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

November 7, 1998

INTRODUCTION

The Comprehensive Annual Financial Report of the State of Maryland, for the fiscal year ended June 30, 1998, submitted herewith, includes financial statements of the State of Maryland 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. I believe that the data, as presented, are accurate in all material respects; that they are presented in a manner designed to fairly set forth the financial position and results of operations of the State as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the State's financial affairs have been included.

This Report is presented in three sections; introductory, financial, and statistical. The introductory section includes this transmittal letter, the State's organizational chart, and a list of principal officials. The financial section includes the general purpose financial statements and the combining and individual fund and account group financial statements and schedules, as well as the report of independent public accountants on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multiyear basis.

The accompanying financial statements include all funds and account groups of the State of Maryland (primary government), as well as all component units. Component units are legally separate entities for which the primary government is financially accountable.

Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. Accordingly, the various colleges and universities, the Maryland Industrial Development Financing Authority, the Maryland Stadium Authority, the Maryland Food Center Authority and Maryland Environmental Service are reported as discretely presented component units.

ECONOMIC CONDITION AND OUTLOOK

Maryland's economy grew strongly in calendar year 1997, adding 60,000 jobs. Since late 1994, more than 176,000 new jobs have been created. The strongest areas of growth were business services, construction, mortgage banks, and brokerages. Banks, utilities, several manufacturing sectors and the State and federal government experienced declines in employment. Total non-agricultural employment in the State increased by 2.6%.