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December 1, 1983

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

The Comprehensive Annual Financial Report of the State of Maryland, for the fiscal year ended June 30, 1983, submitted herewith includes financial statements of the State of Maryland as well as information required by Article 19, Section 9 of the annotated code. 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 the data, as presented, is accurate in all material aspects; that it is 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.

Financial and Accounting System

The financial statements contained in this report have been prepared in accordance with generally accepted accounting principles and have been examined by Coopers & Lybrand, whose report thereon is included in this report.

Maryland maintains its accounts to conform to generally accepted accounting principles and also to comply with the legally mandated budget. Financial control is generally exercised under the budgetary system. The State recognizes the difficulties and complexities involved in maintaining dual systems, and it has formed a task force to guide the conversion of budgetary practices into conformity with generally accepted accounting practices.

During the most recent fiscal year, continuing progress was made in converting budgetary practices for governmental fund types. Timing differences between budgetary practices and generally accepted accounting practices were eliminated for the special revenue fund, the debt service funds, and the capital projects fund. Timing differences in the general fund must now be evaluated by the Executive and Legislative branches to determine the method of and timing for conversion to generally accepted accounting principles. Differences in fund structure are continuing to be analyzed by the task force to determine the appropriate approach to conversion.

Differences in timing and fund structure for funds other than governmental fund types are also under review.