

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30

PETER FRANCHOT, COMPTROLLER *State of Maryland*

2018

MARYLAND'S BANKABLE ASSETS



BALTIMORE HARBOR, BY SY MOHR

GOVERNMENTAL BRANCHES OF MARYLAND

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JUDICIAL

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Court of Appeals of Maryland

INTRODUCTION

As the fourth American colony, Maryland has a rich heritage and a vast wealth of resources that have sustained her populace since the Ark and the Dove brought settlers to her shores in 1634. For nearly four centuries, Maryland has capitalized on those assets, developing new ways to maximize natural resources while both protecting and conserving them for future generations. It is this forward-thinking mentality that positions the Free State as one of America's greatest states with the most bankable assets.

The cities that dot the landscape blend tradition with innovation to offer the very best to residents and tourists alike. The Appalachian Mountains provide a scenic backdrop to the western portion of the state that is rich in farmland, lakes and rivers. The bucolic scenes, orchard fresh fruit, hiking trails and outdoor sports belie the manufacturing and technology hubs within. A wealth of museums, cultural and historical sites are interspersed among the vibrant cities and small towns from Deep Creek to Ocean City. Maryland's Atlantic coastline offers a vacation mecca for both visitors and locals to enjoy the

beautiful beaches, historic amusement parks and world class cuisine.



BALTIMORE HARBOR, BY SY M MOHR

The Chesapeake Bay and its tributaries comprise the nation's largest estuary and is the state's foremost natural resource. The bountiful seafood, diverse plant and animal habitats and active boating community generously share the Bay with cargo ships delivering goods to and from the thriving Port of Baltimore. The Bay bisects the center of the

state separating the Baltimore-Washington Corridor with its array of business and technology incubators, corporate headquarters and military installations from

THE CHESAPEAKE BAY AND ITS TRIBUTARIES COMPRISE THE NATION'S LARGEST ESTUARY, AND MARYLAND'S FOREMOST NATURAL RESOURCE.

the tranquility of the nature preserves, scenic byways and picturesque towns of the Eastern Shore. These municipalities from Easton to

Salisbury are home to both artisans and flourishing industries perfectly placed to drive local economies without losing that small-town charm.

Maryland also boasts some of the most prestigious and renowned institutions of higher learning in the nation. Colleges and universities throughout the state offer a host of choice majors taught by first-rate faculty preparing their students for success. This is just a small glimpse of Maryland's bankable assets!



A MESSAGE FROM COMPTROLLER PETER FRANCHOT

Dear Marylanders,

I have had the honor of serving as your Comptroller since I took office in 2007. As the state's fiscal watchdog, I have a strong track record of holding government accountable and making certain that taxpayer money is spent wisely, not wastefully.

Maryland's long-term fiscal health impacts your fiscal health, and that is why I remain committed to responsible economic policies.

I have long been an avid supporter of businesses large and small, as they are the backbone of our economy. I am committed to advancing reforms that reduce the prohibitive regulatory burdens placed upon Maryland businesses, encouraging them to thrive. Corporations throughout the state — no matter the size — ally with communities to build strong relationships toward economic prosperity by hiring locally, spending locally and investing locally. This is good for Maryland and something I will always champion.

Since most taxpayers now file their returns electronically, the majority of refunds are disbursed in less than three business days. This first-class customer service provided by my dedicated team is just one of the reasons we have earned the reputation as the most effective and efficient Comptroller's office in the nation. My team also is at the forefront of combatting tax fraud and identity theft using advanced technologies and increased statutory powers to investigate and prosecute these unscrupulous felons.

In 2017, the new Tax Cuts and Jobs Act was signed into law, leaving uncertainty for many residents. Bureau of Revenue Estimates Director Andrew Schaufele and his team created the first-of-its-kind 60-Day Report to analyze the impact on taxpayers. This provided Marylanders with the information they needed for future tax planning. On the heels of this report, the BRE produced an award-winning study on age demographics and its effect on Maryland's population and financial future. This is just one more example of how my team and I are looking out for the economic interests of Maryland.

I look forward to continuing to build upon this legacy of responsible fiscal policies that chart a course for a brighter, more prosperous economic future.

Sincerely,

Comptroller Peter Franchot

COMPTROLLER OF MARYLAND

PETER V.R. FRANCHOT

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MARYLAND'S BANKABLE ASSETS



SMITH ISLAND, SOMERSET COUNTY, BY SY MOHR

John Smith discovered Smith Island in 1608. Located in the heart of the Chesapeake Bay, it boasts an incredible history of seafaring and is home to the world famous 10-layer Smith Island Cake.

The State of Maryland is ideally situated in the Northeast corridor of the United States and strikes a perfect balance between its vast natural resources and modern amenities. This unique group of assets provides an enhanced quality of life that is unsurpassed in neighboring states. Since the founding of Maryland, the fertile land and bountiful Chesapeake Bay and its tributaries have served as an integral part of the

economy. Farmers, once operating only by manpower, embraced the advancing technologies over the centuries to produce more with less while leading the way in watershed conservation efforts. Watermen, ever-reliant upon the complex ecosystem of the Maryland waterways, have also embraced new harvesting methods like aquaculture to ensure a healthy and enduring population of marine life for centuries to come.



MOUNT VERNON, BALTIMORE CITY, BY SY MOHR
Mount Vernon hosts a variety of world class museums and merges Baltimore's rich history with modern, eclectic cuisine and a vibrant night life.



NORTH BEACH, CALVERT COUNTY, BY SY MOHR
Southern Maryland provides tranquil coastal living and a host of modern amenities that blend seamlessly with unique local establishments.

Today Maryland's natural resources also serve as a destination for travelers throughout the world. From the majestic Allegheny Mountains to the Atlantic Ocean, tourists are welcomed with open arms. It is not only the natural beauty that lures them, but a host of other offerings unique to Maryland from the bustling cities like Baltimore with its first-rate museums, to the distinctive small towns like Berlin with highly coveted local products. Many travel to the Free State to partake of our strong craft beverage industry which includes nearly two dozen distilleries, 70 wineries, and more than 80 craft breweries. These entrepreneurs capture the spirit of American ingenuity with a distinctly Maryland approach.



BOWIEFEST, PRINCE GEORGE'S COUNTY, BY SY MOHR
Prince George's County is nestled perfectly along the major thoroughfares bisecting the state, easily carrying travelers from energetic hi-tech incubators to scenic vineyards and pastoral farmlands.

BUILDING ON THE PAST



ANNAPOLIS, ANNE ARUNDEL COUNTY, BY SY MOHR

This mural at Harbormaster Welcome Center, at the City Dock in Annapolis represents the passage of time depicting street life in Annapolis. The foreground shows the past and moves to modern day Annapolis in the background.

Visitors are quick to recognize the opportunities available only in Maryland, enticing some to relocate and take full advantage of these amenities. Strategically located near Washington, D.C., the Old Line State is home to several military bases and federal government installations and

has quickly become the hub of the nation's cyber security and biotech industries. Private companies like Under Armor and Amazon call Maryland home and reinvest profits in the local communities they serve. All are major job creators and help drive Maryland's booming economy.



HYATTSVILLE, PRINCE GEORGE'S COUNTY, BY SY MOHR

Once a sleepy town named in 1859 for its founder, storekeeper Christopher Clark Hayatt, the thriving hisoric Hyattsville of today attracts young families and professionals who shop and settle near the Hyattsville Arts Distric which was organized in 2011

Maryland has always been a great place to raise a family, fostering an environment conducive to educating the brightest young minds of tomorrow with a nationally ranked public school system coupled with some of the oldest and most prestigious colleges in America.

St. John's College, established in 1696, is located in the heart of the state capital while Baltimore is home to both our highest ranked university and one of the most prestigious art institutes in the country: Johns Hopkins and the Maryland Institute College of Art.

BRINGING VALUE TO THE FUTURE



ANNAPOLIS, ANNE ARUNDEL COUNTY, BY SY MOHR

A detail of this Annapolis mural depicts the harbor, highlighting the growing tourism opportunities in the State of Maryland's capital.

No city in Maryland has garnered more national attention than historic Ellicott City in recent years, notably due to the repeated, catastrophic flooding. And despite it all, no city is more determined to rebuild. This is why Ellicott City serves as an example of just how resilient Marylanders are, weathering any storm and forging ahead once the waters have subsided.

Maryland boasts a rich heritage and a prosperous future thanks to these and many more bankable assets!



ELLICOTT CITY, HOWARD COUNTY, BY SY MOHR

Founded in 1772, Ellicott City has borne witness to the incredible transformation of an English colony into one of the most safe, livable and up-and-coming small towns in America.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING



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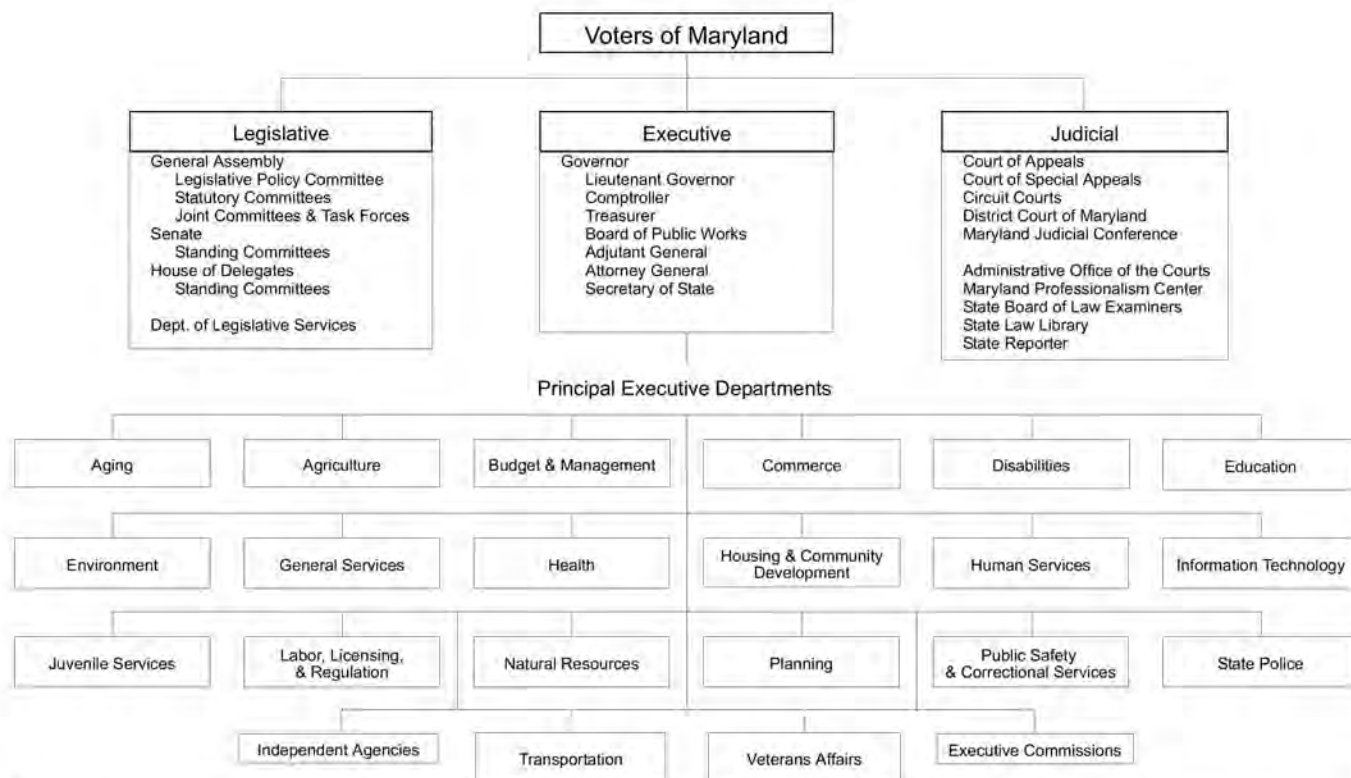
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

OVERVIEW MARYLAND STATE GOVERNMENT



Maryland Manual On-Line
Maryland State Archives, 4 October 2018

Maryland State Government
chartsstate/00overview

COMPREHENSIVE ANNUAL FINANCIAL REPORT, STATE OF MARYLAND
FOR THE YEAR ENDED JUNE 30, 2018

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Introductory Section

COMPREHENSIVE ANNUAL FINANCIAL REPORT, STATE OF MARYLAND





Peter Franchot
Comptroller

December 14, 2018

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

The Comprehensive Annual Financial Report (CAFR) of the State of Maryland (State), for the Fiscal Year ended June 30, 2018, includes the financial statements of the State 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.

The statutes of the State require an audit of every unit of the Executive and Judicial branches of government, including the Comptroller of Maryland's records, by the Legislative Auditor at least every four 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. 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 basic financial statements by a firm of independent auditors selected by an audit selection committee composed of members from the Comptroller's Office and other units of the Executive branch of State government. This requirement has been complied with, and the opinion of SB & Company, LLC, has been included in the financial section of this report. SB & Company, LLC also performed an audit to meet the requirements of the Office of Management and Budget (OMB) 2 CFR 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," and such information is contained in another reporting package.

The State has issued guidelines to its agencies for establishing effective internal controls. As a recipient of Federal assistance, the State is responsible for ensuring compliance with laws and regulations related to such assistance. This compliance is accomplished through the internal control guidelines. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The accompanying financial statements include all funds of the State (primary government), as well as all component units. Component units are legally separate entities for which the primary government is financially accountable. The various colleges and universities, the Maryland Prepaid College Trust of the Maryland 529 Plans, and the Maryland Stadium Authority are reported as major component units. The Maryland Environmental Service, the Maryland Industrial Development Financing Authority, the Maryland Food Center Authority, and the Maryland Technology Development Corporation are combined and presented as non-major component units.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent public accountants.

Background Information on the State:

Maryland ratified the United States Constitution on April 28, 1788. Its capitol is Annapolis, where the principal activities of state government are centered. Its employment is based largely in services, trade and government. These sectors, along with finance, insurance and real estate are the largest contributors to the gross state product. The State has a bicameral legislature, the General Assembly, composed of the Senate with 47 members and the House of Delegates with 141 members. The General Assembly meets annually for a 90-day session beginning on the second Wednesday in January.

The Maryland Constitution requires the Governor to submit to the General Assembly a balanced budget for the following year. The General Assembly cannot increase the budget except in certain organizational units. The budget currently uses a legally mandated budgetary fund structure. Each State agency is provided appropriations at a program level, which is the level at which expenditures cannot legally exceed the appropriations. The State also utilizes an encumbrance system to serve as a tool for managing available appropriations. Maryland maintains its accounts to conform with the legally mandated budget and also to comply with generally accepted accounting principles. Financial control is generally exercised under the budgetary system.

There is a Spending Affordability Committee which consists of certain designated officers of the General Assembly and other members as may be appointed by the President of the Senate and the Speaker of the House of Delegates. Each year the Committee must submit a report to the

General Assembly's Legislative Policy Committee and to the Governor recommending the level of State spending, the level of new debt authorization, the level of State personnel and the use of any anticipated surplus funds.

Also, the General Assembly created a Capital Debt Affordability Committee, the members of which are the Treasurer, the Comptroller, the Secretary of Budget and Management, the Secretary of Transportation, and one person appointed by the Governor. This Committee is required to submit to the Governor by October 1 of each year an estimate of the maximum amount of new general obligation debt that prudently may be authorized. The Committee's recent reports encompass all tax supported debt, in addition to the general obligation debt, bonds issued by the Department of Transportation, bonds issued by the Maryland Stadium Authority and capital lease transactions. Although the Committee's responsibilities are advisory only, the Governor is required to give due consideration to the Committee's finding in preparing a preliminary allocation of new general obligation debt authorizations for the next ensuing fiscal year.

Information on the State's Economic Condition:

Maryland's economy is expected to continue expanding while growth in employment is expected to be 0.8% in 2018, down from 1.1% in 2017. Employment growth in 2019 is expected to remain at 0.8% before declining in the out-years due to slower working age population growth. Growth in the average wage for 2018 is expected to be 3.1%. The rate of wage growth is expected to increase as a result of the tight labor market and nominal growth, but remain low relative to historical norms. Aggregate wage growth and personal income measures increase as employment and the average wage grow.

The outlook for the largest general fund revenue source, the income tax, is relatively strong. This is due in part to Maryland's strong concentration of wealthy taxpayers and federal tax changes. Among other changes, the *Tax Cuts and Jobs Act* (TCJA) increased the standard deduction and eliminated most itemized deduction components. Both measures have the impact of reducing the value of itemized deductions compared to the standard deduction. The result is that many taxpayers will switch to using the standard deduction at the federal level. If they do so, they must also use the State's standard deduction. As a result, many taxpayers will pay less in combined State and federal tax by switching to the standard deduction, while paying more State tax than before. The result is a sizable increase in State personal income tax collections.

However, it is generally the case that revenue collections per unit of economic growth have declined in this expansion. An examination of our tax base shows that, comparing the number of taxpayers to population estimates, the share of Maryland residents filing tax returns has been declining since the onset of the Great Recession. This suggests that a lesser share of residents is earning taxable income than in the recent past. The reasons are not known with certainty and the issue requires further analysis. The corporate income tax is also projected to benefit from the TCJA. A reduction in the federal corporate tax rate should mean greater profitability for corporations. As the State's corporate income tax rate remains unchanged, our own collections should increase.

Revenue growth of the sales and use tax is also projected to be strong in the short run, reflecting underlying economic conditions. However, collections per unit of overall economic growth as well as per dollar spent by consumers have declined. This is due in part to demographic forces. Beyond middle age, individuals tend to consume less overall and a greater share of non-taxable services. In addition to the rise of online retailing and digital goods, the internet has enabled a sharing economy and more frequent consumer-to-consumer sales of used goods. The Supreme Court's recent ruling in *South Dakota v. Wayfair, Inc.* allows states to require out of state retailers to collect and remit sales tax for online purchases, subject to certain limitations. This will naturally serve to increase the State's sales tax collections, though it should be noted that the largest online retailer, Amazon, already has a physical presence in Maryland, so already remits sales tax from its direct sales to Maryland residents. It is also the case for both income and sales taxes that tax expenditures – deductions, subtractions, credits, etc. – have grown over time. The estimated value of this foregone tax revenue has grown faster than underlying revenue growth, which surely accounts for some of the decline in collections per unit of economic growth.

Although the federal government is spending more than during the period of federal budget sequestration several years ago, and buying more from the private sector, federal employment in Maryland and Washington D.C. has recently shrunk. Federal employment in Maryland this past October was 1.2% lower than the previous October; for Washington D.C., where many Marylanders work, the comparable figure is 1.7%. However, over September and October federal employment in Maryland stabilized, which may suggest the worst is behind us. The existing federal budget is set to expire shortly; however, a divided Congress and recent history provide a high likelihood that spending will be increased above or stabilized at current levels, a much larger amount than underlying sequestration amounts.

The Port of Baltimore is a significant east coast port. It is among a few that have the berth depths and infrastructure to handle "Post Panamax" ships – those that can now pass through the expanded Panama Canal. As such, the port is liable to feel the impacts of increasing trade barriers with other nations. However, the port benefits from trade regardless of what direction goods are moving. Indeed the trade deficit has recently gotten larger. The port conceivably benefits from that increased demand for imports.

Major Initiatives and Long Term Financial Planning:

The fiscal year 2019 budget adheres to Spending Affordability Committee recommendations and is structurally balanced. Despite higher than expected revenues at the end of fiscal year 2017, revenue collections grew at a slower pace than expected in fiscal year 2018. In addition to write-downs of general fund revenues totaling \$126 million during the year, the State's Board of Public Works adopted a plan to make mid-year budget reductions of \$80 million. The remaining fiscal year 2019 budget shortfall was resolved through cost-containment actions across agencies, realizing favorable trends in Medicaid and state employee health insurance spending, and level funding certain agency budgets and programs, among others.

The budget funds programs in the areas of business investment and emerging technologies. It distributes a total of \$10 million from the “Sunny Day” Fund for the final \$5 million payment to Northrop Grumman Corporation and the first \$5 million payment to Marriott International, Inc., as part of a multiyear, \$20 million commitment to Marriott’s headquarters in Maryland. The budget provides \$25 million, or 4% over fiscal year 2018, for the Enterprise Zone Tax Credit program to encourage business within distressed areas. Also included are \$14 million in emerging industries tax credits, including the Biotechnology Investment Incentive Tax Credit and the Cybersecurity Investment Incentive Tax Credit.

In the area of workforce development, the fiscal year 2019 allowance includes more than \$26 million for job search and occupational skills assistance and on-the-job and entrepreneurial training. The budget maintains \$8 million for the Employment Advancement Right Now (EARN) program.

Maryland’s public colleges are funded at levels to hold tuition increases to 2%. Local community colleges are provided \$261 million in formula and grant funding in fiscal year 2019, a 2% increase over 2018. Funding for student financial aid is \$112 million, including an additional \$2 million for Educational Excellence Awards to offset tuition growth.

The education budget includes a \$139 million increase in direct aid to local schools, a 2.5% increase. The Division of Rehabilitation Services (DORS), which promotes the employment and independence of individuals with disabilities, receives \$123 million in fiscal year 2019, an increase of \$2 million. The DORS wait list fell by 33% in the past year.

For health care in the State, an additional \$52 million in fiscal year 2019 is provided to fund a 2% rate increase for behavioral health service providers and a 1% rate increase for most other health care and group home providers. In addition to \$159 million dedicated to existing, non-Medicaid substance use disorder and addiction programs, the 2019 budget includes \$14 million to augment spending for the heroin/opioid epidemic. This includes the second \$10 million installment in the State’s five-year, \$50 million commitment.

Programs funded by the transfer tax, such as Program Open Space, are provided \$253 million, an increase of \$67 million from the prior year. The fiscal year 2019 budget provides \$8 million to continue a multi-year fleet upgrade for the Maryland State Police.

The fiscal year 2019 capital budget totals \$4.6 billion. The budget limits borrowing for capital projects to \$995 million in an effort to reduce the general fund subsidy for debt service.

Transportation projects are provided \$2.9 billion in the 2019 capital budget. Of this amount, \$1.1 billion is expected to be received from federal funds. Highway projects constitute \$1.5 billion, including \$691 million in federal aid, the largest share of the capital program for transportation. Mass transit’s capital budget totals \$812 million, with \$412 million coming from federal sources. Improvements include \$335 million for Purple Line Transitway construction in the Washington area.

School construction projects included in the capital budget total \$365 million, an increase of \$31 million, or 9.3%, over the previous year.

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, 2017. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The State of Maryland has received a Certificate of Achievement for the last 38 consecutive years (Fiscal Years ended 1980 – 2017). We believe that our current comprehensive annual financial report continues to conform to the 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.

Sincerely,



Peter Franchot,
Comptroller of Maryland

Financial Section

COMPREHENSIVE ANNUAL FINANCIAL REPORT, STATE OF MARYLAND





REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Honorable Peter Franchot
Comptroller of Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maryland (the State), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The State's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain Economic Development Loan Programs; the Maryland Lottery and Gaming Control Agency; certain Economic Development Insurance Programs; certain foundations included in the higher education component units; the Maryland Technology Development Corporation; and the Investment Trust Fund. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the State, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The financial statements that we did not audit, which are listed above represent the percentages of the total assets, total net position, and total operating revenues of the accompanying financial statements as listed below.

	Percentage of Opinion Unit		
	Total Assets	Total Net Position	Total Operating Revenues
Business-Type Activities			
Major -			
Certain Economic Development Loan Programs	17.8 %	4.7 %	1.5 %
Maryland Lottery and Gaming Control Agency	1.9	0.1	68.9
Non-Major -			
Economic Development Insurance Programs	0.6	0.7	0.0
Total percentage of business-type activities	<u>20.3 %</u>	<u>5.5 %</u>	<u>70.4 %</u>
Component Units			
Major -			
Certain foundations included in the higher education component units	14.2 %	17.5 %	7.5 %
Non-Major -			
Maryland Technology Development Corporation	0.9	1.2	0.6
Total percentage of component units	<u>15.1 %</u>	<u>18.7 %</u>	<u>8.1 %</u>
Fiduciary Funds			
Investment Trust Fund	7.6 %	8.2 %	71.9 %



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter

As discussed in Note 1, during the year ended June 30, 2018, the State adopted Government Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." This adoption resulted in a restatement of the net position as of July 1, 2017. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and other required supplementary information (collectively the required supplementary information) as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining financial statements, introductory and statistical sections, and financial schedules required by law, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion and based on the reports of the other auditors, the combining financial statements, are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory, statistical sections, and financial schedules required by law as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Hunt Valley, Maryland
December 14, 2018

SB & Company, LLC

STATE OF MARYLAND

Management's Discussion and Analysis

Management of the State of Maryland provides this narrative overview and analysis of the financial activities of the State for the fiscal year ended June 30, 2018. Please read it in conjunction with the Comptroller's letter of transmittal, which can be found in the Introductory Section of this report, and the State's financial statements which follow this section.

Financial Highlights

Government-wide

- Maryland reported a deficit of \$8.9 billion in fiscal year 2018 and a deficit of \$2.5 billion (prior to restatement) in fiscal year 2017.
- Of the deficit in fiscal year 2018, a deficit balance of \$32.4 billion was reported as total unrestricted net position, which includes a \$34.4 billion deficit balance in governmental activities and a \$2.0 billion balance in business-type activities.
- The State's total net position decreased by a total of \$6.4 billion as a result of the restatement of beginning net position for the implementation of the new standard for post-employment benefits other than pensions, or OPEB (\$7.0 billion decrease) and this year's operations (\$573 million increase). The net position for governmental activities decreased by \$6.8 billion. Net position of business-type activities increased by \$445 million.
- The State's governmental activities had total expenses of \$37.1 billion; total revenues of \$36.1 billion; net transfers from business-type activities of \$1.2 billion; and a reduction in beginning net position of \$7.0 billion for OPEB-related adjustments for a net decrease of \$6.8 billion.
- Business-type activities had total expenses of \$4.0 billion; program revenues of \$5.6 billion; general revenues of \$6 million; and transfers out of \$1.2 billion for a net increase in net position of \$445 million.
- Total State revenues were \$41.6 billion, while total costs for all programs were \$41.1 billion.

Fund Level

- Governmental funds reported a combined fund balance of \$2.3 billion, an increase of \$315 million (15.6 %) from the prior year.
- The general fund reported an unassigned fund balance deficit of \$507 million and a remaining fund balance (nonspendable, restricted, and committed) of \$2.2 billion, compared to an unassigned fund balance deficit of \$789 million and a remaining fund balance of \$2.1 billion last year. This represents a net increase of \$375 million in general fund, fund balance. The total unassigned fund balance deficit in the governmental funds was \$977 million in the current year and \$1.1 billion in the prior year.
- Governmental funds reported a total nonspendable, restricted, and committed fund balance of \$3.3 billion in 2018, compared to \$3.1 billion in the prior year.

Long-term Debt

- Total bonds and obligations under long-term leases at year end were \$19.4 billion, net of related premiums, discounts and adjustments, a net decrease of \$301 million in 2018 (1.5%) from the prior year.
- \$1.9 billion General Obligation Bonds and \$555 million Transportation Bonds were issued during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the State of Maryland's basic financial statements. The State's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements (Reporting the State as a Whole)

The government-wide financial statements provide a broad overview of the State's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's economic condition at the end of the fiscal year. The statements include all fiscal year revenues and expenses, regardless of whether cash has been received or paid. The government-wide financial statements include two statements.

The *Statement of Net Position* presents all of the State's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as "net position". Over time, increases and decreases in the State's net position may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents information showing how the State's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

(such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the State.

The above financial statements distinguish between the following three types of state programs or activities:

Governmental Activities – The activities in this section are typically supported by taxes and intergovernmental revenues, i.e., federal grants. Most services normally associated with the State government fall into this category, including the Legislature, Judiciary and the general operations of the Executive Department.

Business-Type Activities – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the State include insurance and loan programs for economic development, the Unemployment Insurance Program, the Maryland Lottery and Gaming Control Agency (MLGCA), the Maryland Transportation Authority and the Maryland Correctional Enterprises, a program which constructs office furnishings utilizing the prisons' inmate population.

Discretely Presented Component Units – The government-wide statements include operations for which the State has financial accountability, but are legally separate entities. Financial information for these component units is reported separately from the financial information presented for the primary government. The component unit activities include Higher Education, the Maryland Prepaid College Trust, the Maryland Stadium Authority and other non-major proprietary activities. All of these entities operate similarly to private sector business and to the business-type activities described above. The component unit Higher Education consists of the University System of Maryland, Morgan State University, St. Mary's College and Baltimore City Community College and certain affiliated foundations. The non-major component units include the Maryland Food Center Authority, Maryland Environmental Service, Maryland Industrial Development Financing Authority, and Maryland Technology Development Corporation.

Complete financial statements of the individual component units can be obtained from the Comptroller of Maryland, LLG Treasury Building, Annapolis, Maryland 21404.

This report includes two schedules (pages 29 and 31) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (accrual accounting) on the government-wide statements. The following summarizes the impact of transitioning from modified accrual to accrual accounting:

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Certain tax revenues that are earned and other assets that are not available to pay for current period expenditures are deferred in governmental fund statements, but are recognized on the government-wide statements.
- Other amounts that otherwise meet the definition of a revenue or expense that relate to a future period are deferred only on the government-wide statements.
- Unless currently due and payable, long-term liabilities, such as capital lease obligations, compensated absences, litigation, and bonds and notes payable, only appear as liabilities in the government-wide statements.
- Capital outlays result in capital assets on the government-wide statements, but are reported as expenditures on the governmental fund statements.
- Bond and note proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.
- Certain other transactions represent either increases or decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.

The government-wide financial statements can be found on pages 24 -27 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The State's funds can be divided into three categories: governmental, enterprise, and fiduciary. Each of these categories uses a different accounting approach.

Governmental funds – Most of the basic services provided by the State are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the State's near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the State's near-term financing requirements. These statements provide a detailed short-term view of the State's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the State's near-term financing decisions. Both

the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the pages immediately following the governmental funds financial statements.

The State maintains five governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and the Department of Transportation-special revenue fund, both of which are considered to be major funds. Data from the remaining three governmental funds are combined into a single, aggregated presentation. Data for the non-major governmental funds, namely, the debt service fund for general obligation bonds, the debt service fund for transportation revenue bonds and the capital projects fund, are provided in the form of combining statements elsewhere in this report. These funds are reported using modified accrual accounting, which measures cash and all other assets which can be readily converted to cash. The basic governmental funds financial statements can be found on pages 28 and 30 of this report.

Enterprise funds – Enterprise funds are used to show activities that operate similar to activities of commercial enterprises. These funds charge fees for services provided to outside customers including local governments. Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. There is no reconciliation needed between the government-wide business-type financial statements for business-type activities and the enterprise fund financial statements because they both utilize accrual accounting, the same method used for business in the private sector.

The State has six enterprise funds, four of which are considered to be major enterprise funds. These funds are: Economic Development – Loan Programs, the Unemployment Insurance Program, the Maryland Lottery and Gaming Control Agency and the Maryland Transportation Authority. Data for the non-major enterprise funds, Economic Development – Insurance Programs and Maryland Correctional Enterprises, are combined into a single aggregated presentation. Individual fund data for these non-major enterprise funds is provided in the form of combining statements elsewhere in this report.

The basic enterprise funds financial statements can be found on pages 34 -38 of this report.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the state government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are restricted in purpose and are not available to support the State’s own programs. Fiduciary funds use accrual accounting.

The State’s fiduciary funds include the Pension and Other Employee Benefits Trust Funds, the Investment Trust Fund and Agency Funds. The Pension and Other Employee Benefits Trust Funds consist of the Retirement and Pension System, the Maryland Transit Administration Pension Plan, the Postretirement Health Benefits Trust Fund and the Deferred Compensation Plan. The Investment Trust Fund accounts for the transactions, assets, liabilities and net position of an external investment pool. Agency funds account for the assets held for distribution by the State as an agent for other governmental units, organizations or individuals. Individual fund detail for the fiduciary funds can be found in the combining financial statements.

The basic fiduciary funds financial statements can be found on pages 39 -40 of this report.

Combining Financial Statements, Component Units – The government-wide financial statements present information for the component units in a single aggregated column in the Statement of Net Position and the Statement of Activities. Combining Statement of Net Position and Combining Statement of Activities have been provided for the Component Unit Proprietary Funds and provide detail for each major proprietary component unit, with a combining column for the non-major component units. Individual financial statement information for the non-major component units is provided elsewhere in this report.

The combining financial statements for the component units can be found on pages 42 -44 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages 46 -99 of this report.

