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

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INTRODUCTION

The Comprehensive Annual Financial Report of the State of Maryland, for the fiscal year ended June 30, 1997, 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 of its 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 has been expanding at a solid pace. Employment increased 1.1% in calendar year 1996, and since late 1992, more than 160,000 new jobs have been created. As has been the case for the past several years, the weakest employment areas were banking, federal government and manufacturing. Growth has been heavily concentrated in business and health services, transportation, construction and trade.

The service sector accounts for 32% of total employment in the state, yet provided more than 62% of the new jobs during the recovery. Business services has been by far the strongest performer over the past four years. Employment in the computer and data processing industry, one of the largest components of the business services