

The following tabulation shows the general obligation bonds issued during the past three fiscal years:

State of Maryland—General Obligation Bonds

<u>Date of Issue</u>	<u>Amount</u>	<u>Average Life in Years</u>	<u>Effective Interest Rate</u>	<u>Interest Cost Per Borrowed Dollar</u>
October 20, 1994	\$160,000,000	8.7	5.60%	48.8
March 23, 1995	175,000,000	9.8	5.44	53.1
October 26, 1995	150,000,000	9.6	4.91	47.3
February 26, 1996	170,000,000	9.6	4.48	43.2
June 20, 1996	150,000,000	9.7	5.23	50.7
October 9, 1996	170,000,000	9.7	5.0	48.5
February 26, 1997	240,000,000	9.7	5.0	48.4

Maryland's general obligation bonds have been rated Aaa by Moody's Investors Service and AAA by Standard and Poor's and Fitch Investors, Inc., for a number of years.

CASH MANAGEMENT

During the year, temporary surpluses of cash in general governmental funds were invested in repurchase agreements, U.S. Treasury and agency obligations, and money market accounts with maturities ranging from 1 to 365 days. As of June 30, 1997, the State's cash resources for general governmental funds were invested as follows: in repurchase agreements, 93.0%; in U.S. Treasury and agency obligations, 4.0%; and in money market accounts and other, 3.0%. The average yield on maturing investments during the year was 5.4%, as compared to 5.6% in the prior year, and the amount of interest received was \$138,893,000 which was \$24,316,000 more than the previous year.

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.

The State self-insures toward most claims of risk of loss, including general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities and certain employee health benefits. All funds, agencies and authorities of the state participate in the self-insurance programs. As of June 30, 1997, the State has recorded \$186,518,000 in liabilities associated with its self-insurance programs.

Commercial insurance coverage is purchased for specialized exposures such as aviation hull and liability, steam boiler coverage 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 three 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 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. In addition, Arthur Andersen LLP performs audits to meet the requirements of the federal Single Audit Act of 1984 and the Office of