Required Supplementary Information

The required supplementary information includes budgetary comparison schedules for the budgetary general, special and federal funds, along with a reconciliation of the statutory and Accounting Principles Generally Accepted in the United States of America (GAAP) General and Special Revenue Fund, fund balances at fiscal year end and related notes. This report also presents certain required supplementary information concerning the State’s contributions and liabilities for its pension plans and post-employment healthcare benefits and related notes. Required supplementary information immediately follows the notes to the financial statements.

Other Supplementary Information

Combining Financial Statements

The combining financial statements referred to earlier in connection with non-major governmental, enterprise, and fiduciary funds and non-major component units are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

The State’s combined net position (governmental and business-type activities) totaled \$8.9 billion deficit at the end of 2018 and \$2.5 billion deficit at the end of 2017.

Net Position as of June 30,

(Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 6,515	\$ 6,290	\$ 7,756	\$ 8,317	\$ 14,271	\$ 14,607
Capital assets	24,949	23,905	6,099	5,992	31,048	29,897
Total assets	31,464	30,195	13,855	14,309	45,319	44,504
Total deferred outflows of resources	5,639	6,146	71	104	5,710	6,250
Long-term liabilities	45,572	40,223	4,548	5,484	50,120	45,707
Other liabilities	4,958	5,100	759	768	5,717	5,868
Total liabilities	50,530	45,323	5,307	6,252	55,837	51,575
Total deferred inflows of resources	4,019	1,616	83	70	4,102	1,686
Net position:						
Net invested in capital assets	16,703	16,164	4,360	3,465	21,063	19,629
Restricted	255	249	2,187	2,183	2,442	2,432
Unrestricted	(34,404)	(27,011)	1,989	2,443	(32,415)	(24,568)
Total net position	\$ (17,446)	\$ (10,598)	\$ 8,536	\$ 8,091	\$ (8,910)	\$ (2,507)

The largest portion of the State's net position, \$21.1 billion, reflects investment in capital assets such as land, buildings, equipment and infrastructure, less any related debt to acquire those assets that is still outstanding, as adjusted by any deferred inflows or deferred outflows of resources. The State uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In addition, a portion of the State's net position, \$2.4 billion, represents resources that are subject to external restrictions or enabling legislation on how they may be used. The remaining balance for unrestricted net position, a deficit of \$32.4 billion, reflects the State's expenses over revenues.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net position changed during the fiscal year.

Changes in Net Position

For the Year Ended June 30,
(Expressed in Millions)

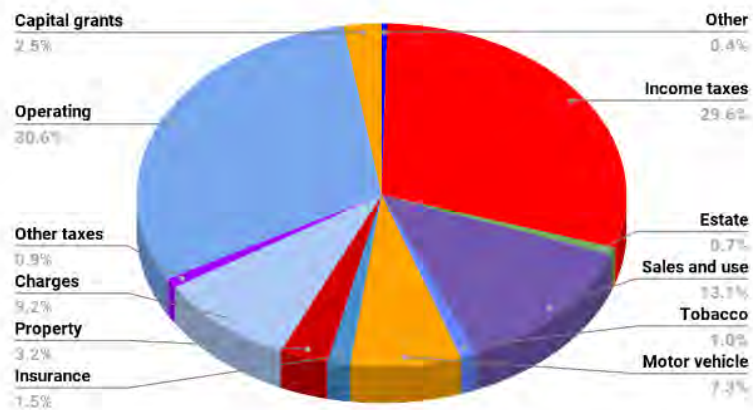
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 3,323	\$ 3,321	\$ 5,450	\$ 5,151	\$ 8,773	\$ 8,472
Operating grants and contributions	11,047	11,120	109	98	11,155	11,218
Capital grants and contributions	904	872			904	872
General revenues:						
Income taxes	10,676	9,828			10,676	9,828
Sales and use taxes	4,720	4,613			4,720	4,613
Motor vehicle taxes	2,632	2,658			2,632	2,658
Tobacco taxes	373	387			373	387
Insurance company taxes	542	512			542	512
Property taxes	1,154	1,100			1,154	1,100
Estate & inheritance taxes	241	252			241	252
Other taxes	323	313			323	313
Unrestricted investment earnings	136	121	6	7	143	128
Total revenues	36,071	35,097	5,565	5,256	41,636	40,353
Expenses:						
General government	966	946			966	946
Health and mental hygiene	13,527	13,414			13,527	13,414
Education	8,494	8,487			8,494	8,487
Aid for higher education	2,332	2,323			2,332	2,323
Human resources	2,337	2,446			2,337	2,446
Public safety	2,108	2,279			2,108	2,279
Transportation	4,068	3,479			4,068	3,479
Judicial	779	804			779	804
Labor, licensing and regulation	374	349			374	349
Natural resources and recreation	367	360			367	360
Housing and community development	329	322			329	322
Environment	108	111			108	111
Agriculture	98	111			98	111
Commerce	101	109			101	109
Intergovernmental grants	599	650			599	650
Interest	523	483			523	483
Economic development insurance programs			1	1	1	1
Economic development loan programs			333	355	333	355
Unemployment insurance program			518	546	518	546
Maryland Lottery and Gaming Control Agency			2,491	2,265	2,491	2,265
Maryland Transportation Authority			559	538	559	538
Maryland Correctional Enterprises			51	58	51	58
Total expenses	37,110	36,673	3,953	3,763	41,063	40,436
Increase (decrease) in net position before transfers	(1,039)	(1,576)	1,612	1,493	573	(83)
Transfers	1,167	1,040	(1,167)	(1,040)		
Change in net position	128	(536)	445	453	573	(83)
Net position - beginning, as restated	(17,574)	(10,062)	8,091	7,638	(9,483)	(2,424)
Net position - ending	\$ (17,446)	\$ (10,598)	\$ 8,536	\$ 8,091	\$ (8,910)	\$ (2,507)

The following table compares financial information from the Government-wide Statement of Activities for this and the prior fiscal year to indicate how the State's revenues and expenses changed from year to year.

Analysis of Changes in Net Position
For the Year Ended June 30, 2018, Compared to June 30, 2017
(Expressed in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	Amount of Increase/ (Decrease)	Percentage of Increase/ -Decrease	Amount of Increase/ (Decrease)	Percentage of Increase/ -Decrease	Amount of Increase/ (Decrease)	Percentage of Increase/ -Decrease
Revenues:						
Program revenues:						
Charges for services	\$ 2	0.1%	\$ 299	5.8%	\$ 301	3.6%
Operating grants and contributions	(73)	-0.7%	11	11.2%	(62)	-0.6%
Capital grants and contributions	32	3.7%			32	3.7%
General revenues:						
Income taxes	848	8.6%			848	8.6%
Sales and use taxes	107	2.3%			107	2.3%
Motor vehicle taxes	(26)	-1.0%			(26)	-1.0%
Tobacco taxes	(14)	-3.6%			(14)	-3.6%
Insurance company taxes	30	5.9%			30	5.9%
Property taxes	54	4.9%			54	4.9%
Estate & inheritance taxes	(11)	-4.4%			(11)	-4.4%
Other taxes	10	3.2%			10	3.2%
Unrestricted investment earnings	15	12.4%	(1)	-14.3%	14	10.9%
Total revenues	974	2.8%	309	5.9%	1,283	3.2%
Expenses:						
General government	20	2.1%			20	2.1%
Health and mental hygiene	113	0.8%			113	0.8%
Education	7	0.1%			7	0.1%
Aid for higher education	9	0.4%			9	0.4%
Human resources	(109)	-4.5%			(109)	-4.5%
Public safety	(171)	-7.5%			(171)	-7.5%
Transportation	589	16.9%			589	16.9%
Judicial	(25)	-3.1%			(25)	-3.1%
Labor, licensing and regulation	25	7.2%			25	7.2%
Natural resources and recreation	7	1.9%			7	1.9%
Housing and community development	7	2.2%			7	2.2%
Environment	(3)	-2.7%			(3)	-2.7%
Agriculture	(13)	-11.7%			(13)	-11.7%
Commerce	(8)	-7.3%			(8)	-7.3%
Intergovernmental grants	(51)	-7.8%			(51)	-7.8%
Interest	40	8.3%			40	8.3%
Economic development insurance programs			0	0.0%	0	0.0%
Economic development loan programs			(22)	-6.2%	(22)	-6.2%
Unemployment insurance program			(28)	-5.1%	(28)	-5.1%
Maryland Lottery and Gaming Control Agency			226	10.0%	226	10.0%
Transportation Authority			21	3.9%	21	3.9%
Maryland Correctional Enterprises			(7)	-12.5%	(7)	-12.5%
Total expenses	\$ 437	1.2%	\$ 190	5.0%	\$ 627	1.6%

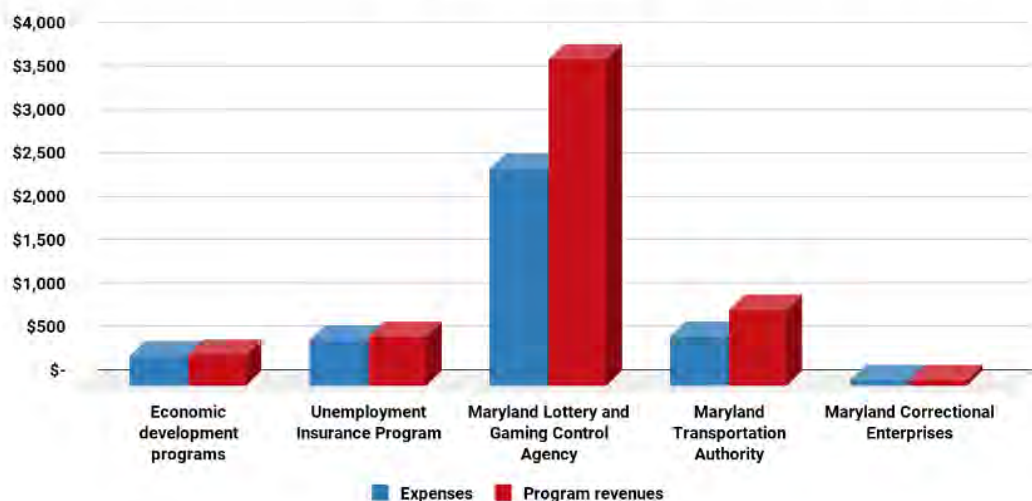
2018 REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



2018 EXPENSES BY FUNCTION - GOVERNMENTAL ACTIVITIES



2018 EXPENSES AND PROGRAM REVENUES - BUSINESS-TYPE ACTIVITIES (Expressed in Millions)



Governmental Activities

- Liabilities and deferred inflows exceeded assets and deferred outflows by \$17.4 billion at the end of fiscal year 2018. For the current year, there was a decrease in net position of \$6.8 billion from the previous year.
- Included in the decrease in net position, capital assets increased by \$1.0 billion, deferred outflows, net of deferred inflows, decreased by \$2.9 billion, and long-term liabilities increased by \$5.3 billion. The major capital asset events are discussed in the Capital Assets section of this analysis. Among the components of the increase in long-term liabilities were increases in bonds and notes payable (\$703 million); a decrease in the State's net pension liability (NPL) (\$1.6 billion); and the State's net OPEB liability in the current year in excess of the net OPEB obligation in the prior year (\$6.4 billion). The increase in bonds and notes payable is discussed in the Long-Term Debt section of this analysis. The decrease in the NPL of \$1.6 billion is offset by the net increase in deferred inflows over deferred outflows related to pensions of \$2.2 billion. The net increase in deferred inflows for pensions is primarily for a difference between projected and actual earnings on pension plan investments and a difference between expected and actual experience and will be recognized in the NPL in future years. The NPL and deferred outflows and deferred inflows related to pensions are discussed in Note 15 to the financial statements. The increase for the net OPEB liability is the result of the implementation of a new accounting standard for reporting the OPEB liability and is not due to a significant change in the size or funding of the liability from the prior year; it is discussed in the Restatement of Current Year Balances section and in Note 16 to the financial statements.

Business-type Activities

Business-type activities increased the State's net position by \$1.6 billion before transfer of \$1.2 billion to governmental activities, for a net increase of \$445 million in net position. The increase compares to an increase of \$1.5 billion before transfers of \$1.0 billion, for a net increase of \$453 million in net position, in the prior year. Key elements of this increase are as follows:

- Net position of the Maryland Transportation Authority increased by \$310 million compared to an increase of \$333 million in the prior year. Net operating income was \$423 million compared to \$451 million in the prior year.
- The Unemployment Insurance Program net position increased by \$37 million in 2018. Net position increased by \$53 million in 2017. Net operating income was \$2 million compared to the prior year's \$19 million. Charges for services (unemployment taxes) decreased by \$46 million (8.0%) and benefit payments were reduced by \$28 million (5.2%). Both the amount of taxes paid by Maryland employers and the amount of benefits received by the unemployed are products of the economic climate. Federal payments for extended benefits and other programs decreased by \$1.0 million (9.6%).
- Net position for the Economic Development Loan Programs increased by \$100 million compared to an increase of \$74 million in the prior year. This resulted primarily from activity in the Maryland Water Quality Administration and Housing's State Funded Loan Programs. Net income of the Administration increased by \$76 million compared to an increase of \$48 million in the prior year due primarily to a decrease of \$26 million in bay restoration capital grant disbursements. Net income of the State Funded Loan Programs increased by \$29 million compared to an increase of \$34 million prior year. The change included an increase of \$17 million in program grant disbursements partly offset by an increase of \$10 million in State contributions.
- Lottery ticket sales were \$2.0 billion in 2018, an increase of \$111 million or 5.8% from the prior year. In 2018 in Maryland's six casinos, gross video lottery terminal (VLT) and table game revenue was \$1.7 billion, an increase of \$258 million (18.2%) over the prior year. Operating expenses, including cost of sales, increased by \$227 million, or 10.0%, over 2017 largely for an increase of \$177 million in commissions paid to casino operators. The increase in commissions was the result of higher overall gaming revenue and the increase in commissions paid to the Casino at Ocean Downs and the Rocky Gap Casino and Resort as a result of owning/leasing their own VLT's. Transfers to governmental activities by MLGCA were \$1.3 billion in 2018, an increase of \$131 million (11.7%) over 2017.

Financial Analysis of the State's Funds

As of the end of the current fiscal year, the State's governmental funds reported a combined fund balance of \$2.3 billion, an increase of \$315 million from the prior year. The combined fund balance includes a deficit of \$977 million in unassigned for governmental funds, including a deficit of \$508 million for the General Fund, a deficit of \$234 million for the special revenue fund, and a deficit of \$235 million for the other governmental funds. The remainder of the fund balance is nonspendable, restricted, or committed based on the constraints on the specific purposes for which amounts in that fund can be spent. The remainder of the fund balance is 1) unspendable because it is in the form of prepaid items, inventories and long-term loans and notes receivable (\$840 million); 2) restricted by outside parties or to pay debt service on general obligation bonds and transportation bonds from specific taxes (\$255 million); or 3) committed to legislated purposes or encumbered as committed fund balance based on the constraints and approval in place at year end or where appropriate when existing resources are not sufficient to liquidate encumbrances (\$2.2 billion). Included in committed fund balance is \$884 million in the "State Reserve Fund" which is set aside to meet future financial needs in circumstances that are not expected to occur routinely. It is the goal of the State that 10% of estimated General Fund revenues in each fiscal year be retained in the Revenue Stabilization Account of the State Reserve Fund.

General Fund

The General Fund is the major operating fund of the State. At the end of the current fiscal year, the unassigned fund balance deficit of the General Fund was \$507 million, while total fund balance was \$1.7 billion. The fund balance of the State's General Fund increased by \$375 million during 2018, compared to a decrease of \$438 million for 2017. Revenues increased by \$806 million (2.7%) to \$30.6 billion while expenditures increased by \$168 million (.5%) to \$31.0 billion. The increase in total revenue was primarily due to an increase of \$954 million from income taxes, a 9.8% increase from the prior year, resulting from both an increase in personal income and capital gains growth. General Fund expenditures increased by \$168 million, primarily for expenditures for health and mental hygiene, which increased by \$149 million (1.1%).

Transfers in to the General Fund were \$1.4 billion in 2018, an increase of \$132 million (10.8%) over 2017. Transfers consisted primarily of \$1.3 billion transferred from MLGCA in 2018. Transfers out from the general fund were \$640 million this year compared to \$679 million for the prior year. This decrease was due to an increase in transfers to the capital projects fund for Program Open Space, offset by decreases in tax transfers to the special revenue fund and subsidies to the economic development loan programs.

Special Revenue Fund

The Maryland Department of Transportation special revenue fund accounts for resources used for operation of the State's transportation activities, not including debt service and pension activities. The fund balance of the Department's special revenue fund was \$19 million as of June 30, 2018, a decrease of \$184 million compared to an increase of \$92 million in the prior fiscal year. Revenues decreased by \$4 million (.1%), expenditures increased by \$110 million (2.3%), and other sources of financial resources decreased by \$162 million. The increase in expenditures was from increases in current and intergovernmental expenditures. The decrease in other sources of financial resources was substantially due to a decrease in bond issues made during the year, including premiums received (\$80 million) and a decrease in net transfers from the general fund (\$27 million) and an increase in transfers to the transportation bond debt service fund (\$52 million).

Budgetary Highlights

Differences between the original budget and final amended budget, and the final budget and actual expenditures for the year are summarized for the General Fund as follows. The budgetary schedule may be found in the Required Supplementary Information Section.

Overall, the change between the original and final amended general fund budget was a decrease of \$20 million, or .1%.

The difference between the final budget, \$17.4 billion, and actual expenditures, \$17.1 billion, was \$285 million, or 1.6%. Of this amount, \$55 million was returned to the general fund, and \$230 million was encumbered for future spending. The variance for the General Assembly is attributable to encumbrances of \$23 million that were retained for building interior maintenance and improvements, critical telecommunications and information technology equipment, and wireless communications on the floor of the Senate and House Chambers. Encumbrances of \$22 million, primarily from Neighborhood Revitalization, Rental Housing Programs, and Partnership Rental Housing capital appropriation programs, resulted in the variance in the Department of Housing and Community Development. The difference in the Department of Commerce is primarily due to \$27 million in encumbrances for grants, loans, marketing, or small business assistance.

**Significant Differences between Original Budget, Final Budget, and Actual Amounts
for the year ended June 30, 2018 (Expressed in Thousands)**

General Fund

	Original Budget	Final Budget	Original versus Final budget	Percentage Change	Actual Amounts	Final Budget versus Actual	Percentage Change
Expenditures and encumbrances by function:							
Payments of revenue to civil divisions of the State	\$ 166,484	\$ 166,484		0.0%	\$ 166,484		0.0%
Public debt	259,649	259,649		0.0%	259,649		0.0%
Legislative	108,196	107,245	\$ (951)	-0.9%	84,043	\$ 23,202	21.6%
Judicial review and legal	629,979	627,244	(2,735)	-0.4%	609,744	17,500	2.8%
Executive and administrative control	244,355	243,833	(522)	-0.2%	230,038	13,795	5.7%
Financial and revenue administration	238,405	228,037	(10,368)	-4.3%	219,239	8,798	3.9%
Budget and management	80,846	80,541	(305)	-0.4%	78,584	1,957	2.4%
General services	72,396	71,424	(972)	-1.3%	64,346	7,078	9.9%
Natural resources and recreation	61,123	60,188	(935)	-1.5%	59,357	831	1.4%
Agriculture	32,276	32,131	(145)	-0.4%	32,037	94	0.3%
Health, hospitals and mental hygiene	4,649,346	4,676,900	27,554	0.6%	4,599,427	77,473	1.7%
Human resources	635,424	617,684	(17,740)	-2.8%	607,890	9,794	1.6%
Labor, licensing and regulation	51,705	51,134	(571)	-1.1%	45,286	5,848	11.4%
Public safety and correctional services	1,246,960	1,218,002	(28,958)	-2.3%	1,191,877	26,125	2.1%
Public education	8,157,148	8,178,667	21,519	0.3%	8,119,397	59,270	0.7%
Housing and community development	50,431	55,772	5,341	10.6%	33,846	21,926	39.3%
Commerce	106,614	106,171	(443)	-0.4%	78,833	27,338	25.7%
Maryland technology development corporation	19,474	19,474		0.0%	19,474		0.0%
Environment	30,128	29,043	(1,085)	-3.6%	28,642	401	1.4%
Juvenile services	273,450	266,929	(6,521)	-2.4%	254,831	12,098	4.5%
State police	279,520	277,522	(1,998)	-0.7%	276,225	1,297	0.5%
State reserve fund	10,000	10,000		0.0%	10,000		0.0%
Reversions	(30,000)	(30,000)		0.0%		(30,000)	100.0%
Total expenditures and encumbrances	\$ 17,373,909	\$ 17,354,074	\$ (19,835)	-0.1%	\$ 17,069,249	\$ 284,825	1.6%

Capital Assets and Debt Administration

Capital assets

As of June 30, 2018, the State had invested \$31.0 billion (net of accumulated depreciation) in a broad range of capital assets (see table below): Depreciation expense for the fiscal year totaled \$1.5 billion (\$1.3 billion for governmental activities and \$146 million for business-type activities). The increase in the State's investment in capital assets, net of depreciation expense, for the current fiscal year was \$1.2 billion (an increase of \$1.1 billion for governmental activities and an increase of \$107 million for business-type activities).

Capital Assets as of June 30,

(Net of Depreciation, Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land and improvements	\$ 3,722	\$ 3,618	\$ 398	\$ 397	\$ 4,120	\$ 4,014
Art and historical treasures	23	23			23	23
Structures and improvements	4,233	3,993	155	134	4,388	4,127
Equipment	905	907	37	68	942	974
Infrastructure	10,007	9,690	4,415	4,172	14,421	13,862
Construction in progress	6,060	5,675	1,095	1,222	7,155	6,896
Total	\$ 24,949	\$ 23,905	\$ 6,099	\$ 5,992	\$ 31,049	\$ 29,896

Major capital asset events during the current fiscal year for governmental activities include:

- Continued widening and/or expansion of existing highways and bridges, and various transit, port and motor vehicle administration construction projects
- Preservation of agricultural and open space land through the purchase of easements
- Veterans cemetery improvements
- Improvements to the statewide telecommunications network including One Maryland broadband wiring and high speed data network wiring
- Energy efficiency improvements in State buildings
- Software developments and upgrades for Department of Human Services for the Children Electronic Social Services Information Exchange (CHESSIE) and Client Automated Resources Eligibility System (CARES) projects
- Construction of a new visitor center, new property acquisitions, and construction and improvements to recreation and park facilities under the Department of Natural Resources
- Building improvements for the Maryland Judiciary and construction of a new District Court facility
- Construction of a new juvenile facility
- Construction and renovations of the Military Department Armories
- Building renovation projects and acquisition of helicopters for the State Police
- Renovation of police and correctional training facilities
- Building improvements at correctional facilities and at the Department of Health
- Start of construction on the Purple Line Transitway light rail project in Montgomery and Prince George's counties

Elements of increases in capital assets of business-type activities include system preservation and restoration of existing transportation facilities managed by the Maryland Transportation Authority and the expansion of the Authority's electronic toll lane project on the JFK Memorial Highway (I-95).

Additional information on the State's capital assets can be found in footnote 10 of this report.

Long-term debt

The State is empowered by law to authorize, issue and sell general obligation bonds, which are backed by the full faith and credit of the State. The State also issues dedicated revenue bonds for the Department of Transportation and various business-type activities. The payment of principal and interest on revenue bonds comes solely from revenues received from the respective activities. This dedicated revenue debt is not backed by the State's full faith and credit.

At June 30, 2018, the State had outstanding bonds, net of related premiums, discounts and adjustments, totaling \$18.5 billion. Of this amount, \$10.8 billion were general obligation bonds, backed by the full faith and credit of the State. The remaining \$7.7 billion were secured solely by the specified revenue sources.

Outstanding Bond Debt as of June 30,							
<i>(Expressed in Millions)</i>							
	Governmental Activities		Business-type Activities		Total		
	2018	2017	2018	2017	2018	2017	
General Obligation Bonds (backed by the State)	\$ 10,849	\$ 10,526			\$ 10,849	\$ 10,526	
Transportation Bonds (backed by specific revenues)	3,241	2,861			3,241	2,861	
Revenue bonds (backed by specific revenues)			\$ 4,451	\$ 5,345	4,451	5,345	
Total	\$ 14,090	\$ 13,387	\$ 4,451	\$ 5,345	\$ 18,541	\$ 18,732	

The total decrease in bonded debt in the current fiscal year was \$191 million (\$323 million increase related to general obligation bonds, \$380 million increase related to transportation bonds, and \$894 million decrease related to revenue bonds). The State's general obligation bonds are rated Aaa by Moody's and AAA by Standard and Poors and Fitch. During fiscal year 2018, the State issued general obligation debt totaling \$1.9 billion at a premium of \$351 million.

State law limits the amount of Consolidated Transportation Bonds, dedicated revenue debt that may be outstanding as of June 30 to the amount authorized in the budget, and this amount may not exceed \$4.5 billion. The aggregate principal amount of these bonds that was authorized to be outstanding as of June 30, 2018, was \$3.0 billion. The actual par amount in Consolidated Transportation Bonds outstanding

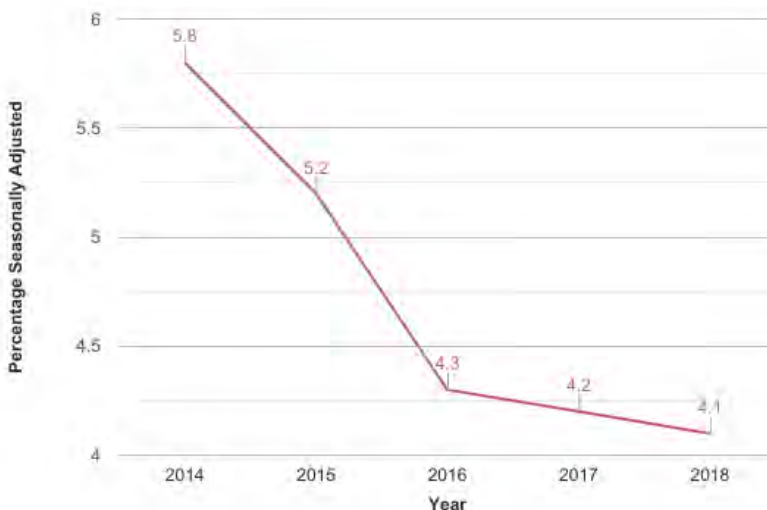
was \$2.9 billion.

Additional information on the State's long-term debt can be found in footnote 11 of this report.

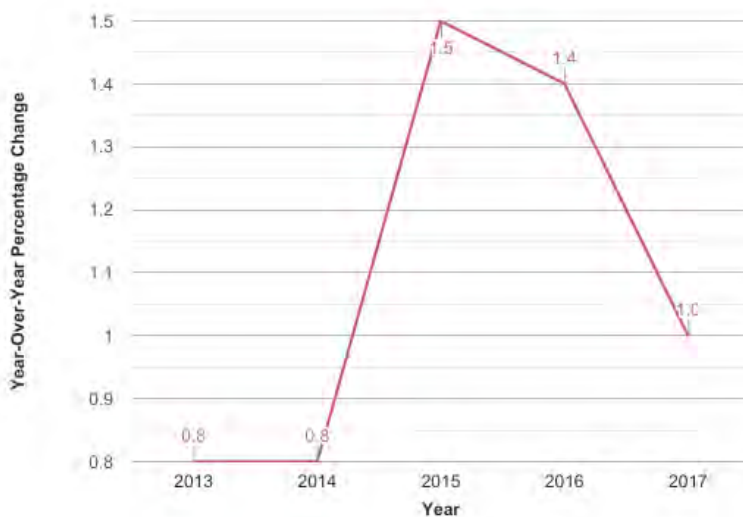
Economic Factors and Next Year's Budget

The forecast of the Maryland economy by the Board of Revenue Estimates is the basis for Maryland's revenue outlook. Employment growth of 0.8% is expected in calendar years 2018 and 2019. The unemployment rate was 4.1% in June 2018 and has continued a downward trend since 2012. Historical employment growth and the unemployment rate for the past five years are depicted below:

Unemployment Rate Prior 5 Years



Employment Growth



Growth in personal income of 3.7% and 4.2% in calendar years 2018 and 2019, respectively, is expected. General fund revenues are estimated to increase by 4.1% in fiscal year 2019.

Maryland's budget in fiscal year 2019 is \$44.4 billion, a 1.9% increase over 2018. The fiscal year 2019 budget conforms to the legislature's Spending Affordability Committee's guidelines. The general fund budget is \$17.9 billion, a 3.9% over 2018, and include a projected \$101 million fiscal year 2019 surplus. Reserves are projected to total \$1.0 billion at June 30, 2019.

Restatement of Current Year Balances for New Governmental Accounting Standards

In the current fiscal year, the State implemented Statement No. 75 of the Governmental Accounting Standards Board which requires changes to the State's post-employment benefits other than pensions (OPEB) accounting and reporting. Note 1 to the financial statements identifies these changes and adjustments to the beginning net position on the Government-wide Statement of Activities.

Requests for Information

This financial report is designed to provide a general overview of the State's finances for all those with an interest in the State's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the General Accounting Division, Office of the Comptroller, P.O. Box 746, Annapolis, Maryland, 21404.



