\$ 969,033
Plan fiduciary net position as a percentage of the total pension liability.....	22.0%

Investments:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board after considering input from the Plan’s investment consultant(s) and actuary(s). For each major asset class that is included in the Plan’s target asset allocation as of June 30, 2017, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity	35%	4.70%
Fixed income	10%	2.00%
Credit opportunity	10%	3.00%
Real return	14%	2.80%
Absolute return	10%	5.00%
Private equity	10%	6.30%
Real estate	10%	4.50%
Cash	1%	1.40%
Total	100%	

The above was the Board of Trustees adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2017.

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 1.5%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate:

A single discount rate of 4.32% was used to measure the total pension liability. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at the actuarially determined contribution rate. Since the actuarially determined contributions do not reflect any assumed future increases of benefits for pensioners and beneficiaries (COLAs) or the benefit cap, the Plan's fiduciary net position is not expected to be available to make all future benefit payments of current plan members.

Sensitivity of the net pension liability to changes in the discount rate:

The net pension liability of the MTA calculated using the discount rate of 4.32% as well as what the MTA's net pension liability would be if it were calculated using a discount rate that is 1% lower (3.32%) or 1% higher (5.32%) than the current rate, is as follows (amount express in thousands).

	1% Decrease 3.32%	Discount Rate 4.32%	1% Increase 5.32%
Employer's total pension liability.....	\$ 1,437,303	\$ 1,242,033	\$ 1,083,011
Less Plan fiduciary net position	273,000	273,000	273,000
Net pension liability	<u>\$ 1,164,303</u>	<u>\$ 969,033</u>	<u>\$ 810,011</u>
Plan fiduciary net position as a percentage of the total pension liability	19.0%	22.0%	25.2%

Pension expense, deferred outflows of resources and deferred inflows of resources and changes in net pension liability:

The components of the pension expense for the Plan at June 30, 2017, are as follows (amounts expressed in thousands).

	Amount
Service cost.....	\$ 36,334
Interest on the total pension liability.....	57,947
Projected investment earnings	(20,091)
Administrative expenses and other	1,914
Subtotal.....	<u>76,104</u>
Changes in benefit terms	2,132
Other changes in fiduciary net position.....	2,631
Amortization - changes of assumptions	32,832
Amortization - actual investment earnings different than assumed	(3,260)
Amortization - differences between actual and expected experience	(7,912)
Subtotal.....	<u>26,423</u>
Total components recorded as pension expense	<u>\$ 102,527</u>

For the year ended June 30, 2017, the MTA recognized pension expense \$102,527,000. At June 30, 2017, the MTA reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience.....		\$ 39,722
Changes of assumptions.....	\$ 272,667	139,376
Net difference between projected and actual earnings on pension plan investments	3,059	4,403
Total.....	<u>\$ 275,726</u>	<u>\$ 183,501</u>

	Year ended June 30:	
The net amount reported as deferred outflows of resources related to pensions will be recognized in pension expense as shown to the right (amounts expressed in thousands).	2018	\$ 23,954
	2019	23,954
	2020	24,742
	2021	25,684
	2022	20,083
	Thereafter	(26,192)
	Total	\$ 92,225

The changes in employer's net pension liability at June 30, 2017 are as follows (amounts expressed in thousands).

Total pension liability	
Service cost.....	\$ 36,334
Interest.....	57,881
Changes of benefit terms	2,133
Differences between expected and actual experience	(20,741)
Change of assumptions or other inputs	(151,242)
Benefit payments, including refunds of member contributions.....	(39,062)
Net changes in total pension liability	(114,697)
Total pension liability-beginning.....	1,356,730
Total pension liability-ending(a).....	\$ 1,242,033
Plan fiduciary net position	
Contributions-employer.....	\$ 40,997
Contributions-member	3,095
Net investment income	27,739
Benefit payments, including refunds.....	(39,062)
Administrative expenses	(1,914)
Net change in plan fiduciary net position	30,855
Plan fiduciary net position-beginning	242,145
Plan fiduciary net position-ending (b)	\$ 273,000
Net pension liability-ending (a)-(b)	\$ 969,033

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 Plan prepares separately audited financial statements, which can be obtained from the Maryland Teachers & State Employees Supplemental Retirement Plans, William Donald Schaefer Tower, Suite 200, 6 Saint Paul Street, Baltimore, Maryland 21202 or located at <http://msrp.maryland.gov/agency.htm>.

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 provision, 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 statue. During the year ended December 31, 2016, the State suspended the match contribution. For the plan year ended December 31, 2016, the State contributed \$16,000, to the 401(a) plan and participants contributed \$66,817,000, \$2,964,000, and \$85,852,000, 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 oversight of the OPEB funds is the same Board of Trustees that oversees the Maryland State Retirement and Pension Systems. The Board of Trustees consists of 15 members. A separate audited GAAP-basis postemployment benefit report is not available for the defined benefit healthcare trust fund. Financial statements for the OPEB Trust are presented below:

Statement of Fiduciary Net Position Postretirement Health Benefits Trust Fund June 30, 2017

(Expressed in Thousands)

Assets:	
Investments:	
U.S. Treasury and agency obligations	\$ 41,995
Bonds	36,806
Corporate equity securities	175,661
Mortgage related securities	8,065
Real estate	30,175
Commingled funds	13,971
Total assets	306,673
Net position:	
Restricted for:	
Post-retirement health benefits	306,673
Total net position	\$ 306,673

Statement of Changes in Fiduciary Net Position Postretirement Health Benefits Trust Fund For the Year Ended June 30, 2017

(Expressed in Thousands)

Additions:	
Contributions:	
Employers	\$ 526,535
Total contributions	526,535
Investment earnings:	
Net increase in fair value of investments	30,807
Interest	12
Total investment earnings	30,819
Less: investment expense	195
Net investment earnings	30,624
Total additions	557,159

Statement of Changes in Fiduciary Net Position
Postretirement Health Benefits Trust Fund
For the Year Ended June 30, 2017
(Expressed in Thousands)

Deductions:	
Benefit payments.....	526,535
Total deductions.....	<u>526,535</u>
Net increase in net position.....	30,624
Net position - beginning.....	<u>276,049</u>
Net position - ending.....	<u>\$ 306,673</u>

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. 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.

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 ten 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. For members hired on or after July 1, 2011, they are required to have completed at least 25 years of creditable service, retired directly from State service with at least ten years of creditable service, or ended State service with at least ten years of creditable service and within five years before the age at which a vested retirement allowance normally would begin. As of July 1, 2017, the State's Plan membership includes 78,557 active employees, 3,132 vested former employees, and 72,216 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. During fiscal year 2017, the State did not appropriate funds to the OPEB Trust to prefund future OPEB costs.

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, 2017 (amounts expressed in thousands).

Annual required contribution (ARC).....	\$ 779,316
ARC Adjustment.....	(154,007)
Interest on net OPEB obligation beginning of year.....	192,660
Total Annual OPEB Cost (AOC).....	<u>817,969</u>
Less: Contributions made.....	526,535
Increase in net OPEB obligation.....	291,434
Net OPEB obligation – beginning of year.....	<u>4,281,332</u>
Net OPEB obligation – end of year.....	<u>\$ 4,572,766</u>
Percentage of annual OPEB cost contributed.....	<u>64.4%</u>

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
6/30/2017.....	\$ 817,969	64.4%	\$ 4,572,766
6/30/2016.....	649,367	75.6	4,281,332
6/30/2015.....	607,801	74.0	4,122,729

Funded Status and Funding Progress:

The funded status of the Plan, as of June 30, 2016, the most recent valuation date, was as follows (amounts expressed in thousands):

Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	(Unfunded AAL) /Excess of Assets over AAL	Funded Ratio	Covered Payroll	(Unfunded AAL) /Excess as a Percentage of Covered Payroll
\$291,462	\$ 12,080,912	\$ (11,789,450)	2.4%	\$ 4,997,602	(235.9%)

Assumptions and Other Inputs:

The significant assumptions listed below were used in the actuarial valuation as of June 30, 2016, the most recent valuation date.

Actuarial cost method.....	Entry Age Normal (percent of earnings)
Asset valuation method	Five-year smoothed market
Rate of return on investments	3.50%
Inflation rate	3.20%
Mortality.....	RP- 2014 Healthy Retiree Mortality Rates with Generational Projection Using Scale MP-2014 for healthy retirees. RP- 2014 Disability Mortality Rates with Generational Projection Using Scale MP-2014 for disabled retirees. RP- 2014 Pre-Retirement Mortality Rates with Generational Projection Using Scale MP-2014 for pre-retirement.
Aggregate salary growth.....	3.20%
Method to determine blended rate.....	3.58% represents an unblended pay-go rate
Healthcare cost trend rate.....	Medical: Under 65 – 8.00% graded to 4.50% over 14 years Over 65 – 6.50% graded to 4.50% over 8 years Prescription drug: 10.75% graded to 5.00% over 23 years Dental: 3.50%
Amortization method	Level percentage of projected payroll
Amortization period	30 years (open)

GASB Statement No.74 replaced current accounting standards for reporting Other Postemployment Benefits, Health Benefits (OPEB) Plan information beginning in fiscal year 2017. Employer accounting for OPEB continues to be based on previously-existing standards, such as calculation of actuarial accrued liability, OPEB cost, and net OPEB obligation. GASB Statement No.75, which will affect employer OPEB accounting beginning in fiscal year 2018, will use the assumptions and methods included in Statement No.74. The significant provisions of GASB Statement No.74 include:

- Reporting a Total OPEB Liability (TOL), similar to an accrued actuarial liability, and basing future employer funding on the amortization of this amount
- Using a blended discount rate to calculate future liabilities for accounting purposes, to the extent that assets attributable to current members are not sufficient to make all benefit payments
- Using the market value of assets to calculate net OPEB liability, similar to the unfunded actuarial accrued liability

The TOL at beginning of the measurement year is measured as of a valuation date of July 1, 2016. The TOL at the end of the measurement year, June 30, 2017, is measured as of a valuation date of July 1, 2017.

The components of the net OPEB liability are as follows (amounts expressed in thousands):

Total OPEB liability	\$ 11,391,883
Less: Plan fiduciary net position.....	306,673
Employer net OPEB liability.....	<u>\$11,085,210</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>2.69%</u>

Investments:

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board after considering input from the Plan’s investment consultant(s) and actuary(s). For each major asset class that is included in the Plan’s target asset allocation as of June 30, 2017, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity.....	36%	5.3%
Private equity.....	11	7.0
Rate Sensitive.....	21	1.2
Credit opportunity.....	9	3.6
Real Assets	15	5.7
Absolute return.....	<u>8</u>	3.1
Total.....	<u>100%</u>	

The above was the Board of Trustees adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2017.

Discount rate:

The Discount rate used to measure the total OPEB liability was 3.58% as of June 30, 2017. The projection of cash flow used to determine the discount rate assumed that the State would not make additional contribution to the OPEB Trust and continue to fund the Plan on a pay-as-you-go basis. Based on those assumptions, the OPEB Plan’s fiduciary net position was not projected to cover a full year of projected future benefit payments. Therefore, all future benefit payments are discounted at the current index rate for 20 year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (3.58%).

Contributions:

For the fiscal year ended June 30, 2017, retiree plan members contributed \$97,318,000, or approximately 15.6% of total retiree premiums, and the State contributed \$526,535,000.

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate:

Regarding the sensitivity of the net OPEB liability to change in the healthcare cost trend rates, the following presents the plan’s net OPEB liability, calculated using current rates, as well as what the plan’s net OPEB liability would be if it were calculated using rates that are 1-percentage-point lower or 1-percentage-point higher (amounts expressed in thousands):

	1% Decrease in Trend Rates	Current Healthcare Cost Trend Rates	1% Increase in Trend Rates
Net OPEB Liability.....	\$ 9,349,084	\$ 11,085,210	\$ 13,293,807

Sensitivity of the net OPEB liability to changes in the discount rate:

Regarding the sensitivity of the net OPEB liability to change in the single discount rate, the following presents the plan's net OPEB liability, calculated using a single discount rate of 3.58%, as well as what the plan's net OPEB liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher (amounts expressed in thousands):

	1% Decrease 2.58%	Discount Rate 3.58%	1% Increase 4.58%
Net OPEB Liability.....	\$ 12,934,844	\$ 11,085,210	\$ 9,604,101

The annual money-weighted rate of return, net of investment expenses, on Plan investments for the year ended June 30, 2017, was 11.1%. A money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

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, disability with 5 years of service and surviving spouses. A separate audited GAAP-basis postemployment benefit plan report is not available for the healthcare plan.

As of June 30, 2017, 2,334 active employees and 1,361 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, 2017 (amounts expressed in thousands).

Annual required contribution (ARC).....	\$ 90,004
ARC Adjustment.....	(21,595)
Interest on net OPEB obligation beginning of year	13,434
Total Annual OPEB Cost (AOC)	81,843
Less: Contributions made	(16,887)
Increase in net OPEB obligation	64,956
Net OPEB obligation – beginning of year.....	358,244
Net OPEB obligation – end of year.....	<u>\$423,200</u>
Percentage of annual OPEB cost contributed	20.6%

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
6/30/2017	\$81,843	20.6%	\$423,200
6/30/2016	61,624	24.8%	358,244
6/30/2015	58,757	23.7%	311,916

Funded Status and Funding Progress:

The funded status of the MTA OPEB, as of June 30, 2017, the most recent valuation date, was as follows (amounts expressed in thousands):

Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	(Unfunded AAL) /Excess as a Percentage of Covered Payroll
\$ -	\$ 852,796	\$ (852,796)	- %	\$ 145,834	(584.8%)

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 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, 2017.

Actuarial cost method.....	Entry Age Normal, Level Percentage of Payroll
Rate of return on investments.....	3.75%
Inflation rate.....	2.70%
Aggregate salary growth.....	3.20%
Healthcare cost trend rate.....	Medical and Prescription: 5.80% in 2017 decreasing to 5.68% in 2050 Pre-Medicare and 5.30% Post-Medicare. The ultimate rate is 4.34% in 2080. Dental and Vision: 4.50% per annum
Amortization method.....	Level Percentage of Payroll Closed
Amortization period.....	18 years as of July 1, 2016

17. Commitments:

As noted in Note 2, encumbrance accounting is used to account for outstanding commitments for open purchase orders and unfulfilled contracts in some governmental funds. Amounts related to encumbrances are reported in the general fund, \$288,219,000, the special revenue fund, \$15,402,000, and the capital projects fund, \$563,388,000, as of June 30, 2017.

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, 2017, were approximately \$93,930,000.

As of June 30, 2017, the governmental funds, other than the Department of Transportation, had commitments of approximately \$196,662,000, for service contracts.

As of June 30, 2017, the Department of Transportation and Maryland Transportation Authority had commitments of approximately \$6.6 billion and \$541,693,000, respectively, for construction of highways and mass transit facilities.

Approximately 18.7% 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
2018.....	\$145,281
2019.....	111,951
2020.....	39,948
2021.....	35,372
2022.....	30,209
2023-2027.....	65,573
2028-2032.....	6,662
Total	\$434,996

The cost and accumulated depreciation of the assets as of June 30, 2017, were \$1,517,732,000 and \$795,866,000, respectively.

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 \$189,010,000, for the year ended June 30, 2017.

As of June 30, 2017, the enterprise fund loan programs had committed to lend a total of \$479,088,000, in additional loans and had committed \$1,560,000 for service contracts. The Community Development Administration, also an enterprise fund loan program, had \$585,060,000 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, 2017, the higher education fund had commitments of approximately \$599,759,000 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, 2017, economic development loan programs were contingently liable to financial institutions for \$1,972,000 for the repayment of loans for small businesses. Non-major enterprise funds were contingently liable as insurers of \$190,358,000 of \$285,587,000, mortgage loans made by public and private lenders.

Non-major component units were contingently liable as insurers of \$16,610,000 of \$69,309,000 economic development and growth bonds issued by financial institutions. As of June 30, 2017, there were approved economic development bonds pending settlement which were insured by non-major component units for \$445,000.

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, 2017, the State has recognized a liability of \$50,171,000, in the general fund for Medicaid claims to the federal government related to disallowed costs under the developmental disabilities and communicable disease care programs. The State estimates that no additional 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 \$173,250,000 were made from the proceeds in the Cigarette Restitution Fund for fiscal year 2017 expenditure of appropriations.

As part of the Master Settlement Agreement between the states and the tobacco companies, Maryland's share during fiscal year 2017 was \$152,544,000, including the award from the arbitration panel for attorney fees. This amount does not include \$17,721,000 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 2022 will total \$3.31 billion. The actual amount received each year, however, will reflect adjustments for inflation and cigarette shipment volume. In addition, the State expects to receive \$118,700,000 during that same period pursuant to an award for attorney fees by the national arbitration panel.

20. Landfill Closure:

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 for 30 years after closure. Although closure and postclosure care charges will be paid near and 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, 2017. The landfill stopped accepting waste on December 31, 2010. Total closure and postclosure care costs for the landfill are currently estimated to be \$3,883,000 as determined through engineering studies, and \$2,477,000 has been recognized as a liability on the June 30, 2017, Combining Statement of Net Position, Non-Major Component Units.

A flyover is performed annually in July to assist in the calculation of the landfill's remaining capacity based upon the volume of cubic yard capacity. Midshore II's current cells, which are expected to close in 2053, are approximately 17% filled as of June 30, 2017. Total closure and postclosure care costs for the landfill are currently estimated to be \$17,353,000 as determined through engineering studies, and \$2,451,000 has been recognized as a liability as of June 30, 2017. 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, 2016. The Service expects to satisfy these requirements as of June 30, 2017, using the same criteria.

21. Service Concession Arrangements:

In fiscal year 2013, the Maryland Department of Transportation entered into a long-term lease with Ports America Corporation (PAC) to manage, operate and maintain the Dundalk Marine terminal. This agreement satisfies the criteria established to be considered a service concession arrangement.

Under the terms of the ground lease, the Department transfers rights to PAC for a term of 50 years. After 50 years ownership of the Dundalk Marine Terminal will revert to the Department. PAC charges and collects fees from the user for container lifts, short tons of roll on-roll off, break-bulk and bulk cargo and pays the operating costs, management fee and debt service associated with the project. The Department has the ability to approve what services the operator is required to provide.

As of June 30, 2017, the capital assets, net of accumulated depreciation, and deferred service concession arrangement receipts were \$48,681,000.

In fiscal year 2013, Maryland Transportation Authority and Areas USA entered a 35-year Service Concession Arrangement (SCA) agreement to redevelop and operate two travel plazas along the John F. Kennedy Memorial Highway (I-95). The structure of the agreement between the Authority and Areas USA is a long term lease and concession. The Authority retains ownership of the property and assets. All property and improvements, with the exception of the fueling systems, are returned to the Authority at the end of the 35 year lease. Under the agreement, the Authority should realize reduced future operating and capital expenses; debt capacity will be reserved for core business activities; and revenue is guaranteed over the life of the agreement. Areas USA invested \$55,890,000, which required no public subsidy or debt, to redesign and rebuild both the Maryland House and Chesapeake House travel plazas. Areas USA will operate and maintain the travel plazas through the year 2047. The unamortized balance as of June 30, 2017, is \$51,454,000, which is reported in the deferred inflow of resources on the Statement of Net Position.

The University System of Maryland has entered into a long-term lease of university-owned land and other SCA agreements with a quasi-governmental issuer of debt and a developer to build, and an operator to manage, student housing projects at seven of the System's institutions.

Under the terms of the ground lease, the System transfers rights to university-owned property for a term of 40 years to the quasi-governmental issuer of debt (the project 'owner'). The project owner contracts with a developer to build student housing on the property, as well as an operator that manages the facility on behalf of the owner. Each student housing project is financed using tax-exempt debt that limits the use of the project to uses that support the institution. The owner of the project charges and collects rent from the students, and pays the operating costs and debt service associated with the project. The residual cash flow from the project, after paying all operating costs and management fees, is paid to the university as the ground lease payment. The institution has the ability to approve what services the operator is required to provide and the rates that can be charged.

Upon final payment of the outstanding debt associated with the project, or upon termination of the ground lease, whichever is sooner, the building's ownership transfers to the university and the owner's rights to use land revert to the university.

