

October 30, 1987

The Honorable Louis L. Goldstein
Comptroller of the Treasury of Maryland

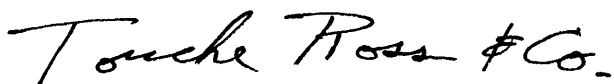
We have examined the general purpose financial statements of the State of Maryland as of and for the year ended June 30, 1987, as listed in the Table of Contents. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of the loan insurance programs and two loan programs of the Maryland Department of Economic and Community Development, Maryland Food Center Authority, Maryland Transportation Authority, Maryland State Lottery, and Maryland Higher Education Loan Corporation, which statements reflect total assets, revenues and expenses constituting 90 percent, 96 percent and 77 percent, respectively, of the related combined totals for Enterprise Funds. These statements were examined by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the above mentioned units, is based only upon the reports of other auditors.

As discussed more fully in Note 14 to the financial statements, the State of Maryland Deposit Insurance Fund Corporation (MDIFC), an agency of the State, insures member savings and loan associations' savings deposits. At June 30, 1987, the financial statements of MDIFC reflect a deficiency in assets of \$212,432,000 after accrual for estimated losses on insured savings deposits of \$400,000,000. Any State funding of actual losses on insured deposits in excess of MDIFC's resources is dependent upon future legislative action. In addition, MDIFC is a party to several lawsuits, the outcome of which cannot presently be determined. As a result, the ultimate outcome of the savings and loan situation cannot be determined at this time. We have examined the financial statements of MDIFC as of June 30, 1987 (not separately presented herein but included in the combined Proprietary Fund Type financial statements) and in our report dated October 30, 1987, we expressed an opinion subject to the effects of such adjustments, if any, as might have been required had the outcome of the uncertainties discussed in the preceding sentences been known.

In our opinion, based upon our examination and the reports of other auditors, the general purpose financial statements referred to above present fairly the financial position of the State of Maryland at June 30, 1987, and the results of its operations and the changes in financial position of its Enterprise Funds, Nonexpendable Trust Fund and Pension Trust Fund for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements and schedules listed in the Table of Contents are presented for purposes of additional analysis and to meet legal reporting requirements and are not a required part of the general purpose financial statements of the State of Maryland. Except for the Schedules of Estimated Revenues and General, Special, Federal, Current Unrestricted and Current Restricted Fund Appropriations-Budgetary Basis for the year ending June 30, 1988 (pages 74 and 75), the information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

The other data included in this report have not been audited by us and, accordingly, we express no opinion on such data.

A handwritten signature in cursive script that reads "Touche Ross & Co.".

Certified Public Accountants

Touche Ross International