Basic Financial Statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT, STATE OF MARYLAND



STATE OF MARYLAND
Statement of Net Position
June 30, 2018
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash	\$ 112,260	\$ 79,261	\$ 191,521	\$ 172,147
Equity in pooled invested cash	1,441,396	716,368	2,157,764	2,596,539
Investments	314,631	374,912	689,543	1,176,557
Endowment investments				334,968
Foundation investments				1,464,912
Inventories	119,615	15,839	135,454	10,132
Prepaid items	693,941		693,941	18,606
Taxes receivable, net	1,613,009		1,613,009	
Intergovernmental receivables	1,309,799		1,309,799	
Tuition contracts receivable				232,114
Due from primary government				5,593
Due from component units	1,847		1,847	
Other accounts receivable	622,025	112,343	734,368	525,232
Loans and notes receivable, net	26,706	1,593,538	1,620,244	59,410
Investment in direct financing leases		384,525	384,525	83,933
Other assets	5,343	13,319	18,662	23,175
Restricted assets:				
Cash	44,328	1,833,013	1,877,341	97,526
Equity in pooled invested cash	159,298	82,627	241,925	
Investments	26,021	702,466	728,487	567,724
Taxes receivable, net	22,526		22,526	
Loans and notes receivable	1,320	1,652,556	1,653,876	
Other accounts receivable	453	195,520	195,973	
Capital assets, net of accumulated depreciation:				
Land	3,722,353	397,654	4,120,007	211,308
Art and historical treasures	22,632		22,632	
Structures and other improvements	4,233,184	154,770	4,387,954	5,858,818
Equipment	904,971	37,004	941,975	472,668
Infrastructure	10,006,718	4,414,639	14,421,357	263,902
Construction in progress	6,059,612	1,094,983	7,154,595	533,237
Total capital assets	24,949,470	6,099,050	31,048,520	7,339,933
Total assets	31,463,988	13,855,337	45,319,325	14,708,501
Deferred outflows of resources	5,639,007	70,562	5,709,569	535,496

STATE OF MARYLAND
Statement of Net Position (continued)
June 30, 2018
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Bank overdrafts		\$ 1,822	\$ 1,822	
Salaries payable	\$ 163,406		163,406	\$ 118,033
Vouchers payable	505,315		505,315	
Accounts payable and accrued liabilities	2,481,650	339,834	2,821,484	307,387
Internal balances	(87,331)	87,331		
Due to primary government				1,847
Due to component units	1,330		1,330	
Accounts payable to political subdivisions	156,976		156,976	
Unearned revenue	240,241	36,650	276,891	317,201
Interest rate swaps		171	171	
Accrued insurance on loan losses		10,926	10,926	623
Other liabilities				2,226
Bonds and notes payable:				
Due within one year	1,071,908	249,949	1,321,857	142,788
Due in more than one year	13,018,500	4,201,076	17,219,576	2,195,003
Other noncurrent liabilities:				
Due within one year	425,002	32,103	457,105	211,136
Due in more than one year	32,553,278	347,375	32,900,653	2,262,518
Total liabilities	50,530,275	5,307,237	55,837,511	5,558,762
Deferred inflows of resources	4,018,975	82,771	4,101,746	430,459
Net Position				
Net investment in capital assets	16,702,586	4,360,412	21,062,998	5,694,012
Restricted for:				
Debt service	247,256	170,269	417,525	2,303
Capital improvements		2	2	12
Higher education-nonexpendable				1,028,469
Higher education-expendable				737,944
Unemployment compensation benefits		1,333,273	1,333,273	
Loan programs		600,021	600,021	52,171
Insurance programs		82,626	82,626	
Other	8,259		8,259	
Unrestricted (deficit)	(34,404,356)	1,989,288	(32,415,068)	1,739,865
Total net position	\$ (17,446,255)	\$ 8,535,891	\$ (8,910,364)	\$ 9,254,776

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Statement of Activities
For the Year Ended June 30, 2018
(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government -								
Governmental activities:								
General government	\$ 965,904	\$ 618,153	\$ 104,267	\$ 2,142	\$ (241,341)		\$ (241,341)	
Health and mental hygiene	13,526,404	1,022,439	7,576,070		(4,927,895)		(4,927,895)	
Education	8,493,967	45,755	1,046,130		(7,402,082)		(7,402,082)	
Aid for higher education	2,331,498	21,976	828		(2,308,694)		(2,308,694)	
Human resources	2,336,614	58,074	1,627,984		(650,556)		(650,556)	
Public safety	2,107,790	108,331	77,964	13,087	(1,908,408)		(1,908,408)	
Transportation	4,068,118	865,512	99,533	885,245	(2,217,828)		(2,217,828)	
Judicial	779,043	260,136	4,446		(514,461)		(514,461)	
Labor, licensing and regulation	373,815	38,188	153,920		(181,707)		(181,707)	
Natural resources and recreation	367,266	162,389	30,013	3,121	(171,743)		(171,743)	
Housing and community development	329,330	31,796	284,981		(12,553)		(12,553)	
Environment	108,218	69,313	23,095		(15,810)		(15,810)	
Agriculture	97,966	1,157	4,102		(92,707)		(92,707)	
Commerce	101,475	19,585	1,947		(79,943)		(79,943)	
Intergovernmental grants and revenue sharing	599,408				(599,408)		(599,408)	
Interest	523,141	138	11,547		(511,456)		(511,456)	
Total governmental activities	37,109,957	3,322,942	11,046,827	903,595	(21,836,592)		(21,836,592)	
Business-type activities:								
Economic development - insurance programs	1,380	2,011	1,278			\$ 1,909	1,909	
Economic development - general loan programs	23,339	8,835				(14,504)	(14,504)	
Economic development - water quality loan programs	138,369	155,577	42,662			59,870	59,870	
Economic development - housing loan programs	171,443	105,498	24,391			(41,554)	(41,554)	
Unemployment insurance program	518,190	520,163	34,820			36,793	36,793	
Maryland Lottery and Gaming Control Agency	2,490,823	3,740,610	(1,857)			1,247,930	1,247,930	
Maryland Transportation Authority	558,553	862,395	7,284			311,126	311,126	
Maryland Correctional Enterprises	51,158	55,003				3,845	3,845	
Total business-type activities	3,953,255	5,450,092	108,578			1,605,415	1,605,415	
Total primary government	41,063,212	8,773,034	11,155,405	903,595	(21,836,592)	1,605,415	(20,231,177)	

STATE OF MARYLAND
Statement of Activities
For the Year Ended June 30, 2018
(Expressed in Thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Position			Component Units
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-type Activities	Total	
Component Units-								
Higher education	\$ 5,627,592	\$ 2,659,988	\$ 1,504,206	\$ 266,610				\$ (1,196,788)
Maryland Prepaid College Trust	70,072	47,427						(22,645)
Maryland Stadium Authority	297,493	38,997	98,298					(160,198)
Other component units	191,043	170,115	28,183					7,255
Total component units	\$ 6,186,200	\$ 2,916,527	\$ 1,630,687	\$ 266,610				\$ (1,372,376)
General revenues:								
Income taxes					10,676,428		10,676,428	
Sales and use taxes					4,720,311		4,720,311	
Motor vehicle taxes					2,631,645		2,631,645	
Tobacco taxes					372,724		372,724	
Insurance company taxes					541,758		541,758	
Property taxes					1,153,640		1,153,640	
Estate & inheritance taxes					241,226		241,226	
Other taxes					323,472		323,472	
Grants and contribution not restricted to specific programs								1,506,309
Unrestricted investment earnings					136,427	6,349	142,776	169,935
Additions to permanent endowments								142,322
Transfers					1,166,868	(1,166,868)		
Total general revenues, additions to permanent endowments, and transfers					21,964,499	(1,160,519)	20,803,980	1,818,566
Changes in net position					127,907	444,896	572,803	446,190
Net position, beginning of the year, as restated					(17,574,162)	8,090,995	(9,483,167)	8,808,586
Net position, end of the year					\$ (17,446,255)	\$ 8,535,891	\$ (8,910,364)	\$ 9,254,776

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Balance Sheet
Governmental Funds
June 30, 2018

(Expressed in Thousands)

	General	Special Revenue Maryland Department of Transportation	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash	\$ 110,735	\$ 1,525		\$ 112,260
Equity in pooled invested cash	1,277,945		\$ 163,451	1,441,396
Investments			314,631	314,631
Prepaid items	549,750	144,191		693,941
Taxes receivable, net	1,433,285	179,724		1,613,009
Intergovernmental receivables	846,182	463,617		1,309,799
Other accounts receivable	551,699	70,193	133	622,025
Due from other funds	294,477	87,550		382,027
Due from component units	1,847			1,847
Inventories	22,882	96,733		119,615
Loans and notes receivable, net	26,706			26,706
Restricted assets:				
Cash		3,052		3,052
Cash with fiscal agent			41,276	41,276
Equity in pooled invested cash			159,298	159,298
Investments	3,638		22,383	26,021
Taxes receivable, net			22,526	22,526
Other accounts receivable			453	453
Loans and notes receivable, net			1,320	1,320
Total assets	\$ 5,119,146	\$ 1,046,585	\$ 725,471	\$ 6,891,202
Liabilities:				
Salaries payable	142,680	20,726		163,406
Vouchers payable	464,006		41,309	505,315
Accounts payable and accrued liabilities	952,729	505,322	43,862	1,501,913
Due to other funds	911,663	139,810	47,716	1,099,189
Due to component units	1,330			1,330
Accounts payable to political subdivisions	97,498	49,302	10,176	156,976
Unearned revenue	122,021	24,688		146,709
Accrued self-insurance costs	120,607			120,607
Total liabilities	2,812,534	739,848	143,063	3,695,445
Deferred inflows of resources	573,652	287,628		861,280
Fund balances:				
Nonspendable	598,754	240,924		839,678
Restricted	8,259		247,256	255,515
Committed	1,633,323	12,547	570,570	2,216,440
Unassigned	(507,376)	(234,362)	(235,418)	(977,156)
Total fund balances	1,732,960	19,109	582,408	2,334,477
Total liabilities and fund balances	\$ 5,119,146	\$ 1,046,585	\$ 725,471	\$ 6,891,202

The accompanying notes to the financial statement are an integral part of this financial statement.

STATE OF MARYLAND
Reconciliation of the Governmental Funds' Fund Balance
to the Statement of Net Position, Net Position Balance
June 30, 2018

(Expressed in Thousands)

Amounts reported for governmental activities in the Statement of Net Position (pages 24-25)	
differ from the amounts for the governmental funds' fund balances because of:	
Amount in governmental funds, fund balance (page 28)	\$ 2,334,477
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	24,949,470
Taxes and other receivables that will not be available to pay for current period expenditures and, therefore, are deferred in the funds	861,280
Accrued interest payable on bonds and capital leases are not liquidated with current financial resources in the governmental funds	(268,777)
Other long-term assets not available to pay for current period expenditures	5,343
Deferred outflows of resources not recognized as current period expenditures	5,639,007
Deferred inflows of resources not recognized as current period revenues	(4,018,974)
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds:	
General Obligation Bonds	(9,479,407)
Premiums to be amortized over the life of the debt	(1,369,906)
Transportation Bonds	(2,911,675)
Premiums to be amortized over the life of the debt	(329,420)
Accrued self-insurance costs	(252,288)
Accrued annual leave	(315,319)
Pension liabilities	(19,841,814)
Other post-employment benefits liability	(11,404,568)
Pollution remediation	(162,839)
Obligation under capital leases	(787,303)
Obligations under capital leases with component units	(83,933)
Other long-term obligations	(9,609)
Net Position of governmental activities (page 24 and 25)	\$ (17,446,255)

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Statement of Revenues, Expenditures, and Changes in Fund Balances,
Governmental Funds
For the Year Ended June 30, 2018
(Expressed in Thousands)

	General	Special Revenue Maryland Department of Transportation	Other Governmental Funds	Total Governmental Funds
Revenues:				
Income taxes	\$ 10,740,942			\$ 10,740,942
Sales and use taxes	4,716,515			4,716,515
Motor vehicle taxes		\$ 2,631,645		2,631,645
Tobacco taxes	372,724			372,724
Insurance company taxes	541,758			541,758
Property taxes	347,042		\$ 806,597	1,153,639
Estate & inheritance taxes	241,226			241,226
Other taxes	323,472			323,472
Other licenses and fees	561,410			561,410
Charges for services	1,506,729	699,458		2,206,187
Interest and other investment income	(44,267)	2,322	5,595	(36,350)
Federal revenue	10,903,198	847,267	11,547	11,762,012
Other	393,458	44,721	157	438,336
Total revenues	30,604,207	4,225,413	823,896	35,653,516
Expenditures:				
Current:				
General government	908,242			908,242
Health and mental hygiene	13,483,142			13,483,142
Education	7,777,082		402,376	8,179,458
Aid to higher education	2,010,268		320,930	2,331,198
Human resources	2,324,795			2,324,795
Public safety	1,989,791			1,989,791
Transportation		1,919,560	5,769	1,925,329
Judicial	742,851			742,851
Labor, licensing and regulation	364,276			364,276
Natural resources and recreation	353,728			353,728
Housing and community development	327,564			327,564
Environment	102,623			102,623
Agriculture	82,600			82,600
Commerce	100,377			100,377
Intergovernmental grants and revenue sharing	392,939	785,090	206,469	1,384,498
Capital outlays		2,128,115	111,091	2,239,206
Debt service:				
Principal retirement			1,057,156	1,057,156
Interest			510,154	510,154
Bond issuance costs	855	595	4,652	6,102
Total expenditures	30,961,133	4,833,360	2,618,597	38,413,090
Excess (Deficiency) of revenues over (under) expenditures	(356,926)	(607,947)	(1,794,701)	(2,759,574)
Other financing sources (uses):				
Capital leases	15,034			15,034
Bonds issued		555,000	1,079,822	1,634,822
Refunding bonds issued			785,340	785,340
Bond premium		92,107	350,737	442,844
Advanced lease payments		(3,759)		(3,759)
Payments to refunded bond escrow agent			(967,047)	(967,047)
Transfers in	1,357,120	182,475	773,431	2,313,026
Transfers out	(640,454)	(401,569)	(104,135)	(1,146,158)
Total other sources (uses) of financial resources	731,700	424,254	1,918,148	3,074,102
Net changes in fund balances	374,774	(183,693)	123,447	314,528
Fund balances, beginning of year	1,358,186	202,802	458,961	2,019,949
Fund balances, end of year	\$ 1,732,960	\$ 19,109	\$ 582,408	\$ 2,334,477

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

(Expressed in Thousands)

Amounts reported for governmental activities in the Statement of Net Activities (pages 26-27) are different from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds because of the following:			
Net change in fund balances - total governmental funds (page 30)	\$		314,528
Governmental funds report capital outlays as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.			
Capital outlays	\$	2,420,961	
Depreciation expense		(1,337,997)	1,082,964
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.			
Net loss on disposals and trade-ins			(38,051)
Revenues, pension/OPEB related activities, or service concession activities in the Statement of Activities that do not provide or use current financial resources are not reported as revenues or expenditures in the governmental funds.			
Deferred inflows of resources for taxes are recognized net of revenue already recognized in the prior year		(99,884)	
Deferred inflows of resources for pension/OPEB activities, service concession activities or other revenues are recognized, net of activity already recognized in the prior year		(2,138,511)	
Revenues from deferred outflows of resources for pension/OPEB activities or service concession activities are recognized, net of activity already recognized in the prior year		(531,576)	(2,769,971)
The issuance of long term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, the governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long term debt and related items.			
Debt issued, General Obligation Bonds		(1,865,163)	
Debt issued, Transportation Bonds		(555,000)	
Capital lease financing		15,034	
Premiums, discounts and deferred outflows of resources on refundings		(200,448)	
Principal repayments:			
General Obligation Bonds		1,719,961	
Transportation Bonds		221,710	
Capital leases		89,261	(574,645)
Some expenses reported in the Statement of Activities (net of expenses already recognized in the prior year) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:			
Accrued interest		(108,737)	
Compensated absences		17,848	
Self-insurance		(4,875)	
Net pension liability		1,647,402	
Other post-employment benefits liability		567,219	
Other long-term obligations		(5,775)	2,113,082
Change in net position of governmental activities (page 27)	\$		127,907

The accompanying notes to the financial statements are an integral part of this financial statement.



STATE OF MARYLAND

ENTERPRISE FUND FINANCIAL STATEMENTS

Major Funds

Economic Development Loan Programs

This fund includes the direct loan programs of the Maryland Departments of Housing and Community Development, Commerce and Environment.

Unemployment Insurance Program

This fund reflects the transactions, assets, liabilities and net position of the Unemployment Insurance Program and is used to account for the unemployment assessments collected from employers, Federal revenue received and remittance of benefits to the unemployed.

Maryland Lottery and Gaming Control Agency

This fund accounts for the operation of the State Lottery and the regulation of the operation of the Video Lottery Terminal and table game casinos.

Maryland Transportation Authority

This fund accounts for the activity of the Maryland Transportation Authority, which is responsible for the operation and maintenance of toll roads, bridges and tunnels in the State.

Non-Major Funds

Other Enterprise Funds

Individual non-major enterprise funds, namely, the economic development insurance programs of the Department of Housing and Community Development and Maryland Correctional Enterprises, are presented in the combining section following the footnotes.

STATE OF MARYLAND
Statement of Fund Net Position
Enterprise Funds
June 30, 2018

(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland Lottery and Gaming Control Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Assets-						
Current assets:						
Cash	\$ 1,476		\$ 2,480	\$ 75,305	\$	\$ 79,261
Equity in pooled invested cash	536,235		158,344		\$ 21,789	716,368
Investments				345,436		345,436
Other accounts receivable	17,028		59,905	28,269	7,141	112,343
Due from other funds	98,352	\$ 1,548		5,506		105,406
Inventories				5,351	10,488	15,839
Loans and notes receivable, net	83,945					83,945
Investment in direct financing leases				27,977		27,977
Other assets			48		1,029	1,077
Current restricted assets:						
Cash	455,464	3,110	1,856	137,188		597,618
Cash on deposit with U.S. Treasury		1,235,395				1,235,395
Equity in pooled invested cash					82,627	82,627
Investments	81,620		3,992			85,612
Loans and notes receivable, net	80,738					80,738
Other accounts receivable	53,406	142,114				195,520
Total current assets	1,408,264	1,382,167	226,625	625,032	123,074	3,765,162
Non-current assets:						
Investments	27,323				2,153	29,476
Loans and notes receivable, net.	1,509,593					1,509,593
Investment in direct financing leases				356,548		356,548
Other assets				12,242		12,242
Restricted non-current assets:						
Investments	464,602		34,504	117,748		616,854
Loans and notes receivable, net	1,571,818					1,571,818
Capital assets, net of accumulated depreciation:						
Land				397,654		397,654
Structures and improvements				149,637	5,133	154,770
Equipment	66		400	33,306	3,232	37,004
Infrastructure				4,414,639		4,414,639
Construction in progress				1,094,983		1,094,983
Total non-current assets	3,573,402		34,904	6,576,757	10,518	10,195,581
Total assets	4,981,666	1,382,167	261,529	7,201,789	133,592	13,960,743
Deferred outflows of resources	171		11,100	56,757	2,534	70,562

STATE OF MARYLAND
Statement of Fund Net Position (continued)
Enterprise Funds
June 30, 2018
(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland Lottery and Gaming Control Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Liabilities-						
Current liabilities:						
Bank overdrafts		\$ 1,822				\$ 1,822
Accounts payable and accrued liabilities	\$ 94,544	47,072	\$ 58,375	\$ 137,476	\$ 2,367	339,834
Due to other funds	4,620		155,553	32,564		192,737
Accrued insurance on loan losses	547				10,379	10,926
Other liabilities	10,965		4,999	15,022	1,117	32,103
Unearned revenue	11		1,685	34,126	828	36,650
Revenue bonds and notes payable - current	105,329			144,620		249,949
Total current liabilities	216,016	48,894	220,612	363,808	14,691	864,021
Non-current liabilities:						
Interest rate swaps	171					171
Other liabilities	31,628		61,945	237,483	16,319	347,375
Revenue bonds and notes payable	2,160,077			2,040,999		4,201,076
Total non-current liabilities	2,191,876		61,945	2,278,482	16,319	4,548,622
Total liabilities	2,407,892	48,894	282,557	2,642,290	31,010	5,412,643
Deferred inflows of resources	825		2,859	78,151	936	82,771
Net Position-						
Net investment in capital assets	66		400	4,351,581	8,365	4,360,412
Restricted for:						
Debt service	51,542			118,727		170,269
Capital improvements				2		2
Unemployment compensation benefits		1,333,273				1,333,273
Loan programs	600,021					600,021
Insurance programs					82,626	82,626
Unrestricted	1,921,491		(13,187)	67,795	13,189	1,989,288
Total net position	\$ 2,573,120	\$ 1,333,273	\$ (12,787)	\$ 4,538,105	\$ 104,180	\$ 8,535,891

The accompanying notes to the financial statements are an integral part of these financial statements.

STATE OF MARYLAND
Statement of Revenues, Expenses and Changes in Fund Net Position
Enterprise Funds
For the year ended June 30, 2018
(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland Lottery and Gaming Control Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Operating revenues:						
Lottery ticket sales			\$ 2,042,794			\$ 2,042,794
Charges for services and sales	\$ 146,803	\$ 520,163	1,690,262	\$ 860,859	\$ 56,099	3,274,186
Loan and grant recoveries	3,300					3,300
Unrestricted interest on loan income	22,966				530	23,496
Restricted interest on loan income	78,146					78,146
Other	5,013		7,475	1,536	385	14,409
Total operating revenues	256,228	520,163	3,740,531	862,395	57,014	5,436,331
Operating expenses:						
Prizes and claims			1,248,723			1,248,723
Commissions and bonuses			1,150,584			1,150,584
Cost of sales and services			37,386		41,923	79,309
Operation and maintenance of facilities				259,855		259,855
General and administrative	64,286		53,921	34,441	9,158	161,806
Benefit payments		518,190				518,190
Capital grant distributions	160,194					160,194
Depreciation and amortization	31		209	144,784	872	145,896
Provision for insurance on loan losses	9,697				577	10,274
Other	27,524					27,524
Total operating expenses	261,732	518,190	2,490,823	439,080	52,530	3,762,355
Operating income (loss)	(5,504)	1,973	1,249,708	423,315	4,484	1,673,976
Non-operating revenues (expenses):						
Unrestricted interest and other investment income	7,725			(1,376)		6,349
Restricted interest and other investment income	24,439	25,770	(1,780)	7,284	1,278	56,991
Interest expense	(71,419)			(99,404)		(170,823)
Federal grants and distributions	42,614	9,050	(77)			51,587
Other	13,682		79	(20,069)	(8)	(6,316)
Total non-operating revenues (expenses)	17,041	34,820	(1,778)	(113,565)	1,270	(62,212)
Income before transfers	11,537	36,793	1,247,930	309,750	5,754	1,611,764
Transfers in	88,939					88,939
Transfers out			(1,255,807)			(1,255,807)
Change in net position	100,476	36,793	(7,877)	309,750	5,754	444,896
Total net position - beginning	2,472,644	1,296,480	(4,910)	4,228,355	98,426	8,090,995
Total net position - ending	\$ 2,573,120	\$ 1,333,273	\$ (12,787)	\$ 4,538,105	\$ 104,180	\$ 8,535,891

The accompanying notes to the financial statements are an integral part of these financial statements.

STATE OF MARYLAND
Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2018
(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Programs	Maryland Lottery and Gaming Control Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Cash flows from operating activities:						
Receipts from customers	\$ 71,947	\$ 529,717	\$ 3,733,354	\$ 849,784	\$ 54,620	\$ 5,239,422
Payments to suppliers	(1,703)		(55,655)	(133,057)	(34,206)	(224,621)
Payments to employees	(39,048)		(31,533)	(154,769)	(15,176)	(240,526)
Other receipts	139,561			141,035	902	281,498
Other payments	(219,409)	(510,394)	(1,150,574)	(85,045)	(563)	(1,965,985)
Lottery prize payments			(1,238,038)			(1,238,038)
Net cash from operating activities	(48,652)	19,323	1,257,554	617,948	5,577	1,851,750
Cash flows from non-capital financing activities:						
Proceeds from the sale of revenue bonds	110,220					110,220
Payment on revenue bonds	(214,759)			(26,020)		(240,779)
Interest payments	(78,347)			(20,038)		(98,385)
Proceeds from loans		707				707
Transfers in	87,483					87,483
Transfers out			(1,201,231)			(1,201,231)
Grants	53,047	9,050				62,097
Lottery installment payments			(3,467)			(3,467)
Net cash from non-capital financing activities	(42,356)	9,757	(1,204,698)	(46,058)		(1,283,355)
Cash flows from capital and related financing activities:						
Proceeds from notes payable and revenue bonds				236,820		236,820
Principal paid on notes payable and revenue bonds				(989,312)		(989,312)
Interest payments				(115,005)		(115,005)
Acquisition of capital assets	(43)			(309,041)	(1,852)	(310,936)
Net cash from capital & related financing activities	(43)			(1,176,538)	(1,852)	(1,178,433)
Cash flows from investing activities:						
Receipts from collections of loans	253,558					253,558
Receipts from sales of debt instruments- other entities	389,921		3,467	841,101		1,234,489
Interest received as returns on loans	108,630					108,630
Interest received on debt instruments of other entities	20,362	25,770		6,265	1,278	53,675
Disbursements for loans	(294,923)					(294,923)
Disbursements for debt instruments of other entities	(462,281)		(9,858)	(368,302)		(840,441)
Net cash from investing activities	15,267	25,770	(6,391)	479,064	1,278	514,988
Net change in cash and cash equivalents	(75,784)	54,850	46,465	(125,584)	5,003	(95,050)
Balance - beginning of the year	1,068,959	1,183,655	116,215	338,077	99,413	2,806,319
Balance - end of the year	\$ 993,175	\$ 1,238,505	\$ 162,680	\$ 212,493	\$ 104,416	\$ 2,711,269

STATE OF MARYLAND
Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2018

(Continued)

(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Programs	Maryland Lottery and Gaming Control Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Reconciliation of operating income (loss)						
to net cash						
from operating activities:						
Operating income (loss)	\$ (5,504)	\$ 1,973	\$ 1,249,708	\$ 423,315	\$ 4,484	\$ 1,673,976
Adjustments to reconcile operating income (loss)						
to net cash from operating activities:						
Depreciation and amortization	31		209	144,784	872	145,896
Interest received as returns on loans	(109,682)					(109,682)
Deferred inflows of resources			1,755	12,643	566	14,964
Deferred outflows of resources			2,779	19,553	5,097	27,429
Deferred prize payments			9,858			9,858
Effect of changes in non-cssh operating assets and liabilities:						
Other accounts receivable	999	9,268	(11,008)	(140)	(1,546)	(2,427)
Due from other funds	(1,798)	286		1,392		(120)
Inventories				307	47	354
Loans and notes receivable	98,496					98,496
Other assets			10	48,541	110	48,661
Accounts payable and accrued liabilities	(1,761)	7,796	3,862	3,367	564	13,828
Due to other funds	(6,687)			(14,088)		(20,775)
Accrued insurance on loan losses	46				(361)	(315)
Other liabilities	(22,786)		933	(29,486)	(4,298)	(55,637)
Unearned revenue	(6)		(552)	7,760	42	7,244
Total adjustments	(43,148)	17,350	7,846	194,633	1,093	177,774
Net cash provided (used) by operating activities	\$ (48,652)	\$ 19,323	\$ 1,257,554	\$ 617,948	\$ 5,577	\$ 1,851,750
Noncash transactions (amounts expressed in thousands):						
Unrealized gain (loss) on investments	\$ (13,258)					

The accompanying notes to the financial statements are an integral part of these financial statements.

STATE OF MARYLAND
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

(Expressed in Thousands)

	Pension and Other Post-Employment Benefits Trust Funds	Investment Trust Fund	Agency Funds
Assets:			
Cash	\$ 1,262,176		\$ 86,065
Equity in pooled invested cash			932,950
Investments:			
US Treasury and agency obligations	5,998,198	\$ 3,745,650	
Repurchase agreements		336,577	
Bonds	3,430,403		
Corporate equity securities	18,820,895		
Commercial paper		464,236	
Mortgage related securities	1,545,026		
Mutual funds	3,096,608	510,482	
Guaranteed investment contracts	756,160		
Real estate	3,910,776		
Annuity contracts	71,320		
Private equity	6,650,087		
Commingled funds	8,844,363		
Investment held by borrowers under Securities lent with cash collateral	1,995,271		
Total investments	55,119,107	5,056,945	
Taxes receivable, net			158,951
Intergovernmental receivables			244,405
Other receivables	1,241,447	3,060	
Accounts receivable from state treasury			804,492
Collateral for lent securities	2,043,411		
Total assets	59,666,142	5,060,005	2,226,863
Liabilities:			
Accounts payable and accrued liabilities	1,199,624	8,099	173,761
Accounts payable to political subdivisions			2,053,102
Collateral obligation for lent securities	2,043,411		
Total liabilities	3,243,035	8,099	2,226,863
Net position:			
Restricted for:			
Pension benefits	52,125,680		
Deferred compensation benefits	3,968,155		
Local Government Investment Pool participants		5,051,906	
Postretirement health benefits	329,272		
Total net position	\$ 56,423,107	\$ 5,051,906	\$ -

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2018
(Expressed in Thousands)

	Pension and Other Post-Employment Benefits Trust Funds	Investment Trust Fund
Additions:		
Contributions:		
Employers	\$ 1,852,139	
Members	958,904	\$ 9,095,372
Sponsors	746,354	
Total contributions.	3,557,397	9,095,372
Investment earnings:		
Net increase in fair value of investments	2,737,291	
Interest	448,821	61,045
Dividends	1,641,374	
Total investment earnings	4,827,486	61,045
Less: investment expense	372,222	1,168
Net investment earnings	4,455,264	59,877
Total additions	8,012,661	9,155,249
Deductions:		
Benefit payments	4,582,220	
Distributions to participants		59,847
Redemptions (unit transactions at \$1.00 per unit)		7,639,852
Refunds	68,600	
Administrative expenses	40,962	
Total deductions	4,691,782	7,699,699
Net increase	3,320,880	1,455,550
Net position - beginning	53,102,227	3,596,356
Net position - ending	\$ 56,423,107	\$ 5,051,906

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND

COMPONENT UNIT FINANCIAL STATEMENTS

Major Component Units

Higher Education

Higher education consists of the University System of Maryland, Morgan State University, St. Mary's College of Maryland, Baltimore City Community College and certain of their foundations. Because the universities and colleges are similar in nature and function, they have been combined and presented as a single component unit. The financial information for certain foundations affiliated with the universities and colleges has not been included in this fund in accordance with GASB Statement No. 14 as amended by GASB Statement No. 39.

Maryland Prepaid College Trust

The Maryland Prepaid College Trust is a program of the Maryland 529 and directed by the Board to provide a means for payment of the cost of tuition and mandatory fees in advance of enrollment at eligible institutions of higher education.

Maryland Stadium Authority

The Maryland Stadium Authority was created as a body corporate and politic and as an independent unit of the Executive Department of the State of Maryland. The Authority's purpose is to acquire land and to construct, operate and/or manage various capital facilities in the State.

Non-Major Component Units

Other Component Units

Non-major component units, namely, the Maryland Environmental Service, Maryland Industrial Development Financing Authority, Maryland Food Center Authority, and Maryland Technology Development Corporation, are presented individually in the combining section following the footnotes.

STATE OF MARYLAND
Combining Statement of Net Position
Component Units
June 30, 2018

(Expressed in Thousands)

	Higher Education	Maryland Prepaid College Trust	Maryland Stadium Authority	Other Component Units	Total
Assets:					
Cash	\$ 121,420	\$ 2,302	\$ 414	\$ 48,011	\$ 172,147
Equity in pooled invested cash	2,442,525		104,210	49,804	2,596,539
Investments	16,868	1,072,945		86,744	1,176,557
Endowment investments	334,968				334,968
Foundation investments	1,464,912				1,464,912
Tuition contracts receivable	80,480	151,634			232,114
Other accounts receivable	479,807	998	11,978	32,449	525,232
Due from primary government		1,330	4,263		5,593
Inventories	10,132				10,132
Prepaid items	18,606				18,606
Loans and notes receivable, net	44,954		1,939	12,517	59,410
Investments in direct financing leases			83,933		83,933
Other assets	9,365		338	13,472	23,175
Restricted assets:					
Cash	95,885			1,641	97,526
Investments	5,130		560,309	2,285	567,724
Capital assets (net of accumulated depreciation):					
Land	201,774			9,534	211,308
Structures and improvements	5,749,804		68,192	40,822	5,858,818
Infrastructure	263,687			215	263,902
Equipment	465,097	18	326	7,227	472,668
Construction in progress	526,500			6,737	533,237
Total assets	12,331,914	1,229,227	835,902	311,458	14,708,501
Deferred outflows of resources	527,859	595	5,621	1,421	535,496
Liabilities:					
Salaries payable	118,033				118,033
Accounts payable and accrued liabilities	184,307	341	85,732	37,007	307,387
Due to primary government	1,135			712	1,847
Unearned revenue	297,633	13,360	382	5,826	317,201
Accrued insurance on loan losses				623	623
Other liabilities	2,028			198	2,226
Bonds and notes payable:					
Due within one year	107,237		34,366	1,185	142,788
Due in more than one year	1,258,654		918,602	17,747	2,195,003
Other noncurrent liabilities:					
Due within one year	120,839	72,012	114	18,171	211,136
Due in more than one year	1,513,503	711,381	21,292	16,342	2,262,518
Total liabilities	3,603,369	797,094	1,060,488	97,811	5,558,762
Deferred inflows of resources:	427,571	215	848	1,825	430,459

STATE OF MARYLAND
Combining Statement of Net Position
Component Units
June 30, 2018

(Expressed in Thousands)

	Higher Education	Maryland Prepaid College Trust	Maryland Stadium Authority	Other Component Units	Total
Net position:					
Net investment in capital assets	\$ 5,600,128	\$ 18	\$ 50,692	\$ 43,174	\$ 5,694,012
Restricted:					
Debt service			2,303		2,303
Capital improvements and deposits				12	12
Nonexpendable:					
Scholarships and fellowships	401,867				401,867
Research	14,680				14,680
Other	611,922				611,922
Expendable:					
Debt service	5,009				5,009
Capital projects	2,284				2,284
Loans and notes receivable	52,171				52,171
Scholarships and fellowships	190,388				190,388
Research	119,358				119,358
Other	420,905				420,905
Unrestricted	1,410,121	432,495	(272,808)	170,057	1,739,865
Total net position	\$ 8,828,833	\$ 432,513	\$ (219,813)	\$ 213,243	\$ 9,254,776

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2018
(Expressed in Thousands)

	Higher Education	Maryland Prepaid College Trust	Maryland Stadium Authority	Other Component Units	Total
Expenses:					
General and administrative		\$ 4,132	\$ 11,547	\$ 21,526	\$ 37,205
Operation and maintenance of facilities	\$ 410,129		25,289	139,550	574,968
Instruction	1,451,759				1,451,759
Research	1,074,126				1,074,126
Public service	164,114				164,114
Academic support	502,349				502,349
Student services	290,407				290,407
Institutional support	599,259				599,259
Scholarships and fellowships	138,194				138,194
Tuition benefits		65,926			65,926
Auxiliary	643,809				643,809
Hospitals	211,215				211,215
Interest on long-term debt	44,539		29,521	909	74,969
Depreciation and amortization		14	17,255	3,879	21,148
Foundation expenses	88,730				88,730
Other	8,962		213,881	25,179	248,022
Total expenses	5,627,592	70,072	297,493	191,043	6,186,200
Program revenues:					
Charges for services:					
Student tuition and fees (net of \$354,017) in allowances)	1,461,810				1,461,810
Auxiliary enterprises (net of \$33,990) in allowances)	700,027				700,027
Restricted investment earnings	79,339				79,339
Other	418,812	47,427	38,997	170,115	675,351
Total charges for services	2,659,988	47,427	38,997	170,115	2,916,527
Operating grants and contributions	1,504,206		98,298	28,183	1,630,687
Capital grants and contributions	266,610				266,610
Total program revenues	4,430,804	47,427	137,295	198,298	4,813,824
Net program revenue (expense)	(1,196,788)	(22,645)	(160,198)	7,255	(1,372,376)
General revenues:					
Grants and contributions not restricted to specific programs	1,506,309				1,506,309
Unrestricted investment earnings	89,000	72,929		8,006	169,935
Additions to permanent endowments	142,322				142,322
Total general revenues and additions to permanent endowments	1,737,631	72,929		8,006	1,818,566
Change in net position	540,843	50,284	(160,198)	15,261	446,190
Net position - beginning of the year	8,287,990	382,229	(59,615)	197,982	8,808,586
Net position - end of the year	\$ 8,828,833	\$ 432,513	\$ (219,813)	\$ 213,243	\$ 9,254,776

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
INDEX FOR NOTES TO FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018

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STATE OF MARYLAND

Notes to the Financial Statements

For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies:

A. Reporting Entity:

The accompanying financial statements include the various departments, agencies, and other organizational units governed by the General Assembly and/or Constitutional Officers of the State of Maryland (State).