As of June 30, 2017, the Statement of Net Position reflects net capital assets of \$334,078,000, and deferred service concession arrangement receipts of \$307,288,000, from this transaction.

22. Tax Abatements:

For financial reporting purposes, the tax abatement is defined as an agreement between the government and an individual or entity through which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to the economic development or otherwise benefits the government or its citizens. The following tax abatement programs were granted and administered by the State of Maryland during fiscal year 2017. There was one tax abatement program for which a company received a tax abatement \$5 million or greater. It was the Film Production Activity Tax Credit to the Knight takes King Production in the amount of \$13.5 million.

Name of Program	Tax Abatements – FY 2017 (1)	Tax Filings- FY 2017 (2)	Program Description
Economic Development Programs:			
Film Production Activity Tax Credit	\$18,900,000	2	The program is designed to maintain current level of film production in the state, increase the current level of film production in the state and maintain the positive impact on the State's economy. Production companies must incur a minimum of \$500,000 direct costs in Maryland to participate in the program. The companies are reimbursed 25% of qualifying direct costs incurred in Maryland for films and 27% of qualifying direct costs incurred in Maryland for television series. The authority under which abatements are entered into is the Annotated Code of Maryland: Tax General Title 10, Subtitle 7, Section 10-730. State business income tax is abated. Taxes are being reduced by an allowance of credit against income taxes. Taxpayers receive the full amount of the credit regardless of the tax liability (refundable). There are no provisions for recapture of credit.
One Maryland Tax Credit	\$18,800,000	50	The program provides two income tax credits to businesses that initiate major investment projects in Maryland's economically distressed jurisdictions. The Project Tax Credit can be \$5 million and the Start Up Tax Credit can be \$500,000. The business must create at least 25 new positions paying at least 150% of the federal minimum wage. Tax being abated is the State business income tax. Taxes are reduced as an allowance of the credit against taxes. If the credit is less than the tax liability the credit may be used over a 14 year period. After the 4 th tax year but before the 15 th year after the project has been placed in service the business may apply the excess credit for project costs to non-project related tax income and a portion may be refunded. The authority under which abatements are entered into is the Annotated Code of Maryland: Economic Development Title 6, Subtitle 4, Section 6-401-6-406. There is no provision for recapturing abated taxes.
Aerospace, Electronics or Defense Contract Tax Credit	\$0	1	The program creates a tax credit against the State income tax for a business operating a qualified aerospace, electronics or defense contract tax credit project. The purpose of the program is to keep aerospace, electronics and defense contractors employing Maryland workers and to help the Maryland economy. The credit is \$2.5 million a year for each of the three programs for 5 years. The maximum credit is \$7.5 million a year and \$37.5 million total. A business entity operating a project must create or retain 10,000 positions and expend at least \$25 million in capital expenditures in Maryland. The taxes are reduced as a credit against state business income taxes. The authority under which the abatements are entered into is the Annotated Code of Maryland, Tax General, Title 10, Subtitle 7 Section 10-737. If the credit allowed in any tax year exceeds the total income tax otherwise payable by the qualified business entity for that taxable year the business entity may claim a refund in the amount of the excess (refundable). The credit must be recaptured if during either of the 2 years after the credit year the number of qualified positions falls below a rolling average over the past 2 years of 10,000. If the credit is required to be recaptured, the credit is recomputed and reduced on a proportionate basis, based on the reduction of the rolling average number of qualified employees over the past 2 years. The recomputed credit is then subtracted from the amount of credit previously allowed. If, during any of the 2 years after the credit year, the rolling average of qualified positions falls below 9,000 for the past 2 years, all the credits shall be recaptured.

Name of Program	Tax Abatements – FY 2017 (1)	Tax Filings- FY 2017 (2)	Program Description
Economic Development Programs:			
Job Creation Tax Credit	\$600,000	24	The program is designed so that businesses that create a minimum number of new full-time positions in Maryland may be entitled to income tax credits of up to \$1,000 per job or \$1,500 per job in a revitalization area. The business facility must be certified as creating at least 60 positions, 30 high paying positions or 25 positions if the business facility is established or expanded in a revitalization area. The positions must be full-time positions paying at least 150% of the federal minimum wage. The credit may be taken against corporate income tax, personal income tax, insurance premium tax or public service franchise tax. The authority under which abatements are entered into is the Economic Development Section of the Annotated Code of Maryland, Section 6-304. Taxes are reduced as an allowance of the credit against taxes. Half of the credit is claimed in the first year and half is claimed in the second year. If the credit is more than the State portion of the income tax due, the unused credit may be carried forward for the next 5 years (nonrefundable). Provisions for recapturing occur if at any time during the 3 tax years after the year the credit was earned, the average number of new positions hired as a result of the credit fall more than 5%, the amount to be recaptured is the amount originally claimed multiplied by the percentage reduction in the number of newly hired employees.
Biotechnology Investment Incentive Tax Credit	\$11,400,000	207	The purpose of the program is to increase investment in Maryland Biotechnology Companies. Investors may receive a credit on their corporate or personal Maryland State income tax equal to 50% of investment not to exceed \$250,000 and for investment in companies in certain counties, 75% of investment not to exceed \$500,000. Taxes being abated are State of Maryland corporate or personal income tax. Authority under which abatements are entered into is the Annotated Code of Maryland, Tax General, Section 10-725. Taxes are reduced as an allowance of credit against income taxes. The amount in excess of the state income tax liability may be refunded (refundable). Amount is limited to the amount in the State Reserve Fund which was \$12,200,000 in fiscal year 2017. If within 2 years after the close of the tax year for which the credit was claimed the investor sells, transfers or disposes of its ownership interest or if the company ceases to have its headquarters and base of operations in Maryland, the credit must be recaptured on the investors' Maryland income tax return.
Cybersecurity Investment Incentive Tax Credit	\$1,000,000	3	The purpose of the program is to promote investment in cybersecurity companies in Maryland. The company may receive a tax credit equal to 33% of amount invested per investor up to \$250,000 for each investor each fiscal year. The company may receive a tax credit equal to 50% of the investment per investor up to \$500,000 per investor if the company is located in certain counties. Companies are limited to a 2 year participation in the program. Taxes being abated are the Maryland Corporate income tax or personal income tax for the company receiving the investment. Authority under which abatements are entered into is the Annotated Code of Maryland Tax General Article Section 10-733. The company may take an allowance of credit against income taxes. If the credit allowed exceeds the State of Maryland income tax, an individual or a corporation may claim a refund in the amount of the excess (refundable). The provision for recapturing abated taxes requires the cybersecurity company to repay a prorated share of the credit claimed if within 2 years it ceases to operate as an active business with its headquarters and base of operations in Maryland. The prorated share is 100% if the event occurs during the taxable year the credit was claimed, 67% if the event occurs the first year after the close of the taxable year for which the credit was claimed and 33% if within 2 years after the tax year for which the tax credit was claimed.

Name of Program	Tax Abatements – FY 2017 (1)	Tax Filings- FY 2017 (2)	Program Description
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Housing and Community Development Program:

Sustainable Communities Tax Credit	\$8,000,000	10	The purpose of the program is to encourage private sector investment in the rehabilitation and re-use of Competitive Commercial Projects and to promote investment in local economies. Owners of income-producing properties may earn a state income tax credit capped at \$3 million that is equal to 20% of the eligible rehabilitation expenses. The annual appropriation is \$9 million. The tax being abated is the State of Maryland Business or Individual Income Taxes. Authority to abate taxes is the Annotated Code of Maryland; State Finance and Procurement Article; Section 5A-303. A pro-rated percentage of the credit is subject to recapture if disqualifying work is performed or the certified rehabilitation is disposed of during the 5 year period that begins with the year the certified rehabilitation was completed.
Total tax credits administered by State	\$58,700,000	297	

The State's tax revenues were reduced by \$2,300,000 under tax abatement agreements entered into and administered by the counties and municipalities. There were three businesses that received revenue reductions of \$100,000 or greater for Enterprise Zone Tax Credits in fiscal year 2017. These businesses received tax credit certificates from Prince George's County, Baltimore City, the Town of Berlin in Worcester County, and the City of Hagerstown in Washington County. There was one business that received a revenue reduction from the State for the Businesses That Create New Jobs Tax Credit Program. The tax credit program was administered by Montgomery County.

Name of Program	Tax Abatements – FY 2017 (1)	Tax Filings- FY 2017 (2)	Program Description
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Economic Development Programs:

Enterprise Zone Tax Credit	\$1,500,000	90	The program is designed to bring new businesses and jobs to the State in areas that need revitalization. Businesses enter into an agreement with counties or municipalities to construct or make improvements to buildings located in an enterprise zone. Businesses may receive from the State \$1,000 to \$9,000 in tax credits over three years for hiring new employees at the new or renovated facilities, Business income taxes are being abated. Taxes are being reduced by an allowance of credit against State of Maryland income tax. The authority under which abatements are entered into is the Annotated Code of Maryland, Tax Property, Title 9 Subtitle 1, Section 9-103, Tax General Section 10-702, and Economic Development Article Section 5-1401 (e). If the credit allowed in any taxable year exceeds the State income tax for that taxable year, a business entity may apply the excess as a credit against the State income tax for succeeding taxable years until the earlier of the full amount of the excess is used or the expiration of the 5 th taxable year from the date on which the business entity hired the qualified employee to whom the credit first applies. There are no provisions for recapturing abated taxes.
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Name of Program	Tax Abatements – FY 2017 (1)	Tax Filings- FY 2017 (2)	Program Description
Economic Development Programs:			
Businesses That Create New Jobs Tax Credit	\$800,000	1	The purpose of the program is to encourage businesses to create new positions and establish and expand facilities in the State. The business must apply for and receive certification from the local government. The business must create at least 25 new positions as part of the new or expanded business facility. The credit against State income tax is a percentage of the local property tax liability on the new or expanded portion of the facility times a rate of 52% to 26% for up to 6 taxable years. In addition there is an enhanced tax credit for larger facility enhancement or construction, a larger staff and the hiring of 500 new positions. The enhanced tax credit is 31% of the increase in the assessed value for each of the first 24 years for which the credit is allowed. The taxes being abated are the corporate or personal Maryland State Income Tax or the Maryland State insurance premium tax. Taxes are being reduced by an allowance of credit against State income tax or a reduction of State insurance premium tax. The authority under which abatements are entered into is the Annotated Code of Maryland, Tax General 10-704.8 and Tax Property Title 9, Subtitle 2, Section 9-230. If the credit is more than the state liability, the unused credit may be carried forward for the next 5 taxable years. If at any time during the three years after the tax year the credit was earned the business fails to satisfy the thresholds to qualify for the credit, the credit must be recaptured.
Total tax credits administered by counties and municipalities	\$2,300,000	91	

- (1) Gross dollar amount the government's tax revenues were reduced for fiscal year 2017 as a result of tax abatement agreements
- (2) Number of income tax returns filing for credit in fiscal year 2017

Required Supplementary Information

Comprehensive Annual Financial Report, State of Maryland



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, 2017
(Expressed in Thousands)

	General Fund			
	Budget Amounts		Actual Amounts	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Income taxes.....	\$ 10,134,354	\$ 10,134,354	\$ 9,862,303	\$ (272,051)
Sales and use taxes.....	4,601,449	4,601,449	4,539,320	(62,129)
Other taxes.....	1,136,076	1,136,076	1,147,778	11,702
Licenses and fees.....	187,217	187,217	202,368	15,151
Charges for services.....	297,978	297,978	204,050	(93,928)
Interest and other investment income.....	20,000	20,000	39,388	19,388
Other.....	623,134	623,134	778,584	155,450
Federal revenue.....				-
Total revenues.....	17,000,208	17,000,208	16,773,791	(226,417)
Expenditures and encumbrances by major function:				
Payments of revenue to civil divisions of the State.....	164,377	180,150	179,150	1,000
Public debt.....	283,000	259,395	259,395	
Legislative.....	100,596	102,104	84,192	17,912
Judicial review and legal.....	627,560	634,533	616,442	18,091
Executive and administrative control.....	286,705	239,830	228,319	11,511
Financial and revenue administration.....	237,292	235,944	226,233	9,711
Budget and management.....	171,715	85,079	83,304	1,775
Retirement and pension.....				
General services.....	72,729	75,375	69,377	5,998
Transportation and highways.....				
Natural resources and recreation.....	59,340	60,553	60,029	524
Agriculture.....	29,264	30,003	29,905	98
Health, hospitals and mental hygiene.....	4,350,441	4,436,494	4,368,961	67,533
Human resources.....	626,570	651,244	646,611	4,633
Labor, licensing and regulation.....	49,082	49,648	44,268	5,380
Public safety and correctional services.....	1,245,960	1,258,799	1,217,960	40,839
Public education.....	8,067,125	8,078,614	8,035,296	43,318
Housing and community development.....	35,983	65,973	21,352	44,621
Commerce.....	106,254	103,112	80,449	22,663
Maryland technology development corporation.....	34,063	34,063	34,063	
Environment.....	32,617	41,107	30,107	11,000
Juvenile services.....	287,403	276,864	271,068	5,796
State police.....	266,899	284,266	283,153	1,113
State reserve fund.....	235,336	240,336	160,377	79,959
Reversions.....	(30,000)	(30,000)		(30,000)
Total expenditures and encumbrances.....	17,340,311	17,393,486	17,030,011	363,475
Excess of revenues over (under) expenditures.....	(340,103)	(393,278)	(256,220)	137,058
Other sources (uses) of financial resources:				
Transfers in (out).....			149,304	149,304
Excess of revenues over (under) expenditures and other sources (uses) of financial resources.....	(340,103)	(393,278)	(106,916)	286,362
Fund balances - beginning of the year.....	(6,709,445)	(6,431,342)	1,390,513	7,821,855
Fund balances - end of the year.....	\$ (7,049,548)	\$ (6,824,620)	\$ 1,283,597	\$ 8,108,217

See accompanying Notes to Required Supplementary Information.

Special Fund				Federal Fund			
Budget Amounts		Actual Amounts	Variance	Budget Amounts		Actual Amounts	Variance
Original Budget	Final Budget		Positive (Negative)	Original Budget	Final Budget		Positive (Negative)
\$ 304,629	\$ 304,629	\$ 209,317	\$ (95,312)				
65,000	70,000	70,217	217				
3,010,603	3,014,772	3,250,799	236,027				
865,527	862,064	868,598	6,534				
2,686,165	2,845,649	2,170,946	(674,703)				
4,100	4,641	16,888	12,247			\$ 338	\$ 338
1,834,334	1,873,961	1,534,887	(339,074)				
				\$ 12,040,824	\$ 12,953,205	11,767,519	(1,185,686)
8,770,358	8,975,716	8,121,652	(854,064)	12,040,824	12,953,205	11,767,857	(1,185,348)
892,640	919,800	919,800		11,539	11,539	11,533	6
129,847	131,840	114,672	17,168	4,302	5,915	4,762	1,153
339,871	347,677	236,254	111,423	290,648	348,892	246,961	101,931
142,868	143,852	131,816	12,036				
62,637	49,117	26,247	22,870	9,450	998	21	977
23,123	23,330	21,215	2,115				
4,856	7,392	4,148	3,244	1,294	1,310	661	649
3,997,012	4,099,120	4,024,435	74,685	1,183,451	1,203,839	952,685	251,154
305,787	310,633	222,294	88,339	42,612	47,403	28,793	18,610
56,237	56,957	36,360	20,597	3,626	4,979	3,775	1,204
1,407,893	1,436,773	1,298,356	138,417	6,962,243	7,799,476	7,442,450	357,026
114,005	114,133	104,566	9,567	1,849,705	1,830,306	1,643,291	187,015
172,188	174,056	136,876	37,180	219,093	220,360	158,410	61,950
143,060	143,494	129,972	13,522	33,578	34,042	28,928	5,114
605,276	622,213	608,997	13,216	1,352,750	1,354,038	1,038,681	315,357
185,418	193,022	98,507	94,515	311,589	323,755	271,541	52,214
103,894	108,307	43,718	64,589	10,482	11,315	10,331	984
7,345	7,345	7,345					
719,144	719,788	303,697	416,091	83,756	84,110	74,693	9,417
4,142	4,142	4,091	51	4,860	5,082	4,965	117
96,947	106,563	96,932	9,631	9,826	9,826	3,863	5,963
9,514,190	9,719,554	8,570,298	1,149,256	12,384,804	13,297,185	11,926,344	1,370,841
(743,832)	(743,838)	(448,646)	295,192	(343,980)	(343,980)	(158,487)	185,493
		473,645	473,645			158,487	158,487
(743,832)	(743,838)	24,999	768,837	(343,980)	(343,980)		343,980
(6,462,630)	(6,317,683)	2,019,481	8,337,164	(4,605,143)	(4,613,038)		4,613,038
\$ (7,206,462)	\$ (7,061,521)	\$ 2,044,480	\$ 9,106,001	\$ (4,949,123)	\$ (4,957,018)	\$ -	\$ 4,957,018

STATE OF MARYLAND
Reconciliation of the Budgetary General and Special Funds, Fund Balances
to the GAAP General and Special Funds, Fund Balances
June 30, 2017
(Expressed in Thousands)

	General	Special
Amount in budgetary funds, fund balance (pages 118-119)	\$ 1,283,597	\$ 2,044,480
Budgetary special funds reclassified to the general fund	1,023,559	(1,023,559)
Budgetary special funds reclassified to other funds		(842,615)
Other non-budgetary funds reclassified to governmental funds.....	486,917	758
Total of budgetary fund balances reclassified into the governmental funds' fund structure.....	2,794,073	179,064
Accounting principle differences:		
Assets recognized in the governmental funds financial statements not recognized for budgetary purposes:		
Cash	(266,944)	
Investments	(102,462)	
Taxes receivable	42,473	2,986
Intergovernmental receivables	(63,399)	
Other accounts receivable.....	181,230	
Inventories	21,607	103,510
Loans and notes receivable.....	19	
Due from other funds	12,646	32,285
Liabilities and deferred inflows of resources recognized in the governmental funds financial statements not recognized for budgetary purposes:		
Salaries payable.....	(46,188)	
Accounts payable and accrued liabilities	(233,652)	
Due to other funds.....	(678,186)	
Unearned revenue	(196,550)	
Accrued self-insurance costs.....	(104,251)	
Deferred inflows of resources.....	(2,230)	(115,043)
Financial statement governmental funds' fund balances, June 30, 2017 (page 30).....	\$ 1,358,186	\$ 202,802

See accompanying Notes to Required Supplementary Information.

STATE OF MARYLAND
Schedule of Employer Contributions for
Maryland State Retirement and Pension System*
Year Ending June 30,
(Expressed in Thousands)

	2017	2016	2015
Governmental Activities' Special Funding Situation:			
Actuarially determined contribution	\$ 1,137,472	\$ 1,112,989	\$ 1,189,318
Less: Contributions in relation to the actuarially determined contribution	1,137,472	1,084,049	1,063,763
Contribution deficiency	\$ -	\$ 28,940	\$ 125,555
Covered employee payroll	\$ 6,780,838	\$ 6,611,038	\$ 6,185,176
Actual contributions as a percentage of covered-employee payroll	16.8%	16.4%	17.2%
Other Governmental Activities:			
Actuarially determined contribution	\$ 615,316	\$ 566,475	\$ 679,292
Less: Contributions in relation to the actuarially determined contribution	615,316	528,575	573,635
Contribution deficiency	\$ -	\$ 37,900	\$ 105,657
Covered employee payroll	\$ 2,638,040	\$ 2,428,412	\$ 2,299,572
Actual contributions as a percentage of covered-employee payroll	23.3%	21.8%	24.9%
Business-Type Activities:			
Actuarially determined contribution	\$ 28,648	\$ 27,761	\$ 22,316
Less: Contributions in relation to the actuarially determined contribution	28,648	25,904	18,846
Contribution deficiency	\$ -	\$ 1,857	\$ 3,470
Covered employee payroll	\$ 114,453	\$ 148,035	\$ 140,181
Actual contributions as a percentage of covered-employee payroll	25.0%	17.5%	13.4%
Component Units:			
Actuarially determined contribution	\$ 142,767	\$ 130,497	\$ 92,816
Less: Contributions in relation to the actuarially determined contribution	142,767	121,766	78,380
Contribution deficiency	\$ -	\$ 8,731	\$ 14,436
Covered employee payroll	\$ 720,191	\$ 835,211	\$ 790,899
Actual contributions as a percentage of covered-employee payroll	19.8%	14.6%	9.9%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Schedule of Employer Contributions

Valuation Date:	June 30 Actuarially determined contribution rates are calculated as of June 30, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.*
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	In the 2016 actuarial valuation: 5 years remaining as of June 30, 2016 for prior UAAL existing on June 30, 2000 and 25 years from each subsequent valuation date for each year's additional UAAL for the State systems.
Asset Valuation Method	5-years smoothed market; 20% collar
Other Information:	
Notes	There were no benefit changes during the year. Adjustments to the roll-forward liabilities were made to reflect the assumption changes associated with the 2016 Experience Study for the period July 1, 2010 to June 30, 2016. Assumptions first used in the 2016 actuarial valuation and used in the calculation of the Total Pension Liability for fiscal year 2016 are as follows:
Inflation	2.65% general, 3.15% wage.
Salary Increases	3.15% to 9.15% including inflation.
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014.

