

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 accounting funds.

The State continues to replace commercial insurance with self insurance coverage wherever feasible. The self-insured exposures include the first layer of all direct property coverage for damage to State property, all liability claims under the Maryland Tort Claim Act, other liability judgements and settlements arising from actions in which a violation of a constitutional right is asserted and various other coverages such as volunteer accident and fidelity bonds. Claim adjusting services have been brought "in-house" and are being done by State personnel instead of outside contractors.

Commercial insurance coverage is purchased for specialized exposures such as aviation hull and liability, steam boiler coverages and certain transportation risks.

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 audit of the State's general purpose financial statements by a firm of independent certified public accountants selected by an audit selection committee composed of members from the Executive and Legislative branches of State government. This requirement has been complied with, and the opinion of Arthur Andersen LLP has been included in the financial section of this report. Arthur Andersen LLP performs audits to meet the requirements of the federal Single Audit Act of 1984, OMB Circular A-128, and OMB Circular A-133; such information is 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, 1993. This was the State's 14th consecutive award.

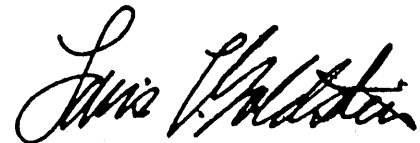
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable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

A Certificate of Achievement is valid for a period of one year only. We believe our 1994 Comprehensive Annual Financial Report continues to conform to 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.

Cordially yours,



Louis L. Goldstein
Comptroller of the Treasury
of Maryland