As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the state government (primary government) and its component units (entities for which the State is considered to be financially accountable). The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability to determine the State's reporting entity. These criteria include the State appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

Discrete Component Units:

The discretely presented component units are those entities which are legally separate from the State, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The Component Units column of the government-wide financial statements includes the financial data of the following major component units. Individual statements are presented for each component unit.

Higher Education (Proprietary Fund Type) – Higher Education consists of the University System of Maryland, Morgan State University, St. Mary's College of Maryland and Baltimore City Community College and their related foundations. Each entity is governed by its own Board of Regents, or Board of Trustees, whose members are appointed by the Governor. The universities and colleges are funded through State appropriations, tuition, federal grants, and private donations and grants. Because the universities and colleges are similar in nature and function, they have been combined and presented as a single discretely presented component unit. Some of the financial information for foundations affiliated with the universities and colleges has not been included with the financial information of the universities and colleges in accordance with the requirements of generally accepted accounting principles.

The Maryland Prepaid College Trust (Proprietary Fund Type) is a program of the Maryland 529 Plans and directed by its Board. The Board consists of five State officials and five members of the public appointed by the Governor. The Maryland Prepaid College Trust provides a means for payment of the cost of tuition and mandatory fees in advance of enrollment at eligible institutions of higher education. If the Trust's contract obligations exceed the market value of Trust assets, State appropriations may be provided.

Maryland Stadium Authority (Proprietary Fund Type) – The Maryland Stadium Authority (Authority) was created as a body corporate and politic, and as an independent unit of the Executive Department of the State. The Authority's purpose is to acquire land and to construct, operate and/or manage various capital facilities in the State. The Authority's Board consists of seven members, of which, six are appointed by the Governor, with the advice and consent of the State Senate, and one whom is appointed by the Mayor of Baltimore City, with the advice and consent of the State Senate. The Maryland State Legislature and the Board of Public Works (consisting of the Governor, Comptroller and Treasurer) have approved all of the projects and bond issuances of the Authority.

The non-major component units are comprised of the following proprietary fund type entities:

The Maryland Food Center Authority (Authority) is a body corporate and politic, the governing board of which is composed of twelve members. Four members are State officials, and eight members are appointed by the Governor. The Authority has statewide jurisdiction to promote the State's welfare by undertaking real estate development and management activities that facilitate the wholesale food industry activity in the public interest. It is subject to State regulations and approvals, and has received State subsidies.

The Maryland Environmental Service (Service) was created as a body corporate and politic, and is governed by a nine-member Board of Directors. The Board of Directors and the officers of the Service are appointed and/or approved by the Governor. The Service helps private industry and local governments manage liquid, solid and hazardous wastes. In accordance with direction from the Governor, the Service plans and establishes major resource recovery facilities, solid waste management plans and hazardous waste management programs.

The Maryland Industrial Development Financing Authority (MIDFA) was established as a body corporate and politic, and is an instrumentality of the State. MIDFA consists of nine members, the Secretary of the Department of Commerce, or his designee; the State Treasurer or the State Comptroller, as designated by the Governor; and seven members appointed by the Governor and confirmed by the Senate. MIDFA is subject to the authority of the Secretary and subject to State finance regulations. It provides financial assistance to enterprises seeking to locate or expand operations in Maryland.

The Maryland Technology Development Corporation (TEDCO) was established as a body corporate and politic, and a public instrumentality of the State. TEDCO's Board of Directors consists of 15 individuals; the Secretary of the Department of Commerce and 14 members appointed by the Governor with the advice and consent of the Senate. Its budget is submitted to and approved by

the State, and its major revenue source is State appropriations. TEDCO was created to assist in transferring to the private sector and commercializing the results and products of scientific research and development conducted by the colleges and universities, and to assist in the commercialization of technology developed in the private sector. TEDCO administers the Maryland Technology Incubator Program, the Maryland Stem Cell Research Fund and the Maryland Venture Fund.

Complete financial statements of the individual component units and the Maryland Local Government Investment Pool of the Investment Trust Fund may be requested from the Comptroller of Maryland, LLG Treasury Building, Annapolis, Maryland 21404.

Related Organizations:

The Maryland Economic Development Corporation (MEDCO), Injured Workers' Insurance Fund and the Maryland Automobile Insurance Fund are related organizations of the State. The Governor appoints a majority of the Board of Directors, but the State does not have the ability to impose its will on the organizations, and there is no financial benefit/burden relationship. As of June 30, 2018, the Economic Development Loan Programs, major enterprise funds, had transactions with MEDCO that included loans, investments and grants totaling \$7,747,000.

B. Government-wide and Fund Financial Statements:

The State's government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government and its component units. Inter-fund activity has been eliminated from these statements except for certain charges for services between activities that would distort the direct costs and program revenues reported for the applicable functions. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Expenses reported for functional activities include allocated indirect expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements as those assets are not available to support government programs. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund (other than the agency funds) financial statements. The agency funds are reported using the accrual basis of accounting, but have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers all revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to retirement costs, other post-employment benefits, compensated absences, pollution remediation and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The State reports the following major governmental funds:

General Fund:

Transactions related to resources obtained and used for those services traditionally provided by a state government, which are not accounted for in other governmental funds, are accounted for in the general fund. These services include, among other items, general government, health and mental hygiene, education (other than higher education institutions), human resources, public safety, judicial, labor, licensing and regulation, natural resources and recreation, housing and community development, environment, agriculture, and commerce. Resources obtained from federal grants and used for general fund activities consistent with applicable legal requirements, are recorded in the general fund.

Special Revenue Fund, Maryland Department of Transportation:

Transactions related to resources obtained, the uses of which are committed for specific purposes, are accounted for in the special revenue fund. The Maryland Department of Transportation special revenue fund accounts for resources used for operations (other than debt service and pension activities) of the Maryland Department of Transportation, including construction or improvement of transportation facilities and mass transit operations. Revenue sources dedicated to transportation operations include the excise taxes on motor vehicle fuel and motor vehicle titles, a portion of the State's corporation income tax and the State's sales tax, wharfage and landing fees, fare box revenues, bond proceeds, federal grants for transportation purposes and other receipts of the Department's agencies.

Enterprise Funds:

Transactions related to commercial types of activities operated by the State are accounted for in the enterprise funds. The enterprise funds differ from governmental funds in that the focus is on the flow of economic resources, which, together with the maintenance of equity, is an important financial indicator.

The major enterprise funds are as follows:

- 1) The Economic Development Loan Programs include the direct loan programs of the Maryland Departments of Housing and Community Development, Commerce and Environment.
- 2) The Unemployment Insurance Program reflects the transactions and account balances of the Unemployment Insurance Program and is used to account for the unemployment taxes collected from employers, federal revenue received and remittance of benefits to the unemployed.
- 3) The Maryland Lottery and Gaming Control Agency operates the State Lottery and regulates the operation of video lottery terminal (VLT) and table game casinos.
- 4) The Maryland Transportation Authority is responsible for the operation and maintenance of toll roads, bridges and tunnels in the State.

Fiduciary Funds:

- 1) The Pension and Other Post-Employment Benefits Trust Funds (Pension and OPEB Trust Funds) include the Maryland State Retirement and Pension System, Maryland Transit Administration Pension Plan, Deferred Compensation Plan and Post-Employment Health Benefits Trust Fund. The Pension Trust Funds reflect the transactions and account balances of the plans administered by the State, and are accounted for using the flow of economic resources measurement focus. The Deferred Compensation Plan, which is reported as of and for its year ended December 31, accounts for participant earnings deferred in accordance with Internal Revenue Code Sections 457, 403(b), 401(a), and 401(k). Amounts deferred are invested and are not subject to Federal income taxes until paid to participants upon termination or retirement from employment, death or for an unforeseeable emergency. The Other Post-Employment Health Benefits Trust Fund (OPEB Trust) accumulates funds to assist the State's Employee and Retiree Health and Welfare Benefits Program finance the State's postretirement health insurance subsidy. The OPEB Trust is administered by the Board of Trustees for the Maryland State Retirement and Pension System, and its transactions and account balances are accounted for using the flow of economic resources measurement focus. The assets of the Pension and OPEB Trusts are not pooled for investment purposes, and each trust's assets may be used only for the payment of benefits to the trust's members in accordance with the terms of the trust.
- 2) The Investment Trust Fund reflects the transactions and account balances of the Maryland Local Government Investment Pool and is accounted for using the flow of economic resources measurement focus.
- 3) The agency funds are custodial in nature, and do not present the results of operations or have a measurement focus. The State uses agency funds to account for the receipt and disbursement of litigants, patient and prisoner accounts, various taxes collected by the State for distribution to political subdivisions and amounts withheld from employee's payroll.

D. Change in Accounting Principles and Restatement of Beginning Balances:

As of July 1, 2017, the State implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

The net other postemployment benefit (OPEB) liability (NOL), as established by actuarial valuations under methods and assumptions required by Statement No. 75, replaced the unfunded actuarial accrued liability previously disclosed for the State Employee and Retiree Health and Welfare Benefits Program (State Plan) and the Maryland Transit Administration Retiree Healthcare Benefit Plan (MTA Plan). The NOL is a present value measure of benefits to be provided to current active and inactive employees that is attributable to those employees' past service, less the amount of the fiduciaries' net position, if any. It is reported as a liability on the government-wide statement of net position. It replaces the net OPEB obligation (NOO), which is the cumulative difference between annual required contributions to the OPEB plan, as adjusted, to meet OPEB obligations as they come due, and actual contributions, on the statement of net position.

Both OPEB plans are single-employer plans. The State general fund recognizes the NOL for the State Plan. See Note 16 for further discussion of OPEB costs and obligations.

The State has restated beginning net position for governmental activities as follows (amounts expressed in thousands):

Beginning net position, as previously stated	\$ (10,598,346)
Add:NOO - State Plan	4,572,767
NOO - MTA OPEB Plan	423,200
Less:NOL - State Plan	11,085,210
NOL - MTA OPEB Plan	886,573
Beginning net position, as restated	\$ (17,574,162)

In addition, balances of other liabilities have been restated in Note 11 for changes in long-term obligations for governmental activities as follows (amounts expressed in thousands):

Beginning other liabilities, as previously stated	\$ 28,298,587
Add:NOL - State Plan	11,085,210
NOL - MTA OPEB Plan	886,577
Less:NOO - State Plan	4,572,767
NOO - MTA OPEB Plan	423,200
Beginning balance of other liabilities, as restated	\$ 35,274,407

E. New Pronouncements:

GASB statements which have been issued and which affect future periods are the following:

- Statement No. 83, *Certain Asset Retirement Obligations*, issued in November 2016, is effective for fiscal years beginning after June 15, 2018.
- Statement No. 84, *Fiduciary Activities*, issued in January 2017, is effective for fiscal years beginning after December 15, 2018.
- Statement No. 87, *Leases*, issued in June 2017, is effective for fiscal years beginning after December 15, 2019.
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, is effective for fiscal years beginning after June 15, 2018.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, is effective for fiscal years beginning after December 15, 2019.

The State will implement these statements as of their effective dates. While the State is still in the process of determining the effect of implementing these GASB statements, Statement No. 87 is expected to have a material effect on the financial position of the State.

2. Summary of Significant Accounting Policies- Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity:

A. All Funds:

Deposits with Financial Institutions and Investments:

The State Treasurer's Office operates a centralized cash receipt, investment and disbursement function for the majority of the State's funds as required by statute. Certain enterprise activities, pension funds, agency funds and component units are specifically exempt from this function by law. Individual fund equity in pooled invested cash is reported as an asset on the balance sheets of those funds participating in the centralized cash receipt and disbursement function. Investment earnings accrue to those funds reporting equity in pooled invested cash only if the law specifically provides for the fund's accrual of interest earnings.

The State Treasurer's Office invests short-term cash balances on a daily basis primarily in U.S. Government obligations and money market mutual funds. Under the State Finance and Procurement Article of the Annotated Code of Maryland, Title 6, Subtitle 2, the State Treasurer may only invest in the following:

- Any obligation for which the United States Government has pledged its faith and credit for the payment of principal and interest.
- Any obligation that a United States agency issues in accordance with an act of Congress.
- Any obligation unconditionally guaranteed by an eligible supranational issuer.
- Repurchase agreements that any of the above obligations secure.
- Certificates of deposits of Maryland financial institutions.
- Bankers acceptances.

- Money market mutual funds.
- Commercial paper.
- Maryland Local Government Investment Pool.
- Securities Lending Collateral.

In addition, bond sale proceeds may be invested in municipal securities. Collateral must be at least 102% of the book value of the repurchase agreements, and must be delivered to the State Treasurer's custodian for safekeeping. The Maryland Local Government Investment Pool is authorized by Article 95 Section 22G, of the Annotated Code of Maryland to invest in any instrument in which the State Treasurer may invest. Investments are recorded at fair value, except for the following:

- Investments held by the Maryland Local Government Investment Pool, a qualifying investment pool, are measured at amortized cost, which approximates fair value.
- Synthetic guaranteed investment contracts that are fully benefit-responsive are measured at contract value.
- Investments in qualifying external investment pools are measured at amortized cost.

The State categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

Changes in fair value are recognized as revenue. Investments maturing within 90 days of purchase are reported in the financial statements as cash and cash equivalents.

The Maryland State Retirement and Pension System (System), in accordance with State Personnel and Pension Article Section 21-123 of the Annotated Code of Maryland, is permitted to make investments subject to the terms, conditions, limitations and restrictions imposed by the Board of Trustees of the System. The law further provides that no more than 25% of the assets that are invested in common stocks may be invested in non-dividend paying common stocks. In addition, no investment in any one organization may constitute more than 5% of the total assets of the System. The System is authorized by Section 21-116 of the State Personnel and Pensions Article to establish and maintain the investment policy manual, which authorizes investing in all major sectors of the capital market in order to diversify and minimize total investment program risk. Such sectors would include, but are not limited to, common stock, preferred stock, convertible securities, warrants and similar rights of U.S. and non-U.S. companies; private equity – direct/partnership/funds; real estate investment trusts; commingled real estate funds; directly owned real estate; fixed income obligations of the U.S. government and its states and local subdivisions, non-U.S. governments and their states and local subdivisions, U.S. and non-U.S. companies, and supra-national organizations; futures and options; foreign exchange forward and future contracts and options; equity index futures; and equity options.

Investments of the System, the Post-Employment Health Benefits Trust Fund (OPEB Trust) and the Maryland Transit Administration (MTA) Pension Plan are stated at fair value, except that investments in 2a7-like external investment pools are measured at the net asset value per share determined by the pool. The investments of the OPEB Trust and the MTA Pension Plan are held and invested on their behalf by the System and are limited to those allowed for the System. In addition, State employees are offered participation in deferred compensation plans created in accordance with the Internal Revenue Code, Sections 401(a), 401(k), 403(b) and 457. The Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans (the Plans) is responsible for the implementation, maintenance and administration of the Plans. The Board has appointed a private company as the Plans' administrator. Assets of the Plans are valued at fair value, except for the following:

- Investments in synthetic guaranteed investment contracts that are fully benefit-responsive are measured at contract value.
- Investments in life insurance contracts are measurement at cash surrender value.
- Investments in qualifying external investment pools are measured at amortized cost.

Retirement Costs:

Substantially all State employees participate in one of several State retirement systems (See Note 15). The State also provides retirement benefits to teachers and certain other employees of its political subdivisions. Retirement costs have been provided on the accrual basis, based upon actuarial valuations, except that retirement expenditures for governmental funds represent amounts contributed by the State for the fiscal year.

Other Post-Employment Benefit Costs:

Substantially all State retirees may participate in the various health care plans offered by the State (See Note 16). Post-employment health care costs have been provided on the accrual basis, based upon actuarial valuations, except that other post-employment expenditures for governmental funds represent amounts contributed by the State for the fiscal year.

Accrued Self-Insurance Costs:

The accrued self-insurance costs represent the State's liability for its various self-insurance programs. The State is self-insured

for general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities and certain employee health benefits. The State records self-insurance expenses in the proprietary funds and discretely presented component units on an accrual basis and the modified accrual basis for the governmental funds. The long-term accrued self-insurance costs of the governmental funds, which are not expected to be funded with current resources, are reported in the government-wide financial statements.

Annual Leave Costs:

Principally all full-time employees accrue annual leave based on the number of years employed up to a maximum of 25 days per calendar year. Earned annual leave may be accumulated up to a maximum of 75 days as of the end of each calendar year. Accumulated earned but unused annual leave for general government employees is accounted for in the government-wide financial statements. Liabilities for accumulated earned but unused annual leave applicable to proprietary funds and component units are reported in the respective funds.

Capital Assets:

Capital assets, which include property, plant, art and historical treasures, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure acquired prior to June 30, 1980, is not reported. Capital assets are defined by the government as assets with an initial, individual cost of more than \$50,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art, historical treasures, and similar assets; and capital assets received in a service concession arrangement are recorded at acquisition value. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	5-75
Building improvements	5-75
Vehicles	3-25
Office equipment	2-10
Computer equipment	2-10
Other machinery and equipment	3-20
Computer software	5-10
Infrastructure	10-75

Deferred Outflows and Deferred Inflows of Resources:

Deferred outflows of resources are consumption of net position that applies to future reporting periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources are presented separately after "Total Assets" in the State's financial statements.

Deferred inflows of resources are acquisition of net position that applies to future reporting periods and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are presented separately after "Total Liabilities" in the State's financial statements.

Long-term Obligations:

In the government-wide financial statements, and for proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts adjust the carrying value of the bonds and are amortized over the life of the bonds. Issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuances costs are reported as debt service expenditures.

Restricted Resources:

When both restricted and unrestricted resources are available for use, it is the State's policy to use restricted resources first, and then unrestricted resources as they are needed.

Debt Refinancing:

The gain or loss associated with debt refinanced is deferred and amortized as interest expense over the shorter of the remaining life of the old debt or the life of the new debt.

Net Position:

Net position is divided into three categories. Net investment in capital assets is the capital assets less accumulated depreciation and

outstanding principal of the related debt on the assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of capital assets or related debt also are included in this category. Restricted net position reflects restrictions on assets and deferred outflows imposed by parties outside the State or imposed by the State by constitutional provisions or enabling legislation, net of related liabilities and deferred inflows. Unrestricted net position is total net position of the State less net investment in capital assets and restricted net position. Unrestricted net position is comprised mainly of cash, investments, loans and receivables.

B. Government Funds:

Inventories and Prepaid Items:

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements under the consumption method.

Grants:

Revenues from federal reimbursement type grants are recognized when the related expenditures are incurred and the revenues are both measurable and available. The State considers all grant revenues to be available if they are collected within 60 days of the current fiscal period. Distributions of food stamp benefits are recognized as revenues and expenditures when the benefits are distributed to individual recipients.

Income Taxes:

The State accrues the net income tax receivable or records unearned revenue based on estimated income tax revenues and refunds due relating to the fiscal year, that will not be collected or paid until after the fiscal year end. This accrual is computed based on projected calendar year net tax collections, tax laws in effect, future projections and historical experience.

Sales and Use Taxes:

The State accrues June sales taxes that are not remitted at year end as a receivable. These taxes are considered measurable and available since they represent June collections that are remitted to the State in July by merchants who collect the related sales tax.

Property Taxes:

The State levies an annual tax for the fiscal year beginning July 1 and ending June 30 on all real property subject to taxation, due and payable each July 1 and December 1 (lien dates), based on assessed values as of the previous January 1, established by the State Department of Assessments and Taxation at 100% of estimated market value. Each of the counties, Baltimore City and incorporated municipalities establish rates and levy their own tax on such assessed values. The State tax rate in fiscal year 2018 was 11.2¢ per \$100 of assessed value. Unpaid property taxes are considered in arrears on October 1 and January 1, respectively, and penalty and interest of 1% is assessed for each month or fraction of a month that the taxes remain unpaid. Property taxes are accrued to the extent they are collected within 60 days of year end.

Escheat Property:

Escheat property is property that reverts to the State's general fund in the absence of legal claimants or heirs. The escheat activity is reported in the general fund. An asset is recognized in the period when the legal claim to the assets arises or when the resources are received, whichever occurs first, and a liability is recognized for the estimated amount that ultimately will be reclaimed and paid.

Intergovernmental Expenditures:

General, special revenue and capital projects fund revenues paid to political subdivisions, and bond proceeds granted to political subdivisions, are recorded as intergovernmental expenditures if such payments do not require mandatory use for specific functions. Direct grants and other payments to, or on behalf of, political subdivisions are recorded as current expenditures.

Capital Assets:

Expenditures for capital assets are reported as capital outlays in the governmental funds.

Compensated Absences:

It is the State's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the State does not have a policy to pay any amounts when employees separate from service with the government. A liability for vacation pay amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Fund Equity:

Fund balance for governmental funds is reported in categories and classifications that are presented in order of constraints on the specific purposes for which amounts in that fund can be spent. The non-spendable fund balance represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Otherwise, fund balance

is classified as restricted, committed, assigned, or unassigned. Amounts are reported as restricted when spending constraints are (a) externally imposed or (b) imposed by the government by constitutional provisions or enabling legislation. The committed fund balance includes amounts committed for specific purposes by formal action of the government's highest level of decision-making authority. In Maryland, the uses of these funds are established in statute after appropriate action by the General Assembly and the Governor. The assigned fund balance is intended spending expressed by (a) the governing body or (b) a body or official to which the governing body has delegated the authority to assign amounts. The Governor is authorized to assign current year funds for appropriation in the subsequent year's budget pursuant to budgetary policies adopted by the General Assembly. The unassigned fund balance is the residual classification for the general fund.

Encumbrances are commitments related to unperformed contracts for goods or services. The State utilizes encumbrance accounting as part of the budgetary integration for the general, special revenue, and capital projects funds. Certain amounts which were available for specific purposes have been encumbered as either restricted, committed or assigned fund balance depending on the constraints and approval in place at year end. In addition, where existing resources are not sufficient to liquidate encumbrances, the encumbrances are reported within committed or assigned fund balance, as appropriate. Encumbrances outstanding at year-end are reported as committed fund balance in the general, special revenue, and capital projects funds. Encumbrances are not displayed on the face of the financial statements but are disclosed in Note 17.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the State considers restricted resources to have been spent first. When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balance is available, the State considers committed, assigned, and unassigned amounts to have been spent in that order.

C. Enterprise Funds, Fiduciary Funds and Component Units:

Basis of Accounting:

The accounts of the enterprise funds, fiduciary funds and component units are maintained and reported using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Enterprise funds and component units distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents:

The enterprise funds consider all highly liquid investments that mature within 90 days of purchase to be cash and cash equivalents for reporting on the statement of cash flows.

Grants:

Revenues from federal reimbursement type-grants are recorded when the related expenses are incurred.

Capital Assets:

Capital assets are stated at cost. Depreciation of the cost of capital assets is provided on the straight-line basis over estimated useful lives of 5 to 75 years for depreciable real property and building improvements, and 2 to 20 years for equipment. Construction period interest is capitalized. Repairs and maintenance are charged to operations in the period incurred. Replacements, additions and betterments are capitalized.

MLGCA Revenues, Prizes and Related Transfers:

Revenues and prizes of the Maryland Lottery and Gaming Control Agency (MLGCA) are primarily recognized when drawings are held. Certain prizes are payable in deferred installments. Such liabilities are recorded at the present value of amounts payable in the future. State law requires the MLGCA to transfer to the State revenues in excess of amounts allocated to prize awards, operating expenses and capital expenditures. The excess revenues from certain select games are transferred to the State's general fund, which then transfers the amounts to the Maryland Stadium Authority for operations and to cover the State's capital lease payments to the Maryland Stadium Authority.

Video lottery terminals (VLTs) are a self-activated video version of lottery games. The MLGCA recognizes VLT revenue as gross terminal revenue equivalent to all wagers, net of related prizes. The casino operators' share is recorded as commissions and bonuses. The six casino operators receive between 39% and 60% of the gross terminal revenue to operate their casinos. After deducting operating costs, State law requires the MLGCA to transfer the remainder of the gross terminal revenue to various general fund agencies, which are responsible for making further distributions.

The casinos also operate table games. Table games include blackjack, roulette, craps and various poker games, among others. Table game revenue is equivalent to all wagers, net of related prizes. Casino operators receive 80% of the table game revenue to operate their casinos and these costs are recorded as commissions. The remainder is remitted to the MLGCA which transfers 15% to public education programs in the general fund and 5% to local jurisdictions in accordance with the enabling legislation.

Provisions for Insurance and Loan Losses:

Current provisions are made for estimated losses resulting from insuring loans and uncollectible loans. Loss provisions are based on the current status of insured and direct loans, including delinquencies, economic conditions, loss experience, estimated value of collateral and other factors which may affect their realization.

Inventories:

Inventories are stated at the lower of cost or market, using the first-in, first-out method.

3. Deposits with Financial Institutions and the U.S. Treasury, Equity in Pooled Invested Cash and Investments:

Cash and cash equivalents, equity in pooled invested cash and investments as shown on the basic financial statements as of June 30, 2018, reconcile to cash deposit and investment disclosures as follows (amounts expressed in thousands):

Government-wide statement of net position:	
Cash	\$ 363,668
Equity in pooled invested cash	4,754,303
Investments	3,665,981
Restricted cash	1,974,867
Restricted equity in pooled invested cash	241,925
Restricted investments	1,296,211
Statement of fiduciary net position:	
Cash	1,348,241
Equity in pooled invested cash	932,950
Investments	60,176,052
Collateral for lent securities	2,043,411
Total cash and investments per basic financial statements	76,797,609
Less: Cash and investments of higher education foundations not subject to disclosure	1,538,959
Total cash and investments per Note 3	\$ 75,258,650
Cash deposit:	
Governmental funds	\$ 118,950
Enterprise funds	1,310,602
Fiduciary funds	283,023
Component units	99,741
Investments:	
Governmental funds	6,307,469
Enterprise funds	1,679,050
Fiduciary funds	63,284,683
Component units	2,175,132
Total cash deposits and investments	\$ 75,258,650

Cash and equity in pooled invested cash for financial statement presentation includes short-term investments maturing within 90 days of purchase. Investments for financial statement presentation include certificates of deposit maturing 90 days or more from date of purchase.

A. Cash Deposits:

As of June 30, 2018, the carrying value for the bank deposits of the governmental funds, enterprise funds, fiduciary funds and component units were \$118,950,000, \$1,310,602,000, \$283,023,000, and \$99,741,000, respectively. The bank balances were \$118,950,000, \$1,314,121,000, \$283,023,000, and \$102,245,000, respectively.

Custodial Risk. Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name. State law permits the Treasurer to deposit in a financial institution in the State, unexpended or surplus money in which the Treasurer has custody if (a) the deposit is interest-bearing; (b) the financial institution provides collateral that has a market value that exceeds the amount by which a deposit exceeds the deposit insurance; and (c) a custodian holds the collateral.

The Economic Development Loan Programs and higher education component unit do not have a deposit policy for custodial credit risk. As of June 30, 2018, \$1,272,000, and \$31,408,000, respectively, of their bank balances were exposed to custodial credit risk as uninsured and uncollateralized.

B. Investments:

The State discloses investment risks as follows:

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

1. Investments-Governmental Funds:

The State Treasurer's Office is authorized to make investments as stated in Note 2.A.

The governmental funds investments' fair value measurements and the valuation techniques used to categorize the investments in the hierarchy level as of June 30, 2018, are as follows:

- U.S. agency securities (\$4,347,503,000) are comprised of agency issued debt. Agency issued debt securities are valued at the closing price reported in the active market in which the individual security is traded as Level 1 securities.
- Supranationals (\$1,274,229,000) are comprised of international development institutions that provide financing for economic development. Supranational issued debt securities are valued by consensus of international financial institutions based on observable inputs as Level 2 securities.
- Repurchase agreements (\$409,779,000) are valued based on a model that incorporates market observable pricing information and are categorized as Level 2.
- Treasury Notes (\$74,286,000) are valued at the closing price reported in the active market in which the individual security is traded as Level 1 securities.
- Investment in the Local Government Investment Pool (\$201,671,000) is valued at amortized cost.

The investments and maturities as of June 30, 2018, for the governmental funds of the primary government were as follows (amounts expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1-3	More than 3
U.S. Agencies ^(a)	\$ 4,347,503	\$ 130,906	\$ 2,088,189 ^(a)	\$ 2,128,409 ^(b)
Supranationals	1,274,229	24,874	122,748 ^(c)	1,126,607 ^(d)
Repurchase Agreements	409,779	368,503	7,864	33,412
Treasury Notes	74,286	49,623	24,663	
Local Government Investment Pool	201,671	201,671		
Total Investments	\$ 6,307,468	\$ 775,577	\$ 2,243,464	\$ 3,288,428

(a) Bonds in the amount of \$1,553,155,000, mature August 2019 to June 2021, but are callable July 2018 to September 2018.

(b) Bonds in the amount of \$1,970,834,000, mature July 2021 to May 2023, but are callable August 2018 to April 2019.

(c) Bonds in the amount of \$122,749,000, mature October 2019 to November 2020, but are callable October 2018 to November 2018.

(d) Bonds in the amount of \$623,920,000, mature September 2021 to February 2023, but callable August 2018 to November 2018.

Interest Rate Risk. The State Treasurer's Office's investment policy states that to the extent possible, it will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Treasurer's Office will not directly invest in securities maturing more than five years from the date of purchase. Sinking fund investments with guaranteed earnings to redeem term bonds beginning in fiscal year 2020 were \$41,276,000.

Credit Risk. State law requires that the governmental funds' repurchase agreements be collateralized by U.S. Treasury and agency obligations. In addition, investments are made directly in U.S. agency obligations. Obligations of the Federal National Mortgage Association, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation and Tennessee Valley Authority are rated Aaa by Moody's, AA by Standard & Poor's, and AAA by Fitch. Obligations of the Federal Home Loan Bank are rated Aaa by Moody's and AA by Standard & Poor's. Obligations of the Federal Agricultural Mortgage Corporation and Overseas Private Investment Corporation are not rated.

Supranational obligations are required to be rated in the highest credit rating category by a nationally recognized statistical rating organization. World Bank bonds and African Development Bank bonds are rated Aaa by Moody's and AAA by Standard & Poor's and Fitch. Asian Development Bank bonds are Aaa by Moody's and AAA by Standard & Poor's. AID - Ukraine bonds have not been rated.

The Local Government Investment Pool is rated AAAM by Standard & Poor's.

Concentration of Credit Risk. The State Treasurer's Office's investment policy limits the amount of repurchase agreements to be invested with a particular institution to 30% of the portfolio. There is no other limit on the amount that may be invested in any one issuer.

More than 5% of the governmental funds' investments are in the Federal Home Loan Mortgage Corporation, International Bank for Reconstruction and Development, Federal Home Loan Bank, and Federal National Mortgage Association.. These investments are 50.2%, 11.8%, and 10.2% and 9.6% of the governmental funds' total investments, respectively.

2. Investments – Enterprise Funds:

The enterprise funds' bond indentures and investment policies, with the exception of the Economic Development Loan Programs, authorize the investment of assets related to the indentures and other funds in obligations in which the State Treasurer may invest. The Economic Development Loan Programs are authorized to invest in obligations of the U.S. Treasury, U.S. government agencies, obligations of U.S. political subdivisions, bankers' acceptances, commercial paper, repurchase agreements, guaranteed investment contracts, corporate debt securities and mutual funds in accordance with bond indentures, and in direct equity investments in accordance with the statute establishing the program.