*The Actuarially Determined Contribution is equal to the greater of, (1) The actuarially determined contribution under the System's funding policy before application of the corridor funding method, plus reinvested savings contributions and 2) Employer normal cost plus 30-year amortization of the unfunded liability, plus reinvested savings.

STATE OF MARYLAND
Schedule of Employer's Net Pension Liability for
Maryland State Retirement and Pension System*

Year Ending June 30,

(Amounts Expressed in Thousands)

	2017	2016	2015
State of Maryland's proportion of the collective NPL:			
Governmental Activities' proportion of the System's NPL.....	31.18%	32.01%	33.48%
Governmental Activities' special funding proportion of the System's NPL.....	55.79	55.50	55.41
Business-Type Activities proportion of the System's NPL	1.23	1.23	1.10
Component Units' proportion of the System's NPL.....	5.78	5.27	4.58
Total	<u>93.98%</u>	<u>94.01%</u>	<u>94.57%</u>
State of Maryland's proportionate share of the collective NPL:			
Governmental Activities' proportionate share of the System's NPL.....	\$ 7,357,073	\$ 6,650,561	\$ 5,942,113
Governmental Activities' special funding proportionate share of the System's NPL	13,163,108	11,534,251	9,833,881
Business-Type Activities proportionate share of the System's NPL.....	290,202	256,231	195,176
Component Units' proportionate share of the System's NPL.....	1,363,073	1,095,290	811,894
Total	<u>\$ 22,173,456</u>	<u>\$ 19,536,333</u>	<u>\$ 16,783,064</u>
State of Maryland's covered payroll:			
Governmental Activities' covered payroll	\$ 2,638,040	\$ 2,428,412	\$ 2,299,572
Governmental Activities' special funding covered payroll.....	6,780,838	6,611,038	6,185,176
Business-Type Activities covered payroll.....	114,453	148,035	140,181
Component Units' covered payroll	720,191	835,211	790,899
Proportionate share of the collective NPL as a percentage of covered payroll:			
Governmental Activities' proportionate share of NPL as a % of covered payroll.....	278.88%	273.86%	258.40%
Governmental Activities' special funding proportionate share of NPL as a % of covered payroll.....	194.12%	174.47%	158.99%
Business-Type Activities proportionate share of NPL as % of covered payroll.....	253.56%	173.09%	139.23%
Component Units' proportionate share of NPL as % of covered payroll.....	189.27%	131.14%	102.65%
Plan fiduciary net position as a percentage of total pension liability - All	<u>65.79%</u>	<u>68.78%</u>	<u>71.87%</u>

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

STATE OF MARYLAND
Schedule of Employer Contributions for
Maryland Transit Administration Pension Plan*
Year Ending June 30,
(Expressed in Thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 62,217	\$ 44,736	\$ 40,807	\$ 39,749	\$ 34,582	\$ 32,859	\$ 33,928	\$ 26,151	\$ 24,659	\$ 24,635
Less: Contributions in relation to the actuarially determined contribution	40,997	38,037	38,361	39,749	29,519	37,859	42,528	37,761	27,254	24,245
Contribution deficiency/(excess).....	<u>\$ 21,220</u>	<u>\$ 6,699</u>	<u>\$ 2,446</u>	<u>\$ -</u>	<u>\$ 5,063</u>	<u>\$ (5,000)</u>	<u>\$ (8,600)</u>	<u>\$ (11,610)</u>	<u>\$ (2,595)</u>	<u>\$ 390</u>
Covered employee payroll.....	\$ 137,154	\$ 137,427	\$ 137,680	\$ 135,545	\$ 137,596	\$ 152,276	\$ 147,474	\$ 145,029	\$ 155,560	\$ 144,775
Actual contributions percentage of covered-employee payroll.....	29.9%	27.7%	27.9%	29.3%	21.5%	24.9%	28.8%	26.0%	17.5%	16.7%

Notes to Schedule

Valuation date: Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the current fiscal year. Actuarial valuations are performed every year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age Normal, Level Dollar
Amortization method	Level Payments (Closed)
Remaining amortization period	Remaining payments range from 2 to 25 years
Asset valuation method	5-year smoothed market
Inflation	3.20%
Salary increases	Rates vary by participant service
Investment rate of return	7.55 % net of investment expenses, including inflation for funded benefits
Retirement age	Rates vary by participant age
Mortality	RP-2014 Blue Collar tables with MP-2014. The RP-2014 Disabled Retiree table is used for disabled members.

* The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated.

STATE OF MARYLAND
Schedule of Changes in Net Pension Liability and Related Ratios for
Maryland Transit Administration Pension Plan*
For the Year End June 30,
(Expressed in Thousands)

	2017	2016	2015	2014
Total pension liability				
Service cost.....	\$ 36,334	\$ 45,868	\$ 24,718	\$ 19,438
Interest	57,881	31,181	39,236	43,472
Changes of benefit terms	2,133	82,510		
Differences between expected and actual experience	(20,741)	(15,024)	(19,621)	4,025
Changes of assumptions	(151,242)	338,950	53,480	38,643
Benefit payments, including refunds of member contributions.....	(39,062)	(35,283)	(30,636)	(32,598)
Net changes in total pension liability.....	(114,697)	448,202	67,177	72,980
Total pension liability-beginning.....	1,356,730	908,528	841,351	768,371
Total pension liability-ending (a)	<u>\$ 1,242,033</u>	<u>\$ 1,356,730</u>	<u>\$ 908,528</u>	<u>\$ 841,351</u>
Plan fiduciary net position				
Contributions-employer	\$ 40,997	\$ 38,037	\$ 38,361	\$ 39,749
Contributions-member	3,095			
Net investment income.....	27,739	3,513	8,279	28,742
Benefit payments, including refunds.....	(39,062)	(35,283)	(30,636)	(32,598)
Administrative expenses.....	(1,914)	(1,967)	(1,851)	(2,057)
Net change in plan fiduciary net position	30,855	4,300	14,153	33,836
Plan fiduciary net position-beginning.....	242,145	237,845	223,692	189,856
Plan fiduciary net position-ending (b)	<u>\$ 273,000</u>	<u>\$ 242,145</u>	<u>\$ 237,845</u>	<u>\$ 223,692</u>
Net pension liability-ending (a)-(b)	<u>\$ 969,033</u>	<u>\$ 1,114,585</u>	<u>\$ 670,683</u>	<u>\$ 617,659</u>
Plan fiduciary net position as a percentage of the total pension liability.....	22.0%	17.8%	26.2%	26.6%
Covered employee payroll.....	\$ 137,154	\$ 137,427	\$ 137,680	\$ 135,545
Employer net pension liability as a percent of covered-employee payroll.....	706.5%	811.0%	487.1%	455.7%

Notes to Schedule

Changes of Assumptions: Fiscal year 2017 reflects an increase to the effective discount rate from 3.5% to 4.32%.

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

STATE OF MARYLAND
Schedule of Employer's Net Pension Liability for
Maryland Transit Administration Pension Plan*
June 30,
(Expressed in Thousands)

	2017	2016	2015	2014
Total pension liability.....	\$ 1,242,033	\$ 1,356,730	\$ 908,528	\$ 841,351
Plan fiduciary net position	273,000	242,145	237,845	223,692
Employer net pension liability.....	<u>\$ 969,033</u>	<u>\$ 1,114,585</u>	<u>\$ 670,683</u>	<u>\$ 617,659</u>
Plan fiduciary net position as a percentage of the total pension liability.....	21.98%	17.85%	26.18%	26.59%
Covered employee payroll.....	\$ 137,154	\$ 137,427	\$ 137,680	\$ 135,545
Employer net pension liability as a percent of covered-employee payroll	<u>706.53%</u>	<u>811.04%</u>	<u>487.13%</u>	<u>455.69%</u>

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

STATE OF MARYLAND
Schedule of Investment Returns for
Maryland State Transit Administration Pension Plan*
Year Ending June 30,
(Expressed in Thousands)

Fiscal Year Ended	Annual money-weighted rate of return, net of investment expenses
2017.....	1.5%
2016.....	1.5%
2015.....	3.7%
2014.....	14.4%

**Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

STATE OF MARYLAND
Schedule of Changes in Net OPEB Liability and Related Ratios for
Other Post-Employment Benefit Plan
For the Year Ended June 30,
(Expressed in Thousands)

	2017
Total OPEB liability	
Service cost.....	\$ 476,243
Interest.....	370,188
Differences between expected and actual experience.....	(82,171)
Changes of assumptions	(1,621,932)
Benefit payments, including refunds of member contributions.....	(526,535)
Net changes in total OPEB liability	(1,384,207)
Total OPEB liability-beginning	12,776,090
Total OPEB liability-ending (a)	\$ 11,391,883
Plan fiduciary net position	
Net investment income.....	30,624
Net change in plan fiduciary net position	30,624
Plan fiduciary net position-beginning.....	276,049
Plan fiduciary net position-ending (b).....	\$ 306,673
Net OPEB liability-ending (a)-(b)	\$ 11,085,210
Plan fiduciary net position as a percentage of the total OPEB liability.....	2.7%
Covered employee payroll.....	\$ 5,111,236
Plan net OPEB liability as a percent of covered-employee payroll	216.9%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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
2016*	\$ 291,462	\$ 12,080,912	\$ (11,789,450)	2.4 %	\$ 4,997,602	(235.9)%
2015	275,329	9,643,607	(9,368,278)	2.9	4,929,100	(190.1)
2014	250,110	8,964,286	(8,714,176)	2.8	4,803,627	(181.4)

*A biennial actuarial valuation was made as of June 30, 2016.

STATE OF MARYLAND
Schedule of Employer Contributions for
Other Post-Employment Benefit Plan*
Year Ending June 30,
(Expressed in Thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution.....	\$ 779,316	\$ 634,552	\$ 574,359	\$ 576,050	\$ 634,465	\$ 704,382	\$ 1,225,206	\$ 1,184,522	\$ 1,148,597	\$ 1,086,240
Less: Contributions in relation to the actuarially determined contribution	526,535	490,765	449,750	402,794	393,078	385,913	368,844	336,408	366,388	390,319
Contribution deficiency/(excess)	\$ 252,781	\$ 143,787	\$ 124,609	\$ 173,256	\$ 241,387	\$ 318,469	\$ 856,362	\$ 848,114	\$ 782,209	\$ 695,921
Covered employee payroll	\$ 5,111,236	\$ 4,997,602	\$ 4,929,100	\$ 4,803,627	\$ 4,457,421	\$ 4,144,267	\$ 4,633,653	\$ 4,627,379	\$ 4,740,553	\$ 4,625,145
Actual contributions as a percentage of covered-employee payroll.....	10.3%	9.8%	9.1%	8.4%	8.8%	9.3%	8.0%	7.3%	7.7%	8.4%

Notes to Schedule

Valuation date:	Actuarially determined contribution amounts are calculated as of June 30 prior to the end of the fiscal year in which contributions are reported
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age Actuarial Cost method
Amortization method	Level percent of payroll
Remaining amortization period	30 years
Asset valuation method	Market value of asset

* The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated.

STATE OF MARYLAND
Schedule of Investment Returns for
Other Post-Employment Benefit Plan*
Year Ending June 30,
(Expressed in Thousands)

Fiscal Year Ended	Annual money-weighted rate of return, net of investment expenses
2017.....	11.1%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Funding Progress for
Maryland Transit Administration Retiree Healthcare Benefit 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
2017		\$ 852,796	\$ (852,796)	- %	\$ 145,834	(584.8)%
2015*		640,496	(640,496)	-	137,427	(466.1)
2014		607,063	(607,063)	-	135,545	(447.9)

* A biennial actuarial valuation was made as of June 30, 2015.

Schedule of Employer Contributions for
Maryland Transit Administration Retiree Healthcare Benefit Plan
(Expressed in Thousands)

Year Ended June 30,	Annual Required Contribution	Actual Contribution Entry Age	Percentage Contributed
2017	\$ 90,004	\$ 16,887	18.8 %
2016	72,624	15,296	21.1
2015	67,496	13,905	20.6

STATE OF MARYLAND
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

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 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 of 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 total general fund appropriations must be approved by the General Assembly. For the fiscal year ended June 30, 2017, the General Assembly approved a net increase in General Fund appropriations of \$136,482,000. Appropriations for programs funded by, 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, 2017. The State's budgetary fund structure and the basis of budgeting, which is the modified accrual basis with certain exceptions, differ 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, 2017, is provided in the "Reconciliation of the Budgetary General and Special Fund, Fund Balances to the GAAP General and Special Revenue Fund Balances" immediately following the budgetary schedule.



Combining Financial Statements

Comprehensive Annual Financial Report, State of Maryland



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 Funds

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, 2017
(Expressed in Thousands)

	Debt Service Funds		Capital Projects Fund	Total Non-major Governmental Funds
	General	Transportation		
	Obligation Bonds	Bonds		
Assets:				
Equity in pooled invested cash.....			\$ 132,981	\$ 132,981
Investments.....			255,125	255,125
Other accounts receivable			131	131
Restricted Assets:				
Cash with fiscal agent.....	\$ 35,869			35,869
Equity in pooled invested cash	162,078	\$ 5,769		167,847
Investments	19,444			19,444
Taxes receivable, net	18,990			18,990
Other accounts receivable	281			281
Loans and notes receivable, net.....	1,398			1,398
Total assets.....	<u>\$ 238,060</u>	<u>\$ 5,769</u>	<u>\$ 388,238</u>	<u>\$ 632,066</u>
Liabilities:				
Vouchers payable.....			\$ 72,822	\$ 72,822
Accounts payable and accrued liabilities.....			34,326	34,326
Due to other funds			52,850	52,850
Accounts payable to political subdivisions.....			13,108	13,108
Total liabilities.....			<u>173,106</u>	<u>173,106</u>
Fund balances:				
Restricted.....	\$ 238,060	\$ 5,769		243,829
Committed ,.....			563,388	563,388
Unassigned.....			(348,257)	(348,257)
Total fund balance	<u>238,060</u>	<u>5,769</u>	<u>215,131</u>	<u>458,960</u>
Total liabilities and fund balances.....	<u>\$ 238,060</u>	<u>\$ 5,769</u>	<u>\$ 388,238</u>	<u>\$ 632,066</u>

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, 2017
(Expressed in Thousands)

	Debt Service Funds		Capital Projects Fund	Total Non-major Governmental Funds
	General Obligation Bonds	Transportation Bonds		
Revenues:				
Property taxes.....	\$ 775,290			\$ 775,290
Interest and other investment income.....	511		\$ 2,021	2,532
Federal revenue.....	11,533			11,533
Other	1,106	\$ 1,640	3,291	6,037
Total revenue	788,440	1,640	5,312	795,392
Expenditures:				
Education			354,508	354,508
Aid to higher education.....			331,970	331,970
Intergovernmental grants and revenue sharing.....			237,464	237,464
Capital outlays			138,625	138,625
Debt service:				
Principal retirement	786,139	207,185		993,324
Interest.....	396,916	100,030		496,946
Bond issuance costs			2,177	2,177
Total expenditures	1,183,055	307,215	1,064,745	2,555,014
Deficiency of revenues under expenditures.....	(394,615)	(305,575)	(1,059,433)	(1,759,622)
Other sources (uses) of financial resources:				
Bonds issued			679,680	679,680
Refunding bonds issued.....			465,685	465,685
Bond premium.....	91,189	11,073	74,224	176,486
Payments to refunded bond escrow agent.....			(537,419)	(537,419)
Transfers in.....	265,980	287,892	110,578	664,450
Transfers out			(30,634)	(30,634)
Total other sources of financial resources.....	357,169	298,965	762,114	1,418,248
Net changes in fund balances	(37,446)	(6,610)	(297,318)	(341,374)
Fund balances, beginning of year	275,506	12,379	512,449	800,334
Fund balances, end of year.....	\$ 238,066	\$ 5,769	\$ 215,131	\$ 458,960

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 and federal agencies, political subdivisions and charitable, civic, educational, fraternal or religious associations or institutions.

STATE OF MARYLAND
Combining Statement of Net Position
Non-major Enterprise Funds
June 30, 2017

(Expressed in Thousands)

	Economic Development Insurance Programs	Maryland Correctional Enterprises	Total Non-Major Enterprise Funds
Assets-			
Current assets:			
Equity in pooled invested cash	\$ 1,018	\$ 16,364	\$ 17,382
Other accounts receivable		5,595	5,595
Inventories		10,535	10,535
Other assets	1,048	115	1,163
Restricted equity in pooled invested cash	82,031		82,031
Total current assets	84,097	32,609	116,706
Non-current assets:			
Investments	2,173		2,173
Capital assets, net of accumulated depreciation:			
Structures and improvements		2,372	2,372
Equipment		3,093	3,093
Infrastructure		1,928	1,928
Total non-current assets	2,173	7,393	9,566
Total assets	86,270	40,002	126,272
Deferred outflows of resources		8,135	8,135
Liabilities-			
Current liabilities:			
Accounts payable and accrued liabilities	251	1,546	1,797
Accrued insurance on loan losses	10,740		10,740
Other liabilities	345	733	1,078
Unearned revenue	702	83	785
Total current liabilities	12,038	2,362	14,400
Non-current liabilities:			
Other liabilities	2,199	18,508	20,707
Total non-current liabilities	2,199	18,508	20,707
Total liabilities	14,237	20,870	35,107
Deferred inflows of resources		874	874
Net Position-			
Net investment in capital assets		7,393	7,393
Restricted for insurance programs	81,755		81,755
Unrestricted (deficit)	(9,722)	19,000	9,278
Total net position	\$ 72,033	\$ 26,393	\$ 98,426

STATE OF MARYLAND
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Non-major Enterprise Funds
For the Year Ended June 30, 2017
(Expressed in Thousands)

	Economic Development Insurance Programs	Maryland Correctional Enterprises	Total Non-Major Enterprise Funds
Operating revenues:			
Charges for services and sales.....	\$ 1,256	\$ 59,067	\$ 60,323
Unrestricted interest on loan income	527		527
Other.....	219		219
Total operating revenues	2,002	59,067	61,069
Operating expenses:			
Cost of sales and services.....		45,940	45,940
General and administrative.....	907	10,585	11,492
Depreciation and amortization.....		942	942
Provision for insurance on loan losses	320		320
Total operating expenses	1,227	57,467	58,694
Operating income (loss)	775	1,600	2,375
Non-operating revenues (expenses):			
Restricted investment income.....	1,152		1,152
Total non-operating revenues (expenses).....	1,152		1,152
Income before transfers.....	1,927	1,600	3,527
Transfers out.....	(943)	(2,500)	(3,443)
Changes in net position.....	984	(900)	84
Total net position - beginning of the year.....	71,049	27,293	98,342
Total net position - end of the year	\$ 72,033	\$ 26,393	\$ 98,426

STATE OF MARYLAND
Combining Statement of Cash Flows
Non-major Enterprise Funds
For the Year Ended June 30, 2017
(Expressed in Thousands)

	Economic Development Insurance Programs	Maryland Correctional Enterprises	Total Non-Major Enterprise Funds
Cash flows from operating activities:			
Receipts from customers.....	\$ 1,053	\$ 61,464	\$ 62,517
Payments to suppliers		(38,103)	(38,103)
Payments to employees.....	(2,008)	(15,411)	(17,419)
Other receipts	1,255		1,255
Other payments.....	(719)		(719)
Net cash from operating activities.....	(419)	7,950	7,531
Cash flows from non-capital financing activities:			
Transfers out.....	(943)	(2,500)	(3,443)
Net cash from non-capital financing activities.....	(943)	(2,500)	(3,443)
Cash flows from capital and related financing activities:			
Acquisition of capital assets.....		(2,791)	(2,791)
Net cash from capital and related financing activities.....		(2,791)	(2,791)
Cash flows from investing activities:			
Interest received on debt instruments of other entities.....	1,152		1,152
Net cash from investing activities.....	1,152		1,152
Net change in cash and cash equivalents	(210)	2,659	2,449
Balance - beginning of the year.....	83,259	13,705	96,964
Balance - end of the year.....	\$ 83,049	\$ 16,364	\$ 99,413
Reconciliation of operating income to net cash			
from operating activities:			
Operating income (loss).....	\$ 775	\$ 1,600	\$ 2,375
Adjustments to reconcile operating income to net cash			
from operating activities:			
Depreciation and amortization		942	942
Deferred inflows of resources.....		(4,971)	(4,971)
Deferred outflows of resources.....		(101)	(101)
Effect of changes in non-cash operating assets and liabilities:			
Other accounts receivable		3,141	3,141
Inventories.....		925	925
Loans and notes receivable	344		344
Other assets	(293)	60	(233)
Accounts payable and accrued liabilities	93	97	190
Accrued insurance and loan losses.....	(1,060)		(1,060)
Unearned revenue.....	(144)	(745)	(889)
Other liabilities	(134)	7,002	6,868
Net cash from operating activities.....	\$ (419)	\$ 7,950	\$ 7,531

STATE OF MARYLAND

Fiduciary Funds

The Pension and Other Post-Employment Benefits Trust Funds include the Maryland State Retirement and Pension System, Maryland Transit Administration Pension Plan, Deferred Compensation Plan and Post-Employment Health Benefits Trust Fund. The Pension Trust Funds reflect the transactions, assets, liabilities and net position 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 other Post-Employment 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 and account balances are accounted for using the flow of economic resources measurement focus.

