

of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Maryland as of June 30, 1997, and the results of its operations and the cash flows of its Enterprise Funds and Component Unit Proprietary Funds for the year then ended in conformity with generally accepted accounting principles.

As described in Note 2 to the general purpose financial statements, effective July 1, 1996, the State of Maryland adopted Governmental Accounting Standards Board Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which results in the State's investments being valued at fair value instead of amortized cost.

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 7, 1997, on our consideration of the State of Maryland's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit 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, which are also the responsibility of the State of Maryland's management, 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. The information, except for the Schedules of Estimated Revenues Budgetary Basis and General, Special, Federal, Current Unrestricted and Current Restricted Fund Appropriations-Budgetary Basis for the year ending June 30, 1998, (pages 89 and 90) has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and the reports of other auditors referred to above, 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 Comprehensive Annual Financial Report have not been audited by us and, accordingly, we express no opinion on such data.

Arthur Anderson LLP