The investments and maturities as of June 30, 2018, for the enterprise funds of the primary government were as follows (amounts expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)				
		Less than 1	1-5	6-10	11-15	More than 15
U.S. Treasury obligations	\$ 409,658	\$ 6,223	\$ 35,145	\$ 17,177		\$ 351,113
U.S. Government agency obligations	386,511	64,864	207,508	15,878	\$ 6,484	91,777
Repurchase agreements	2,408				2,408	
Guaranteed investment contracts	2,782			2,782		
Money market mutual funds	604,787	604,787				
Municipal bonds	83,241	35,695	47,546			
Supranationals	129,350		129,350			
Total	\$ 1,618,737	\$ 711,569	\$ 419,549	\$ 35,837	\$ 8,892	\$ 442,890

In addition to the investments scheduled above, as of June 30, 2018, the enterprise funds' investments also include the fair value of direct equity investments, \$21,818,000.

The MLGCA, a major enterprise fund, invests in U.S. Treasury obligations and annuity contracts that provide for guaranteed payouts to jackpot prize winners, and therefore have no interest rate risk to the MLGCA. As of June 30, 2018, the fair value of these investments was \$38,422,000, and \$73,000, respectively.

The enterprise funds have the following fair value measurements as of June 30, 2018 (amounts expressed in thousands):

Investments by Fair Value Level	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. Treasury Obligations	\$ 448,080	\$ 96,967	\$ 351,113	
U.S. Government agency obligations	386,511	294,734	91,777	
Guaranteed investment contracts	2,782		2,782	
Municipal bonds	83,241	83,241		
Supranationals	129,350	129,350		
Total debt securities	1,049,964	604,292	445,672	
Equity securities				
Direct equity investments	21,818			\$ 21,818
Total equity securities	21,818			21,818
Pay-fixed, receive-variable interest rate swap agreements	171		171	
Total investments by fair value level	1,071,953	\$ 604,292	\$ 445,843	\$ 21,818
Investments measured at contract value				
Annuity contracts	73			
Investment agreements	2,408			
Investments measured at amortized cost				
Money market mutual funds	604,787			
Total investments	\$ 1,679,221			

- Level 1 investments are valued at the closing price reported in the active market in which the individual security is traded. Supranational issued debt securities (\$129,350,000) are valued by consensus of international financial institutions based on observable inputs.
- Level 2 investments are valued using a model that incorporates market observable data such as reported sales of similar securities,

broker quotes, yields, bids, offers, and reference data. GNMA direct U.S. Government obligations (\$351,113,000), FNMA U.S. Government agency obligations (\$91,777,000) and the interest rate swap agreement are valued using the matrix pricing technique.

- Direct equity investments classified as Level 3 are assessed by management for impairment based on financial condition, operating results and other factors on an annual basis.

Investments measured at net asset value per share (or its equivalent) are not material for reporting redemption frequency and notice period.

Interest Rate Risk. The enterprise funds' policy for managing their exposure to fair value loss arising from increasing interest rates is to manage investment maturities so that they precede or coincide with the expected need for funds.

Credit Risk. The investment policies of the enterprise funds require that repurchase agreements are collateralized by U.S. Treasury and agency obligations. The policies also require that money market mutual funds contain only U.S. Treasuries or agencies or repurchase agreements secured by these, or that they receive the highest possible rating from at least one nationally recognized securities rating organization and that commercial paper be rated A-1, P-1. According to the indenture and investment policy of the Economic Development Loan Programs, investments must be rated no lower than the rating on the Loan Programs' bonds or F1/P1 for the issuer's short-term accounts or securities. The ratings on the Loan Programs' bonds as of June 30, 2018, were Aa by Moody's and AA by Fitch, or higher.

As of June 30, 2018, the enterprise funds had the following investments and quality ratings (amounts expressed in thousands):

Investment Type	Fair Value	Quality Rating	Rating Organization	Percentage of Total Investments
U.S. government agency obligations	\$ 181,710	Aaa	Moody's	10.82%
U.S. government agency obligation	204,801	AA	S&P	12.20
Money market mutual funds	604,787	AAAm/Aaa	S&P/Moody's	36.02
Money market mutual funds		Unrated		0.00
Guaranteed investment contracts	2,782	Aaa	Moody's	0.17
Municipal bonds	83,241	AAA	S&P	4.96
Supranationals	129,350	AAA	S&P	7.70
Total	\$ 1,206,671			71.87%

Concentration of Credit Risk. The enterprise funds place no limit on the amount they may invest in any one issuer of U.S. government agency obligations. More than 5% of the enterprise funds' investments are in obligations of the Federal Home Loan Bank and Federal National Mortgage Association. These investments are 10.1% and 9.2%, of the enterprise funds' total investments, respectively.

3. Investments – Fiduciary Funds:

The Pension Trust Funds, Post-Employment Health Benefits Trust Fund, and Maryland Local Government Investment Pool are authorized to make investments as stated in Note 2.A.

The investments and maturities as of June 30, 2018, for the fiduciary funds of the primary government were as follows (amounts expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More than 10
U.S. Treasury notes and bonds	\$ 6,471,883	\$ 483,772	\$ 978,420	\$ 1,152,083	\$ 3,857,608
U.S. Treasury strips	77,179				77,179
U.S. Government agency obligations	3,572,321	3,089,189	202,133	23,489	257,509
Repurchase agreements	336,577	336,577			
Commercial paper	464,236	464,236			
Guaranteed investment contracts	756,160		756,160		
Corporate bonds	2,634,988	37,231	835,575	1,357,326	404,856
International bonds	132,925	33,550	41,982	42,642	14,751
Other government bonds	576,685	4,778	184,999	233,470	153,438
Mortgage-backed securities	1,534,635	1,389	9,120	57,816	1,466,310
Asset-backed securities	201,519	640	42,606	41,537	116,736
Bond mutual funds	2,088,460	386,343	968,875	489,957	243,285
Swaps	30,208	1,083	3,835	24,451	839
Money market mutual funds	1,677,401	1,677,401			
Total investments	20,555,177	6,516,189	4,023,705	3,422,772	6,592,511
Collateral for lent securities	2,043,411	2,043,411			
Total investments and collateral for lent securities	\$ 22,598,588	\$ 8,559,600	\$ 4,023,705	\$ 3,422,772	\$ 6,592,511

In addition to the investments scheduled above, as of June 30, 2018, the fiduciary funds' investments also include the fair value of corporate equity securities of \$19,951,789,000, commingled investments of \$7,121,994,000, private equity of \$6,650,087,000, real estate

of \$3,910,776,000, stock mutual funds of \$2,977,162,000, annuity contracts of \$71,320,000 and insurance contracts of \$2,967,000.

The fiduciary funds have the following fair value measurements as of June 30, 2018 (amounts expressed in thousands):

Investments by Fair Value Level	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. Treasury notes and bonds	\$ 6,011,627	\$ 6,011,627		
U.S. Treasury strips	77,179	77,179		
U.S. Government agency obligations	286,927	286,927		
Repurchase agreements	336,577		\$ 336,577	
Corporate bonds	2,634,988		2,634,988	
International bonds	132,925		132,925	
Other government bonds	576,685		576,685	
Mortgage-backed securities	1,534,635		7,760	\$ 1,526,875
Bond mutual funds	119,446	119,446		
Money market mutual fund	1,166,919	1,166,919		
Collateral for lent securities	2,043,411		2,043,411	
Total debt securities	14,921,319	7,662,098	5,732,346	1,526,875
Equity securities				
Corporate equities	19,951,789	19,951,789		
Stock mutual funds	2,977,162	2,977,162		
Total equity securities	22,928,951	22,928,951		
Real estate	35,301			35,301
Total investments by fair value level	37,885,571	\$ 30,591,049	\$ 5,732,346	\$ 1,562,176
Investments measured at net asset value				
Asset-backed securities funds	201,519			
Bond mutual funds	1,969,014			
Real estate funds	3,875,475			
Private equity funds	6,650,087			
Commingled investments	7,152,202			
Total investments measured at net asset value	19,848,297			
Investments measured at amortized cost				
U S Treasury notes and bonds	460,256			
U S Government agency obligations	3,285,394			
Commercial paper	464,236			
Money market mutual funds	510,482			
Total investments measured at amortized cost	4,720,368			
Investments measured at contract value				
Guaranteed investment contracts	756,160			
Annuity contracts	71,320			
Total investments measured at contract value	827,480			
Investments measured at cash surrender value				
Insurance contracts	2,967			
Total investments	\$ 63,284,683			

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Level 2 investments include the following:

- Debt securities valued using a combination of prevailing market prices and interest payments that are discounted at prevailing interest rates for similar instruments.
- Mortgage-backed securities issued as U.S. agency securities categorized as mortgage pass-through. Mortgage pass-through includes to-be-announced (TBA) securities and mortgage pass-through certificates. TBA securities and mortgage pass-through is generally valued on the basis of their fortune principal and interest payments discounted at prevailing interest rates for similar investments.
- Collateral for lent securities invested in the lending agent's short term investment pool operating as an open-end money market mutual fund, together with the related obligation.
- Commingled investments whose valuation methodology and valuation frequency of the pooled investment vehicles may not be able to appraise whether the net asset value represents the exit value of the fund.

Level 3 investments include the following:

- Commercial and residential mortgage-backed securities valued using discounted cash flow techniques.
- Real estate valued on the basis of a discounted cash flow approach, which includes the future rental receipts, expenses, and residual values as the highest and best use of the real estate from a market participant view as rental property.

The valuation method for investments measured at net asset value per share (or its equivalent) is presented on the following table (in millions):

June 30, 2018				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private funds (includes equity, credit, energy, infrastructure, and timber)	\$ 9,283	\$ 7,805		
Real estate-open ended	3,183		Quarterly	45-90 days
Global macro	352		Weekly	3 days
	208		Daily	2 days
Multi-asset	418		Monthly	5 days
Hedge Funds				
Equity long/short	819		Monthly	30-45 days
	135		Quarterly	45-90 days
	18		N/A	Liquidating
Event-driven	159		Monthly	15 days
	127		Semi Annual	45 days
	524		Quarterly	65 days
	66		N/A	Liquidating
Global macro	858		Monthly	5-30 days
Multi-asset	1		N/A	Liquidating
Relative value	1,406		Quarterly	60-65 days
Opportunistic	228		Quarterly	90 days
	86		Semi Annual	90-120 days
	\$ 17,871	\$ 7,805		

Interest Rate Risk. As of June 30, 2018, the System had \$1.0 billion invested in mortgage pass-through securities. These investments are moderately sensitive to changes in interest rates because they are backed by mortgage loans in which the borrowers have the option of prepaying.

The Deferred Compensation Plans (Plans) invest in annuity contracts and insurance contracts that provide for guaranteed payouts to participants, and therefore have no interest rate risk to the Plans. As of June 30, 2018, the carrying value of these investments was \$71,320,000, and \$2,967,000, respectively.

The State Treasurer's Office manages the Local Government Investment Pool. The State Treasurer's investment policies state that no direct investment by the Pool may have a maturity date of more than 13 months after its acquisition.

Credit Risk. The investment policy of the System regarding credit risk is determined by each investment manager's mandate. The Local Government Investment Pool may invest in bankers acceptances and commercial paper subject to certain credit rating guarantee and/or collateral requirements. As of June 30, 2018, the fiduciary funds' investments were rated by Standard and Poor's and/or an equivalent national rating organization, and the ratings are presented below using the Standard and Poor's rating scale (amounts expressed in thousands):

Investment Type	Fair Value	Quality Rating	Percentage of Total Investments
U.S. Government agency obligations	\$ 48,200	AAA	0.08%
U.S. Government agency obligations	3,511,517	AA	5.73
U.S. Government agency obligations	113	A	0.00
U.S. Government agency obligations	12,491	Unrated	0.02
Money market mutual funds	510,482	AAA	0.83
Money market mutual funds	1,166,919	A	1.91
Commercial paper	464,236	AAA	0.76
Guaranteed investment contracts	752,631	AA	1.23
Guaranteed investment contracts	3,529	Unrated	0.01
Corporate bonds	19,214	AAA	0.03
Corporate bonds	36,093	AA	0.06
Corporate bonds	323,992	A	0.53
Corporate bonds	67,508	BAA	0.11
Corporate bonds	7,565	BA	0.01
Corporate bonds	760,912	BBB	1.24
Corporate bonds	309,844	BB	0.51
Corporate bonds	293,948	B	0.48
Corporate bonds	38,035	CAA	0.06
Corporate bonds	35,959	CCC	0.06
Corporate bonds	741,917	Unrated	1.21
International bonds	15,423	AAA	0.03
International bonds	63	AA	0.00
International bonds	13,759	A	0.02
International bonds	3,449	BAA	0.01
International bonds	2,200	BA	0.00
International bonds	28,881	BBB	0.05
International bonds	13,452	BB	0.02
International bonds	55,699	Unrated	0.09
Other government bonds	14,584	AAA	0.02
Other government bonds	54,218	AA	0.09
Other government bonds	152,118	A	0.25
Other government bonds	23,762	BAA	0.04
Other government bonds	200	BA	0.00
Other government bonds	180,810	BBB	0.30
Other government bonds	83,521	BB	0.14
Other government bonds	51,961	B	0.08
Other government bonds	12,386	CAA	0.00
Other government bonds	2,560	CCC	0.00
Other government bonds	565	Unrated	0.00
Mortgage-backed securities	113,473	AAA	0.19
Mortgage-backed securities	50,315	AA	0.08
Mortgage-backed securities	41,787	A	0.07
Mortgage-backed securities	3,817	BAA	0.01
Mortgage-backed securities	2,908	BA	0.00
Mortgage-backed securities	10,991	BBB	0.02
Mortgage-backed securities	5,489	B	0.01
Mortgage-backed securities	9,377	CAA	0.02
Mortgage-backed securities	10,350	CA	0.02
Mortgage-backed securities	12,302	CCC	0.02
Mortgage-backed securities	2,136	AA	0.00
Mortgage-backed securities	9,263	D	0.02
Mortgage-backed securities	1,262,428	Unrated	2.06
Asset-backed securities-Other	83,925	AAA	0.14
Asset-backed securities-Other	30,380	AA	0.05
Asset-backed securities-Other	22,770	A	0.04
Asset-backed securities-Other	17,557	BAA	0.03
Asset-backed securities-Other	24	BA	0.00
Asset-backed securities-Other	3,800	BBB	0.01
Asset-backed securities-Other	105	B	0.00
Asset-backed securities-Other	283	CA	0.00
Asset-backed securities-Other	696	CCC	0.00
Asset-backed securities-Other	2,489	CC	0.00
Asset-backed securities-Other	1,104	C	0.00
Asset-backed securities-Other	6,136	D	0.01
Asset-backed securities-Other	32,250	Unrated	0.05
Repurchase agreements	336,577	A	0.55

Investment Type (continued)	Fair Value	Quality Rating	Percentage of Total Investments
Bond mutual funds	2,088,460	Unrated	3.41
Swaps	30,208	Unrated	0.05
Total	\$ 14,006,115		22.87%

Foreign Currency Risk.

The majority of the System's foreign currency-denominated investments are in equities. The System has an overlay program to minimize its currency risk.

The System's exposure to foreign currency risk as of June 30, 2018, was as follows (amounts expressed in thousands):

Currency	Equity	Fixed Income	Cash	Alternative Investments	Total
Australian Dollar	\$ 177,848	\$ 275	\$ 2,015	\$ 175,050	\$ 355,188
Brazilian Real	137,836	12,344	534		150,714
Canadian Dollar	288,168	766	5,875	66,570	361,379
Czech Koruna	8,636				8,636
Danish Krone	92,420	14,063	286		106,769
Egyptian Pound	2,548				2,548
Euro Currency	1,578,665	76,342	16,735	847,081	2,518,823
Hong Kong Dollar	399,223		2,226	88,904	490,353
Hungarian Forint	5,398	12,098	767		18,263
Indonesian Rupiah	15,413	12,706	344		28,463
Japanese Yen	878,851	(306)	5,878	76,135	960,558
Malaysian Ringgit	3,321		293		3,614
Mexican Peso	64,711	6,008	925		71,644
New Israeli Sheqel	16,712		459	273	17,444
New Taiwan Dollar	75,111		8,860		83,971
New Zealand Dollar	6,231	1,111	120	1,419	8,881
Norwegian Krone	54,182	643	1,085	7,247	63,157
Philippine Peso	5,635		26		5,661
Polish Zloty	17,246		297		17,543
Pound Sterling	781,012	54,062	17,112	264,844	1,117,030
Qatari Rial	407		6		413
Russian Ruble		16,665			16,665
Singapore Dollar	42,396		971	13,555	56,922
South African Rand	41,121		221		41,342
South Korean Won	212,640		749		213,389
Swedish Krona	99,758	217	248	7,130	107,353
Swiss Franc	297,116		190	5,605	302,911
Thailand Baht	31,821		295		32,116
Turkish Lira	3,444		168		3,612
UAE Dirham	7,732		4		7,736
Not Applicable ⁽¹⁾	4,109,872	1,323,123	97,753	22,546	5,553,294
Total	\$ 9,455,474	\$ 1,530,117	\$ 164,442	\$ 1,576,359	\$ 12,726,392

(1) This line includes American Depository Receipts and international obligations valued in U.S. dollars; however, they are considered to have exposure to multiple foreign currencies.

Derivatives:

Each System investment manager's guidelines determine the extent to which derivatives are permissible. Futures and other derivatives are permitted to the extent that they are used in a manner that does not materially increase total portfolio volatility or relate to speculative activities. Unleveraged derivatives are permitted for the purpose of hedging investment risk, to replicate an investment that would otherwise be made directly in the cash market or to modify asset exposure in tactical portfolio shifts. Use of derivatives is not permitted to materially alter the characteristics, including the investment risk, of each manager's account. The investment managers are to have in place, and use, procedures that subject derivative based strategies to rigorous scenario and volatility analysis. Futures and short option positions must be hedged with cash, cash equivalents or current portfolio security holdings.

A list of derivatives aggregated by investment type is as follows (amounts expressed in thousands):

	Changes in Fair Value		Fair Value as of June 30, 2018		
	Classification	Amount	Classification	Amount	Notional*
Commodity futures long	Investment revenue	\$ 2,333	Futures		
Commodity futures short	Investment revenue	686	Futures		
Credit default swaps bought	Investment revenue	239	Swaps		
Credit default swaps written	Investment revenue	(31)	Swaps	\$ 3,835	260,006
Fixed income futures long	Investment revenue	(41,240)	Futures		3,376,500
Fixed income futures short	Investment revenue	20,961	Futures		(3,467,193)
Fixed income options bought	Investment revenue	(2,024)	Options	10,997	1,377,650
Fixed income options written	Investment revenue	(1,152)	Options	(17,175)	(1,248,035)
Foreign currency futures long	Investment revenue	505	Futures		
Foreign currency futures short	Investment revenue	(3,326)	Futures		
Foreign currency futures written	Investment revenue	747	Options		(28,230)
Futures options bought	Investment revenue	296	Options	85	454
Futures options written	Investment revenue	2,973	Options	(781)	(1,796)
FX forwards	Investment revenue	(12,870)	Long term instruments	13,787	21,845,360
Index futures long	Investment revenue	16,878	Futures		78
Index futures short	Investment revenue	300	Futures		
Pay fixed interest rate swaps	Investment revenue	26,541	Swaps	25,669	717,363
Receive fixed interest rate swaps	Investment revenue	(191)	Swaps	103	25,804
Rights	Investment revenue	397	Common stock	311	6,221
Total return swaps bond	Investment revenue	19	Swaps		
Warrants	Investment revenue	10,809	Common stock	12,565	2,101
Grand Totals		\$ 22,850		\$ 49,396	

*Notional may be a dollar amount or size of underlying for futures and options, negative values refer to short positions.

Credit Risk.

The System is exposed to credit risk on derivative instruments that are in asset positions. To minimize its exposure to losses related to credit risk, the investment managers use counterparty collateral in their non-exchange-traded derivative instruments. Netting arrangements are also used when entering into more than one derivative instrument transaction with a counterparty. At the present time, the System does not have a formal policy relating to counterparty collateral or netting arrangements.

The aggregate fair value of derivative instruments in asset positions as of June 30, 2018, was \$358,209,000. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform. The maximum loss would, however, be reduced by the counterparty collateral and the liabilities included in netting arrangements with counterparties.

The following tables list the fair value of credit exposure per ratings of Standard & Poor's (S&P), Moody's and Fitch for the counterparties (amounts expressed in thousands):

Fair Value	S&P Rating	Fair Value	Moody's Rating	Fair Value	Fitch Rating
\$ 116,389	AA	\$ 117,009	Aa	\$ 297,841	AA
240,499	A	241,200	A	60,368	A
1,321	BBB				
\$ 358,209		\$ 358,209		\$ 358,209	

Risk concentrations are presented in the table below:

Counterparty Name	Percentage of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
State Street Bank London	25%	A	AA	A
Westpac Banking Corporation	14	AA	AA	Aa
Royal Bank of Canada ^(UK)	9	AA	AA	A
HSBC Bank PLC	9	A	AA	A
JPMorgan Chase Bank NA London	7	A	AA	Aa
Citibank N.A.	7	A	A	A
Wells Fargo LCH	6	A	A	A
Toronto Dominion Bank	6	AA	AA	Aa
USB AG London	5	A	AA	Aa
Northern Trust Company, THE	4	AA	AA	A
Bank of New York	4	A	AA	A
Standard Chartered Bank	1	A	A	A
Wells Fargo CME	1	A	AA	Aa
Barclays Bank ICE	1	A	A	A
Barclays Bank PLC Wholesale	1	A	A	A

4. Investments – Component Units:

Investment accounts established by higher education institutions relate principally to endowments and trust accounts required by debt instruments and are invested in accordance with the investment policies adopted by the Board of Trustees. In general, endowment resources can be invested in debt and equity securities, and trust accounts can be invested only in debt securities. These investments include U.S. Treasury and agency obligations, corporate debt and equity securities, asset-backed securities and mutual funds that invest in government securities. The investments of the higher education foundations are not included in the disclosures below because the foundations are not required to and do not follow statements of GASB.

One of the institutions, the University System of Maryland, transferred title to its endowment investments to its foundation in exchange for an equivalent proportionate interest in the long-term investment portfolio managed by the foundation. In June 2011, the institution entered into a new agreement with the foundation. The agreement is for a term of five years, with renewable two-year extensions at the option of the institution, unless notice of intent to terminate the arrangement is provided prior to the expiration of the term. If the agreement is terminated, funds invested with individual investment managers that have commitments from the foundation to maintain investments for certain minimum time periods may not be returned to the institution until those constraints have been satisfied. For reporting purposes, the foundation's investments have been reduced by the amount of the institution's investments with the foundation.

The Maryland Prepaid College Trust's Statement of Investment Policy (Investment Policy), adopted by the Board as required by the enabling legislation, allows the Trust to purchase investments including domestic, international and private equities; domestic, foreign and high yield bonds; global real estate equities; private real estate; commodities and other governmental agency instruments, as well as money market deposits based on the Investment Policy's specified portfolio allocation.

The investments and maturities as of June 30, 2018, for the component units were as follows (amounts expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)				
		Less than 1	1-5	6-10	11-15	More than 15
U.S. Treasury obligations	\$ 767	\$ 10	\$ 487	\$ 135		\$ 135
U.S. government agency obligations	12,435	7,041	3,655	1,531	84	124
Bond mutual funds	213,007	213,007				
Corporate debt securities	166,044	8,022	57,784	79,661	20,373	204
Money market mutual funds	664,425	464,425	200,000			
Total	\$ 1,056,678	\$ 692,505	\$ 261,926	\$ 81,327	\$ 20,457	\$ 463

In addition to the investments scheduled above, as of June 30, 2018, the component units' investments include the fair value of stock mutual funds of \$11,000, corporate equity securities of \$610,951,000, real estate of \$178,840,000, and the share of assets invested with the foundation of \$328,652,000.

The component units had the following fair value measurements as of June 30, 2018 (amounts expressed in thousands):

Investments by Fair Value Level	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. Treasury obligations	\$ 767	\$ 767		
U.S. Government agency obligations	12,435	12,435		
Bond mutual funds	213,007	213,007		
Corporate debt securities	110,682	110,675	\$ 7	
Money market mutual funds	664,425	664,425		
Total debt securities	1,001,316	1,001,309	7	
Equity securities				
Corporate equities - publicly held	508,494	461,387	47,107	
Equity investments in privately-held companies and venture capital partnerships:				
Not publicly traded	102,457			\$ 102,457
Stock mutual funds	11	11		
Total equity securities	610,962	461,398	47,107	102,457
Real estate	100,338			100,338
The share of the USM's investment in the open-end mutual fund investment of the University System of Maryland Foundations, Inc	328,652		328,652	
Total investments by fair value level	2,041,268	\$ 1,462,707	\$ 375,766	\$ 202,795

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level		Total		
Investments measured at net asset value				
Corporate debt securities		55,362		
Real estate		78,501		
Total investments measured at NAV		133,863		
Total investments		\$ 2,175,131		

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Corporate bonds are categorized as Level 2 investments based on yields currently available on comparable securities of issuers with similar credit ratings. The share of the University System of Maryland's (USM) investment in the open-end mutual fund investment of the USM Foundation, Inc is considered a common trust fund whose valuation methodology and valuation frequency of the pooled investment vehicles may not be able to appraise whether the net asset value represents the exit value of the fund and is classified as Level 2.

Level 3 investments include the investments in not publicly traded, privately-held companies and venture capital partnerships which are valued by management after consideration of, among other factors, the financial condition, operating results, significant recent events, and other security offerings of the investors. Also, interest in private real estate is valued based on discounted cash flows, including future rental receipts, expenses, and residual values as the highest and best use of the real estate from a market participant view as rental property as a Level 3 investment.

Investments measured at net asset value per share (or its equivalent) are not material for reporting redemption frequency and notice period.

Interest Rate Risk. The policy of the higher education institutions for managing their exposure to fair value loss arising from increasing interest rates is to comply with their investment policy, which sets maximum maturities for various fixed income securities. It is the practice of the Maryland Prepaid College Trust to have no investments with maturities longer than required to fund tuition obligations based on actuarial projections.

Credit Risk. The policy of the higher education institutions for reducing their exposure to credit risk is to require minimum quality ratings for fixed income securities. The Investment Policy of the Maryland Prepaid College Trust details the minimum quality standards for the Trust's bond portfolios.

As of June 30, 2018, the component units had the following investments and quality ratings (amounts expressed in thousands):

Investment Type	Fair Value	Quality Rating	Rating Organization	Percentage of Total Investments
U.S. agencies	\$ 6,635	AAA/Aaa	S&P & Moody's	0.31%
U.S. agencies	167	AA/Aaa	S&P & Moody's	0.01
U.S. agencies	5,633	Not rated		0.26
Money market mutual funds	664,425	Aaa	Moody's	30.55
Corporate debt securities	66,876	AAA	S&P	3.07
Corporate debt securities	2,440	AA	S&P	0.11
Corporate debt securities	23,575	A	S&P	1.08
Corporate debt securities	7,818	BBB	S&P	0.36
Corporate debt securities	7	Not rated		0.00
Total	\$ 777,576			35.76%

Concentration of Credit Risk. The higher education component units place no limit on the amount they may invest in U.S. government issuers. The Prepaid College Trust's guidelines limit a single investment to 5% of each bond portfolio's market value, except U.S. Treasury notes and bonds.

In addition to the Maryland Prepaid College Trust, the Maryland 529 Plans consist of the Maryland Senator Edward J. Kasemeyer College Investment Plan, a fiduciary component unit. As of June 30, 2018, the Plan has \$5,767,050,000 of investments held in trust for individuals and organizations.

C. Securities Lending Transactions:

Fiduciary Funds:

The Pension Trust Funds (Funds) participate in a securities lending program as permitted by the investment policies as approved

by the Board of Trustees. The Fund's custodian lends specified securities to independent brokers in return for collateral of greater value. The preceding Investments-Fiduciary Funds Schedule in Note 3.B.3 includes securities lent at year-end for cash collateral and collateral received from lent securities.

Borrowing brokers must transfer in the form of cash or other securities, collateral valued at a minimum of 102% of the fair value of domestic securities and international fixed income securities, or 105% of the fair value of international equity securities on loan. Collateral is marked to market daily. If the fair value of the pledged collateral falls below the specified levels, additional collateral is required to be pledged by the close of the next business day. In the event of default by a borrowing broker, the Funds' custodial bank is obligated to indemnify the Funds if, and to the extent that, the fair value of collateral is insufficient to replace the lent securities. The Funds have not experienced any loss due to credit or interest rate risk on securities lending activity since inception of the program. As of June 30, 2018, the Funds had no credit risk exposure to borrowers because the fair value of collateral held for securities lent exceeded the fair value of the related securities, as follows (amounts expressed in thousands):

	Fair Value		Percent Collateralized
	Lent Securities	Collateral Received	
Lent for cash collateral:			
U.S. government and agency securities	\$ 304,725	\$ 311,015	102.06%
U.S. corporate bond and equity securities	901,718	923,320	102.40
International fixed income securities	482	488	101.24
International equities	92,278	96,478	104.55
Lent for noncash collateral:			
U.S. government and agency securities	368,502	376,450	102.16
U.S. corporate bond and equity securities	262,701	265,725	101.15
International equities	64,866	69,935	107.81
Total securities lent	\$ 1,995,272	\$ 2,043,411	102.41%

During fiscal year 2018, the Funds maintained the right to terminate securities lending transactions upon notice. Cash collateral is invested in one of the lending agent's short-term investment pools, which as of June 30, 2018, had an average duration of 30 days and an average final maturity of 80 days. Because the relationship between the maturities of the investment pools and the Fund's security loans is affected by the maturities of the loans made by other entities that use the agent's pools, the Funds cannot match maturities. The Funds have received cash or securities that can be sold or pledged without a borrower default.

4. Receivables:

Taxes receivable, as of June 30, 2018, consisted of the following (amounts expressed in thousands):

	Major Governmental Funds		Non-Major Governmental Funds	Total Governmental Funds
	General	Special Revenue		
Income taxes	\$ 931,703			\$ 931,703
Sales and use taxes	494,226			494,226
Transportation taxes, primarily motor vehicle fuel and excise		\$ 179,724		179,724
Other taxes, principally alcohol, tobacco and property	37,404		\$ 22,526	59,930
Less: Allowance for uncollectibles	30,048			30,048
Taxes receivable, net	\$ 1,433,285	\$ 179,724	\$ 22,526	\$ 1,635,535

Tax revenues are reported net of uncollectible amounts. Total uncollectible amounts related to tax revenues of the current period were \$3,998,000.

Other accounts receivable in the governmental funds of \$622,478,000, including \$115,902,000, due in excess of one year, consisted of various miscellaneous receivables for transportation costs, collection of bills owed to the State's collection unit, Medicaid reimbursements, child support and public assistance overpayments and the tobacco settlement.

Other accounts receivable for the enterprise funds of \$307,863,000, primarily consisted of \$142,114,000, due to the Unemployment Insurance Program from employers and for benefit overpayments, \$40,653,000, due to the Community Development Administration from accrued interest and claims receivable on foreclosed and other loans and \$59,905,000, due to the Maryland Lottery and Gaming Control Agency from lottery retailers for ticket sale proceeds and from casino operators for gross terminal revenue and table game revenue.

5. Deferred Outflows of Resources and Deferred Inflows of Resources:

Deferred outflows of resources and deferred inflows of resources are reported when a given item that otherwise meets the definition of a revenue or expenditure/expense relates to a future period. These deferred amounts apply to governmental activities, business-type activities, proprietary funds, and fiduciary funds, except that deferred inflows apply to governmental funds for revenues that are not considered to be available to liquidate liabilities of the current period.