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 employee's payroll.

STATE OF MARYLAND
Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefits Trust Funds
June 30, 2017

(Expressed in Thousands)

	Maryland State Retirement and Pension System	Maryland Transit Administration Pension Plan	Postretirement Health Benefits Trust Fund	Deferred Compensation Plan December 31, 2016	Total
Assets:					
Cash	\$ 1,034,221	\$ 4,684		\$ 3,449	\$ 1,042,354
Investments:					
U.S. Treasury and agency obligations	6,369,691	41,020	\$ 41,995		6,452,706
Bonds.....	3,561,621	22,530	36,806		3,620,957
Corporate equity securities	16,895,403	99,554	175,661		17,170,618
Mortgage related securities.....	1,515,284	8,432	8,065		1,531,781
Mutual funds.....				2,634,667	2,634,667
Guaranteed investment contracts				782,866	782,866
Real estate	2,667,150		30,175		2,697,325
Annuity contracts				75,756	75,756
Private equity.....	5,787,953				5,787,953
Commingled funds	9,778,749	102,617	13,971		9,895,337
Investment held by borrowers under securities lent with cash collateral	2,484,281				2,484,281
Total investments	49,060,132	274,153	306,673	3,493,28	53,134,247
Other receivables.....	1,128,639	5,697		38,633	1,172,969
Collateral for lent securities.....	2,553,919				2,553,919
Total assets	53,776,911	284,534	306,673	3,535,37	57,903,489
Liabilities:					
Accounts payable and accrued liabilities.....	2,235,809	11,534			2,247,343
Collateral obligation for lent securities	2,553,919				2,553,919
Total liabilities.....	4,789,728	11,534			4,801,262
Net position restricted for :					
Pension benefits.....	48,987,183	273,000			49,260,183
Deferred compensation benefits.....				3,535,371	3,535,371
Postretirement health benefits.....			306,673		306,673
Total net position.....	\$ 48,987,183	\$ 273,000	\$ 306,673	\$ 3,535,371	\$ 53,102,227

STATE OF MARYLAND
Combining Statement of Changes in Plan Net Position
Pension and Other Employee Benefits Trust Funds
For the Year Ended June 30, 2017

(Expressed in Thousands)

	Maryland State Retirement and Pension System	Maryland Transit Administration Pension Plan	Postretirement Health Benefits Trust Fund	Deferred Compensation Plan December 31, 2016	Total
Additions:					
Contributions:					
Employers.....	\$ 1,324,060	\$ 40,997	\$ 526,535	\$ 16	\$ 1,891,608
Members.....	782,686			155,633	938,319
Sponsors.....	712,536				712,536
Total contributions.....	<u>2,819,282</u>	<u>40,997</u>	<u>526,535</u>	<u>155,649</u>	<u>3,542,463</u>
Investment earnings:					
Net appreciation (depreciation) in fair value of investments.....	3,020,461	11,365	30,807	231,765	3,294,398
Interest.....	247,880	16,375	12	20,528	284,795
Dividends.....	1,538,740				1,538,740
Total investment income.....	<u>4,807,081</u>	<u>27,740</u>	<u>30,819</u>	<u>252,293</u>	<u>5,117,933</u>
Less: investment expense.....	333,638		195		333,833
Net investment income.....	<u>4,473,443</u>	<u>27,740</u>	<u>30,624</u>	<u>252,293</u>	<u>4,784,100</u>
Total additions.....	<u>7,292,725</u>	<u>68,737</u>	<u>557,159</u>	<u>407,942</u>	<u>8,326,563</u>
Deductions:					
Benefit payments.....	3,577,123	35,968	526,535	205,576	4,345,202
Refunds.....	63,441				63,441
Administrative expenses.....	30,904	1,914		5,244	38,062
Total deductions.....	<u>3,671,468</u>	<u>37,882</u>	<u>526,535</u>	<u>210,820</u>	<u>4,446,705</u>
Net increase/(decrease).....	3,621,257	30,855	30,624	197,122	3,879,858
Net position-beginning	45,365,926	242,145	276,049	3,338,249	49,222,369
Net position-ending	<u>\$ 48,987,183</u>	<u>\$ 273,000</u>	<u>\$ 306,673</u>	<u>\$ 3,535,371</u>	<u>\$ 53,102,227</u>

STATE OF MARYLAND
Combining Schedule of Fiduciary Net Position
Maryland State Retirement and Pension System
June 30, 2017

(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	Subtotal	Eliminations*	Total
Assets:								
Cash	\$ 645,494	\$ 331,443	\$ 28,373	\$ 11,736	\$ 17,175	\$ 1,032,358		\$ 1,034,221
Investments, at fair value.....	29,771,177	16,570,797	1,374,106	440,472	903,580	49,060,132		49,060,132
Other receivables	669,303	398,474	31,965	9,260	19,637	1,128,639		1,128,639
Due from other systems.....	43,379	604	18		1,582	45,583	\$ (45,583)	
Collateral for lent securities	1,554,796	859,991	70,999	22,830	45,303	2,553,919		2,553,919
Total assets.....	32,684,149	18,161,309	1,505,461	484,298	987,277	53,822,494	(45,583)	53,776,911
Liabilities:								
Accounts payable and accrued liabilities.....	1,353,886	759,292	62,737	20,113	39,781	2,235,809		2,235,809
Due to other system.....	44,275	1,361	(55)	2		45,583	(45,583)	
Collateral obligation for lent securities.....	1,554,796	859,991	70,999	22,830	45,303	2,553,919		2,553,919
Total liabilities	2,952,957	1,620,644	133,681	42,945	85,084	4,835,311	(45,583)	4,789,728
Net Position:								
Restricted for pension benefits.....	\$ 29,731,192	\$ 16,540,665	\$ 1,371,780	\$ 441,353	\$ 902,193	\$ 48,987,183	\$	\$ 48,987,183

* Intersystem balances have been eliminated in the financial statements.

STATE OF MARYLAND
Combining Schedule of Changes in Plan Net Position
Maryland State Retirement and Pension System
For the Year Ended June 30, 2017
(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	Subtotal	Eliminations*	Total
Additions:								
Contributions:								
Employers	\$ 428,222	\$ 730,506	\$ 82,999	\$ 21,861	\$ 60,472	\$ 1,324,060		\$ 1,324,060
Members	477,191	282,743	7,996	3,004	11,752	782,686		782,686
Sponsors	712,536					712,536		712,536
Total contributions	1,617,949	1,013,249	90,995	24,865	72,224	2,819,282		2,819,282
Investment earnings:								
Net increase in fair value of investments	1,830,046	1,023,733	84,483	27,075	55,124	3,020,461		3,020,461
Interest	143,471	80,011	6,658	2,137	4,324	236,601		236,601
Dividends	932,544	521,426	43,015	13,810	27,945	1,538,740		1,538,740
Income from securities lending	6,861	3,800	314	101	203	11,279		11,279
Total investment income	2,912,922	1,628,970	134,470	43,123	87,596	4,807,081		4,807,081
Less: investment expense	202,320	112,874	9,342	2,997	6,105	333,638		333,638
Net investment income	2,710,602	1,516,096	125,128	40,126	81,491	4,473,443		4,473,443
Total additions	4,328,551	2,529,345	216,123	64,991	153,715	7,292,725		7,292,725
Deductions:								
Benefit payments	2,089,497	1,274,230	118,478	31,188	63,730	3,577,123		3,577,123
Refunds	30,622	31,660	355	65	739	63,441		63,441
Administrative expenses	19,295	13,123	(302)	49	(1,261)	30,904		30,904
Total deductions	2,139,414	1,319,013	118,531	31,302	63,208	3,671,468		3,671,468
Net system transfers	(158)	(1,120)	56	2	1,220			
Changes in net position	2,188,979	1,209,212	97,648	33,691	91,727	3,621,257		3,621,257
Net position restricted for pension benefits:								
Beginning of the year	27,542,213	15,331,453	1,274,132	407,662	810,466	45,365,926		45,365,926
End of the year	\$ 29,731,192	\$ 16,540,665	\$ 1,371,780	\$ 441,353	\$ 902,193	\$ 48,987,183	-	\$ 48,987,183

*Intersystem transfers have been eliminated in the financial statements.

STATE OF MARYLAND
Combining Schedule of Fiduciary Net Position
Deferred Compensation Plan
December 31, 2016
(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
Assets:					
Cash	\$ 3,449				\$ 3,449
Investments, at fair value.....	1,549,601	\$ 1,678,790	\$ 176,934	\$ 87,964	3,493,289
Other receivables	18,974	19,294		365	38,633
Total assets.....	1,572,024	1,698,084	176,934	88,329	3,535,371
Net position:					
Restricted for deferred compensation benefits.....	\$ 1,572,024	\$ 1,698,084	\$ 176,934	\$ 88,329	\$ 3,535,371

STATE OF MARYLAND
Combining Schedule of Changes in Plan Net Position
Deferred Compensation Plan
For the Year Ended December 31, 2016
(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
Additions:					
Contributions:					
Employers.....			\$ 16		\$ 16
Members.....	\$ 66,817	\$ 85,852		\$ 2,964	155,633
Total contributions.....	66,817	85,852	16	2,964	155,649
Investment earnings:					
Net increase in fair value of investments.....	93,375	117,842	13,602	6,946	231,765
Interest.....	12,069	7,594	655	210	20,528
Net investment income.....	105,444	125,436	14,257	7,156	252,293
Total additions.....	172,261	211,288	14,273	10,120	407,942
Deductions:					
Benefit payments.....	96,560	96,555	8,280	4,181	205,576
Administrative expenses.....	2,568	2,349	211	116	5,244
Total deductions.....	99,128	98,904	8,491	4,297	210,820
Changes in net position.....	73,133	112,384	5,782	5,823	197,122
Net position restricted for pension and other employee benefits:					
Beginning of the year.....	1,498,891	1,585,700	171,152	82,506	3,338,249
End of the year.....	\$ 1,572,024	\$ 1,698,084	\$ 176,934	\$ 88,329	\$ 3,535,371

STATE OF MARYLAND
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2017
(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		
Assets:							
Cash		\$ 10	\$ 39,604		\$ 52,081	\$ 91,695	
Equity in pooled invested cash.....	\$ 479,277	98,130	17,806	\$ 341	34,898	630,452	
Taxes receivable, net.....	199,413					199,413	
Intergovernmental receivables.....	241,910			100		242,010	
Accounts receivable from state treasury.....	880,239					880,239	
Total assets	\$ 1,800,839	\$ 98,140	\$ 57,410	\$ 441	\$ 86,979	\$ 2,043,809	
Liabilities:							
Accounts payable and accrued liabilities		\$ 98,140	\$ 3,775	\$ 441	\$ 83,389	\$ 185,745	
Accounts payable to political subdivisions.....	\$ 1,800,839		53,635		3,590	1,858,064	
Total liabilities.....	\$ 1,800,839	\$ 98,140	\$ 57,410	\$ 441	\$ 86,979	\$ 2,043,809	

STATE OF MARYLAND
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2017
(Expressed in Thousands)

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
<i>Litigant, Patient and Prisoner Accounts</i>				
Assets:				
Cash.....	\$ 51,306	\$ 99,038	\$ 98,263	\$ 52,081
Equity in pooled invested cash	14,230	22,172	1,504	34,898
Total assets	<u>\$ 65,536</u>	<u>\$ 121,210</u>	<u>\$ 99,767</u>	<u>\$ 86,979</u>
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 61,350	\$ 120,996	\$ 98,957	\$ 83,389
Accounts payable to political subdivisions	4,186	214	810	3,590
Total liabilities.....	<u>\$ 65,536</u>	<u>\$ 121,210</u>	<u>\$ 99,767</u>	<u>\$ 86,979</u>
<i>Insurance Premium Taxes</i>				
Assets:				
Cash	\$ 10			\$ 10
Equity in pooled invested cash	95,623	\$ 34,785	\$ 32,278	98,130
Total assets	<u>\$ 95,633</u>	<u>\$ 34,785</u>	<u>\$ 32,278</u>	<u>\$ 98,140</u>
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 95,633	\$ 34,785	\$ 32,278	\$ 98,140
<i>Local Income Taxes</i>				
Assets:				
Equity in pooled invested cash.....	\$ 513,217	\$ 5,332,263	\$ 5,366,203	\$ 479,277
Taxes receivable	173,745	199,413	173,745	199,413
Intergovernmental receivables.....	232,549	9,361		241,910
Accounts receivable from state treasury.....	640,000	250,239	10,000	880,239
Total assets	<u>\$ 1,559,511</u>	<u>\$ 5,791,276</u>	<u>\$ 5,549,948</u>	<u>\$ 1,800,839</u>
Liabilities:				
Accounts payable to political subdivisions	\$ 1,559,511	\$ 5,791,276	\$ 5,549,948	\$ 1,800,839
<i>Local Transportation Funds and Other Taxes</i>				
Assets:				
Cash	\$ 49,536		\$ 9,932	\$ 39,604
Equity in pooled invested cash.....	16,839	\$ 134,100	133,133	17,806
Total assets.....	<u>\$ 66,375</u>	<u>\$ 134,100</u>	<u>\$ 143,065</u>	<u>\$ 57,410</u>
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 4,182	\$ 3,775	\$ 4,182	\$ 3,775
Accounts payable to political subdivisions	62,193	130,325	138,883	53,635
Total liabilities.....	<u>\$ 66,375</u>	<u>\$ 134,100</u>	<u>\$ 143,065</u>	<u>\$ 57,410</u>
<i>Payroll Taxes and Fringe Benefits</i>				
Assets:				
Equity in pooled invested cash.....	\$ 389	\$ 1,841,781	\$ 1,841,829	\$ 341
Intergovernmental receivables.....	76	100	76	100
Total assets	<u>\$ 465</u>	<u>\$ 1,841,881</u>	<u>\$ 1,841,905</u>	<u>\$ 441</u>
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 465	\$ 1,841,881	\$ 1,841,905	\$ 441
<i>Totals - All Agency Funds</i>				
Assets:				
Cash	\$ 100,852	\$ 99,038	\$ 108,195	\$ 91,695
Equity in pooled invested cash.....	640,298	7,365,101	7,374,947	630,452
Taxes receivable.....	173,745	199,413	173,745	199,413
Intergovernmental receivables.....	232,625	9,461	76	242,010
Accounts receivable from state treasury	640,000	250,239	10,000	880,239
Total assets.....	<u>\$ 1,787,520</u>	<u>\$ 7,923,252</u>	<u>\$ 7,666,963</u>	<u>\$ 2,043,809</u>
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 161,630	\$ 2,001,437	\$ 1,977,322	\$ 185,745
Accounts payable to political subdivisions	1,625,890	5,921,815	5,689,641	1,858,064
Total liabilities.....	<u>\$ 1,787,520</u>	<u>\$ 7,923,252</u>	<u>\$ 7,666,963</u>	<u>\$ 2,043,809</u>

STATE OF MARYLAND

Non-major Component Unit Financial Statements

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, Maryland Stem Cell Research Fund and Maryland Venture Fund.

STATE OF MARYLAND
Combining Statement of Net Position
Non-major Component Units
June 30, 2017
(Expressed in Thousands)

	Maryland Environmental Service	Maryland Industrial Development Financing Authority	Maryland Food Center Authority	Maryland Technology Development Corporation	Total Non-major Component Units
Assets:					
Cash.....	\$ 26,869		\$ 6	\$ 19,100	\$ 45,975
Equity in pooled invested cash.....		\$ 31,203	9,283	19,188	59,674
Investments	5,999			69,289	75,288
Other accounts receivable.....	26,567		172	2,196	28,935
Due from primary government.....				13,867	13,867
Loans and notes receivable, net.....				8,093	8,093
Other assets	9,250		6	120	9,376
Restricted assets:					
Cash	259			1,273	1,532
Investments.....	2,246				2,246
Capital assets, net of accumulated depreciation:					
Land.....	5,952		3,582		9,534
Structures and improvements.....	28,419		14,554		42,973
Infrastructure	198				198
Equipment	7,104		582	123	7,809
Construction in progress			4,667		4,667
Total assets	112,863	31,203	32,852	133,249	310,167
Deferred outflows of resources.....	1,231		731		1,962
Liabilities:					
Accounts payable and accrued liabilities	21,096		148	17,668	38,912
Due to Primary Government.....				423	423
Unearned revenue.....		71	63	11,220	11,354
Accrued insurance on loan losses.....		3,211			3,211
Other liabilities			215		215
Bonds and notes payable:					
Due within one year	1,143				1,143
Due in more than one year	18,992				18,992
Other noncurrent liabilities:					
Due within one year.....	21,818		140		21,958
Due in more than one year.....	15,712		2,089		17,801
Total liabilities	78,761	3,282	2,655	29,311	114,009
Deferred inflows of resources	89		49		138
Net position:					
Net investment in capital assets.....	17,767		23,385	123	41,275
Restricted:					
Capital improvements and deposits.....	12				12
Unrestricted	17,465	27,921	7,494	103,815	156,695
Total net position.....	\$ 35,244	\$ 27,921	\$ 30,879	\$ 103,938	\$ 197,982

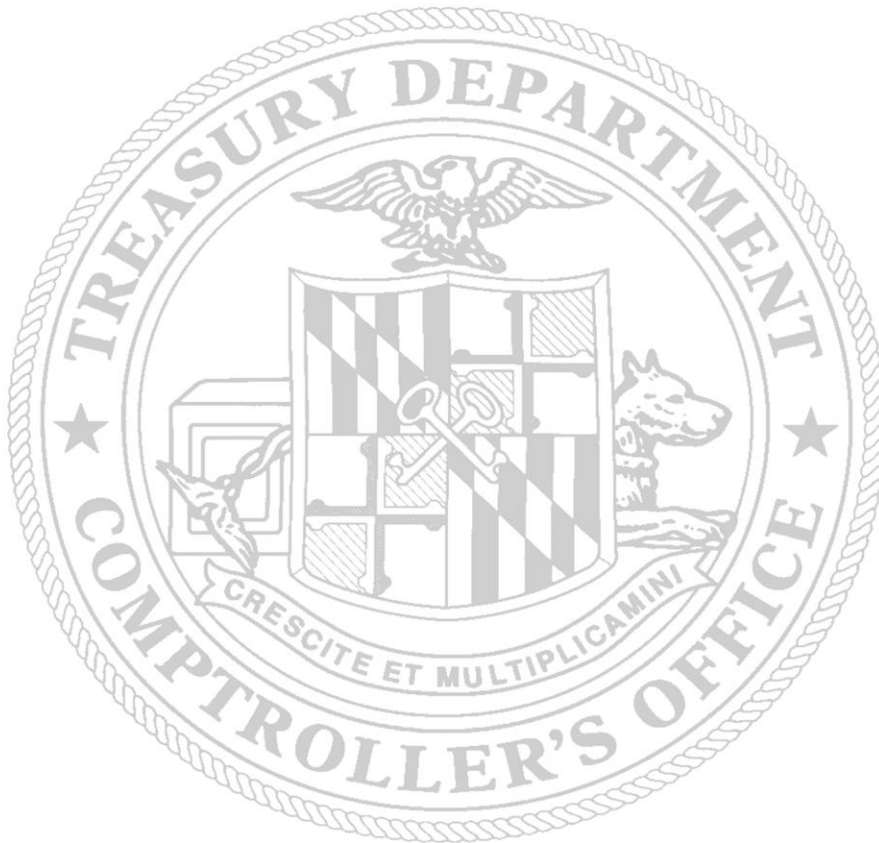
STATE OF MARYLAND
Combining Statement of Activities
Non-major Component Units
For the Year Ended June 30, 2017
(Expressed in Thousands)

	Maryland Environmental Service	Maryland Industrial Development Financing Authority	Maryland Food Center Authority	Maryland Technology Development Corporation	Total Non-major Component Units
Expenses:					
General and administrative.....	\$ 15,426	\$ 2,389	\$ 1,435	\$ 252	\$ 19,502
Operation and maintenance of facilities.....	148,093		2,313		150,406
Provision for insurance on loan losses, net.....		598			598
Interest on long-term debt	1,098				1,098
Depreciation and amortization	3,008		962	329	4,299
Other	1,129			30,762	31,891
Total expenses	168,754	2,987	4,710	31,343	207,794
Program revenues:					
Charges for services and sales	170,631	438	10,002	1,419	182,490
Total charges for services	170,631	438	10,002	1,419	182,490
Operating grants and contributions.....	2,092			29,628	31,720
Total program revenues.....	172,723	438	10,002	31,047	214,210
Net program revenue (expense).....	3,969	(2,549)	5,292	(296)	6,416
General revenues:					
Unrestricted investment income.....	82	465		2,323	2,870
Total general revenues.....	82	465		2,323	2,870
Change in net position	4,051	(2,084)	5,292	2,027	9,286
Net position - beginning of the year	31,193	30,005	25,587	101,911	188,696
Net position - end of the year.....	\$ 35,244	\$ 27,921	\$ 30,879	\$ 103,938	\$ 197,982



Statistical Section

Comprehensive Annual Financial Report, State of Maryland



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.

