

Risk Management

The State is involved in legal proceedings, which normally occur in government operations. Such proceedings, in the opinion of the Attorney General, are not likely to have a material adverse impact on the financial position of the State's funds, with the possible exception of litigation pertaining to the savings and loan crisis, the outcome of which cannot presently be determined.

Shortly after the savings and loan crisis, the State enacted legislation which created the Maryland Deposit Insurance Fund Corporation (MDIFC), an agency of the State, and required savings accounts of all associations operating in the State to be insured by either MDIFC or FSLIC. Six of the associations are currently in receivership, one of which was acquired by a bank in 1986 which will share in certain gains or losses with the receivership in 1989. If the receivership fails to make any required payment to the bank, MDIFC will make the required payment and become subrogated to the bank's claim against the receivership. The State has pledged to repay depositors who had funds in these failed associations by the end of 1989. It is attempting to do this through the liquidation of the associations' assets, from funds received through legal settlements, and through increased general fund appropriations; all in lieu of selling general obligation bonds.

In addition, the State is very active in the management of its fleet safety program, and its various inspection services pertaining to property, plant, and equipment.

OTHER INFORMATION

The statutes of the State require an audit of every unit of the Executive and Judicial branches of government, including the Comptroller of the Treasury's records, by the Legislative Auditor at least every two 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. Although certain of those reports include presentations of detailed financial data and contain expressions of opinion thereon, the audits are usually not made for that purpose. 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 examination of the State's general purpose financial statements by a firm of independent certified public accountants selected by an audit committee composed of members from the Executive and Legislative branches of State government. This requirement has been complied with, and the opinion of Touche Ross & Co. has been included in the financial section of this report. Touche Ross & Co. also performs audits to meet the requirements of the federal Single Audit Act of 1984, OMB Circular A-128, and OMB Circular A-110; such information being contained in other reports.

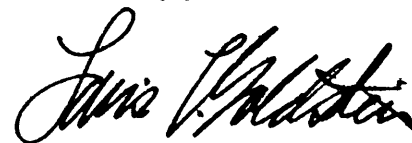
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Maryland for its comprehensive annual financial report for the fiscal year ended June 30, 1987.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

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

Cordially yours,



Louis L. Goldstein
Comptroller of the Treasury
of Maryland