As of June 30, 2018, the State's deferred outflows of resources and deferred inflows of resources consist of the following components (amounts expressed in thousands):

	Governmental Funds		Governmental Activities	Business- Type Activities	Component Units
	General Fund	Special Revenue Fund			
Deferred Outflows of Resources:					
Loss on refunding of debt – Refunding of some previously outstanding general obligation bonds and revenue bonds resulted in losses			\$ 312,298	\$ 3,160	\$ 18,496
Interest Rate Exchange Agreements (Swaps) - CDA has entered into pay-fixed, receive-variable interest rate swap agreements in connection with certain variable rate bond series				171	
Pension-related deferred outflows (see Note 15)			5,050,916	67,231	516,931
Other post-employment benefit-related deferred outflows (see Note 16)			275,793		69
Total for Deferred Outflows of Resources	\$ -	\$ -	\$ 5,639,007	\$ 70,562	\$ 535,496
Deferred Inflows of Resources:					
Governmental fund receivables for revenues that are not considered to be available to liquidate liabilities of the current period	\$ 573,652	\$ 287,628			
Gain on refunding of debt – Refunding of some previously outstanding residential revenue bonds - deferred bond premiums				\$ 825	
Service Concession Arrangement receipts of the: Maryland Department of Transportation			\$ 114,054		
Maryland Transportation Authority				49,685	
University System of Maryland					\$ 288,931
Pension-related deferred inflows (see Note 15)			2,978,794	32,261	140,350
Other post-employment benefit-related deferred inflows (see Note 16)			926,127		1,178
Total for Deferred Inflows of Resources	\$ 573,652	\$ 287,628	\$ 4,018,975	\$ 82,771	\$ 430,459

6. Loans and Notes Receivable and Investment in Direct Financing Leases:

A. Loans and Notes Receivable:

Loans and notes receivable, as of June 30, 2018, consisted of the following (amounts expressed in thousands):

	Primary Government			Component Units		
	General	Non - major Governmental Funds	Enterprise	Higher Education	Maryland Stadium Authority	Other
Notes receivable:						
Political subdivisions:						
Water quality projects		\$ 1,320	\$ 1,241,739			
Public school construction						
Other			171,332			
Volunteer fire & rescue companies	\$ 19,587					
Permanent mortgage loans			2,185,386			
Student and health profession loans				\$ 58,350		
Shore erosion loans	7,063					
Other	56			6,521	\$ 1,939	\$ 23,515
Total	26,706	1,320	3,598,457	64,871	1,939	23,515
Less: Allowance for possible loan losses			352,363	19,917		10,998
Loans and notes receivable, net	26,706	1,320	3,246,094	44,954	1,939	12,517
Due within one year	2,307	67	164,683	6,601	456	679
Due in more than one year	\$ 24,399	\$ 1,253	\$ 3,081,411	\$ 38,353	\$ 1,483	\$ 11,838

Certain notes receivable for advances of general obligation bond proceeds bear interest at rates ranging from 4.5% to 6.6% and mature within 15 years.

Water quality project loans consist of loans to various local governments and other governmental entities in the State for wastewater and drinking water projects under the United States Environmental Protection Agency's (EPA) Capitalization Grants for State Revolving Funds' Federal assistance program.

The permanent mortgage loans consist of financing for single and multi-family projects, rental projects, small businesses, industrial sites and various other purposes. Substantially all of the loans are secured by first liens on the related property and are insured or credit enhanced by the Federal Housing Administration mortgage insurance programs, the Veterans Administration and USDA/RD guarantee programs, Federal Home Loan Mortgage Corporation (Freddie Mac), FNMA, GNMA, Maryland Housing Fund or by private mortgage insurance policies.

Student and health profession loans are made pursuant to student loan programs funded through the U.S. Government.

B. Investment in Direct Financing Leases:

Enterprise Funds:

As of June 30, 2018, the Maryland Transportation Authority (Authority) has direct financing leases with the State's Department of Transportation, the Washington Metropolitan Area Transit Authority (WMATA), and the general fund. The present value of direct financing leases as of June 30, 2018, was \$384,525,000. As of June 30, 2018, the Authority held \$66,363,000, to be spent to complete assets under these direct financing leases. Lease payments receivable, including unearned interest for each of the five succeeding fiscal years and thereafter, including repayment of amounts to be spent, consist of the following (amounts expressed in thousands):

2019	\$	27,976
2020		29,286
2021		30,705
2022		31,523
2023		32,514
2024-2028		168,271
2029-2033		108,491
2034-2038		2,840
Total		431,606
Unearned interest income		19,282
Total lease payments		450,888
Restricted investments related to unexpended bond proceeds		66,363
Net investment in direct financing leases	\$	384,525

Component Units:

As of June 30, 2018, the Maryland Stadium Authority (Authority) has direct financing leases with the State. The present value of the direct financing leases as of June 30, 2018, is \$83,933,000. As of June 30, 2018, the Authority held \$857,000, to be spent to complete assets under these direct financing leases. Lease payments receivable, including unearned interest for each of the five succeeding fiscal years and thereafter, including repayment of amounts to be spent, consist of the following (amounts expressed in thousands):

2019	\$	23,954
2020		23,854
2021		10,329
2022		10,342
2023		8,766
2024-2028		22,642
Total		99,887
Less: unearned interest income		15,097
Net lease payments		84,790
Less: restricted investments related to unexpended bond proceeds		857
Net investment in direct financing leases	\$	83,933

7. Restricted Assets:

Certain assets of the governmental activities, business-type activities and component units are classified as restricted assets on the Statement of Net Position. The purpose and amount of restricted assets as of June 30, 2018, are as follows (amounts expressed in thousands):

Amount	Purpose
Governmental Activities:	
\$ 3,052	Represents money restricted for construction retainages related to highway and airport projects
247,256	Represents State property taxes restricted to pay debt service on general obligation debt
3,638	Represents certificates of deposit linked to funds loaned under the State's housing loan program (\$1,253) and certificates of deposit restricted for Agricultural Land Preservation easement purchases (\$2,385)
<u>\$ 253,946</u>	
Business-type Activities:	
\$ 2,490,134	Assets of the Community Development Administration and State Funded Loan programs are restricted for various mortgage loans for low-income housing and loans for local governments' public facilities
217,514	The purpose of the restricted assets is to secure the revenue bonds of the Maryland Water Quality Administration made for waste-water treatment systems and bay restoration
1,380,619	Restricted assets represent deposits with the U.S. Treasury and amounts due from employers to pay unemployment compensation benefits in accordance with Federal statute
40,352	Restricted assets in the Maryland Lottery and Gaming Control Agency include cash held in separate annuity contracts and coupon bonds for winning lottery ticket payouts; escrow deposits from lottery agents, casino operator license applicants and other gaming license applicants prior to being recognized as revenue; and prize fund reserves for multi-state lotteries.
254,936	Cash and investments have been restricted in accordance with revenue bond debt covenants of the Maryland Transportation Authority for completion of capital projects and debt service
82,627	Assets have been restricted by the Maryland Housing Fund to pay possible future claims under insurance for losses on mortgage loans
<u>\$ 4,466,182</u>	
Component Units:	
\$ 101,015	Restricted assets of higher education include funds held by the trustee for future construction projects and to pay debt service and cash restricted for endowment purposes
560,309	Restricted assets of Maryland Stadium Authority include cash and investments that relate to revenue bond indentures
2,588	Restricted assets include cash and investments that relate to revenue bond indentures and to restricted project funds for the provision of water supply, waste-water treatment and solid waste management by the Maryland Environmental Service
1,338	Cash has been restricted to fulfill funding commitments of certain investments of Maryland Technology Development Corporation
<u>\$ 665,250</u>	

8. Interfund Receivables and Payables:

Interfund balances, as of June 30, 2018 consisted of the following (amounts expressed in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Fund	\$ 134,304 ^(a)
	Enterprise Funds –	
	Economic Development Loan Programs	4,620 ^(b)
	Maryland Lottery and Gaming Control Agency	155,553 ^(c)
		<u>\$ 294,477</u>
Special Revenue Fund	General Fund	\$ 54,986 ^(d)
	Enterprise Funds -	
	Maryland Transportation Authority	32,564 ^(e)
		<u>\$ 87,550</u>
Enterprise Funds -	General Fund	\$ 50,636 ^(f)
	Economic Development Loan Programs	47,716 ^(g)
	Unemployment Insurance Program	1,548 ^(f)
	Maryland Transportation Authority	5,506 ^(h)
		<u>\$ 105,406</u>
Agency Fund -	General Fund	\$ 804,492 ⁽ⁱ⁾
	Local Income Taxes	

The receivable and payable transactions between the governmental funds and the enterprise funds are reported as due from and due to other funds. The receivable and payable transactions between the agency fund and the general fund are reported as accounts receivable from State treasury by the agency fund and due to other funds by the general fund.

The receivable and payable transactions between the Primary Government and Component Units, as of June 30, 2018, consist of the following (amounts expressed in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Higher Education Fund	\$ 1,135
	Non-major component units	712
		<u>\$ 1,847</u>
Component Units –	Agency Fund –	
Maryland Stadium Authority	Local Transportation Funds and Other Taxes	\$ 4,263
Maryland Prepaid College Trust	General Fund	1,330
		<u>\$ 5,593</u>

The receivable and payable transactions between the general fund and component unit are reported as due from/due to component units and due to/due from primary government. The receivable and payable transactions between the component unit and agency fund are reported as due from primary government by the component unit and accounts payable and accrued liabilities by the agency fund.

- The amount represents Transportation Trust Fund revenues transferred back to the general fund in July and August, 2018.
- This amount represents payable balances for economic development loan program transfers.
- This amount represents monies collected by the Maryland Lottery and Gaming Control Agency in June, 2018, and paid to the general fund in July, 2018.
- The amount represents income and sales tax subsidies and return of health insurance costs from the general fund.
- The Maryland Transportation Authority collects fees for the special revenue fund. The money will be used to build and maintain special revenue fund infrastructure, structures and other improvements.
- These amounts represent receivable balances from general fund subsidies.
- Bond funds collected by the capital projects fund on behalf of the economic development loan programs.
- The Maryland Transportation Authority receives rent, interest income and fees for services from the special revenue fund.
- The loans were made in accordance with Section 2-606 of Tax-General Article of the Annotated Code of Maryland from the reserve of unallocated tax revenue that the Comptroller estimates will be claimed and refunded to taxpayers within 3 years of the date that the income tax return was filed. The money will be used to provide funding for public elementary and secondary education and the Maryland Medicaid Program among other uses.

All Interfund balances except for (i) above, are expected to be repaid by June 30, 2019. For (i) above, the General Fund is required to pay to the agency fund \$33,333,000, a year in each of fiscal years 2021 through 2026 and \$10,000,000, a year in each of fiscal years 2019 through 2025. The remaining balance is due to pay local income taxes at unspecified dates in the future.

9. Interfund Transfers:

Interfund transfers, for the year ended June 30, 2018, consisted of the following (amounts expressed in thousands):

Transfers In	Transfers Out	Amount
General Fund	Special Revenue Fund	\$ 61,509
	Non-major Governmental Funds	39,804
	Enterprise Funds –	
	Maryland Lottery and Gaming Control Agency	1,255,807
		<u>\$ 1,357,120</u>
Special Revenue Fund	General Fund	<u>\$ 182,475</u>
Non-major Governmental Funds	General Fund	\$ 433,371
	Special Revenue Fund	340,060
		<u>\$ 773,431</u>
Enterprise Funds -	General Fund	\$ 24,608
Loan Programs	Non-major Governmental Funds	64,331
		<u>\$ 88,939</u>

Transfers are primarily used to 1) transfer revenues from the fund required by statute or budget to collect the revenue to the fund

required by statute or budget to expend them, 2) transfer receipts restricted to debt service from the funds collecting the receipts to the non-major governmental funds as debt service payments become due, and 3) provide unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. In addition, the non-major governmental funds transferred \$34,507,000, of Program Open Space funds, \$4,413,000, of interest earned on bonds and \$884,000, for expenses for bond sales to the general fund.

The Maryland Lottery and Gaming Control Agency transferred revenue in excess of funds allocated to prize awards, casino operators, operating expenses and capital expenditure payments in the amount of \$1,255,807,000, to the general fund. The general fund transferred \$24,608,000, to support the operations of Enterprise Funds – Loan Programs. Expenditures for capital projects of \$64,331,000, were transferred to Enterprise Funds – Loan Programs.

During the year, the general fund and other governmental funds had expenditures of \$1,486,564,000, and \$252,365,000, respectively, that were for funds provided to supplement revenues and construction costs, respectively, of the higher education component units. The general fund also had net expenditures of \$40,000,000, that were for funds provided to supplement revenues of the Maryland Stadium Authority. The general fund transferred \$21,664,000, to the non-major component unit, the Maryland Technology Development Corporation, TEDCO, for Maryland Stem Cell Research and other operating grants. TEDCO transferred to the general fund \$712,000, as distributions/returns from Venture Capital Limited Partnerships.

10. Capital Assets:

A. Capital Assets, Primary Government:

Capital assets activity by asset classification net of accumulated depreciation, for the year ended June 30, 2018, was as follows (amounts expressed in thousands):

Governmental activities:

Classification	Balance July 1, 2017	Additions	Deletions	Transfers in (out)	Balance June 30, 2018
Capital assets, not depreciated					
Land and improvements	\$ 3,617,892	\$ 42,050	\$ 569	\$ 62,980	\$ 3,722,353
Art and historical treasures	22,632				22,632
Construction in progress	5,674,592	1,424,522	6,699	(1,032,803)	6,059,612
Total capital assets, not depreciated	9,315,116	1,466,572	7,268	(969,823)	9,804,597
Capital assets, being depreciated					
Structures and improvements	7,766,720	76,748	52,433	422,883	8,213,918
Equipment	3,397,426	124,914	92,704	45,205	3,474,841
Infrastructure	24,497,900	752,728	1,978	501,735	25,750,385
Total capital assets, being depreciated	35,662,046	954,390	147,115	969,823	37,439,144
Less: accumulated depreciation					
Structures and improvements	3,773,585	232,072	24,923		3,980,734
Equipment	2,490,672	168,801	89,603		2,569,870
Infrastructure	14,808,349	937,124	1,806		15,743,667
Total accumulated depreciation	21,072,606	1,337,997	116,332		22,294,271
Total capital assets, net	\$ 23,904,556	\$ 1,082,965	\$ 38,051	\$ -	\$ 24,949,470

Business-type activities:

Classification	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets, not depreciated				
Land and land improvements	\$ 396,549	\$ 1,105		\$ 397,654
Construction in progress	1,221,619	299,853	\$ 426,489	1,094,983
Total capital assets, not depreciated	1,618,168	300,958	426,489	1,492,637
Capital assets, being depreciated				
Structures and improvements	162,321	23,899	760	185,460
Equipment	174,879	15,064	87,733	102,210
Infrastructure	5,811,314	396,350	68,462	6,139,202
Total-Capital assets, being depreciated	6,148,514	435,313	156,955	6,426,872
Less: accumulated depreciation,				
Structures and improvements	28,404	2,424	138	30,690
Equipment	107,277	10,517	52,588	65,206
Infrastructure	1,639,078	132,955	47,470	1,724,563
Total accumulated depreciation	1,774,759	145,896	100,196	1,820,459
Total capital assets, net	\$ 5,991,923	\$ 590,375	\$ 483,248	\$ 6,099,050

B. Depreciation Expense, Primary Government:

The depreciation expense for the year ended June 30, 2018, for the primary government was charged as follows (amounts expressed in thousands):

Governmental activities:	
Function	Amount
General government	\$ 48,292
Education	3,958
Human resources	19,895
Health and mental hygiene	11,205
Environment	720
Public safety	48,355
Housing and community development	111
Natural resources and recreation	20,438
Transportation	1,147,493
Agriculture	33,195
Labor, licensing and regulation	481
Judicial	3,854
Total depreciation expense – governmental activities	\$ 1,337,997

Business-type activities:	
Function	Amount
MLGCA	\$ 209
Transportation Authority	144,784
Maryland Correctional Enterprises	872
Economic Development Loan Programs	31
Total depreciation expense – business-type activities	\$ 145,896

11. Long-Term Obligations:

A. Governmental Activities:

Changes in governmental activities' long term debt, for the year ended June 30, 2018, were as follows (amounts expressed in thousands):

	Balance, as restated July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Bonds and Notes Payable:					
General Obligation Bonds	\$ 9,334,205	\$ 1,865,163	\$ 1,719,961	\$ 9,479,407	\$ 872,498
Transportation Bonds	2,578,385	555,000	221,710	2,911,675	199,410
Add: Issuance premiums	1,474,390	442,844	217,908	1,699,326	
Total bonds and notes payable	13,386,980	2,863,007	2,159,579	14,090,408	1,071,908
Other Liabilities:					
Compensated absences	333,013	189,050	206,744	315,319	199,961
Self insurance costs	368,175	1,599,104	1,594,384	372,895	137,045
Net pension liability	21,489,216	4,302	1,651,704	19,841,814	
Net other post employment benefits obligation	11,971,787		567,219	11,404,568	
Obligations under capital leases	842,363	15,034	70,094	787,303	67,005
Obligations under capital leases with component units	103,100		19,167	83,933	20,030
Pollution remediation	162,919	10	90	162,839	90
Other long-term liabilities	3,834	7,225	1,450	9,609	871
Total other liabilities	35,274,407	1,814,725	4,110,852	32,978,280	425,002
Total long-term liabilities - governmental activities	\$ 48,661,387	\$ 4,677,732	\$ 6,270,431	\$ 47,068,688	\$ 1,496,910

General Obligation Bonds –

General obligation bonds are authorized and issued primarily to provide funds for State owned capital improvements, facilities for institutions of higher education and the construction of public schools in political subdivisions. Bonds have also been issued for local government improvements, including grants and loans for water quality improvement projects and correctional facilities, and to provide funds for loans or outright grants to private, not-for-profit cultural or educational institutions. Under constitutional requirements and practice, the Maryland General Assembly, by a separate enabling act, authorizes loans for particular objects or purposes. Thereafter, the Board of Public Works, a constitutional body comprised of the Governor, the Comptroller and the State Treasurer, by resolution, authorizes the issuance of bonds in specified amounts. Bonds are issued and accounted for on a “cash flow” basis rather than a “project” basis and are not sold to specifically fund an enabling act. General obligation bonds are subject to arbitrage regulations. However, there are no major outstanding liabilities in connection with these regulations as of June 30, 2018. Bonds are subject to redemption provisions at the option of the State.

General obligation bonds, which are paid from the general obligation debt service fund, are backed by the full faith and credit of the State and, pursuant to the State Constitution, must be fully paid within 15 years from the date of issue. Property taxes, bond premiums, interest subsidy payments from the Federal government, debt service fund loan repayments and general fund and capital projects fund appropriations provide the resources for repayment of general obligation bonds. During fiscal year 2018, the State issued \$1,865,163,000, of general obligations at a premium of \$350,737,000, with related issuance costs of \$5,507,000.

Included in bond issuances were \$785,340,000, to refund certain outstanding general obligation bonds issued between 2009 and 2015. From the refunding bonds and related premium of \$184,000,000, \$967,047,000, was transferred to an escrow account and used to purchase U.S. Government securities. These securities will be used to secure the principal and interest related to the refunded bonds. The interest rates on the refunded bonds range from 2.3% to 5.0%. The purpose of the refunding was to realize savings on debt service costs. The aggregate difference in debt service between the refunded debt and the refunding debt was \$85,699,000. The economic gain on the transaction, that is, the difference between the present value of the debt service streams for the refunding debt and refunded debt, was \$75,832,000.

Refunded bonds of \$2,330,195,000, maturing in fiscal years 2019-2028 and callable in fiscal years 2019-2024 were considered defeased as of June 30, 2018. Accordingly, the trust account assets and the liability for the defeased bonds are not included in these financial statements.

General obligation bonds issued and outstanding, as of June 30, 2018, were as follows (amounts expressed in thousands):

Issue	Maturity	Interest Rates	Annual Principal Installments	Principal Issued	Principal Outstanding
11/30/04 ^(b)	2020	-	%	\$9,043	\$9,043
12/20/06 ^(b)	2022	-	4,378	4,378	4,378
12/18/07 ^(b)	2023	-	4,986	4,986	4,986
7/28/08	2012-2024	5.0	31,125-32,680	415,000	32,680
12/16/08 ^(b)	2010-2021	1.6	464	5,563	1,391
3/16/09 ^(f)	2012-2023	4.0-5.0	21,075-26,110	199,220	21,075
8/18/09 Ser B	2013-2024	4.0-5.3	15,590-25,775	200,000	45,505
8/18/09 ^(c)	2025	4.6	50,000	50,000	50,000
11/3/09	2013-2022	5.0	14,390-15,905	141,800	31,035
11/3/09 ^(c)	2023-2025	4.5-4.8	18,400-20,400	58,200	58,200
12/16/09 ^(d)	2025	-	50,320	50,320	50,320
12/17/09 ^(b)	2011-2025	1.6	371	5,563	2,596
12/18/09 ^(a)	2016-2021	2.0-5.0	29,560-178,775	602,765	331,055
3/9/10 ^(c)	2019-2025	4.0-4.6	52,450-62,170	400,000	400,000
3/9/10 ^(a)	2018-2023	3.0-5.0	2,330-60,600	195,315	134,715
8/10/10 Ser A	2014-2019	2.0-5.0	17,625-20,590	143,335	17,625
8/10/10 ^(c)	2023-2026	4.2-4.3	17,960-19,575	75,000	75,000
8/10/10 ^(d)	2026	4.4	45,175	45,175	45,175
12/8/10 ^(b)	2026	5.0	4,543	4,543	4,543
3/22/2011 ^(g)	2014-2026	2.0-5.0	5,195-16,705	130,770	5,195
3/22/2011 ^(h)	2014-2026	3.0-5.0	17,205-29,910	354,230	29,910
8/5/2011 ^(g)	2015-2026	2.0-4.0	1,710-6,965	71,730	4,805
8/5/2011 ^(h)	2015-2027	3.5-5.0	26,445-33,730	418,270	67,090
8/5/2011 ^(b)	2027	4.2	15,900	15,900	15,900
8/5/2011 ⁽ⁱ⁾	2027	4.2	6,500	6,500	6,500
9/28/2011 ^(a)	2020	1.2	30,025-37,510	254,915	71,825
3/20/2012 ^(g)	2027	2.2	150-7,385	56,085	16,115
3/20/2012 ^(h)	2027	2.4	34,235-54,210	543,915	124,845
3/20/2012 ^(a)	2023	1.7	25,055-40,005	138,380	103,355
8/14/2012 ^(g)	2016-2028	2.5	120-2,565	26,340	7,265
8/14/2012 ^(h)	2016-2028	2.2	27,335-46,700	478,660	229,580
8/14/2012 ^(b)	2028	2.8	15,230	15,230	15,230

Issue	Maturity	Interest Rates	Annual Principal Installments	Principal Issued	Principal Outstanding
8/14/2012 ^(a)	2019-2021	1.3	22,905-105,425	183,795	183,795
3/15/2013 ^(b)	2016-2028	2.4	31,325-49,105	500,000	290,390
3/15/2013 ^(a)	2018-2022	1.1	4,215-66,135	165,135	108,835
8/6/2013 ^(b)	2018-2029	3.2	16,295-46,770	435,000	261,325
12/19/2013 ^(b)	2015-2029	-	303	4,549	3,336
3/18/2014 ^(b)	2018-2029	2.8	12,145-46,695	450,000	273,160
3/18/2014 ^(a)	2015-2022	1.2	15,440-83,410	236,855	198,355
8/5/14 ^(g)	2017-2020	2.0-5.0	4,870-31,675	50,385	44,055
8/5/14 ^(h)	2017-2029	3.0-5.0	22,490-48,920	449,615	262,875
8/5/14 ^(a)	2020-2024	5.0-5.3	35,500-201,915	649,715	649,715
12/18/14 ^(b)	2016-2030	-	308	4,625	3,700
3/17/15 ^(b)	2018-2030	3.0-5.0	29,245-52,520	518,000	309,845
3/17/15 ^(a)	2020-2026	4.0	1,135-170,850	365,360	365,360
8/3/15 ^(b)	2020-2031	2.8-5.0	9,230-49,495	450,000	412,025
8/3/15 ^(e)	2019-2020	1.2-1.5	20,680-29,320	50,000	50,000
12/17/15 ^(b)	2017-2031	-	308	4,625	4,008
6/22/16 ^(b)	2019-2031	3.0-5.0	58,490-105,035	1,036,000	1,036,000
12/15/16 ^(b)	2018-2032	-	312	4,680	4,368
3/22/17 ^(b)	2022-2032	3.3-5.0	25,345-65,980	575,000	575,000
3/22/17 ^(e)	2020-2022	1.8-2.3	17,190-41,750	100,000	100,000
3/22/17 ^(a)	2018-2028	5.0	4,475-123,030	465,685	461,160
8/30/17 ^(b)	2021-2033	3.0-5.0	30,945-54,850	550,000	550,000
8/30/17 ^(a)	2020-2027	5.0	5,250-232,180	785,340	785,340
12/15/17 ^(b)	2019-2033	-	322	4,823	4,823
3/21/18 ^(b)	2022-2033	3.1-5.0	12,335-51,985	475,000	475,000
3/21/18 ^(e)	2021-2022	2.5-2.7	19,215-30,785	50,000	50,000
				\$13,685,318	\$9,479,407

^(a) Includes refunding debt

^(b) Includes Qualified Zone Academy Bonds for which the purchaser may receive Federal tax credits each year the bonds are outstanding

^(c) Includes federally taxable Build America Bonds for which the State receives a subsidy payment from the Federal Government equal to 35% of interest payments

^(d) Qualified School Construction Bonds for which the purchaser receives Federal tax credits each year the bonds are outstanding

^(e) Taxable bond sale

^(f) Institutional bond sale

^(g) Negotiated bond sale

^(h) Competitive bond sale

⁽ⁱ⁾ Qualified Energy Construction bond sale

General obligation bonds authorized, but unissued, as of June 30, 2018, totaled \$2,399,142,000.

As of June 30, 2018, general obligation debt service requirements for principal and interest in future years were as follows (amounts expressed in thousands):

Years Ending June 30,	Principal	Interest
2019	\$ 872,498	\$ 406,856
2020	904,346	365,120
2021	906,958	323,975
2022	892,157	281,909
2023	862,065	239,492
2024-2028	3,559,137	667,975
2029-2033	1,482,246	117,607
Total	\$ 9,479,407	\$ 2,402,934

Subsequent to June 30, 2018, on August 30, 2018, general obligation bonds aggregating \$510,000,000, were issued for capital improvements. The general obligation bonds have interest rates ranging from 4.0% to 5.0% and mature through 2033.

Transportation Bonds –

Transportation bonds outstanding as of June 30, 2018, were as follows (amount expressed in thousands):

	Outstanding
Consolidated Transportation Bonds – 2.0% to 5.5%, due serially through 2032 for	
State transportation activity	\$ 2,401,340
Consolidated Transportation Bonds, Refunding – 4.0% to 5.0%, due serially through 2027 for	
State transportation activity	510,335
Total	\$ 2,911,675

Consolidated Transportation Bonds are limited obligations issued by the Maryland Department of Transportation (Department) for highway, port, airport, rail, or mass transit facilities, or any combination of such facilities. The principal must be paid within 15 years from the date of issue.

As provided by law, the General Assembly shall establish in the budget for any fiscal year a maximum outstanding aggregate amount of these Consolidated Transportation Bonds as of June 30 of the respective fiscal year that does not exceed \$4,500,000,000, through June 30, 2018, and thereafter. The aggregate principal amount of those bonds that was allowed to be outstanding as of June 30, 2018, was \$3,021,675,000. The aggregate principal amount of Consolidated Transportation Bonds outstanding as of June 30, 2018, was \$2,911,675,000. Consolidated Transportation Bonds are payable from the proceeds of certain excise taxes levied by statute, a portion of the corporate income tax and a portion of the State sales tax credited to the Department. These amounts are available to the extent necessary for that exclusive purpose before being available for other uses by the Department. If those tax proceeds become insufficient to meet debt service requirements, other receipts of the Department are available for that purpose. The holders of such bonds are not entitled to look to other State resources for payments.

Under the terms of the authorizing bond resolutions, additional Consolidated Transportation Bonds may be issued, provided, among other conditions, that (1) total receipts (excluding Federal funds for capital projects, bond and note proceeds, and other receipts not available for debt service), less administration, operation and maintenance expenses for the preceding fiscal year, equal at least two times the maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued, and that (2) total proceeds from pledged taxes equal at least two times the maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued.

The 2017 session of the General Assembly established a maximum outstanding principal amount of \$880,900,000, as of June 30, 2018, for all nontraditional debt of the Department. Nontraditional debt outstanding is defined as any debt instrument that is not a Consolidated Transportation Bond or GARVEE bond (tax-exempt debt backed by annual federal appropriations for federal-aid transportation projects). This debt includes certificates of participation, debt backed by customer facility charges, passenger facility charges, or other revenues, and debt issued by the Maryland Economic Development Corporation or any other third party on behalf of the Department. As of June 30, 2018, the Department's nontraditional debt outstanding was \$604,820,000, and was reported as obligations under capital leases and includes funds held by the bond trustee under these agreements.

Arbitrage regulations are applicable to the transportation bonds payable. The Department estimates there are no material liabilities for arbitrage rebates as of June 30, 2018.

During the year, the Department issued Consolidated Transportation Bonds in the amount of \$555,000,000, with net premiums of \$92,107,000, with maturities ranging from September 2020 to May 2033, and with interest rates ranging from 3.0% to 5.0%. As of June 30, 2018, the Department has \$323,040,000, of defeased debt outstanding.

As of June 30, 2018, Department bond debt service requirements for principal and interest in future years were as follows (amounts expressed in thousands):

Years Ending June 30,	Consolidated Transportation Bonds	
	Principal	Interest
2019	\$ 199,410	\$ 124,365
2020	205,755	114,535
2021	254,860	103,879
2022	261,000	91,497
2023	267,320	80,131
2024-2028	1,037,170	243,622
2029-2033	686,160	51,463
Total	\$ 2,911,675	\$ 809,492

County Transportation Bonds are issued by the Department and the proceeds are used by participating counties and Baltimore City to fund local road construction, reconstruction and other transportation projects and facilities and to provide local participating funds for Federally-aided highway projects. Debt service on these bonds is payable from the participating counties' and Baltimore City's share of highway user revenues. County transportation debt is the obligation of the participating counties rather than the Department. Unexpended bond proceeds in the amount of \$8,553,000, and certain debt service sinking fund amounts aggregating \$16,599,000, were invested in money market accounts as of June 30, 2018. These funds are restricted for project funds and county bond debt service, respectively, and are reported as cash and cash equivalents in the agency funds. As of year end, \$97,020,000, in County Transportation Revenue Bonds were outstanding.

Subsequent to June 30, 2018, on September 18, 2018, the Department issued \$630,680,000 of Consolidated Transportation Bonds to fund transportation projects.

Obligations Under Capital Leases –

Obligations under capital leases as of June 30, 2018, bore interest at annual rates ranging from 0.1% to 6.7%. Capital lease obligations with third parties in fiscal year 2018 increased by \$15,034,000, for master equipment leases entered into by the general fund. The capital leases with component units include the general fund's capital leases with the Maryland Stadium Authority, which are being paid

with the net proceeds transferred from certain lottery games. Following is a schedule of annual future minimum payments under these obligations, along with the present value of the related net minimum payments as of June 30, 2018 (amounts expressed in thousands):

Years Ending June 30,	Capital Lease Obligations with	
	Third Parties	Component Units
2019	\$ 94,049	\$ 23,954
2020	100,671	23,854
2021	98,701	10,329
2022	96,556	10,342
2023	90,052	8,766
2024-2028	379,595	22,642
2029-2033	194,597	
2034-2038	2,954	
Total future minimum payments	1,057,175	99,887
Less: Amount representing interest	226,725	15,097
Less: Restricted cash and investments	43,147	857
Present value of net minimum payments	\$ 787,303	\$ 83,933

The reduction shown for restricted cash and investments in the amounts of \$43,147,000, and \$857,000, is monies held by the bond trustee to be used primarily for construction expenditures.

The assets acquired through capital leases were as follows (amounts expressed in thousands):

Asset	Third Parties
	Amount
Construction in progress	\$ 97,916
Land and improvements	19,406
Buildings and improvements	1,459,652
Machinery and equipment	258,979
Infrastructure	335,107
Total acquired assets	2,171,060
Less: Accumulated depreciation	970,320
Total capital assets - net	\$ 1,200,740

Pollution Remediation Obligations –

The State has recognized a pollution remediation obligation on the statement of net position for governmental activities. A pollution remediation obligation is a liability which addresses the current or potential detrimental effects of existing pollution and may include pre-cleanup activities (site assessment, feasibility study), cleanup activities (neutralization, containment, removal and disposal, site restoration), oversight and enforcement and post remediation monitoring.

Obligating events initiate the recognition of a pollution remediation liability. These events include any of the following:

- There is an imminent danger to the public.
- The State is in violation of a related permit or license.
- The State is identified as a responsible party or potentially responsible party (PRP) by a regulator.
- The State is named or has evidence that it will be named in a lawsuit.
- The State commences, or legally obligates itself to commence, pollution remediation activities.

The pollution remediation obligation is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations. The liability is recognized as it becomes estimable. In some cases, this may be at inception. In other cases, components of a liability (for example, legal services, site investigation or required post remediation monitoring) are recognized as they become reasonably estimable. At a minimum, the liability is reviewed for sufficiency when various benchmarks occur, such as receipt of an administrative order, participation as a responsible party or PRP in a site assessment, completion of a corrective measures feasibility study, issuance of an authorization to proceed, and as remediation is implemented and monitored.