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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 Position by Component, Primary Government
Last Ten Fiscal Years
(accrual basis of accounting)
(Expressed in Thousands)

	Year ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities:										
Net investment in capital assets.....	\$ 16,164,081	\$ 15,311,051	\$ 14,737,916	\$ 14,312,895	\$ 14,203,503	\$ 13,771,338	\$ 13,669,573	\$ 13,796,006	\$ 14,381,207	\$ 14,267,201
Restricted.....	248,519	299,288	233,403	214,000	241,446	229,448	200,791	154,372	126,583	87,879
Unrestricted (deficit).....	(27,010,946)	(25,671,817)	(25,444,098)	(12,086,503)	(10,915,188)	(10,023,466)	(8,238,126)	(6,664,836)	(5,152,460)	(2,273,983)
Total governmental activities net position...	\$ (10,598,346)	\$ (10,061,478)	\$ (10,472,779)	\$ 2,440,392	\$ 3,529,761	\$ 3,977,320	\$ 5,632,238	\$ 7,285,542	\$ 9,355,330	\$ 12,081,097
Business-type activities:										
Net investment in capital assets.....	\$ 3,465,391	\$ 3,278,343	\$ 3,070,913	\$ 2,780,663	\$ 2,396,073	\$ 2,314,382	\$ 2,117,369	\$ 1,554,706	\$ 1,368,562	\$ 1,685,176
Restricted.....	2,182,755	1,901,482	1,981,316	2,074,041	2,267,356	2,219,474	2,002,872	2,281,572	2,321,225	2,421,939
Unrestricted.....	2,442,849	2,457,957	2,213,139	2,208,475	2,112,651	1,855,353	1,602,600	1,453,631	1,498,587	1,250,324
Total business-type activities net position...	\$ 8,090,995	\$ 7,637,782	\$ 7,265,368	\$ 7,063,179	\$ 6,776,080	\$ 6,389,209	\$ 5,722,841	\$ 5,289,909	\$ 5,188,374	\$ 5,357,439
Primary government:										
Net investment in capital assets.....	\$ 19,629,472	\$ 18,589,394	\$ 17,808,829	\$ 17,093,558	\$ 17,093,558	\$ 16,599,576	\$ 16,085,720	\$ 15,786,942	\$ 15,350,712	\$ 15,749,769
Restricted.....	2,431,274	2,200,770	2,214,719	2,288,041	2,288,041	2,508,802	2,448,922	2,203,663	2,435,944	2,447,808
Unrestricted (deficit).....	(24,568,097)	(23,213,860)	(23,230,959)	(9,878,028)	(9,878,028)	(8,802,537)	(8,168,113)	(6,635,526)	(5,211,205)	(3,653,873)
Total primary government net position.....	\$ (2,507,351)	\$ (2,423,696)	\$ (3,207,411)	\$ 9,503,571	\$ 9,503,571	\$ 10,305,841	\$ 10,366,529	\$ 11,355,079	\$ 12,575,451	\$ 14,543,704

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

	Year ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities (1):										
Expenses.....	\$ 36,672,888	\$ 34,595,952	\$ 33,955,678	\$ 32,979,215	\$ 31,110,854	\$ 31,045,539	\$ 31,067,223	\$ 29,909,914	\$ 28,467,897	\$ 26,793,866
Program revenues.....	15,313,142	14,422,414	14,239,658	13,221,268	12,655,977	12,356,151	13,002,556	12,207,706	10,177,024	8,669,151
Net (expense)/revenue, governmental activities.....	(21,359,746)	(20,173,538)	(19,716,020)	(19,757,947)	(18,454,877)	(18,689,388)	(18,064,667)	(17,702,208)	(18,290,873)	(18,124,715)
General revenues and other changes, governmental activities.....	20,822,878	20,584,839	19,853,048	18,699,201	18,007,318	17,034,470	16,411,363	15,632,420	15,742,974	16,823,220
Change in net position, governmental activities.....	(536,868)	411,301	137,028	(1,058,746)	(447,559)	(1,654,918)	(1,653,304)	(2,069,788)	(2,547,899)	(1,301,495)
Net position, beginning.....	(10,061,478)	(10,472,779)	2,440,392	3,529,761	3,977,320	5,632,238	7,285,542	9,355,330	12,081,097	13,382,592
Restatement (2).....			(13,050,199)	(30,623)					(177,868)	
Net position, ending, governmental activities.....	\$ (10,598,346)	\$ (10,061,478)	\$ (10,472,779)	\$ 2,440,392	\$ 3,529,761	\$ 3,977,320	\$ 5,632,238	\$ 7,285,542	\$ 9,355,330	\$ 12,081,097
Business-type activities (1):										
Expenses.....	\$ 3,762,859	\$ 3,576,982	\$ 3,519,427	\$ 3,560,492	\$ 3,724,891	\$ 3,751,849	\$ 3,666,971	\$ 3,905,705	\$ 3,191,998	\$ 2,308,944
Program revenues.....	5,248,348	5,025,995	4,847,349	4,767,617	4,889,817	4,917,366	4,622,076	4,628,272	3,323,650	2,943,519
Net (expense)/revenue, business- type activities.....	1,485,489	1,449,013	1,327,922	1,207,125	1,164,926	1,165,517	955,105	722,567	131,652	634,575
General revenues and other changes, business-type activities.....	(1,032,276)	(973,165)	(935,046)	(879,484)	(778,055)	(499,149)	(522,173)	(605,726)	(443,156)	(452,132)
Special item - Transfer of operations.....		(103,434)								
Change in net position, business- type activities.....	453,213	372,414	392,876	327,641	386,871	666,368	432,932	116,841	(311,504)	182,443
Net position, beginning.....	7,637,782	7,265,368	7,063,179	6,776,080	6,389,209	5,722,841	5,289,909	5,188,374	5,357,439	5,174,996
Restatement (2).....			(190,687)	(40,542)				(15,306)	142,439	
Net position, ending, business-type activities.....	\$ 8,090,995	\$ 7,637,782	\$ 7,265,368	\$ 7,063,179	\$ 6,776,080	\$ 6,389,209	\$ 5,722,841	\$ 5,289,909	\$ 5,188,374	\$ 5,357,439
Primary government:										
Expenses.....	\$ 40,435,747	\$ 38,172,934	\$ 37,475,105	\$ 36,539,707	\$ 34,835,745	\$ 34,797,388	\$ 34,734,194	\$ 33,815,619	\$ 31,659,895	\$ 29,102,810
Program revenues.....	20,561,490	19,448,409	19,087,007	17,988,885	17,545,794	17,273,517	17,624,632	16,835,978	13,500,674	11,612,670
Net (expense)/revenue, primary government.....	(19,874,256)	(18,724,525)	(18,388,098)	(18,550,822)	(17,289,951)	(17,523,871)	(17,109,562)	(16,979,641)	(18,159,221)	(17,490,140)
General revenues and other changes, primary government.....	19,790,602	19,611,674	18,918,002	17,819,717	17,229,263	16,535,321	15,889,190	15,026,694	15,299,818	16,371,088
Special item - Transfer of operations.....		(103,434)								
Change in net position, primary government.....	(83,655)	783,715	529,904	(731,105)	(60,688)	(988,550)	(1,220,372)	(1,952,947)	(2,859,403)	(1,119,052)
Net position, beginning.....	(2,423,696)	(3,207,411)	9,503,571	10,305,841	10,366,529	11,355,079	12,575,451	14,543,704	17,438,536	18,557,588
Restatement.....			(13,240,886)	(71,165)				(15,306)	(35,429)	
Net position ending, primary government.....	\$ (2,507,351)	\$ (2,423,696)	\$ (3,207,411)	\$ 9,503,571	\$ 10,305,841	\$ 10,366,529	\$ 11,355,079	\$ 12,575,451	\$ 14,543,704	\$ 17,438,536

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

(2) Beginning net position 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 position was restated for fiscal year 2010 due to implementation of GASB Statement No. 53. Beginning net position was restated for fiscal year 2014 due to implementation of GASB Statement No. 65 and for fiscal year 2015 due to implementation of GASB Statement No. 68.

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

Functions/Programs	Year ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Government activities:										
General government.....	\$ 946,670	\$ 880,414	\$ 861,601	\$ 832,041	\$ 894,637	\$ 871,352	\$ 865,519	\$ 837,542	\$ 835,858	\$ 815,107
Health and mental hygiene	13,414,334	12,215,519	11,995,583	11,078,408	10,038,006	9,870,227	9,592,240	9,174,006	8,398,880	7,648,495
Education.....	8,486,468	7,860,472	7,765,925	7,970,236	7,695,521	7,790,385	7,896,010	7,294,358	7,173,417	6,834,608
Aid for higher education	2,323,284	2,351,057	2,200,669	2,042,523	1,918,549	1,898,244	1,921,224	1,908,027	1,878,043	1,851,379
Human resources	2,446,063	2,510,369	2,544,917	2,584,755	2,611,879	2,551,033	2,537,952	2,401,029	2,163,217	1,859,485
Public safety.....	2,278,563	2,031,359	2,034,175	2,101,314	2,095,994	2,078,085	2,198,490	2,119,696	2,134,038	2,100,098
Transportation	3,478,387	3,706,904	3,610,810	3,504,411	3,146,053	3,155,703	3,176,910	3,460,865	3,202,687	3,054,406
Judicial.....	803,668	733,794	699,116	662,086	642,559	649,324	681,717	654,605	682,324	633,844
Labor, licensing and regulation	349,394	312,850	325,179	333,701	319,757	279,632	277,887	253,977	204,027	186,470
Natural resources and recreation	360,187	255,076	275,936	213,004	185,627	207,840	205,921	187,525	219,060	179,682
Housing and community development.....	321,792	283,046	266,523	294,408	295,611	347,008	373,548	319,721	248,334	247,515
Environment.....	110,577	111,686	109,349	102,712	104,685	108,213	126,054	121,957	123,854	108,273
Agriculture	111,321	94,561	89,464	97,770	97,234	46,645	90,502	57,275	94,930	82,163
Commerce.....	109,054	83,664	100,264	105,177	71,517	78,406	83,519	78,701	94,584	97,991
Intergovernmental grants	649,794	662,629	600,362	541,034	507,660	614,685	611,595	635,467	624,475	742,398
Interest	483,332	502,553	475,805	515,633	485,565	498,757	428,135	405,163	390,169	351,952
Total governmental activities expenses	36,672,888	34,595,952	33,955,678	32,979,215	31,110,854	31,045,539	31,067,223	29,909,914	28,467,897	26,793,866
Business-type activities:										
Economic development- insurance programs	1,227	3,372	2,838	4,534	12,565	4,689	12,693	4,247	8,881	4,759
Economic development- general loan programs.....	23,498	15,062	16,817	32,176	20,344	20,106	18,905	13,501	30,586	21,547
Economic development- water quality loan program.....	168,631	221,101	251,636	174,566	209,263	142,280	153,331	99,911	43,245	42,409
Economic development- housing loan programs.....	163,267	175,706	179,393	202,818	207,423	204,117	193,258	201,077	210,603	189,906
Unemployment insurance program.....	546,415	571,259	680,420	925,005	1,246,507	1,585,495	1,629,721	2,004,334	1,330,465	544,109
Maryland Lottery and and Gaming Control Agency	2,264,581	1,993,732	1,845,837	1,701,020	1,525,381	1,331,899	1,254,095	1,205,310	1,207,171	1,133,587
Maryland Transportation Authority.....	537,773	538,560	489,859	469,606	451,944	412,509	355,467	327,360	308,383	325,721
Maryland Correctional Enterprises.....	57,467	58,190	52,627	50,767	51,464	50,754	49,501	49,965	52,664	46,906
Total business-type activities expenses	3,762,859	3,576,982	3,519,427	3,560,492	3,724,891	3,751,849	3,666,971	3,905,705	3,191,998	2,308,944
Total primary government expenses	\$ 40,435,747	\$ 38,172,934	\$ 37,475,105	\$ 36,539,707	\$ 34,835,745	\$ 34,797,388	\$ 34,734,194	\$ 33,815,619	\$ 31,659,895	\$ 29,102,810

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

Source	Year ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities:										
Program revenues:										
Charges for services:										
General government.....	\$ 778,578	\$ 817,528	\$ 657,548	\$ 577,929	\$ 724,997	\$ 500,747	\$ 455,729	\$ 490,230	\$ 616,176	\$ 359,589
Health and mental hygiene	1,082,744	1,156,098	1,223,465	1,445,746	1,368,278	1,332,658	1,205,122	948,124	564,677	458,706
Transportation	625,103	618,334	652,820	582,332	679,378	541,961	540,859	527,330	508,629	611,002
Judicial	305,700	278,514	277,001	313,598	349,347	434,276	283,781	246,027	252,847	260,145
Other activities.....	529,020	467,989	391,082	418,981	454,900	462,765	460,733	608,284	462,761	377,905
Operating grants and contributions.....	11,120,269	10,342,983	10,263,139	9,056,184	8,233,915	8,199,616	9,341,179	8,659,808	7,079,697	5,924,816
Capital grants and contributions	871,728	740,968	774,605	826,498	845,162	884,128	715,153	727,903	692,237	676,988
Total program revenues.....	15,313,144	14,422,414	14,239,660	13,221,268	12,655,977	12,356,151	13,002,556	12,207,706	10,177,024	8,669,151
General revenues:										
Taxes:										
Income Taxes	9,828,434	9,797,055	9,445,934	8,803,951	8,657,390	7,868,089	7,605,497	7,003,514	7,167,890	7,885,639
Sales and use taxes.....	4,612,619	4,506,092	4,412,308	4,199,862	4,115,724	4,078,000	3,898,509	3,760,756	3,857,020	3,748,724
Motor vehicle taxes.....	2,657,696	2,554,740	2,383,505	2,196,805	2,072,571	1,988,153	1,913,570	1,796,769	1,787,144	1,920,460
Tobacco taxes.....	386,965	395,266	391,452	402,403	415,922	411,427	407,570	405,915	405,559	376,112
Insurance company taxes.....	512,033	491,226	505,991	475,294	429,410	428,023	392,287	382,569	369,479	469,144
Property taxes.....	1,099,731	1,053,103	1,002,787	972,947	990,061	994,439	1,043,943	1,009,768	968,892	1,026,592
Estate & inheritance taxes.....	252,118	288,833	266,809	238,276	258,978	221,206	241,576	196,002	229,723	261,987
Other taxes.....	312,867	311,694	306,505	313,474	293,031	296,068	302,421	294,752	293,391	311,048
Unrestricted investment earnings	120,657	197,411	186,926	212,533	(4,794)	155,587	79,042	167,581	202,682	345,578
Transfers	1,039,758	989,420	950,831	883,656	779,026	593,478	526,948	614,794	461,194	477,936
Total general revenues and transfers.....	20,822,878	20,584,840	19,853,048	18,699,201	18,007,318	17,034,470	16,411,363	15,632,420	15,742,974	16,823,220
Total revenues and transfers - governmental activities...	36,136,022	35,007,254	34,092,708	31,920,469	30,663,295	29,390,621	29,413,919	27,840,126	25,919,998	25,492,371
Business-type activities:										
Program revenues:										
Charges for services:										
Unemployment insurance program.....	565,671	627,998	679,346	658,998	899,368	1,136,677	1,031,602	953,711	475,032	440,848
Maryland Lottery and Gaming Control Agency..	3,384,334	3,078,920	2,877,945	2,645,960	2,444,195	2,022,445	1,828,489	1,711,285	1,699,156	1,673,038
Maryland Transportation Authority.....	869,605	836,079	827,759	804,642	617,334	532,042	553,786	588,427	391,558	425,504
Other activities.....	331,113	351,511	337,580	355,935	337,214	307,914	327,854	359,204	366,916	346,494
Operating grants and contributions	97,625	131,487	124,719	302,082	591,706	917,219	880,345	1,015,645	390,988	57,635
Capital grants and contributions						1,069				
Total program revenues	5,248,348	5,025,995	4,847,349	4,767,617	4,889,817	4,917,366	4,622,076	4,628,272	3,323,650	2,943,519
General revenues:										
InvestMD tax credits.....						84,000				
Unrestricted investment earnings	7,482	16,255	15,785	4,172	971	10,329	4,775	9,068	18,038	25,804
Transfers	(1,039,758)	(989,420)	(950,831)	(883,656)	(779,026)	(593,478)	(526,948)	(614,794)	(461,194)	(477,936)
Total general revenues and transfers.....	(1,032,276)	(973,165)	(935,046)	(879,484)	(778,055)	(499,149)	(522,173)	(605,726)	(443,156)	(452,132)
Special item - Transfer of operations.....		(103,434)								
Total revenues, transfers, and special items - business-type activities	4,216,072	3,949,396	3,912,303	3,888,133	4,111,762	4,418,217	4,099,903	4,022,546	2,880,494	2,491,387
Total primary government revenues and transfers.....	\$ 40,352,094	\$ 38,956,650	\$ 38,005,011	\$ 35,808,602	\$ 34,775,057	\$ 33,808,838	\$ 33,513,822	\$ 31,862,672	\$ 28,800,492	\$ 27,983,758

STATE OF MARYLAND
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual based accounting)
(Expressed in Thousands)

	Year ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund (2):										
Nonspendable.....	\$ 571,891	\$ 618,563	\$ 514,051	\$ 495,542	\$ 493,431	\$ 485,654	\$ 468,330	\$ 448,982		
Restricted.....	10,459	11,403	16,487	6,501	187	632	294	398		
Committed.....	1,564,668	1,675,674	1,519,539	1,553,584	1,488,477	1,271,765	1,163,278	1,140,676		
Unassigned.....	(788,832)	(509,187)	(766,124)	(916,302)	(622,860)	(680,949)	(292,292)	(340,964)		
Reserved									\$ 1,363,060	\$ 1,388,192
Unreserved (deficit).....									146,862	1,497,396
Total general fund	1,358,186	1,796,453	1,283,953	1,139,325	1,359,235	1,077,102	1,339,610	1,249,092	1,509,922	2,885,588
All other governmental funds (2):										
Nonspendable	103,510	211,726	197,847	192,871	183,355	181,093	182,156	171,094		
Restricted.....	243,829	287,885	216,916	207,499	241,260	228,816	200,497	154,386		
Committed.....	578,790	685,348	800,158	791,084	663,718	550,287	568,396	608,854		
Unassigned (1).....	(264,367)	(273,530)	(511,961)	(414,043)	(353,964)	(431,416)	(403,711)	(358,796)		
Reserved									574,349	519,013
Unreserved, reported in:										
Special revenue funds.....									166,567	(29,236)
Capital projects funds (1).....									(375,595)	(128,045)
Debt service funds									104,238	54,263
Total all other governmental funds	661,763	911,429	702,960	777,411	734,369	528,780	547,338	575,538	469,559	415,995
Total governmental funds	\$ 2,019,948	\$ 2,707,882	\$ 1,986,913	\$ 1,916,736	\$ 2,093,604	\$ 1,605,882	\$ 1,886,948	\$ 1,824,630	\$ 1,979,481	\$ 3,301,583

- (1) The unreserved and unassigned fund balance deficit of the capital projects fund will be funded by future bond proceeds and capital appropriations of the general fund.
(2) Beginning in fiscal year 2010, fund balances were restated due to implementation of GASB Statement No. 54.

STATE OF MARYLAND
Changes in Fund Balances, Government Funds
Last Ten Fiscal Years
(modified accrual based accounting)
(Expressed in Thousands)

	Year ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Income taxes	\$ 9,786,505	\$ 9,832,668	\$ 9,418,584	\$ 8,743,986	\$ 8,652,063	\$ 7,822,259	\$ 7,639,285	\$ 6,957,811	\$ 7,156,297	\$ 7,868,899
Retail sales and use taxes	4,609,782	4,504,417	4,410,080	4,196,314	4,114,462	4,076,729	3,896,876	3,754,326	3,851,752	3,748,933
Motor vehicle taxes and fees	2,657,696	2,554,740	2,383,505	2,196,805	2,072,571	1,988,153	1,913,570	1,796,769	1,787,144	1,920,460
Tobacco taxes	386,965	395,266	391,452	402,403	415,922	411,427	407,570	405,915	405,559	376,112
Insurance company taxes	512,033	491,226	505,991	475,294	429,410	428,023	392,287	382,569	369,479	469,144
Property taxes	1,099,731	1,053,102	1,002,786	972,947	990,061	994,439	1,043,943	1,009,768	968,892	1,026,592
Estate & inheritance taxes	252,118	288,833	266,809	238,276	258,978	221,206	241,576	196,002	229,723	261,987
Other taxes	312,867	311,694	306,505	313,474	293,031	296,068	302,421	294,752	293,391	311,048
Other licenses and fees	604,004	646,622	641,478	607,785	678,648	714,891	683,289	682,756	686,806	651,079
Charges for services	2,115,409	2,191,464	2,132,893	2,304,305	2,403,377	2,150,332	1,878,075	1,639,917	1,259,309	1,108,666
Revenues pledged as security for bonds*							95,057	89,521	66,098	77,541
Interest and other investment income	(59,874)	57,549	66,067	110,607	(89,273)	88,068	23,052	121,233	161,696	307,403
Federal	11,970,737	10,999,638	11,033,156	9,897,214	9,096,720	9,104,024	9,968,631	9,386,888	7,767,558	6,604,348
Other	574,784	477,526	439,015	412,182	474,867	405,263	309,902	413,762	377,127	214,755
Total revenues	34,822,757	33,804,745	32,998,322	30,871,592	29,790,838	28,700,882	28,795,534	27,131,989	25,380,831	24,946,967
Expenditures:										
Current:										
General government	878,805	887,127	860,009	836,341	884,048	836,112	775,370	762,488	757,186	729,788
Education	10,403,553	10,231,349	10,079,813	9,636,845	9,305,918	9,298,976	9,474,145	9,104,692	8,948,062	8,638,203
Commerce	106,959	83,389	100,030	103,253	69,425	75,835	79,284	74,578	90,892	94,503
Labor, licensing and regulation	334,642	315,758	322,158	319,814	304,289	261,615	246,700	226,118	182,751	166,848
Human resources	2,391,286	2,501,100	2,543,937	2,542,075	2,557,386	2,488,200	2,420,789	2,291,347	2,061,959	1,761,284
Health and mental hygiene	13,334,642	12,206,406	12,007,975	11,160,187	9,949,816	9,772,861	9,441,903	9,040,549	8,286,032	7,536,747
Environment	108,702	108,548	107,103	96,901	87,728	96,116	107,457	110,092	106,307	95,918
Transportation	1,533,532	1,737,964	1,719,153	1,793,001	1,468,019	1,472,418	1,228,659	1,422,084	1,333,618	1,262,973
Public safety	2,076,945	1,983,864	1,972,570	1,888,200	1,879,264	1,875,795	1,873,921	1,773,141	1,824,595	1,835,652
Judicial	740,041	715,230	689,975	638,115	594,522	590,082	577,333	556,908	585,778	556,056
Housing and community development	319,809	282,414	266,912	292,494	293,743	344,408	368,857	315,630	244,208	244,581
Natural resources and recreation	306,062	236,959	232,514	186,486	171,206	179,682	182,229	184,342	205,876	188,675
Agriculture	71,000	69,105	75,226	87,110	80,353	79,294	80,770	92,954	142,804	147,494
Intergovernmental	1,379,988	1,352,665	1,344,034	1,190,477	1,156,328	1,265,314	1,249,592	1,187,153	1,425,506	1,597,734
Debt service:										
Principal	993,324	926,719	810,783	744,599	673,639	645,024	598,265	560,348	536,050	497,300
Interest	496,946	468,169	440,063	434,811	414,089	399,710	390,340	366,237	349,214	315,010
Capital outlay	2,594,494	2,115,363	1,910,348	1,598,458	1,614,972	1,274,591	1,276,049	1,200,176	1,430,170	1,476,506

Total expenditures.....	38,070,729	36,222,129	35,482,602	33,549,167	31,504,745	30,956,033	30,371,663	29,268,837	28,511,008	27,145,272
Excess (deficiency) of revenues over expenditures.....	(3,247,973)	(2,417,384)	(2,484,280)	(2,677,575)	(1,713,907)	(2,255,151)	(1,576,129)	(2,136,848)	(3,130,177)	(2,198,305)
Other financing sources (uses):										
Capital leases	8,670	43,127	9,409	170,236	32,311	23,440	53,334	15,472	27,945	31,185
Proceeds from bond issues.....	1,513,598	2,105,806	1,662,385	1,445,884	1,389,203	1,375,297	1,058,166	1,477,837	1,318,718	1,071,403
Other long-term liabilities										102
Proceeds from refunding bonds.....	813,042		1,478,889	279,273	424,111	656,851		798,080	69,431	
Payments to escrow agents.....	(815,030)		(1,547,056)	(278,876)	(423,021)	(674,982)		(924,185)	(69,213)	
Transfers in.....	2,104,547	1,993,776	1,766,489	1,659,660	1,331,669	1,552,089	1,716,673	1,895,049	1,203,021	1,180,435
Transfers out.....	(1,064,788)	(1,004,356)	(815,658)	(775,470)	(552,643)	(958,611)	(1,189,726)	(1,280,256)	(741,827)	(702,499)
Net other sources (uses) of financial resources.....	2,560,039	3,138,353	2,554,458	2,500,707	2,201,630	1,974,084	1,638,447	1,981,997	1,808,075	1,580,626
Net changes in fund balance	(687,934)	720,970	70,178	(176,868)	487,722	(281,067)	62,318	(154,851)	(1,322,102)	(617,679)
Fund balance, beginning of the year	2,707,882	1,986,912	1,916,736	2,093,604	1,605,882	1,886,948	1,824,630	1,979,481	3,301,583	3,919,262
Fund balance, end of the year	\$ 2,019,948	\$ 2,707,882	\$ 1,986,913	\$ 1,916,736	\$ 2,093,604	\$ 1,605,881	\$ 1,886,948	\$ 1,824,630	\$ 1,979,481	\$ 3,301,583
Debt service as a percentage of noncapital expenditures	4.2%	4.1%	3.7%	3.7%	3.6%	3.6%	3.5%	3.4%	3.4%	3.3%

* Beginning in fiscal year 2012, revenues pledged as security for bonds were reclassified to charges for services.

STATE OF MARYLAND
Personal Income Tax Filers by Subdivision
Tax Year Ended December 31, 2016

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.....	21,846	\$ 1,179,856,534	\$ 923,837,979	\$ 41,463,165	\$ 27,194,119	\$ 68,657,284	3.05 %
Anne Arundel.....	224,944	22,055,871,651	18,216,632,215	853,436,673	446,394,609	1,299,831,282	2.50
Baltimore County..	325,518	27,704,296,869	22,387,189,959	1,050,162,729	619,448,686	1,669,611,415	2.83
Calvert.....	35,494	3,204,749,580	2,570,965,464	119,887,095	71,101,309	190,988,404	2.80
Caroline.....	11,600	660,041,854	500,712,270	21,026,830	13,059,516	34,086,346	2.73
Carroll.....	67,607	5,985,924,849	4,865,470,814	228,868,319	145,759,992	374,628,311	3.03
Cecil.....	36,562	2,560,220,619	2,035,509,323	71,793,159	54,106,806	125,899,965	2.80
Charles.....	62,236	4,855,520,350	3,706,405,612	170,359,598	110,459,046	280,818,644	3.03
Dorchester.....	11,469	623,306,172	476,283,027	20,590,448	11,880,521	32,470,969	2.62
Frederick.....	99,450	8,664,507,816	7,007,985,479	328,367,860	204,695,397	533,063,257	2.96
Garrett.....	10,153	579,284,577	450,159,077	19,987,828	11,542,521	31,530,349	2.65
Harford.....	99,811	8,273,458,210	6,683,757,229	309,373,178	201,402,126	510,775,304	3.06
Howard.....	123,570	14,825,459,536	12,446,585,252	593,570,888	393,243,567	986,814,455	3.20
Kent.....	7,050	547,588,411	425,389,013	18,103,941	11,715,719	29,819,660	2.85
Montgomery.....	421,928	51,599,222,961	43,483,145,210	2,021,966,998	1,346,884,021	3,368,851,019	3.20
Prince George's....	362,048	22,858,801,675	16,501,675,552	746,335,735	513,119,127	1,259,454,862	3.20
Queen Anne's.....	19,083	1,805,593,854	1,465,396,922	67,005,276	46,140,692	113,145,968	3.20
St. Mary's.....	41,155	3,422,594,419	2,768,373,813	128,338,656	81,699,736	210,038,392	3.00
Somerset.....	6,214	305,548,386	225,789,056	9,643,145	6,700,809	16,343,954	3.15
Talbot.....	14,666	1,400,448,708	1,132,954,384	52,190,441	26,246,660	78,437,101	2.40
Washington.....	54,072	3,417,465,000	2,680,126,846	122,021,206	73,040,862	195,062,068	2.80
Wicomico.....	34,381	2,034,251,403	1,586,575,012	67,485,782	48,411,465	115,897,247	3.20
Worcester.....	21,224	1,520,968,799	1,215,306,788	53,513,972	20,527,947	74,041,919	1.75
Baltimore City.....	199,446	12,251,736,133	9,657,703,228	436,124,810	294,651,117	730,775,927	3.20
Non-resident.....	129,993	7,227,973,895	6,307,000,073	441,823,370		441,823,370	
	2,441,520	\$ 209,564,692,261	\$ 169,720,929,597	\$ 7,993,441,102	\$ 4,779,426,370	\$ 12,772,867,472	

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

Source: Revenue Administration Division, State Comptroller's Office

STATE OF MARYLAND

State Personal Income Tax and Sales Tax Rates Calendar Year 2012-2017*

Filing Status, Single:		Married Filing Jointly:	
Taxable Income:	Rate:	Taxable Income:	Rate:
\$3,001 - \$100,000	4.75%	\$3,001 - \$150,000	4.75%
\$100,001 - \$125,000	5.00%	\$150,001 - \$175,000	5.00%
\$125,001 - \$150,000	5.25%	\$175,001 - \$225,000	5.25%
\$150,001 - \$250,000	5.50%	\$225,001 - \$300,000	5.50%
Over \$250,000	5.75%	Over \$300,000	5.75%

Sales Tax Rate: 6%

*Rates effective January 1, 2012

State Personal Income Tax and Sales Tax Rates Calendar Years 2008-2011*

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

**Rates for calendar year 2011 were 5.50%

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)

	2016			
	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level				
\$500,000 and higher	26,496	1.09 %	\$ 1,607,900	20.11 %
\$100,000-\$499,999	562,683	23.05	3,948,852	49.40
\$70,000-\$99,999	321,207	13.16	954,063	11.94
\$50,000-\$69,999	326,819	13.39	653,878	8.18
\$25,000-\$49,999	639,012	26.17	646,421	8.09
\$10,000-\$24,999	463,348	18.98	169,317	2.12
Under \$10,000	101,955	4.18	13,008	0.16
Total	2,441,520	100.00 %	\$ 7,993,441	100.00 %

	2015			
	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level				
\$500,000 and higher	25,747	1.08 %	\$ 1,533,581	19.70 %
\$100,000-\$499,999	552,401	23.09	3,858,612	49.56
\$70,000-\$99,999	317,167	13.25	940,026	12.07
\$50,000-\$69,999	320,708	13.40	640,008	8.22
\$25,000-\$49,999	623,249	26.05	634,477	8.15
\$10,000-\$24,999	453,975	18.97	166,838	2.14
Under \$10,000	99,564	4.16	12,631	0.16
Total	2,392,811	100.00 %	\$ 7,786,173	100.00 %

	2014			
	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level				
\$500,000 and higher	24,432	1.03 %	\$ 1,487,042	19.88 %
\$100,000-\$499,999	527,543	22.14	3,648,239	48.76
\$70,000-\$99,999	312,138	13.10	919,952	12.30
\$50,000-\$69,999	315,473	13.24	626,493	8.37
\$25,000-\$49,999	623,459	26.16	623,584	8.33
\$10,000-\$24,999	476,740	20.01	163,914	2.19
Under \$10,000	103,143	4.33	12,749	0.17
Total	2,382,928	100.00 %	\$ 7,481,973	100.00 %

	2013			
	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level				
\$500,000 and higher	21,935	0.92 %	\$ 1,266,568	16.27 %
\$100,000-\$499,999	503,837	21.06	3,434,142	44.11
\$70,000-\$99,999	309,903	12.95	905,699	11.63
\$50,000-\$69,999	312,548	13.06	615,553	7.91
\$25,000-\$49,999	621,710	25.98	618,113	7.94
\$10,000-\$24,999	477,663	19.96	162,722	2.09
Under \$10,000	99,685	4.17	12,100	0.16
Total	2,347,281	98.09 %	\$ 7,014,897	90.09 %

	2012			
	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level				
\$500,000 and higher	24,255	1.05 %	\$ 1,533,202	21.59 %
\$100,000-\$499,999	493,577	21.44	3,281,446	46.21
\$70,000-\$99,999	307,641	13.36	884,705	12.46
\$50,000-\$69,999	311,773	13.54	605,169	8.52
\$25,000-\$49,999	615,541	26.74	608,132	8.56
\$10,000-\$24,999	470,011	20.43	175,568	2.47
Under \$10,000	79,274	3.44	13,671	0.19
Total	2,302,072	100.00 %	\$ 7,101,893	100.00 %

	2011			
	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level				
\$500,000 and higher	20,027	0.90 %	\$ 1,074,619	17.05 %
\$100,000-\$499,999	475,139	21.15	3,020,394	47.91
\$70,000-\$99,999	301,920	13.44	854,629	13.56
\$50,000-\$69,999	309,545	13.78	591,156	9.38
\$25,000-\$49,999	609,707	27.15	599,435	9.51
\$10,000-\$24,999	461,729	20.57	152,585	2.42
Under \$10,000	68,009	3.03	11,115	0.18
Total	2,246,076	100.00 %	\$ 6,303,933	100.00 %

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)

	2010			
	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level				
\$500,000 and higher	19,031	0.87 %	\$ 1,103,398	18.00 %
\$100,000-\$499,999	460,144	20.77	2,872,843	46.86
\$70,000-\$99,999	297,568	13.43	829,513	13.53
\$50,000-\$69,999	306,283	13.82	577,222	9.42
\$25,000-\$49,999	605,480	27.33	590,450	9.63
\$10,000-\$24,999	454,672	20.53	149,735	2.44
Under \$10,000	72,525	3.27	7,087	0.12
Total	2,215,703	100.00 %	\$ 6,130,248	100.00 %

	2009			
	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level				
\$500,000 and higher	16,589	0.77 %	\$ 901,111	15.76 %
\$100,000-\$499,999	440,514	20.33	2,700,374	47.24
\$75,000-\$99,999	294,317	13.58	810,590	14.18
\$50,000-\$74,999	305,438	14.09	567,707	9.93
\$25,000-\$49,999	601,213	27.74	585,150	10.24
\$10,000-\$24,999	440,498	20.33	144,875	2.53
Under \$10,000	68,464	3.16	6,709	0.12
Total	2,167,033	100.00 %	\$ 5,716,516	100.00 %

	2008			
	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level				
\$500,000 and higher	18,490	0.84 %	\$ 1,203,268	19.89 %
\$100,000-\$499,999	436,125	19.76	2,680,009	44.29
\$75,000-\$99,999	299,054	13.55	817,229	13.51
\$50,000-\$74,999	309,460	14.02	569,793	9.42
\$25,000-\$49,999	619,265	28.05	619,216	10.23
\$10,000-\$24,999	445,300	20.17	152,357	2.52
Under \$10,000	79,781	3.61	8,570	0.14
Total	2,207,475	100.00 %	\$ 6,050,442	100.00 %

	2007			
	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level				
\$500,000 and higher	22,546	0.98 %	\$ 1,343,286	21.49 %
\$100,000-\$499,999	422,874	18.43	2,619,517	41.92
\$75,000-\$99,999	299,022	13.04	839,000	13.43
\$50,000-\$74,999	310,886	13.55	591,121	9.46
\$25,000-\$49,999	636,783	27.76	669,599	10.71
\$10,000-\$24,999	482,515	21.03	174,561	2.79
Under \$10,000	119,277	5.20	12,218	0.20
Total	2,293,903	100.00 %	\$ 6,249,302	100.00 %

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 Supplies	Utilities & Transportation	Hardware, Machinery & Equipment	Miscellaneous	Assessment Collections	Total Collections
2017	\$ 1,156,169	\$ 226,682	\$ 867,534	\$ 298,391	\$ 290,538	\$ 615,486	\$ 377,542	\$ 110,636	\$ 684,747	\$ 10,062	\$ 4,637,787
2016	1,134,386	214,016	861,937	295,298	295,776	589,726	350,722	111,102	683,872	11,718	4,548,553
2015	1,090,515	208,036	811,774	284,110	299,874	563,869	378,578	110,016	652,615	10,508	4,409,895
2014	1,034,463	199,133	751,972	274,024	295,710	530,891	383,069	103,416	614,776	8,542	4,195,996
2013	1,011,944	197,086	754,822	266,675	315,902	501,287	354,509	98,914	605,375	7,783	4,114,297
2012	1,013,589	193,049	736,119	268,506	330,226	485,588	349,284	100,832	582,760	16,627	4,076,580
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

Source: Revenue Administration Division, Comptroller's Office

*The 2011 Session of the Maryland General Assembly approved legislation increasing the sales tax on alcoholic beverages from 6% to 9% effective fiscal year 2012.