Measurement of the liability is based on the current value of outlays expected to be incurred using the expected cash flow technique. This technique measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts – the estimated mean or average. Expected recoveries reduce the pollution remediation expense.

The pollution remediation estimated liability is \$162,839,000, with no estimated recoveries from third parties to reduce the liability. Included in this liability are cost estimates for site monitoring and repair, excavation of road and infrastructure and replacement of buildings as a result of site contamination by hazardous materials under Federal and State law in the amount of \$157,406,000. In these cases, either the State has been named in a lawsuit by a State regulator or the State legally obligated itself under the Environmental Article, Section 7-201, of the Annotated Code of Maryland.

The estimated liability also includes \$5,433,000, for the clean-up of illegal tire dumps for which the State is legally obligated under the Environmental Article, Section 9-2 of the Annotated Code of Maryland.

The cost estimates and assumptions for the pollution remediation due to site contamination from hazardous materials are based on engineering design estimates. The cost estimates and assumptions for the tire dump clean-up are based on estimated unit cost of \$830/ton based on historical data, fuel costs, specific site factors and oversight costs.

Agricultural Land Preservation Installment Purchase Obligation—

Under the Maryland Agricultural Land Preservation Program, the State purchases agricultural preservation easements restricting development on prime farmland and woodland.

Landowners have the option to choose a lump-sum payment option or installment payment option. The installment payment option is available by taking payments in equal amounts over two to ten years. The landowner may elect to take a certain amount in cash at the time of settlement and divide the remainder of the offer amount equally to be paid annually over the subsequent years. For the installment payments, the funds are invested by the State Treasurer in certificates of deposit at the interest rate in effect on the day of deposit in order to mature in accordance with the schedule of installments indicated by the landowners. Interest rates currently range from 0.15% to 1.24%. Each installment includes interest minus one-quarter of one percent of the interest earned. All installments are paid either April 1 or October 1 beginning the calendar year after the year settlement has occurred. Installment obligations mature through April 2024.

A summary of long-term debt outstanding for the agricultural land preservation installment purchase obligation as of June 30, 2018 is as follows (amounts expressed in thousands):

Years Ending June 30,	Principal		Interest	
2019	\$	871	\$	21
2020		720		15
2021		376		9
2022		283		5
2023		67		
2024		67		
Total	\$	2,384	\$	50

For the governmental activities, compensated absences, self insurance, net pension liability, net other post-employment benefits liability, obligations under capital leases, pollution remediation obligations, claims and judgments, and agricultural land preservation installment purchase obligations are generally liquidated by the general or special revenue fund as applicable.

B. Long Term Obligations – Business-type Activities:

Changes in long-term obligations for business-type activities as of June 30, 2018, were as follows (amounts expressed in thousands):

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Bonds Payable:					
Revenue bonds payable	\$ 5,345,081	\$ 360,143	\$ 1,254,199	\$ 4,451,025	\$ 249,949
Other Liabilities:					
Lottery prizes	32,266	11,281	6,813	36,734	3,939
Escrow deposits	78,629	17,333	37,657	58,305	22,292
Compensated absences	15,344	2,964	2,605	15,703	3,696
Self-insurance costs	14,772	2,522	2,785	14,509	2,176
Pension liability	290,202	509	36,484	254,227	
Obligation under capital leases	35,669		35,669		
Total other liabilities	466,882	34,609	122,013	379,478	32,103
Total long-term liabilities – business type activities	\$ 5,811,963	\$ 394,752	\$ 1,376,212	\$ 4,830,503	\$ 282,052

Debt service requirements for business-type activities' notes payable and revenue bonds to maturity were as follows (amounts expressed in thousands):

Year Ending June 30,	Community Development Administration		Maryland Water Quality Financing Administration		Maryland Transportation Authority	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 82,599	\$ 62,293	\$ 22,730	\$ 12,430	\$ 144,620	\$ 93,524
2020	95,060	61,043	23,935	11,330	116,014	87,803
2021	59,260	58,671	25,130	10,140	70,115	82,316
2022	59,090	57,010	26,375	8,886	75,153	79,144
2023	53,290	55,330	27,605	7,659	77,887	75,792
2024-2028	280,390	251,816	123,230	20,356	422,265	323,345

Year Ending June 30, (continued)	Community Development Administration		Maryland Water Quality Financing Administration		Maryland Transportation Authority	
	Principal	Interest	Principal	Interest	Principal	Interest
2029-2033	370,195	197,281	44,905	1,941	389,509	232,169
2034-2038	354,535	132,079			346,309	151,832
2039-2043	242,190	78,918			360,663	62,732
2044-2048	232,419	36,865			147,393	8,476
2049-2053	61,070	17,159				
2054-2058	27,590	7,833				
2059-2063	25,395	640				
Subtotals	1,943,083	1,016,938	293,910	72,742	2,149,928	1,197,133
Discounts and premiums	5,374		19,454		35,691	
Totals	\$ 1,948,457	\$ 1,016,938	\$ 313,364	\$ 72,742	\$ 2,185,619	\$ 1,197,133

Community Development Administration (Administration) – Revenue Bonds

The Administration, an agency of the Department of Housing and Community Development, has issued revenue bonds, proceeds of which were used for various mortgage loan programs. Assets aggregating approximately 2,489,743,000, and revenues of each mortgage loan program are pledged as collateral for the revenue bonds. Interest rates range from 0.6% to 6.8%, with the bonds maturing serially through 2060. The principal amount outstanding as of June 30, 2018, was \$1,948,457,000. Substantially all bonds are subject to redemption provisions at the option of the Administration. Redemptions are permitted at par through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans. During fiscal year 2018, the Administration issued \$110,220,000, of revenue bonds with interest rates ranging from 1.5% to 4.2% and maturing serially through 2060.

Included in this amount were \$42,430,000 of Series 2018 A bonds, which refunded all of Series 1996 A and Series 1996 B bonds on June 18, 2018. This refunding resulted in an economic gain for debt service savings of approximately \$315,000. The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred inflow of resources at its unamortized balance of \$825,000 as of June 30, 2018.

Subsequent to June 30, 2018, the Administration issued a total of \$6,460,000, and redeemed a total of \$2,395,000, revenue bonds.

Interest Rate Swaps:

Objective of the interest rate swap. As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, the Administration entered into an interest rate swap in connection with the variable rate revenue bonds totaling \$47,890,000. The intention of the swap was to effectively change the Administration's variable interest rate on the bonds to fixed rates.

Terms. The bonds and the related swap agreement mature on September 1, 2038, and the swap's notional amount of \$47,890,000, matches the amount of the variable rate bonds. Under the swap agreements, the Administration pays the counterparty a fixed payment of 3.7% and receives a variable payment computed as 64% of the London Interbank Offered Rate (LIBOR) plus .3%. Conversely, the bonds' variable rate is based on the Securities Industry and Financial Markets Association Rate.

Credit risk. The fair value of the swap represents the Administration's credit exposure to the counterparty as of June 30, 2018. The fair value of the swap with the counterparty is (\$171,000). Therefore, the Administration is not exposed to credit risk as of June 30, 2018, because the swap has a negative fair value. However, should the valuation of the swap change and the fair value turn positive, the Administration would be exposed to credit risk in the amount of the swap's fair value. The counterparty is rated Aa by Moody's and AA by Standard and Poor's. To mitigate the potential for credit risk, if the counterparties' credit quality falls to A or below, the fair value of the swap will be fully collateralized by the counterparty.

Basis risk. The swap would expose the Administration to basis risk should the relationship between LIBOR and the Security Industry and Financial Markets Association Rate converge. If a change occurs that results in the rates moving to convergence, the expected cost savings may not be realized.

Termination risk. The Administration or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The counterparty can terminate the contract if the ratings on the related bonds fall below the credit rating thresholds. If a swap is terminated, the underlying variable rate bonds may be exposed to rising interest rates. If at the time of such termination a swap has a negative fair value, the Administration would be liable to the counterparty for a payment equal to the swap's fair value along with any accrued interest.

Swap payments and associated debt. Using rates as of June 30, 2018, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows (amounts expressed in thousands): As rates vary, variable rate bond interest payments and net swap payments will vary.

Year Ending June 30,	Hedged Variable Rate Bonds		Interest Rate Swaps, Net		Total
	Principal	Interest			
2019	\$ 2,930	\$ 682	\$ 967	\$	4,579
2020	1,230	671	890		2,791
2021	1,400	650	863		2,913
2022	1,590	628	829		3,047
2023	1,785	606	795		3,186
2024-2028	8,930	2,613	3,340		14,883
2029-2033	10,350	1,915	2,287		14,552
2034-2038	12,825	1,059	989		14,873
2039-2043	1,435	52	16		1,503
Total	\$ 42,475	\$ 8,876	\$ 10,976	\$	62,327

Fair value. Because interest rates have generally decreased since execution of the swap, the swap has a fair value of (\$171,000) as of June 30, 2018. The swap's fair value may be countered by a decrease in total interest payments required under the variable rate bonds, creating a lower synthetic interest rate. Because the coupons on the Administration's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease.

The table below summarizes the total fair value for the Administration's interest rate swap as of June 30, 2017 and 2018, and the changes in fair value for the year ended June 30, 2018 (amounts expressed in thousands):

	Total Fair Value at June 30, 2017	Total Fair Value at June 30, 2018	Change in Fair Value For the Period
Interest rate swaps:			
Cash flow hedges	\$ (1,917)	\$ (171)	\$ 1,746

The fair value balances of derivative instruments (interest rate swaps) outstanding as of June 30, 2018, classified by type, and the changes in fair value as presented on the financial statements for the year ended June 30, 2018, are as follows (amounts expressed in thousands):

	Change in Fair Value		Fair Value at June 30, 2018		Outstanding Notional Amounts
	Classification	Amount	Classification	Amount	
Cash flow hedges:					
Pay fixed interest rate swaps	Deferred outflow	\$1,746	Debt	\$(171)	\$47,890

The fair value of the swap is based on market value and is affirmed by an independent advisor whose valuation method and assumptions are in accordance with accounting guidance issued by GASB. The fair value measurement for the swap's deferred outflow and liability is based on Level 2 inputs. The fair value of the interest rate swap was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on each future net settlement on the swap.

As of June 30, 2018, the Administration's swap met the criteria for effectiveness and the swap fair value is classified as deferred outflow.

Maryland Water Quality Financing Administration (Administration) – Revenue Bonds

The Administration, an agency of the Department of Environment, has issued revenue bonds for providing loans and grants. Interest rates range from 1.5% to 4.1%, payable semiannually, with annual installments from \$2,515,000, to \$24,640,000, to March 1, 2030. The principal amount outstanding as of June 30, 2018, was \$313,364,000. These bonds are payable solely from the revenue, money or property of the Administration.

Maryland Transportation Authority Bonds:

Bonds outstanding as of June 30, 2018, are as follows (amounts expressed in thousands):

BWI Consolidated Car Rental Facility Revenue Bonds, Series 2002, maturing in annual installments ranging from \$3,480 to \$8,505 from July 1, 2018, to July 1, 2032, with interest rates ranging from 2.7% to 6.7%, payable semiannually	\$84,560
BWI Airport Parking Revenue Refunding Bonds, Series 2012A and 2012B, maturing in annual installments ranging from \$11,895 to \$16,455 from March 1, 2019, to March 1, 2027, with interest rates ranging from 4.0% to 5.0% payable semiannually	125,515

Lease Revenue Refunding Bonds, Series 2015, maturing in annual installments ranging from \$1,036 to \$1,422 from July 1, 2018, to July 1, 2032, with an interest rate of 2.6% payable semiannually	\$17,786
Grant and Revenue Anticipation Bonds, Series 2007 (GARVEE bonds), maturing in an annual installment of \$34,390 on March 1, 2019, with an interest rate of 4.0% payable semiannually to finance the Intercounty Connector Highway Project	34,390
Series 2017 Revenue Refunding Bonds maturing in annual installments of \$3,850 to \$11,030, from July 1, 2018 to July 1, 2040, with interest rates ranging from 3.0% to 5.0% payable semiannually	169,670
Series 2008 A Revolving loan under the Transportation Infrastructure Finance and Innovation Act (TIFIA), for the Intercounty Connector Project maturing to July 1, 2047 with a fixed interest rate at 2.6% and an accreted amount	518,122
Series 2009 Revenue Bonds, for construction and improvements of Authority's Transportation Facilities projects, maturing from July 1, 2018 to July 1, 2043, with interest rates ranging from 3.0% to 5.9% payable semiannually	528,160
Series 2010 Revenue Bonds, for construction and improvements of the Authority's Transportation Facilities projects, maturing from July 1, 2018 to July 1, 2041, with interest rates ranging from 5.0% to 5.8% payable semiannually	312,420
Grant and Revenue Anticipation Bonds, Series 2008 (GARVEE bonds), maturing in annual installments ranging from \$46,425 to \$48,865 from March 1, 2019, to March 1, 2020, with an interest rate of 4.3% payable semiannually to finance the Intercounty Connector Highway Project	95,290
Passenger Facility Charge Revenue Bonds, Series 2012A, maturing in annual installments of \$2,085 to \$3,780 from June 1, 2019 to June 1, 2032, with interest rates ranging from 0.7% to 4.3% payable semiannually	39,510
Series 2012 Revenue Refunding Bonds maturing in annual installments of \$3,870 to \$6,225, from July 1, 2018 to July 1, 2029, with interest rates ranging from 3.0% to 5.0% payable semiannually	60,270
Passenger Facility Charge Revenue Bonds, Series 2012B, maturing in annual installments of \$6,265 to \$7,765 from June 1, 2019 to June 1, 2027, with interest rates ranging from 0.6% to 2.7% payable semiannually	63,485
Variable Passenger Facility Charge Revenue Bonds, Series 2012C, via sinking fund payments of \$43,400 through June 1, 2032, with a current variable rate of 1.5%	43,400
Passenger Facility Charge Revenue Bonds BWI Thurgood Marshall Airport, Series 2014, maturing in annual installments of \$1,580 to \$2,535 from June 1, 2019 to June 1, 2034, with interest rates ranging from 0.4% to 3.8% payable semiannually	35,030
Lease Revenue Refunding Bonds Metrorail Parking Projects, Series 2014, maturing in annual installments ranging from Bonds outstanding as of June 30, 2018, are as follows (amounts expressed in thousands):	22,320
Unamortized premium	35,691
Total	\$2,185,619

Revenue bonds are payable solely from the revenues of the transportation facilities projects. Capital assets constructed for BWI facilities, WMATA Metrorail and the Calvert Street Parking Project are not capital assets of the Authority. TIFIA bonds payable include an accreted amount of \$13,519,000, as of June 30, 2018.

Grant and Revenue Anticipation Bonds (GARVEE Bonds) are payable from a portion of Maryland's future Federal highway aid and other pledged monies. These bonds are not general obligations of the Authority or legal obligations of the Maryland Department of Transportation or the State.

Obligations Under Capital Leases –

The MLGCA had entered into lease agreements for certain on-line gaming system equipment and a computer system. In July 2017, the two casinos which had not purchased their Video Lottery Terminals took over ownership; therefore, eliminating all leases.

Department of Housing and Community Development (DHCD) State Funded Loan Programs – Note Payable

In April 2010, the DHCD obtained a loan from the John D. and Catherine T. MacArthur Foundation to preserve affordable housing for low-income persons and families near military bases in counties in Maryland impacted by the Base Realignment and Closure initiative (BRAC). In fiscal year 2012, several Maryland counties committed matching funds for participation in the BRAC. As of June 30, 2018, total notes payable for BRAC are \$3,585,000. This balance includes the loans received from the MacArthur Foundation as well as several Maryland counties. The loans bear interest at the rate of 2.0%, and are committed for no less than 10 years.

C. Notes and Revenue Bonds Payable – Component Units

Higher Education –

Certain State higher education institutions have issued revenue bonds for the acquisition, renovation, and construction of student housing and other facilities. Student fees and other user revenues collateralize the revenue bonds. Interest rates range from 2.0% to 6.1% on the revenue bonds.

Debt service requirements to maturity were as follows (amounts expressed in thousands):

Year Ending June 30,	Notes Payable and Other Long-Term Debt		Revenue Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 5,023	\$ 321	\$ 99,186	\$ 52,942
2020	4,227	269	99,016	48,038
2021	4,327	227	97,036	43,722

Year Ending June 30, (continued)	Notes Payable and Other Long-Term Debt		Revenue Bonds	
	Principal	Interest	Principal	Interest
2022	4,244	165	85,615	39,316
2023	2,905	102	87,076	35,323
2024-2028	3,305	44	379,651	122,198
2029-2033			259,740	46,632
2034-2038			110,220	9,450
Total	24,031	1,128	1,217,540	397,621
Accumulated accreted interest, premiums and discounts			103,534	
Total	\$ 24,031	\$ 1,128	\$ 1,321,074	\$ 397,621

The bonds issued are the debt and obligation of the issuing higher education institutions and are not a debt and obligation of, or pledge of, the faith and credit of the State.

As of June 30, 2018, higher education institutions have defeased debt outstanding of \$58,170,000, resulting from the refunding of previously issued debt. Accordingly, the trust account assets and the liability for the defeased bonds were not included in these financial statements.

As of June 30, 2018, cash and investments were held by the trustees for the higher education institutions in the amount of \$95,709,000, for the University System of Maryland (System), \$121,000, for St. Mary's College of Maryland, and \$5,009,000, for Morgan State University.

On February 21, 2018, University System of Maryland issued \$115,000,000, of 2018 Series A Bonds at interest rates ranging from 3.0 % to 5.0% maturing from 2019 to 2038.

Obligations under capital leases of \$22,389,000, existed as of June 30, 2018, and bore interest at annual rates ranging from 1.0% to 6.8%.

Maryland Stadium Authority (Authority) – Revenue Bonds:

Debt service requirements to maturity for Maryland Stadium Authority revenue bonds and notes payable were as follows (amounts expressed in thousands):

Years Ending June 30,	Principal	Interest
2019	\$34,366	\$40,893
2020	35,865	39,295
2021	23,716	37,920
2022	24,865	36,778
2023	23,907	35,567
2024-2028	105,850	160,640
2029-2033	105,255	135,416
2034-2038	134,335	106,336
2039-2043	171,445	69,223
2044-2047	170,680	21,855
Total	830,284	683,923
Unamortized premium net of unamortized discount	122,684	
Total	\$952,968	\$683,923

The Authority has issued various lease revenue bonds and notes to finance the construction of the baseball and football stadiums, Baltimore City Public Schools (BCPS), and certain other facilities. Except for BCPS, the outstanding debt is to be repaid through capital lease payments from the State, as the State has entered into capital lease arrangements for the use of the facilities financed with the debt proceeds.

In April 2013, the BCPS Construction and Revitalization Act was passed. The General Assembly authorized the Authority to issue up to \$1.1 billion in debt as limited obligations of the Authority, payable solely from the BCPS Financing Fund, established under the Act. The Authority issued Series 2016 bonds, totaling \$320,000,000. In support of the bonds, the Authority will receive \$60,000,000, annually, \$20,000,000, each from the State of Maryland, Baltimore City, and Baltimore City Board of School Commissioners (BCBSC). Sources of revenues include a portion of State lottery revenues, a portion of state education aid currently committed to Baltimore City Public Schools, and other taxes collected by or payable to Baltimore City.

Expenditures for Baltimore City Public School Construction are projected to be spent over an eight-year period while the revenues will be collected for at least thirty (30) years, which will decrease unrestricted net position until the revenues are fully received.

In February 2018, the Authority issued the Baltimore City Public Schools (BCPS) Construction and Revitalization Program Revenue Bonds, Series 2018A for \$426,400,000. The proceeds will be used for issuance costs and construction costs for the BCPS. Interest is payable semiannually at the rate of 5.0% per annum. This bond will mature May 2047.

As of June 30, 2018, the Authority had outstanding revenue bonds for the construction, renovation and expansion of certain facilities as follows (amounts expressed in thousands):

Facility	Outstanding Amount	Interest Rates	Maturity Date
Baseball Stadium	\$34,637	0.8% to 6.1%	December 15, 2023
Football Stadium	41,369	Variable	March 1, 2026
Hippodrome Performing Arts Center	6,655	0.7% to 2.5%	June 15, 2022
Montgomery County Conference Center	8,821	4.0% to 5.0%	June 15, 2024
Camden Station	4,595	3.0% to 5.2%	December 15, 2024
Camden Yards Complex	6,985	2.80%	December 15, 2024
Baltimore City Public Schools Construction	849,906	5%	May 1, 2047
Total	\$952,968		

12. Insurance:

The self-insurance liabilities represent the State's liability for its various self-insurance programs. The State is self-insured for general liability, property and casualty, worker's compensation, environmental and anti-trust liabilities and certain employee health benefits. Commercial insurance coverage is purchased for specialized exposures such as aviation hull and liability, steam boiler coverage and certain transportation risks. There were no significant reductions or changes in the commercial insurance coverage from the prior year, and the amount of settlements have not exceeded insurance coverage for any of the past three fiscal years.

All funds, agencies and authorities of the State participate in the self-insurance program (Program). The Program, which is accounted for in the general fund, allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund, agency or public authority, based on a percentage of each organization's estimated current-year payroll or based on an average loss experienced by each organization. This charge considers recent trends in actual claims experience of the State as a whole and makes provision for catastrophic losses.

The Program's liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, actual claims paid could differ from these estimates. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Non-incremental claims adjustment expenses have been included as part of the liability for claims and adjustments for the general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities. Liabilities for incurred workers' compensation losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a 4% discount rate. The worker's compensation and property and casualty costs are based upon separately determined actuarial valuations for the following fiscal years ending. The employee health benefits liability is calculated based on claims subsequently reported and claims trends.

Changes in the self-insurance liabilities during the fiscal year 2018 were as follows (amounts expressed in thousands):

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability	Amounts Due Within One Year
Property, casualty and general liability	\$ 17,762	\$ 9,705	\$ 9,860	\$ 17,607	\$ 7,277
Employee health benefits	103,000	1,653,751	1,653,751	103,000	103,000
Workers' compensation	247,413	69,183	64,308	252,288	26,768
Governmental activities self-insurance costs	368,175	1,732,639	1,727,919	372,895	137,045
Business-type activities workers' compensation	14,772	2,521	2,784	14,509	2,176
Component units workers' compensation	38,773	5,479	5,926	38,326	5,749
Total self-insurance costs	\$ 421,720	\$ 1,740,638	\$ 1,736,628	\$ 425,730	\$ 144,970

As of June 30, 2018, the Program held \$243,915,000 , in cash and investments designated for payments of these claims.

Changes in the self-insurance liabilities during fiscal year 2017 were as follows (amounts expressed in thousands):

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability	Amounts Due Within One Year
Property, casualty and general liability	\$ 16,511	\$ 11,286	\$ 10,035	\$ 17,762	\$ 7,940
Employee health benefits	105,500	1,540,355	1,542,855	103,000	103,000
Workers' compensation	234,716	73,399	60,702	247,413	27,170
Governmental activities self-insurance costs	356,727	1,625,040	1,613,592	368,175	138,110
Business-type activities workers' compensation	13,919	4,223	3,370	14,772	2,215
Component units workers' compensation	38,166	7,384	6,777	38,773	5,816
Total self-insurance costs	\$ 408,812	\$ 1,636,647	\$ 1,623,739	\$ 421,720	\$ 146,141

As of June 30, 2017, the Program held \$338,821,000 , in cash and investments designated for payments of these claims.

13. Fund Equity:

The unrestricted deficit for governmental activities on the government-wide statement of net position is \$34,404,356,000. A portion of the deficit results from the State incurring a debt for the purposes of capital acquisition and construction on behalf of local governments and private organizations. Since the incurrence of this debt does not result in capital assets of the State, the debt is not reflected in the net position category, net investment in capital assets, but rather in the unrestricted net position category. As of June 30, 2018, the State had reported outstanding general obligation bonds and capital leases applicable to these non-State projects of \$6,252,389,000. Without State financing for these capital assets, the State would have reported an unrestricted deficit for governmental activities in the amount of \$28,151,967,000.

The statement of net position for the primary government reported \$2,441,706,000, of restricted net position, including \$247,256,000, restricted by enabling legislation.

Detail of the fund balance categories and classification shown in the aggregate on the governmental funds balance sheet is as follows (amounts in thousands):

	General	Special Revenue Maryland Department of Transportation	Other Governmental Funds	Total Governmental Funds
Fund balances:				
Nonspendable - Prepaid items, inventories and long-term loans and notes receivable	\$ 598,754	\$ 240,924		\$ 839,678
Restricted:				
Debt service			\$ 247,256	247,256
Other purposes	8,259			8,259
Committed:				
State Reserve Fund	883,562			883,562
AIDS Drug Assistance	79,253			79,253
Hospital Uncompensated Care	12,851			12,851
Other health and mental hygiene	117,443			117,443
Education	58,104			58,104
Aid for higher education	8,904			8,904
Human resources	30,771			30,771
Public safety	59,781			59,781
Transportation		12,547		12,547
Mortgage Services Settlement Fund	3,745			3,745
Public Utility Customer Investment Fund	291			291
Other judicial	31,392			31,392
Labor, licensing and regulation	43,714			43,714
Waterway improvements	12,393			12,393
Ocean beach replenishment	6,127			6,127
Other natural resources and recreation	91,882			91,882
Housing and community development	11,797			11,797
Environment	27,626			27,626
Agriculture	31,374			31,374
Commerce	9,515			9,515
Capital projects			570,570	570,570
Other purposes	112,798			112,798
Unassigned	(507,376)	(234,362)	(235,418)	(977,156)
Total fund balances	\$ 1,732,960	\$ 19,109	\$ 582,408	\$ 2,334,477

A portion of the general fund's committed fund balance, in the amount of \$883,562,000, as of June 30, 2018, includes the State Reserve Fund, which consists primarily of the Revenue Stabilization Account with a balance of \$856,842,000. The Revenue Stabilization Account is authorized in Section 7-311 of the State Finance and Procurement Article, Annotated Code of Maryland. Appropriations are required to be transferred to the Revenue Stabilization Account in years when the account balance is less than 7.5% of estimated general fund revenues. If the account balance is at least 3% but less than 7.5%, an appropriation of \$50,000,000, or whatever lesser amount is necessary to bring the account balance to 7.5% of estimated general fund revenues is required; if the account balance is less than 3%, the required appropriation is \$100,000,000.

Transfer of funds from the Revenue Stabilization Account may occur only to support the operation of State government on a temporary basis and only in amounts that are not otherwise offset by reductions made by the General Assembly in the general fund appropriations. These circumstances are not expected to occur routinely.

Transfer of funds from the account that does not result in a balance below 5% of estimated general fund revenues must be authorized

by (1) an act of the General Assembly or (2) a specific provision of the State budget bill as enacted. Transfers resulting in a balance below 5% must be authorized by an act of the General Assembly other than the budget bill. The use of a budget amendment for fund transfer is prohibited.

The unrestricted deficit in net position in other enterprise funds of \$8,684,000, for the Economic Development Insurance Programs occurred because of restrictions for insuring mortgages.

14. Segment Information:

The State's Economic Development Loan Program contains two separately identifiable activities that have separately issued revenue bonds outstanding: housing loans of the Community Development Administration and water quality loans and grants of the Maryland Water Quality Administration.

The Community Development Administration (CDA) has issued revenue bonds, the proceeds of which were used for various mortgage loan programs. The assets of the loan program and revenues of each mortgage loan program are pledged as collateral for the revenue bonds. The bond indentures require the CDA to separately account for the identifiable activity's revenues, expenses, gains and losses, assets and liabilities.

The Maryland Water Quality Administration has issued revenue bonds to encourage capital investment for wastewater treatment systems and bay restoration. These bonds are payable solely from, and secured by, the revenue, money or property of the Maryland Water Quality Administration. The bond indentures require separate accounting for the identifiable activity's revenues, expenses, gains and losses, assets and liabilities.

Summary financial information for the two loan programs is presented below:

Condensed Statement of Net Position		
As of June 30, 2018		
<i>(Expressed in Thousands)</i>		
	Community Development Administration	Maryland Water Quality Administration
Assets:		
Current restricted assets	\$ 634,875	\$ 35,961
Non-current restricted assets	1,854,868	181,552
Total assets	2,489,743	217,513
Liabilities:		
Current liabilities	186,395	25,248
Non-current liabilities	1,898,065	290,633
Total liabilities	2,084,460	315,881
Net position:		
Restricted	405,283	(98,368)
Total net position	\$ 405,283	\$ (98,368)

Condensed Statement of Revenues, Expenses and Changes in Net Position		
For the Year Ended June 30, 2018		
<i>(Expressed in Thousands)</i>		
	Community Development Administration	Maryland Water Quality Administration
Operating income (expenses):		
Interest on loan income	\$ 75,527	\$ 2,619
Other operating revenues	8,105	
Other operating expenses	(50,413)	
Operating income (loss)	33,219	2,619
Non-operating revenues (expenses)	(39,194)	(8,117)
Change in net position	(5,975)	(5,498)
Total net position - beginning	411,258	(92,870)
Total net position - ending	\$ 405,283	\$ (98,368)

Condensed Statement of Cash Flows
For the Year Ended June 30, 2018
(Expressed in Thousands)

	Community Development Administration	Maryland Water Quality Administration
Net cash from:		
Operating activities	\$ 8,269	
Non-capital financing activities	(145,672)	\$ (37,545)
Investing activities	18,880	37,545
Beginning cash and cash equivalents	573,987	
Ending cash and cash equivalents	\$ 455,464	\$ -

15. Retirement Benefits:

Maryland State Retirement and Pension System (System):

The State is an employer in the cost-sharing multiple-employer public employee retirement system established by the State to provide pension benefits for State employees (other than employees covered by the Maryland Transit Administration Pension Plan described below) and employees of 148 participating political subdivision or other entities within the State.

The State Retirement Agency (the “Agency”) is the administrator of the Maryland State Retirement and Pension System (the “System”). The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. Responsibility for the System’s administration and operation is vested in a 15-member Board of Trustees. The System is made up of two cost-sharing employer pools: the “State Pool” and the “Municipal Pool”. The “State Pool” consists of the State agencies, boards of education, community colleges, and libraries. The “Municipal Pool” consists of the participating governmental units that elected to join the System. Neither pool shares in each other’s actuarial liabilities, thus participating governmental units that elect to join the System (the “Municipal Pool”) share in the liabilities of the Municipal Pool only.

The State of Maryland is the statutory guarantor for the payment of all pensions, annuities, retirement allowances, refunds, reserves, and other benefits of the System. The State is obligated to annually pay into the accumulation fund of each State system at least an amount that, when combined with the System’s accumulation funds, is sufficient to provide benefits payable under each plan during that fiscal year. The System is accounted for as one defined benefit plan as defined in accounting principles generally accepted in the United States. Additionally, the System is fiscally dependent on the State by virtue of the legislative and executive controls exercised with respect to its operations, policies, and administrative budget. Accordingly, the System is included in the State’s reporting entity and disclosed in its financial statements as a pension trust fund.

The System prepares a separately audited Comprehensive Annual Financial Report, which can be obtained from the Maryland State Retirement and Pension System, 120 E. Baltimore Street, Suite 1600, Baltimore, Maryland 21202-1600 or located at <http://www.sra.state.md.us/Agency/Downloads/CAFR/>.

Plan Description:

The System is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland and consists of several plans which are managed by the System’s Board of Trustees. All State employees and employees of participating entities are covered by the plans.

“Retirement System” – retirement programs for substantially all State employees, teachers, State Police and judges who are not members of the State Pension System.

“Pension System” – retirement programs for employees and teachers hired after January 1, 1980, and prior employees who elected to transfer from the Retirement System.

The System provides retirement, death and disability benefits in accordance with State statutes. For participants enrolled prior to July 1, 2011, vesting occurs after five years of service. A member terminating employment before attaining retirement age, but after completing five years of service becomes eligible for a vested retirement allowance provided the member does not withdraw his or her accumulated contributions. Members of the Retirement System may retire with full benefits after attaining the age of 60, or completing 30 years of service credit, regardless of age. Members of the Pension Systems may retire with full benefits after attaining the age of 62 with five years of service, or after completing 30 years of service credit, regardless of age. State Police members enrolled prior to July 1, 2011, may retire with full benefits after attaining age 50, or completing 22 years of service credit, regardless of age. Members of the Law Enforcement Officers System may retire with full benefits at age 50, or completing 25 years of service credit, regardless of age.