STATE OF MARYLAND
Schedule of Ratio of Outstanding Debt by Type
Last Ten 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	Transportation	Capital	Transportation	Capital	Total	Percentage	Per	Revenue	Capital	Total	Total	Percentage	Per
	Obligation	Bonds (3)	Leases	Debt/Other	Leases with	Governmental	of Personal	Capita (1)	Bonds	Leases	Business-Type	Primary	of Personal	Capita(1)
	Bonds (3)	Bonds (3)	Leases	Liabilities(2)	Component	Activities	Income(1)				Activities	Government	Income(1)	
2017	\$ 10,526,151	\$ 2,860,829	\$ 842,363		\$ 103,100	\$ 14,332,443	4.11 %	\$ 2,382	\$ 5,345,081	\$ 35,669	\$ 5,380,750	\$ 19,713,193	5.66 %	\$ 3,277
2016	10,672,349	2,359,453	907,425		121,543	14,060,770	4.17	2,341	5,630,773	48,285	5,679,058	19,739,828	5.85	3,286
2015	9,800,864	2,233,690	929,679		140,559	13,104,792	3.98	2,193	5,721,363	60,715	5,782,078	18,886,870	5.73	3,160
2014	9,256,090	1,948,837	915,393		163,574	12,283,894	3.82	2,072	5,939,721	17,480	5,957,201	18,241,095	5.67	3,077
2013	8,659,236	1,728,192	766,393		186,706	11,340,527	3.58	1,927	6,220,872	31,024	6,251,896	17,592,423	5.56	2,990
2012	8,081,668	1,654,497	755,653		210,676	10,702,494	3.41	1,728	6,377,228	56,212	6,433,440	17,135,934	5.59	2,832
2011	7,425,402	1,630,533	755,778		214,590	10,026,303	3.35	1,645	6,504,780	44,886	6,549,666	16,575,969	5.66	2,776
2010	6,921,542	1,721,856	798,201		232,762	9,674,361	3.31	1,614	6,161,633	5,261	6,166,894	15,841,255	5.53	2,696
2009	6,226,287	1,667,124	848,208		250,407	8,992,026	3.14	1,519	5,422,501	5,748	5,428,249	14,420,275	5.13	2,482
2008	5,806,519	1,348,854	515,134	\$ 373,319	265,767	8,309,593	3.02	1,409	5,041,339	648	5,041,987	13,351,580	4.94	2,307

Source: General Accounting Division, State Comptroller's Office

- (1) Population and personal income data can be found in the Schedule of Demographics Statistics.
- (2) Transportation debt/other liabilities was reclassified as capital leases beginning in fiscal year 2009.
- (3) General bonded debt and transportation bonds are net of related premiums, discounts and adjustments.

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

Fiscal Year	<i>(Expressed in Thousands)</i>			Ratio of General Bonded Debt to Actual Property Value	General Bonded Debt per Capita
	Estimated Population (1)	Estimated Property Value	General Bonded Debt (2)		
2017	6,016	\$ 714,873,503	\$ 10,526,151	1.47 %	\$ 1,750
2016	6,007	693,056,335	10,672,349	1.54	1,777
2015	5,976	664,447,412	9,800,864	1.48	1,640
2014	5,929	647,265,360	9,256,090	1.43	1,561
2013	5,885	641,751,347	8,659,236	1.35	1,471
2012	5,828	653,376,073	8,081,668	1.24	1,387
2011	5,786	689,329,692	7,425,402	1.08	1,283
2010	5,699	731,809,178	6,921,542	0.95	1,215
2009	5,634	707,573,095	6,226,287	0.88	1,105
2008	5,618	633,453,169	5,806,519	0.92	1,034

Source: The Sixty-Fourth through Seventy-Third 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. The General bonded debt is net of related premiums, discounts, and adjustments.

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

Legal Debt Margin Calculation for Fiscal Year 2017

Debt Limit (1).....	\$ 15,123,970
Debt applicable to limit:	
General obligation bonds	9,334,205
Transportation bonds	2,578,385
Nontraditional Transportation debt (2)...	650,609
Less amounts set aside for replacement of:	
General obligation debt.....	238,060
Transportation debt.....	44,515
Total net debt applicable to limit.....	<u>12,280,624</u>
Legal debt margin.....	<u>\$ 2,843,346</u>

	Year ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Debt limit.....	\$ 15,123,970	\$ 15,021,257	\$ 14,493,789	\$ 13,918,130	\$ 13,169,535	\$ 12,388,337	\$ 11,790,027	\$ 11,410,017	\$ 9,822,844	\$ 9,780,943
Total net debt applicable to limit.....	<u>12,280,624</u>	<u>11,991,290</u>	<u>11,159,389</u>	<u>10,615,974</u>	<u>10,033,126</u>	<u>9,438,132</u>	<u>8,948,851</u>	<u>8,658,167</u>	<u>8,015,376</u>	<u>7,400,792</u>
Legal debt margin.....	<u>\$ 2,843,346</u>	<u>\$ 3,029,967</u>	<u>\$ 3,334,400</u>	<u>\$ 3,302,156</u>	<u>\$ 3,136,409</u>	<u>\$ 2,950,205</u>	<u>\$ 2,841,176</u>	<u>\$ 2,751,850</u>	<u>\$ 1,807,468</u>	<u>\$ 2,380,151</u>
Total net debt applicable to limit as a percentage of debt limit.....	81.20%	79.83%	76.99%	76.27%	76.18%	76.19%	75.90%	75.88%	81.60%	75.67%

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 \$2,600,000,000 through June 30, 2009, and \$4,500,000,000 thereafter.
- (2) The 2016 session of the General Assembly established a maximum outstanding principal amount of \$609,600,000 as of June 30, 2017, 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.

**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,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Taxes and fees:										
Taxes pledged to bonds (1)(2)(4)(5).....	\$ 1,971,162	\$ 1,924,937	\$ 1,749,800	\$ 1,590,767	\$ 1,382,135	\$ 1,277,770	\$ 1,300,022	\$ 1,244,280	\$ 1,234,750	\$ 1,139,321
Other taxes and fees (3)	623,230	611,259	603,700	586,514	572,894	475,561	439,657	415,409	418,734	404,082
Total taxes and fees.....	2,594,392	2,536,196	2,353,500	2,177,281	1,955,029	1,753,331	1,739,679	1,659,689	1,653,484	1,543,403
Operating Revenues	441,420	436,571	414,290	409,952	407,187	402,056	390,547	388,587	392,772	395,003
Investment income.....	69,012	59,609	47,307	29,139	30,785	40,015	60,458	394	3,996	3,683
Other	627	3,819	2,090	2,154	758	2,750	1,004	(3,600)	(3,666)	4
Total revenue.....	3,105,451	3,036,195	2,817,187	2,618,526	2,393,759	2,198,152	2,191,688	2,045,070	2,046,586	1,942,093
Administration, operation and maintenance expenditures.....										
	1,948,196	1,917,471	1,859,524	1,842,785	1,638,407	1,572,181	1,547,339	1,582,578	1,526,965	1,488,310
Less: Federal funds.....	(94,498)	(87,325)	(89,843)	(90,567)	(72,397)	(92,737)	(90,733)	(90,761)	(93,729)	(79,228)
Total	1,853,698	1,830,146	1,769,681	1,752,218	1,566,010	1,479,444	1,456,606	1,491,817	1,433,236	1,409,082
Net revenues.....	\$ 1,251,753	\$ 1,206,049	\$ 1,047,506	\$ 866,308	\$ 827,749	\$ 718,708	\$ 735,082	\$ 553,253	\$ 613,350	\$ 533,011
Maximum annual principal and interest requirements.....										
	\$ 331,345	\$ 305,197	\$ 292,327	\$ 270,527	\$ 237,394	\$ 219,765	\$ 210,714	\$ 210,714	\$ 197,281	\$ 153,661
Ratio of net revenues to maximum annual principal and interest requirements.....										
	3.78	3.95	3.58	3.20	3.49	3.27	3.49	2.63	3.11	3.47
Ratio of taxes pledged to bonds to maximum annual principal and interest requirements										
	5.95	6.31	5.99	5.88	5.82	5.81	6.17	5.91	6.26	7.41

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

- (1) The State's sales tax and the Vehicle Excise Tax (Titling tax) was increased 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 incrementally to fiscal year 2014 from 76% to 93.6%.
- (2) The Department was allocated 6.5% of the State's sales tax effective July 1, 2008. The distribution was reduced to 5.3% in fiscal years 2010 and 2011 and ended July 1, 2011.
- (3) The Transportation Trust Fund transferred \$40,000,000 of the Department's share of Highway User Revenues to the Revenue Stabilization Account in fiscal year 2012.
- (4) The allocation of the corporate income tax to the Department was changed from 24% to 17.2% in fiscal year 2012, 9.5% in fiscal year 2013, 19.5% through fiscal year 2016, and 17.2% in fiscal year 2017.
- (5) The motor fuel tax rate was increased based on growth of the Consumer Price Index and applies a sales and use tax equivalent to the price of motor fuel beginning in fiscal year 2014.

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
2017	\$ 2,607,201	\$ 2,030,891	1.28
2016	2,721,570	2,158,680	1.26
2015	2,847,756	2,307,890	1.23
2014	3,015,137	2,507,082	1.20
2013	3,311,864	2,766,326	1.20
2012	3,542,214	2,926,149	1.21
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

(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)
2017	6,016,447	\$ 348,569,720	\$ 57,936	1,009,762	4.2 %
2016	6,007,289	337,174,077	56,127	1,010,035	4.3
2015	5,976,407	329,559,646	55,143	1,001,193	5.2
2014	5,928,814	321,688,894	53,816	994,380	6.0
2013	5,884,563	316,681,620	53,816	992,828	6.8
2012	5,828,289	295,235,516	50,656	961,486	6.8
2011	5,785,982	283,919,505	49,070	993,996	7.2
2010	5,699,478	278,026,000	48,378	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

Sources:

- (1) U.S. Census Bureau, "Annual Estimates of the Resident Population: April 1, 2010 – July 1, 2016", revised December, 2016.
 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 March 28, 2017. All estimates of state personal income are subject to BEA's flexible annual revision schedule.
- (3) Figures are as of September 30 of the prior calendar year from State Department of Education, grades pre-kindergarten through grade 12.
 Includes public and nonpublic schools. Data for nonpublic schools is incomplete.
- (4) Figures are for the fiscal year from State Department of Labor, Licensing and Regulation.

STATE OF MARYLAND
Schedule of Employment by Sector
Prior Year and Nine Years Prior

	Calendar Year 2016 (1)			Calendar Year 2007 (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
Government:						
State and local.....	340,301 \$	18,781,614 \$	1,061	336,513 \$	15,847,375 \$	906
Federal.....	145,800	14,499,702	1,912	124,843	10,218,876	1,574
Total government.....	486,101	33,281,316	1,317	461,356	26,066,251	1,087
Manufacturing.....	103,592	7,645,826	1,419	131,699	7,939,947	1,159
Natural resources and mining.....	6,431	262,281	784	6,556	227,297	667
Construction.....	160,868	10,059,379	1,203	187,878	9,507,590	973
Trade, transportation, and utilities.....	461,148	20,642,635	861	472,365	18,149,174	739
Information services.....	37,695	3,284,169	1,675	50,646	3,278,342	1,245
Financial activities.....	139,872	12,410,137	1,706	154,556	10,776,967	1,341
Professional and business services.....	442,057	33,077,498	1,439	396,733	24,014,991	1,164
Education and health services.....	425,693	22,216,469	1,004	359,053	15,637,535	838
Leisure and hospitality.....	272,346	6,108,001	431	234,278	4,344,384	357
Unclassified and other services.....	90,685	3,655,719	775	92,030	2,914,507	609
Total of all sectors.....	2,626,488 \$	152,643,430 \$	1,118	2,547,150 \$	122,856,985 \$	928

(1) Source: DLLR Website - <http://dllr.maryland.gov/lmi/emppay/md2016ep.shtml>

(2) Source: DLLR Website - <http://dllr.maryland.gov/lmi/emppay/md2007ep.shtml>

STATE OF MARYLAND
Maryland's Ten Largest Private Employers (1)

Calendar Years		
Employer (Listed Alphabetically)		
2017 (2)	2016 (2)	2015 (2)
Applied Physics Laboratory	Applied Physics Laboratory	BAE Systems Inc.
Byk Gardner	Byk Gardner	Exelon Corporation
Clean Harbors Inc.	Johns Hopkins University	Giant Food LLC
Cristal USA	Liberty Tax Service	H & R Block Inc.
Johns Hopkins Hospital	Northrop Grumman Electronic Systems	Johns Hopkins University
Johns Hopkins University	Stephen James Associates	Lockheed Martin Corporation
Northrop Grumman Electronic Systems	Sylvan Learning Center	McDonald's Corporation
Sap America Inc.	University of Maryland Medical Center	Northrop Grumman Corporation
Sinai Hospital	Vitamin Shoppe	Safeway Inc.
University of Maryland Medical Center	Werner Enterprises Inc.	Walmart
2014, 2013, 2012 and 2011	2010 and 2009	2008
Giant Food LLC	Adventist Healthcare	Giant Food LLC
Helix Health Systems Inc.	Giant Food LLC	Helix Health System Inc.
Home Depot Inc.	Helix Health System Inc.	Home Depot 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	Macy's
Safeway Inc.	Safeway Inc.	Northrop Grumman Corporation
Target	Target	Safeway
University of Maryland Medical System	University of Maryland Medical System	United Parcel Service
Walmart	Walmart	Walmart

Source: Department of Labor, Licensing and Regulation; Office of Market Labor
 Analysis and Information – Major Employer List – March 2017

- (1) Information such as the number of employees or the employers' percentage of total employment is not available for disclosure.
- (2) Beginning in 2015, the source for the State's largest employers is a private contractor rather than the agency's in-house system.

STATE OF MARYLAND
State Employees by Function/Program
Last Ten Fiscal Years

	Year ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
State Employees:										
Governmental activities:										
General government.....	5,770	5,841	5,464	5,922	5,396	5,487	5,479	5,695	5,813	5,770
Health and mental hygiene	9,878	10,187	9,629	10,416	9,743	9,929	9,459	10,103	10,880	11,441
Education	2,230	2,330	2,207	2,509	2,253	2,227	2,162	2,250	2,450	2,445
Human resources	5,970	6,122	6,122	6,232	6,149	6,268	6,327	6,456	6,503	6,605
Public safety	14,010	19,769	14,963	15,449	15,443	15,625	15,547	15,759	16,311	15,791
Transportation	5,977	6,213	6,130	6,082	6,095	6,201	6,137	6,405	6,638	6,572
Judicial	6,321	6,277	6,024	6,158	5,937	5,905	5,935	5,854	6,109	5,982
Labor, licensing and regulation	1,659	1,821	1,633	1,971	1,793	1,906	1,962	1,879	1,662	1,644
Natural resources and recreation	2,074	2,290	2,001	2,349	2,049	2,100	2,135	2,111	2,104	2,070
Housing and community development.....	195	199	194	210	386	385	268	274	246	209
Environment	881	904	901	915	931	927	958	1,000	960	913
Agriculture.....	447	439	424	472	446	436	450	482	482	511
Commerce.....	170	163	154	164	169	170	167	163	228	275
Total governmental activities employees.....	55,582	62,555	55,846	58,849	56,790	57,566	56,986	58,431	60,386	60,228
Business-type activities:										
Economic development - insurance programs	285	284	267	287	265	268	266	262	237	208
Maryland Lottery and Gaming Control Agency	326	321	298	269	248	215	200	181	189	183
Maryland Transportation Authority	1,578	1,667	1,666	1,683	1,644	1,681	1,650	1,660	1,652	1,652
Maryland Correctional Enterprises	157	171	177	190	183	194	184	200	204	201
Total business-type employees	2,346	2,443	2,408	2,429	2,340	2,358	2,300	2,303	2,282	2,244
Total primary government employees	57,928	64,998	58,254	61,278	59,130	59,924	59,286	60,734	62,668	62,472
Component Units:										
Higher Education	47,671	45,597	44,875	45,332	41,676	39,005	39,259	39,411	38,985	37,988
Prepaid College Trust.....	30	25	15	18	17	14	15	17	16	16
Stadium Authority.....	155	143	133	129	123	112	112	108	117	108
Other component units.....	25	28	27	27	27	29	29	28	24	24
Total component units employees.....	47,881	45,793	45,050	45,506	41,843	39,160	39,415	39,564	39,142	38,136

Source: Central Payroll Bureau, State Comptroller's Office

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

Date of Ratification.....	1788									
Form of Government.....	Legislative – Executive – Judicial									
Land Area	9844 square miles									
Function/Program	2017 (1)	2016	2015	2014	2013	2012	2011	2010	2009	2008
Education, Public School Enrollment	886,221	879,601	874,514	827,999	823,452	821,106	817,610	814,609	815,742	823,732
Health and Human Resources:										
Medicaid Enrollment.....	1,098,887	1,081,526	1,138,532	1,079,849	841,812	810,593	764,500	676,187	569,964	532,082
Children’s Health Program Enrollment.....	146,031	136,980	122,955	114,648	111,132	103,011	98,000	97,998	105,617	108,504
WIC Food Program Recipients.....	134,662	140,909	140,600	140,830	144,923	146,787	155,000	148,670	144,072	132,483
Behavioral Health Clients.....	201,005	199,138	185,181	184,104	167,680	159,124	152,953	122,046	111,678	99,382
Public Assistance Caseload (AFDC/TANF).....	50,901	56,115	61,739	64,359	67,436	72,413	67,422	67,422	58,426	51,554
Foster Care and Subsidized Adoption Average Caseload.....	12,977	13,410	13,477	15,090	15,386	14,230	15,297	15,093	14,235	14,839
Public Safety:										
Correctional Institutions Average Daily Population.....	23,115	23,093	23,951	24,237	24,686	25,450	21,159	20,891	22,778	22,943
Parole and Probation, Active Cases under Supervision.....	40,402	42,368	50,968	49,734	52,187	50,982	55,200	54,939	54,484	48,600
Youth Residential Programs, Average Daily Population.....	782	852	998	1,209	1,201	1,304	1,468	1,406	1,519	1,625
Average Monthly number of Youths on Probation	2,296	2,446	2,761	2,630	2,983	3,375	5,015	5,015	6,760	6,610
Public Safety (State Police):										
Number of Police Stations	23	23	26	26	25	25	25	25	26	26
Number of State Police.....	1,452	1,456	1,443	1,570	1,562	1,563	1,565	1,565	1,567	1,590
Motor Vehicle citations (calendar year)	330,153	355,061	363,134	370,767	384,500	336,094	348,459	381,915	390,100	446,505
Motor Vehicle – Number of Collisions (calendar year) (7)	23,779	19,907	98,400	96,200	88,700	89,285	102,000	90,517	98,352	100,700
Judicial, Total Filings	NA	1,931,138	1,946,586	1,987,309	2,050,561	2,056,603	2,105,728	2,155,864	2,208,268	2,363,183
Transportation:										
Miles of State Highway.....	5,270	5,274	5,271	5,273	5,264	5,266	5,254	5,244	5,240	5,242
Lane Miles Maintained.....	17,143	17,132	17,117	17,063	17,050	17,042	16,988	16,961	16,895	16,857
Expenditures per Lane Mile.....	\$9,373	\$ 9,199	\$ 8,430	\$ 8,261	\$ 8,655	\$ 8,618	\$ 8,171	\$ 7,572	\$ 8,913	\$ 8,764
Number of Bridges (2)	1,484	1,483	1,499	1,496	1,434	1,182	1,183	1,180	1,180	1,176
Motor Vehicle Registrations.....	5.0 million	5 million	4.9 million	4.9 million	4.8 million	4.9 million	5.0 million	4.8 million	4.6 million	4.8 million
BWI Airport Passengers (calendar year)	25.7 million	24.7 million	22.8 million	22.7 million	22.2 million	22.8 million	22.5 million	21.7 million	19.6 million	20.4 million
Acres Agricultural Land Preserved – all programs.....	635,710	614,173	609,661	587,757	574,838	572,680	563,482	554,285	534,906	482,236
Department of Housing and Community Development:										
Active Single Family/Multifamily Bond Financed Loans (4)	11,525	12,646	13,734	14,919	15,426	16,796	16,456	16,405	16,906	16,648
Department of Commerce:										
Number of businesses assisted (3)		4	7	9	9	13	17	24	50	428
Number of workers trained (3).....		126	142	161	79	262	637	547	1,007	2,710

Higher Education (Universities, Colleges and Community Colleges):

Number of Campuses in State	29	29	29	29	29	29	29	29	29	29
Number of Educators (5).....	8,387	8,355	8,391	8,298	8,271	9,892	9,671	9,421	9,190	9,224
Number of Students	287,831	291,797	288,720	296,805	302,115	298,273	286,106	280,196	269,287	263,636
Number of State Scholarships Awarded (6)	32,203	35,859	40,061	43,318	45,212	40,485	65,544	52,965	58,935	58,552

Recreation:

Number of State Parks and Forests	60	60	60	66	66	66	65	65	64	61
State Parks Daily Visitors.....	14.0 million	12.9 million	11.3 million	10.3 million	11.2 million	11.8 million	10.5 million	10.1 million	10.7million	11.3 million
Area of State Parks, Acres.....	94,762	95,314	95,196	97,414	96,130	95,199	95,196	94,729	94,520	93,972
Area of State Forests, Acres.....	147,810	147,521	145,761	145,200	143,430	142,979	142,058	141,789	141,434	140,433

Sources: State Comptroller’s Office, General Accounting Division, Central Payroll Bureau, 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.

- (1) These amounts are estimates.
- (2) Maryland’s portion of the National Highway System was recently expanded beginning in 2013 due to Federal Highway Legislation.
- (3) Restructuring of training programs in 2009 has led to reduced funding for the Partnership for Workforce Quality Program (PWQ).
- (4) CDA relies completely on the reporting of two different Master Servicers on the underlying loans that comprise the Mortgage-backed securities held by CDA at fiscal year end.
- (5) Large reduction of faculty count is due to exclusion of faculty at Clinical Medicine at UMB, faculty at extension services, and continuing education faculty beginning in 2013.
- (6) Legislative scholarships are not included due to a change in awarding practices begun in FY 2012.
- (7) Crashes investigated by Maryland State Police; prior to 2016 totals include allied agencies.



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, 2017
(Expressed in Thousands)

	Annual Budgeted Funds															
	General Fund				Special Fund				Federal Fund		Higher Education Funds				Capital Projects Fund	Total
	Estimated Revenues		Actual Revenues		Estimated Revenues		Actual Revenues		Estimated Revenues	Actual Revenues	Current Unrestricted Fund		Current Restricted Fund		Actual 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	Estimated Revenues	Actual Revenues	Actual Revenues	Actual Revenues
Taxes:																
Property tax.....	\$ 62,771	\$ 64,077	\$ 920,524	\$ 988,635												\$ 1,052,712
Franchise and corporation tax	140,027	138,251														138,251
Death taxes	198,502	227,947														227,947
Admission and amusement tax			3,554	14,586												14,586
Alcohol beverages tax	31,426	32,057		94												32,151
Motor vehicle fuel taxes			898,442	1,078,313												1,078,313
Income taxes.....	10,134,354	9,862,303	304,629	209,317												10,071,620
Sales and use taxes	4,601,449	4,539,320	70,000	70,217												4,609,537
Tobacco taxes	394,692	386,965														386,965
Motor vehicle titling taxes.....			880,000	886,010												886,010
Insurance company taxes	308,658	360,861	150,000	155,672												516,533
Horse racing taxes.....			1,500	1,182												1,182
Shellfish taxes				271												271
Boxing, wrestling or sparring taxes		336														336
Boat titling tax.....			10,752	19,321												19,321
Energy generation tax			70,000	49,026												49,026
Emergency telephone system tax.....		55	80,000	57,689												57,744
Total taxes.....	15,871,879	15,612,172	3,389,401	3,530,333												19,142,505
Other:																
Licenses and permits.....	48,807	45,014	616,127	645,785												690,799
Fees for services	163,174	142,122	921,448	900,678												1,042,800
Fines and costs	138,410	157,354	245,937	222,813												380,167
Sales to the public.....	35,784	8,208	726,062	100,841												109,049
Commissions and royalties.....	135	1	98,407	82,952												82,953
Rentals	139	2,333	117,392	109,775												112,108
Interest on investments	20,000	39,388	4,341	16,029		\$ 338									\$ 41	55,796
Interest on loan repayments			300	860												860
Miscellaneous.....	84,909	113,130	255,517	221,342												334,472
Colleges and universities								\$ 2,978,828	\$ 3,013,976	\$ 1,379,323	\$ 1,292,765					4,306,741
Federal reimbursements and grants					\$ 12,953,205	11,767,519										11,767,519
Other reimbursements	99,020	54,636	1,198,239	1,169,433												1,224,069
Bond issues:																
State – general purpose			1,000	7,580											679,498	687,078
Consolidated transportation bonds.....			900,000	650,000												650,000
Premiums.....			154,048	167,920												167,920
State reimbursements.....	529,295	588,984	333,157	284,108											12,516	885,608
Appropriated from other funds								1,492,383	1,492,383							1,492,383
Trust funds.....			3,285	501												501
Revolving accounts	8,656	10,449	11,055	10,702												21,151
Total revenues	\$ 17,000,208	\$ 16,773,791	\$ 8,975,716	\$ 8,121,652	\$ 12,953,205	\$ 11,767,857	\$ 4,471,211	\$ 4,506,359	\$ 1,379,323	\$ 1,292,765	\$ 692,055	\$ 43,154,479				

STATE OF MARYLAND
Schedule of Budget and Actual Expenditures and Encumbrances By Major Function, Budgetary Basis
For the Year Ended June 30, 2017
(Expressed in Thousands)

Expenditures and Encumbrances by Major Function*	Annual Budgeted Funds										Capital Projects Fund Actual	Total Actual	
	General Fund		Special Fund		Federal Fund		Higher Education Funds						
							Current Unrestricted Fund		Current Restricted Fund				
	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual			
Payments of revenue to civil divisions													
of the State	\$ 180,150	\$ 179,150											\$ 179,150
Public debt			\$ 919,800	\$ 919,800	11,539	\$ 11,533							931,333
Legislative	89,156	89,155											89,155
Judicial review and legal	612,083	609,958	122,656	111,390	5,915	4,762							726,110
Executive and administrative control	234,183	229,276	280,460	245,359	277,993	248,388							723,023
Financial and revenue administratio	231,691	224,775	140,967	129,533									354,308
Budget and management	83,979	82,763	44,468	25,947	659	36							108,746
Retirement and pension			22,172	21,853									21,853
General services	70,444	69,854	6,620	4,148	1,310	661							74,663
Transportation and highways			4,075,249	4,016,853	1,203,839	952,685							4,969,538
Natural resources and recreation	60,339	59,943	243,896	227,141	41,581	32,253							319,337
Agriculture	30,003	29,905	56,957	36,897	4,979	3,775							70,577
Health, hospitals and mental hygiene	4,435,390	4,390,610	1,417,910	1,298,485	7,799,363	7,491,198							13,180,293
Human resources	648,932	648,832	113,618	105,199	1,819,742	1,664,211							2,418,242
Labor, licensing and regulation	45,468	43,910	173,180	137,040	196,360	166,319							347,269
Public safety and correctional services	1,243,040	1,229,941	141,116	128,896	33,310	28,635							1,387,472
Public education	8,060,390	8,044,991	617,180	609,671	1,179,666	1,055,858	\$ 4,471,211	\$ 4,417,854	\$ 1,379,323	\$ 1,293,168			15,421,542
Housing and community development	57,995	57,519	127,622	117,247	273,746	267,977							442,743
Commerce	89,463	88,977	55,471	54,071	10,319	9,583							152,631
Maryland technology development corporation	19,467	19,467	7,345	7,345									26,812
Environment	40,504	29,885	299,249	292,848	78,125	74,211							396,944
Juvenile services	272,372	269,985	3,864	3,814	5,057	4,965							278,764
State police	284,002	283,701	105,923	96,634	9,702	4,225							384,560
State reserve fund	240,336	160,377											160,377
Loan accounts	259,395	259,395										\$ 1,103,925	1,363,320
Reversions:													
Current year reversions	(30,000)												
Prior year reversions		(43,471)		(39,116)		(107,565)		(181)		(144)			(190,477)
Total expenditures and encumbrances	\$ 17,258,782	\$ 17,058,898	\$ 8,975,723	\$ 8,551,055	\$ 12,953,205	\$ 11,913,710	\$ 4,471,211	\$ 4,417,673	\$ 1,379,323	\$ 1,293,024	\$ 1,103,925	\$ 44,338,285	

*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 Funds" 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, 2017
(Expressed in Thousands)

	General Fund		Special Fund		Federal Fund	Higher Education Funds		Capital Projects Fund	Total
	General	State Reserve	Special	Debt Service		Unrestricted Fund	Current Restricted Fund		
Fund equities, June 30, 2016.....	\$ 519,207	\$ 871,306	\$ 1,791,309	\$ 228,172		\$ 1,107,440	\$ 6,102	\$ 561,923	\$ 5,085,459
Increase:									
Revenues.....	16,598,689	175,102	7,253,714	867,938	\$ 11,767,857	4,506,359	1,292,765	692,055	43,154,479
Decrease:									
Appropriations.....	17,288,782		8,055,923	919,800	12,953,205	4,471,211	1,379,323	1,103,925	
Less: Current year reversions.....	(186,413)		(385,551)	(1)	(931,930)	(53,357)	(86,155)		
Prior year reversions.....	(43,471)		(39,116)		(107,565)	(181)	(144)		
Expenditures and encumbrances*	17,058,898		7,631,256	919,799	11,913,710	4,417,673	1,293,024	1,103,925	44,338,285
Changes to encumbrances during fiscal year 2017	(28,887)		19,243		12,634	(123)	70		2,937
Expenditures.....	17,030,011		7,650,499	919,799	11,926,344	4,417,550	1,293,094	1,103,925	44,341,222
Transfers in (out).....	334,256	(184,952)	467,239	6,406	158,487	(31,692)	39	73,785	823,568
Fund equities, June 30, 2017.....	\$ 422,141	\$ 861,456	\$ 1,861,763	\$ 182,717		\$ 1,164,557	\$ 5,812	\$ 223,838	\$ 4,722,284
Fund Balance:									
Reserved:									
Encumbrances	\$ 163,591		\$ 724,444		\$ 331,345	\$ 963	\$ 263	\$ 563,388	\$ 1,783,994
State reserve fund.....		\$ 861,456							861,456
Loans and notes receivable				\$ 1,398					1,398
Shore erosion loan program			7,231						7,231
Gain/Loss on Investments.....			509						509
Unreserved:									
Designated for:									
General long-term debt service.....				181,319					181,319
2018 operations.....	93,350								93,350
Undesignated surplus (deficit).....	165,200		1,129,579		(331,345)	1,163,594	5,549	(339,550)	1,793,027
Total.....	\$ 422,141	\$ 861,456	\$ 1,861,763	\$ 182,717	\$ -	\$ 1,164,557	\$ 5,812	\$ 223,838	\$ 4,722,284

*Appropriations 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 Funds” 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, 2017 (1)
(Expressed in Thousands)

Subdivision	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.....	\$ 470	\$ 121,797	\$ 20,953	\$ 143,220	\$ 19,226	\$ 29,646	\$ 192,092	\$ 3,886,330	\$ 4.94
Anne Arundel.....	2,905	506,204	43,560	552,670	78,140	519,354	1,150,164	86,295,531	1.33
Baltimore County.....	4,119	887,403	42,136	933,658	149,600	700,132	1,783,390	84,229,143	2.12
Calvert.....	632	107,526	10,203	118,362	14,279	85,945	218,586	12,683,416	1.72
Caroline.....	392	66,465	36	66,893	13,279	13,206	93,377	2,598,896	3.59
Carroll.....	1,115	183,593	5,204	189,911	23,384	149,036	362,332	19,493,125	1.86
Cecil.....	643	143,657	3,506	147,806	22,190	60,610	230,606	9,905,219	2.33
Charles.....	959	225,934	14,692	241,584	29,729	118,839	390,153	17,385,010	2.24
Dorchester.....	444	56,884	4,267	61,595	14,488	14,209	90,292	2,886,652	3.13
Frederick.....	1,347	301,340	19,028	321,716	33,123	202,806	557,645	29,016,052	1.92
Garrett.....	527	39,280	186	39,993	9,683	14,684	64,359	4,545,741	1.42
Harford.....	1,379	291,749	10,742	303,870	48,148	223,478	575,496	28,367,723	2.03
Howard.....	1,586	337,634	54,471	393,691	33,372	437,485	864,549	50,567,531	1.71
Kent.....	225	20,218		20,442	6,083	13,936	40,461	2,943,248	1.37
Montgomery.....	3,694	974,750	40,793	1,019,237	146,492	1,465,888	2,631,617	188,392,370	1.40
Prince George's.....	2,983	1,311,664	29,841	1,344,488	193,731	586,236	2,124,454	88,917,280	2.39
Queen Anne's.....	524	100,922	517	101,963	9,742	53,788	165,494	7,971,777	2.08
St. Mary's.....	782	130,414	230	131,425	21,154	93,011	245,591	12,396,656	1.98
Somerset.....	280	44,779	341	45,400	12,503	7,615	65,518	1,420,605	4.61
Talbot.....	322	23,685	9	24,016	8,460	27,946	60,423	8,418,963	0.72
Washington.....	873	225,805	5,144	231,822	37,007	82,866	351,695	12,820,683	2.74
Wicomico.....	647	187,353	8,312	196,312	30,154	50,675	277,140	6,258,662	4.43
Worcester.....	512	37,091		37,604	14,070	30,966	82,640	15,444,912	0.54
Baltimore City.....	124,640	1,242,597	70,970	1,438,207	295,405	363,904	2,097,516	39,554,104	5.30
Total.....	\$ 151,999	\$ 7,568,746	\$ 385,138	\$ 8,105,884	\$ 1,263,443	\$ 5,346,260	\$ 14,715,588	\$ 736,399,629	

(1) In addition to the amounts shown for counties and Baltimore City, \$167,201,000 was distributed to municipalities within the counties.
(2) Source: Seventy-Third Report of the Department of Assessments and Taxation, dated January 2017. Assessed value of property is 100%

STATE OF MARYLAND
Schedule of Taxes Receivable from
Collectors of State Property Taxes
June 30, 2017
(Expressed in Thousands)

Political Subdivision	Taxes Receivable		
	Current Year	Prior Years	Total
Allegany.....	\$ 364	\$ 165	\$ 529
Anne Arundel.....	874	284	1,158
Baltimore County.....	392	242	634
Calvert.....	326	64	390
Caroline.....	33	15	48
Carroll.....	127	19	146
Cecil.....	92	18	110
Charles.....	71	140	211
Dorchester.....	202	92	294
Frederick.....	30	148	178
Garrett.....	129	11	140
Harford.....	148	19	167
Howard.....	215	922	1,137
Kent.....	173	48	221
Montgomery.....	167	26	193
Prince George's.....	138	578	716
Queen Anne's.....	17	30	47
St. Mary's.....	238	83	321
Somerset.....	160	286	446
Talbot.....	5	7	12
Washington.....	15	1	16
Wicomico.....	92	111	203
Worcester.....	485	81	566
Baltimore City.....	1,431	9,676	11,107
Total.....	\$ 5,924	\$ 13,066	\$ 18,990

STATE OF MARYLAND
Schedule of Estimated Revenues - Budgetary Basis
For the Year Ending June 30, 2018
(Expressed in Thousands)

	General Fund	Special Fund	Federal Fund	Current Unrestricted Fund	Current Restricted Fund	Total
Income Taxes	\$ 10,223,292	\$ 214,590				\$ 10,437,882
Retail sales and use tax and licenses	4,727,127	83,214				4,810,341
Motor vehicle fuel taxes and licenses.....		1,055,293				1,055,293
Motor vehicle tax and licenses.....		1,282,600				1,282,600
Property taxes.....	46,028	979,167 (1)				1,025,195
Insurance company taxes, licenses and fees	304,066					304,066
Franchise and corporation taxes	242,215					242,215
State tobacco tax and licenses.....	392,214					392,214
Alcoholic beverages taxes and licenses.....	34,823					34,823
Death taxes.....	184,512					184,512
Miscellaneous taxes, fees and other revenues...	170,313	177,053 (1)	\$ 11,539 (1)			358,905
Budgeted tobacco settlement recoveries		170,408				170,408
Horse racing taxes and licenses.....		4,034				4,034
District courts fines and costs	70,240					70,240
Interest on investments	35,000	2,000				37,000
Hospital patient recoveries.....	58,295					58,295
Legislative.....	36					36
Judicial review and legal	70,773	125,645	4,160			200,578
Executive and administrative control.....	8,000	255,232	258,284			521,516
Financial and revenue administration	15,418	54,847				70,265
Budget and management	3,706	16,500	6			20,212
Maryland lottery and gaming control	504,708	602,768				1,107,476
Information technology development		11,086				11,086
Retirement and pension.....		24,587				24,587
General services.....		3,952	1,334			5,286
Transportation and highways.....		1,509,098	1,119,359			2,628,457
Natural resources and recreation	133	87,794	34,809			122,736
Agriculture	104	32,532	3,600			36,236
Health, hospitals and mental hygiene.....	43,449	1,224,641	7,866,499			9,134,589
Human resources	1,278	110,364	1,827,186			1,938,828
Labor, licensing and regulatio.....	11,520	223,416	178,658			413,594
Public safety and correctional services.....	10,757	138,353	30,386			179,496
Public education.....	5,477	67,122	1,257,856	\$ 4,513,744	\$ 1,377,604	7,221,803
Housing and community development	370	110,209	295,840			406,419
Commerce.....	412	37,614	1,661			39,687
Maryland technology development corporation ...		7,348				7,348
Environment	724	286,112	74,199			361,035
Juvenile services	1	3,239	4,821			8,061
State police	4,011	99,512	6,927			110,450
Total estimated revenues (2).....	\$ 17,169,002	\$ 9,000,330	\$ 12,977,124	\$ 4,513,744	\$ 1,377,604	\$ 45,037,804

(1) Includes \$987,406,000 recorded in the Debt Service Fund for accounting purposes.

(2) Amounts are reported as of July 1, 2017, 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, 2018
(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.....	\$ 166,484	\$ 1,041				\$ 167,525
Public debt	259,649	975,867 (1)	\$ 11,539			1,247,055
Legislative	90,285					90,285
Judicial review and legal	615,347	127,175	4,160			746,682
Executive and administrative control	239,116	258,268	258,284			755,668
Financial and revenue administration	235,773	135,500				371,273
Budget and management	80,446	27,585	6			108,037
Retirement and pension		24,587				24,587
General services.....	67,373	3,951	1,334			72,658
Transportation and highways.....		4,032,460	1,119,359			5,151,819
Natural resources and recreation	61,004	286,978	34,809			382,791
Agriculture	32,276	68,689	3,600			104,565
Health, hospitals and mental hygiene	4,647,994	1,375,966	7,866,499			13,890,459
Human resources	631,119	110,364	1,827,186			2,568,669
Labor, licensing and regulation	47,943	225,974	178,658			452,575
Public safety and correctional services	1,227,655	138,353	30,386			1,396,394
Public education	8,135,648	663,538	1,257,856	\$ 4,513,744	\$ 1,377,604	15,948,390
Housing and community development	6,505	110,209	295,840			412,554
Commerce	84,636	37,614	1,661			123,911
Maryland technology development corporation	19,474	7,348				26,822
Environment	29,953	286,112	74,199			390,264
Juvenile justice	272,907	3,239	4,821			280,967
State police	278,731	99,512	6,927			385,170
State reserve fund	10,000					10,000
Total appropriations (2)	\$ 17,240,318	\$ 9,000,330	\$ 12,977,124	\$ 4,513,744	\$ 1,377,604	\$ 45,109,120

(1) Recorded in the Debt Service Fund for accounting purposes.

(2) Amounts are reported as of July 1, 2017, and do not reflect revisions, if any, subsequent to that date.



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