The annual benefit for Retirement System members is equal to 1/55 (1.8%) of the member’s highest three-year average final salary multiplied by the number of years of service credit. A member may retire with reduced benefits after completing 25 years of service, regardless of age. A member of the Pension System enrolled prior to July 1, 2011, will generally receive, upon retirement, an annual service retirement allowance equal to 1.2% of the member’s highest three-consecutive year average final salary multiplied by the number

of years of service credit on or before June 30, 1998, plus 1.8% of the highest three-consecutive year average final salary multiplied by the number of years of service credit after June 30, 1998. The annual benefit for a Pension System member who is employed by a participating governmental unit that does not provide enhanced pension benefits is equal to 0.8% of the member's highest three-consecutive year average final salary multiplied by the number of years of service credit, with a provision for additional benefits for compensation earned in excess of the Social Security Integration Level base. A member of either type of pension system enrolled prior to July 1, 2011, may retire with reduced benefits after attaining age 55 and completing 15 years of service.

For new Pension System members hired on or after July 1, 2011, benefit reforms enacted during the 2011 Legislative Session establish the pension benefit multiplier at 1.5% rather than 1.8%, calculate average final compensation based on the five highest consecutive years of service rather than the three highest, and allow vesting after ten years of eligible service rather than five years.

The annual retirement allowance for a State Police member is equal to 2.55% of the member's highest three-year average final salary multiplied by each year of service and may not exceed 71.4% of member's three years average final compensation. The annual retirement allowance for a member of the Law Enforcement Officers Pension System (LEOPS) is 2.0% of the member's highest three-consecutive year average final salary (AFC) multiplied by each year of service up to a maximum of 30 years plus 1.0% AFC of accumulated credible service in excess of 30 years. Neither the State Police Retirement System nor Law Enforcement Officers Pension System provide for an early retirement. Other reforms similar to those enacted for System employees and teachers were enacted for other systems in the State Pool.

Funding Policy:

In accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland, employer contribution rates are established by annual actuarial valuations using the entry age normal cost method and other actuarial assumptions adopted by the Board of Trustees. In accordance with the law governing the Systems, all benefits of the System are funded in advance. The entry age normal cost method is the actuarial cost method used to determine the employers' contribution rates. Members of the Retirement system are required to contribute to the System a fixed percentage of their regular salaries and wages, 7% or 5%, depending on the retirement plan selected. Under the 2011 Pension Reforms, members of the Pension System are required to contribute to the System 7% of their regular salaries and wages. Members of the Pension System who are employed by a participating government that does not provide enhanced pension benefits are required to contribute to the System 5% of the regular salaries and wages that exceed the Social Security wage base. State Police members are required to contribute 8% of their regular salaries and wages to the System. Members of the Law Enforcement Officers Pension System are required to contribute 7% of earnable compensation. All contributions are deducted from each member's salary, and the resulting payments are remitted to the System on a regular and periodic basis.

The contribution requirements of the System members, as well as the State and participating governmental employers, are established and may be amended by the General Assembly of the State of Maryland. Contribution rates for employer and other nonemployer contributing entities are established by annual actuarial valuations using the Individual Entry Age Normal Cost method with projection and other actuarial assumptions adopted by the Board of Trustees. These contribution rates have been established as the rates necessary to fully fund normal costs and amortize the unfunded actuarial accrued liability.

The unfunded actuarial liability was being amortized in distinct layers. The unfunded actuarial liability which existed as of the June 30, 2000, actuarial valuation was being amortized over a 40-year period (as provided by law) from July 1, 1980 and as provided by law, any new unfunded liabilities or surpluses arising during the fiscal year ended June 30, 2001, or any fiscal year thereafter, was being amortized over a 25-year period from the end of the fiscal year in which the liability or surplus arose. However, in the 2014 legislative session, the Legislature changed the method used to fund the System. The unfunded liability for each System is being amortized over a single closed 25-year period.

During fiscal year 2018, for the State Pool, the State paid \$1,879,141,000 of the required contribution totaling \$1,879,141,000 which was 18.1% of covered payroll and 100.0% of the required payment. The State makes non-employer contributions to the System for local school system teachers for retirement costs other than normal costs. The covered payroll amount includes amounts for employees for whom the State pays retirement benefits, but does not pay the payroll. As of June 30, 2018, the State's membership includes 166,762 active members, 45,533 vested former members, and 141,739 retirees and beneficiaries.

Assumptions and Other Inputs:

The significant actuarial assumptions and other inputs listed below were used to measure the total pension liability as of the measurement date of June 30, 2018:

Valuation method	Individual Entry Age Normal Cost Method
Salary increases	3.10% to 9.10% including inflation
Inflation	2.60% general, 3.10% wage
Rate of return on investments	7.45%
Discount rate	7.45%
Post-retirement benefit increase	2.23% - 3.10% for service prior to July 1, 2011 1.46% - 3.10% for service after June 30, 2011 (depending on system and provisions)

Mortality	RP-2014 Mortality Tables with projected generational mortality improvements based on the MP-2014 2-dimensional mortality improvement scale
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System's Fiduciary Net Position:

The System's fiduciary net position has been determined on the same basis used by the system. The System's financial statements are prepared on the accrual basis of accounting. Accordingly, investment purchases and sales are recorded as of their respective trade dates. Employer and member contributions are recognized in the period when due, pursuant to statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans. Investments are reported at fair value.

Long-term contributions receivable:

In addition to actuarially determined contributions, certain withdrawn employers also make annual installment payments, including interest at the actuarially assumed rate of return in effect at the time of withdrawal (7% or 7.5% per year), for liabilities associated with employees that have elected to stay in the System when their employer elected to withdraw. As of June 30, 2018, the outstanding balance was \$18,120,000. These payments are due over various time periods, based on the date of the employer's withdrawal.

Discount rate:

A single discount rate of 7.45% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.45%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

As of June 30, 2018, the State reported a liability of \$20,390,204,000 (\$18,868,479,000 for Governmental Activities, \$254,227,000 for Business-Type Activities and \$1,267,498,000 for Component Units), for its proportionate share of the net pension liability (NPL). The NPL was measured as of June 30, 2018, and the total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2017. The State's proportion of the NPL was based on adjusted contributions to the System in fiscal year 2017 relative to adjusted contributions of the State and all participating local governments, actuarially determined. As of June 30, 2018, the State's proportion was 94.30%.

During the year ended June 30, 2012, the State passed legislation that required local school boards of education to fund the current service cost for teachers included in the Teachers Retirement and Pension System (TRS) which is included in the State of Maryland Retirement and Pension System. The intent of the legislation was for the State to be responsible for past service costs, actuarial gains and losses, and the unfunded liability. As a result, the State has determined that the NPL of TRS qualifies as a special funding situation and as such the entire liability associated with TRS and the related deferred outflows and inflows is included in the State's financial statements. The NPL for the TRS is \$11,665,803,000, and for the other State systems is \$8,724,401,000 as of June 30, 2018.

The State recognized pension expense of \$2,356,914,000 consisting of \$1,348,456,000 applicable to the TRS and \$1,008,458,000 applicable to the other State systems, for the year ended June 30, 2018 (\$2,104,467,000 for Governmental Activities, \$30,140,000 for Business-Type Activities and \$222,307,000 for Component Units). At that date, the State reported deferred outflows and deferred inflows of resources related to the State systems from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 738,531	
Difference between projected and actual earnings on pension plan investment	2,509,935	\$ 1,273,990
Contributions made subsequent to the measurement date	1,879,141	
Change in proportionate share	274,749	274,749
Difference between expected and actual experience		1,416,697
Total	\$ 5,402,356	\$ 2,965,436
TRS	\$ 3,090,838	\$ 1,696,608
Other State Systems	2,311,518	1,268,828
Total	\$ 5,402,356	\$ 2,965,436

	Year ending June 30,	
The net amount reported as deferred outflows of resources related to pensions (non-contributions) will be recognized in pension expense as shown to the right (amounts expressed in thousands):	2019	\$ 260,936
	2020	659,530
	2021	213,939
	2022	(432,144)
	2023	(144,481)
	Total	\$ 557,780

Contributions:

Deferred outflows of resources related to MSRPS of \$1,879,141,000 resulting from State contributions subsequent to the measurement date, will be recognized as a reduction of the NPL in the year ended June 30, 2019.

Sensitivity of the net pension liability to changes in the discount rate:

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.45%, as well as what the plan's net pension liability would be if it were using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher (amounts expressed in thousands):

	1% Decrease 6.45%	Discount Rate 7.45%	1% Increase 8.45%
State's proportionate share of the NPL	\$29,120,463	\$20,390,204	\$13,148,043

Information included in the MSRPS financial statements:

Actuarial assumptions, long-term expected rate of return on pension plan investments, discount rate, and pension plan fiduciary net position are available at www.sra.state.md.us/Agency/Downloads/CAFR/.

Maryland Transit Administration Pension Plan (Plan):

The Plan is a single employer non-contributory plan, which covers all Maryland Transit Administration (Administration) employees covered by a collective bargaining agreement and all those management employees who were employed by the Baltimore Transit Company. In addition, employees who enter the management group as a result of a transfer from a position covered by a collective bargaining agreement maintain their participation. The Maryland Transit Administration was given authority to establish and maintain the Plan under Transportation Article, Section 7-206(b)(2)(ii), of the Annotated Code of Maryland. The Plan is administered and funded in compliance with the collective bargaining agreements. The Plan prepares separately audited financial statements, which can be obtained from the Maryland Transit Administration Pension Plan, William Donald Schaefer Tower, 8 Saint Paul Street, Baltimore, Maryland 21202 or located at <http://www.mdot.maryland.gov/newMDOT/Finance/index.html>.

Plan Description:

The Plan provides retirement, normal and early, death and disability benefits. Members may retire with full benefits at age 65 with five years of credited service or age 52 with 30 years of credited service. The annual normal retirement benefit is 1.4% - 1.6% (1.3% prior to September 8, 2002) of final average compensation multiplied by credited service, with minimum and maximum benefit limitations. Participants are fully vested after five years of credited service (seven years for participants hired after May 18, 2013).

As of June 30, 2018, membership in the Plan includes 2,638 active members, 521 vested former members, and 1,912 retirees and beneficiaries. There were no investments in, loans to, or leases with parties related to the Plan. There were no Plan investments representing 5 percent or more of total Plan assets. For the year ended June 30, 2018, the Administration's covered and total payroll was \$145,834,000.

Funding Policy:

The Administration's required contributions are based on actuarial valuations. The entry age normal cost method is the actuarial cost method used to determine the employer's contribution rates and the total pension liability. All administrative costs of the Plan are paid by the Plan.

During fiscal year 2018, the Administration paid \$40,997,000 of the required contribution totaling \$66,495,000 which was 28.1% of covered payroll and 61.7% of the required payment.

Assumptions and other inputs:

The significant actuarial assumptions and other inputs listed below were used to measure the total pension liability as of the measurement date of June 30, 2018:

Method of funding	Level Dollar Entry Age Normal
Discount rate	4.52%
Post-retirement benefit increase	2.5% COLAs
Salary increase	Rates vary by participant service
Inflation	3.20%
Investment rate of return	7.55%, net of pension plan investment expense, including inflation for funded benefits.
Mortality	RP-2014 Blue Collar tables with MP-2014. The RP-2014 Disabled Retiree table is used for disabled members
Cost of living adjustments	2.5% per year

Plan Fiduciary Net Position:

The Plan's fiduciary net position has been determined on the same basis used by the pension plan. The Plan's financial statements are prepared on the accrual basis of accounting. Accordingly, investment purchases and sales are recorded as of their respective trade dates and all contributions and benefits including refunds of employee contributions are recorded in the period when they become due. Investments are reported at fair value.

Net Pension Liability of the Plan:

The total pension liability of the Plans was determined by an actuarial valuation as of July 1, 2017 rolled forward to June 30, 2018 and the adjustment to the roll-forward liabilities were made to reflect the following assumptions change in the 2018 valuation:

1. Change of assumptions: An increase of the effective blended discount rate from 4.32% to 4.52%.

The components of the net pension liability as of June 30, 2018, are as follows (amounts expressed in thousands):

Total pension liability	\$ 1,271,782
Less Plan fiduciary net position	(298,447)
Employer net pension liability	\$ 973,335
Plan fiduciary net position as a percentage of the total pension liability	23.5%

Investments:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board after considering input from the Plan's investment consultant(s) and actuary(s). For each major asset class that is included in the Plan's target asset allocation as of June 30, 2018, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity	37%	5.8%
Credit/Debt Related Strategies	9%	3.6%
Rate sensitive	19%	1.1%
Absolute return	8%	3.2%
Private equity	13%	6.7%
Real Assets	14%	4.8%
Total	100%	

The above was the Board of Trustees adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2018.

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 8.1%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate:

A single discount rate of 4.52% was used to measure the total pension liability. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at the actuarially determined contribution rate. Since the actuarially determined contributions do not reflect any assumed future increases of benefits for pensioners and beneficiaries (COLAs) or the benefit cap, the Plan's fiduciary net position is not expected to be available to make all future benefit payments of current plan members.

Sensitivity of the net pension liability to changes in the discount rate:

The net pension liability of the MTA calculated using the discount rate of 4.52% as well as what the MTA's net pension liability would be if it were calculated using a discount rate that is 1% lower (3.52%) or 1% higher (5.52%) than the current rate, is as follows (amount express in thousands):

	1% Decrease 3.52%	Discount Rate 4.52%	1% Increase 5.52%
Net pension liability	\$1,171,590	\$973,335	\$811,708

Pension expense, deferred outflows of resources and deferred inflows of resources and changes in net pension liability:

The components of the pension expense for the Plan as of June 30, 2018, are as follows (amounts expressed in thousands):

	Amount
Service cost	\$ 37,194
Interest on the total pension liability	54,904
Projected investment earnings	(22,586)
Administrative expenses and other	2,213
Subtotal	71,725
Changes of benefit terms	(210)
Amortization - changes of assumptions	26,682
Amortization- actual investment earnings different than assumed	(2,853)
Amortization-differences between actual and expected experience	(5,015)
Subtotal	18,604
Total components recorded as pension expense	\$ 90,329

For the year ended June 30, 2018, the MTA recognized pension expense \$90,329,000. As of June 30, 2018, the MTA reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 14,487	\$ 31,809
Changes of assumptions	216,606	146,899
Net difference between projected and actual earnings on pension plan investments	1,629	7,263
Total	\$ 232,722	\$ 185,971

	Year ending June 30,	
The net amount reported as deferred outflows of resources related to pensions will be recognized in pension expense as shown to the right (amounts expressed in thousands):	2019	\$ 18,814
	2020	19,601
	2021	20,544
	2022	17,237
	2023	(29,445)
	Total	\$ 46,751

The changes in employer's net pension liability as of June 30, 2018 are as follows (amounts expressed in thousands):

Total pension liability	
Service cost	\$ 37,194
Interest	54,904
Changes of benefit terms	3,106
Differences between expected and actual experience	17,385
Change of assumptions or other inputs	(36,903)
Benefit payments, including refunds of member contributions	(37,203)
Net changes in total pension liability	38,483
Total pension liability- beginning	1,233,299
Total pension liability- ending(a)	1,271,782
Plan fiduciary net position	
Contributions-employer	40,997
Contributions-member	3,316

Net investment income	\$	20,550
Benefit payments, including refunds of member contributions		(37,203)
Administrative expenses		(2,213)
Net change in plan fiduciary net position		25,447
Plan fiduciary net position-beginning		273,000
Plan fiduciary net position-ending (b)		298,447
Net pension liability-ending (a)-(b)	\$	973,335

Deferred Compensation Plan (Plan):

The State offers its employees a deferred compensation plan (Plan) created in accordance with Internal Revenue Code Sections 457, 403(b), 401(a) and 401(k). The Plan, available to eligible State employees, permits participants to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. State law provides that the Governor appoint the nine member Board of Trustees of the State's Supplemental Retirement Systems. The Board is responsible for the implementation, maintenance and administration of the Plan. The Plan prepares separately audited financial statements, which can be obtained from the Maryland Teachers & State Employees Supplemental Retirement Plans, William Donald Schaefer Tower, Suite 200, 6 Saint Paul Street, Baltimore, Maryland 21202 or located at <http://msrp.maryland.gov/agency.htm>.

The State of Maryland Match Plan and Trust was established by the State on July 1, 1999. The plan is designed to be a tax-qualified 401(a) defined contribution matching plan under Internal Revenue Code section 401(a). Under plan provision, the State contributes to each participant's account an amount equal to each participant's contributions to the State's Supplemental Retirement Plan during the same plan year. By statute, the maximum amount contributed to this plan for each participant is \$600 for each State fiscal year. An employee's interest in his/her account is fully vested at all times. The match program continues to be established and funded in statute. During the year ended December 31, 2017, the State suspended the match contribution. For the plan year ended December 31, 2017, the State contributed \$0, to the 401(a) plan and participants contributed \$72,953,000, \$2,535,000, and \$91,833,000, to the 457, 403(b), and 401(k) plans, respectively.

16. Other Postemployment Benefits, Health Benefits (OPEB):

State Employee and Retiree Health and Welfare Benefits Program:

Plan Description:

The State Employee and Retiree Health and Welfare Benefits Program (Plan) is a single-employer defined benefit healthcare plan established by State Personnel and Pensions Article, Sections 2-501-2-516, of the Annotated Code of Maryland. The Plan is self-insured to provide medical, hospitalization, prescription drug and dental insurance benefits to eligible state employees, retirees and their dependents. State law grants authority to establish and amend benefit provisions to the Secretary of the Department of Budget and Management (DBM). In addition, the Secretary shall specify by regulation the types or categories of State employees who are eligible to enroll, with or without State subsidies, or who are not eligible to enroll.

The Postretirement Health Benefits Trust Fund (OPEB Trust) is established as an irrevocable trust under Section 34-101 of the State Personnel and Pensions Article to receive appropriated funds and contributions which will be used to assist the Plan in financing the State's postretirement health insurance subsidy. The oversight of the OPEB funds is the same Board of Trustees that oversees the Maryland State Retirement and Pension Systems. The Board of Trustees consists of 15 members. The Maryland State Retirement and Pension System prepares separately audited financial statements for the OPEB Trust Fund. The report may be obtained from the Office of the Comptroller, Attention: Plan Administrator, P.O. Box 746, Annapolis, Maryland 21404.

Funding Policy:

The contribution requirements of Plan members and the State are established by the Secretary. Each year the Secretary recommends to the Governor the State's share of the costs of the Plan. Funds may be separately appropriated in the State's budget for transfer to the OPEB Trust. Applicable administrative expenses are payable from the OPEB Trust, but may not exceed \$100,000 annually.

Generally, a retiree may enroll and participate in the health benefit options if the retiree retired directly from State service with at least five years of creditable service, ended State service with at least ten years of creditable service and within five years before the age at which a vested retirement allowance normally would begin, or ended State service with at least 16 years of creditable service. For members hired on or after July 1, 2011, they are required to have completed at least 25 years of creditable service, retired directly from State service with at least ten years of creditable service, or ended State service with at least ten years of creditable service and within five years before the age at which a vested retirement allowance normally would begin. As of July 1, 2018, the State's Plan membership includes 78,334 active employees, 2,902 vested former employees, and 74,662 retirees and beneficiaries. Based on current practice, the State subsidizes approximately 50% to 85% of retiree premiums to cover medical, dental, prescription and hospitalization costs, depending on the type of insurance plan. The Plan assesses a charge to retirees for post-employment health care benefits, which is based on health care insurance charges for active employees. During fiscal year 2018, the State did not appropriate funds to the OPEB Trust to prefund future OPEB costs.

Assumptions and Other Inputs:

The significant actuarial assumptions and other inputs listed below were used to measure the total OPEB liability as of the measurement date of June 30, 2018:

Valuation cost method	Entry Age Normal Cost Method
Asset valuation method	Five - year smoothed market
Rate of return on investments	7.50%
Inflation Rate	2.70%
Mortality	RP-2014 Healthy Retiree Mortality Rates with Generational Projection Using Scale MP-2014 for healthy retirees. RP-2014 Disability Mortality Rates with Generational Projection Using Scale MP-2014 for disabled retirees. RP-2014 Pre-Retirement Mortality Rates with Generational Projection Using Scale MP-2014 for pre-retirement.
Aggregate salary growth	3.20% including inflation
Method to determine blended rate	3.87% represents an unblended pay-go rate
Healthcare cost trend rate	Medical: Under 65 - 8.50% graded to 4.50% over 16 years Over 65 - 7.00% graded to 4.50% over 10 years Prescription drugs: Under 65 - 10.0% graded to 4.5% over 22 years Over 65 - N/A- benefit not offered after December 31, 2018 Dental: 3.50%
Individual salary increase	Vary by group, and years of service

OPEB Plan's Fiduciary Net Position:

The Plan's fiduciary net position has been determined on the same basis used by the plan. The Plan's financial statements are prepared on the accrual basis of accounting. Accordingly, investment purchases and sales are recorded as of their respective trade dates. Employer contributions are recognized in the period when due, pursuant to statutory or contractual requirements. Benefit and refunds are recognized when due and payable in accordance with the terms of the Plans. Investments are reported at fair value.

Net OPEB Liability of the Plan:

The Net OPEB Liability was measured as of June 30, 2018. Plan Fiduciary Net Position was valued as of the measurement date and the Total OPEB Liability was determined from an actuarial valuation as of June 30, 2018.

The components of the net OPEB liability are as follows (amounts expressed in thousands):

Total OPEB liability	\$ 10,900,551
Less: Plan fiduciary net position	329,272
Employer net OPEB liability	\$ 10,571,279
Plan fiduciary net position as a percentage of the total OPEB liability	3.02%

Investments:

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board after considering input from the Plan's investment consultant(s) and actuary(s). For each major asset class that is included in the Plan's target asset allocation as of June 30, 2018, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity	37%	5.8%
Private equity	13	6.7
Rate Sensitive	19	1.1
Credit opportunity	9	3.6
Real Assets	14	4.8
Absolute return	8	3.2
Total	100%	

The above was the Board of Trustees adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2018.

The annual money-weighted rate of return, net of investment expenses, on Plan investments for the year ended June 30, 2018, was 7.37%. A money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

Discount rate:

The Discount rate used to measure the total OPEB liability was 3.87% as of June 30, 2018. The projection of cash flow used to determine the discount rate assumed that the State would not make additional contribution to the OPEB Trust and continue to fund the Plan on a pay-as-you-go basis. Based on those assumptions, the OPEB Plan's fiduciary net position was not projected to cover a full year of projected future benefit payments. Therefore, all future benefit payments are discounted at the current index rate for 20 year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (3.87%).

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate:

Regarding the sensitivity of the net OPEB liability to change in the healthcare cost trend rates, the following presents the plan's net OPEB liability, calculated using current rates, as well as what the plan's net OPEB liability would be if it were calculated using rates that are 1-percentage-point lower or 1-percentage-point higher (amounts expressed in thousands):

	1% Decrease in Trend Rates	Current Healthcare Cost Trend Rates	1% Increase in Trend Rates
Net OPEB Liability	\$8,907,399	\$10,571,279	\$12,684,025

Sensitivity of the net OPEB liability to changes in the discount rate:

Regarding the sensitivity of the net OPEB liability to change in the single discount rate, the following presents the plan's net OPEB liability, calculated using a single discount rate of 3.87%, as well as what the plan's net OPEB liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher (amounts expressed in thousands):

	1% Decrease 2.87%	Discount Rate 3.87%	1% Increase 4.87%
Net OPEB Liability	\$12,965,295	\$10,571,279	\$9,521,213

OPEB Expense, Liabilities and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB:

The components of the OPEB expense for the Plan as of June 30, 2018, are as follows (amounts expressed in thousands):

Service Cost	\$	365,937
Interest on the total OPEB liability		410,862
Expensed portion of current-period difference between expected and actual experience in the Total OPEB liability		47,659
Sub Total		824,458
Expensed portion of current-period changes of assumptions or other inputs		(142,992)
Expensed portion of current-period differences between actual and projected earnings on plan investments		80
Sub Total		(142,912)
Total components recorded as OPEB expense	\$	681,546

The State recognized OPEB expense of \$681,546,000 for the year ended June 30, 2018. At that date, the State reported deferred outflows and deferred inflows of resources related to the State plan from the following sources (amounts expressed in thousands):

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Changes in actuarial assumptions		\$ 826,495
Difference between projected and actual earnings on OPEB plan investments	\$ 321	
Difference between expected and actual experience in the Total OPEB liability	275,471	
Total	\$ 275,792	\$ 826,495

	Year ending June 30,	
The net amount reported as deferred inflows	2019	\$ (95,252)
of resources related to OPEB	2020	(95,252)
will be recognized in OPEB expense as shown to	2021	(95,252)
the right (amounts expressed in thousands):	2022	(95,252)
	2023	(95,333)
	Thereafter	(74,362)
	Total	\$ (550,703)

The changes in employer's net OPEB liability at June 30, 2018 are as follows (amounts expressed in thousands):

Total OPEB liability	
Service cost	\$ 306,643
Interest	410,862
Differences between expected and actual experience	323,130
Changes of assumptions	(969,487)
Benefit payments, including refunds of member contributions	(562,479)
Net change in total OPEB liability	(491,331)
Total OPEB liability-beginning	11,391,882
Total OPEB liability-ending (a)	10,900,551
Plan fiduciary net position	
Net investment income	22,599
Net change in plan fiduciary net position	22,599
Plan fiduciary net position-beginning	306,673
Plan fiduciary net position-ending (b)	329,272
Net OPEB liability-ending (a)-(b)	\$ 10,571,279

Contributions:

For the fiscal year ended June 30, 2018, retiree plan members contributed \$ 86,303,000 , or approximately 13.3% of total retiree premiums, and the State contributed \$562,479,000, or approximately 86.7%. These contributions funded the premium (benefit) payments only.

Maryland Transit Administration Retiree Healthcare Benefit:

The Maryland Transit Administration Retiree Healthcare Benefit (MTA OPEB) provides retiree health care benefits under a collective bargaining agreement to all employees who are members of the MTA pension plan, except transfers from union to management positions who are required to enroll in the State Employee and Retiree Health and Welfare Benefits Program. The MTA currently funds retirees' health care on a pay-as-you-go basis. The MTA does not currently have a separate fund set aside to pay health care costs.

Plan Description:

The MTA OPEB provides medical, hospitalization, prescription drug, dental and vision insurance benefits to eligible MTA employees, retirees and their dependents. Members are eligible at age 65 with five years of service or age 52 with 30 years of service provided the member is enrolled in an MTA health plan at normal retirement. Members are also eligible at age 55 if the sum of the participant's age plus years of actual credited service equals at least 85 and the participant is enrolled in an MTA health plan at early retirement, disability with 5 years of service and surviving spouses. A separate audited GAAP-basis postemployment benefit plan report is not available for the healthcare plan.

As of June 30, 2018, 2,334 active employees and 1,361 retirees and beneficiaries were covered by healthcare insurance provided by MTA.

Funding Policy:

Based on current practice, MTA subsidizes approximately 50% to 100% of retiree healthcare premiums depending on the type of insurance plan and whether the retiree receives Medicare. Retirees make the same contribution as active employees, however Medicare is handled separately.

Assumptions and Other Inputs:

The significant actuarial assumptions and other inputs listed below were used in the actuarial valuation as of June 30, 2017, the most recent valuation date, to measure the total MTA OPEB liability as of June 30, 2018:

Method of funding	Entry Age Normal, Level Percentage of Payroll
Aggregate salary growth	3.20%
Inflation	3.20%
Healthcare cost trend rate	Medical and Prescription: 5.90% in FY 2018 decreasing to 5.68% Pre-Medicare and 5.30% Post-Medicare in FY 2050 The ultimate rate 4.34% and is attained in FY 2080 Dental and Vision: 4.50 % per annum
Mortality	RP2015 Blue Colla Fully Generational projected from 2014 using Scale MP-2014
Amortization method	Level Percentage of Payroll Closed
Amortization period	16 years as of July 1, 2018

Net OPEB Liability of the Plan:

The Net MTA OPEB liability was measured as of June 30, 2018 based on an actuarial valuation made as of June 30, 2017, and the components of the net MTA OPEB liability are as follows (amounts expressed in thousands):

Total OPEB liability	\$ 833,289
Less: Plan fiduciary net position	-
Employer net OPEB liability	\$ 833,289
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%

Discount rate:

The discount rate used to determine the total OPEB liability is based on an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The discount rate used for the MTA OPEB to measure the total OPEB liability was 3.58%.

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate:

Regarding the sensitivity of the net OPEB liability to change in the healthcare cost trend rates, the following presents the plan's net OPEB liability, calculated using current rates, as well as what the plan's net OPEB liability would be if it were calculated using rates that are 1-percentage-point lower or 1-percentage-point higher (amounts expressed in thousands):

	1% Decrease 3.34%	Current Healthcare Cost 4.34%	1% Increase 5.34%
Net OPEB Liability	\$686,751	\$833,289	\$1,026,673

Sensitivity of the net OPEB liability to changes in the discount rate:

Regarding the sensitivity of the net OPEB liability to change in the single discount rate, the following presents the plan's net OPEB liability, calculated using a single discount rate of 3.58%, as well as what the plan's net OPEB liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher (amounts expressed in thousands):

	1% Decrease 2.58%	Discount Rate 3.58%	1% Increase 4.58%
Net OPEB Liability	\$994,622	\$833,289	\$705,864

OPEB Expense, Liabilities and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB:

The components of the OPEB expense for the Plan at June 30, 2018, are as follows (amounts expressed in thousands):

Service Cost	\$ 47,907
Interest on the total OPEB liability	25,090
Administrative expenses and other	786
Changes in assumptions	(14,233)
Total components recorded as OPEB expense	\$ 59,550

The MTA OPEB recognized OPEB expense of \$59,550,000 for the year ended June 30, 2018. At that date, the MTA OPEB reported deferred outflows and deferred inflows of resources related to the MTA plan from the following sources (amounts expressed in thousands):

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Changes in actuarial assumptions	\$ -	\$ 99,631
Total	\$ -	\$ 99,631

	Year ending June 30,	
The net amount reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as shown to the right (amounts expressed in thousands):	2019	\$ (14,233)
	2020	(14,233)
	2021	(14,233)
	2022	(14,233)
	2023	(14,233)
	Thereafter	(28,466)
	Total	\$ (99,631)

The changes in employer's net OPEB liability as of June 30, 2018 are as follows (amounts expressed in thousands):

Total OPEB liability	
Service Cost	\$ 47,907
Interest	25,090
Changes of assumptions	(113,863)
Benefit payments, including refunds of member contributions	(12,422)
Net change in total OPEB liability	(53,288)
Total OPEB liability-beginning	886,577
Total OPEB liability-ending (a)	833,289
Plan fiduciary net position	
Contributions-employer	13,208
Benefit payments, including refunds of member contributions	(12,422)
Administrative expense	(786)
Net change in plan fiduciary net position	-
Plan fiduciary net position-beginning	-
Plan fiduciary net position-ending (b)	-
Net OPEB liability-ending (a)-(b)	\$ 833,289

17. Commitments:

As noted in Note 2, encumbrance accounting is used to account for outstanding commitments for open purchase orders and unfulfilled contracts in some governmental funds. Amounts related to encumbrances are reported in the general fund, \$318,109,000, the special revenue fund, \$12,547,000, and the capital projects fund, \$570,570,000, as of June 30, 2018.

State agencies and programs lease office space under various agreements that are accounted for as operating leases. Many of the agreements contain rent escalation clauses and renewal options. These leases contain termination for convenience clauses providing for cancellation after a certain number of days' notice to lessors. In addition, these leases contain appropriation clauses indicating that continuation of the lease is subject to appropriation by the legislature. Rent expenditures for the year ended June 30, 2018, were approximately \$94,501,000.

As of June 30, 2018, the governmental funds, other than the Department of Transportation, had commitments of approximately \$188,650,000, for service contracts.

As of June 30, 2018, the Department of Transportation and Maryland Transportation Authority had commitments of approximately \$6.6 billion and \$1.1 billion, respectively, for construction of highways and mass transit facilities.

Approximately 21.2% of future expenditures related to the Department of Transportation commitments are expected to be reimbursed from proceeds of approved Federal grants when the actual costs are incurred. The remaining portion will be funded by other financial resources of the Department of Transportation.

The Department of Transportation, as lessor, leases space at various marine terminals, airport facilities and office space pursuant to various noncancelable operating leases with scheduled rent increases. Minimum future rental revenues are as follows (amounts expressed in thousands):

Years Ending June 30,	Amounts
2019	\$ 120,593
2020	44,762

2021		38,860
2022	\$	32,828
2023		20,100
2024-2028		41,254
2029-2033		5,505
Total	\$	303,902

The cost and accumulated depreciation of the assets as of June 30, 2018, were \$1,488,086,000 and \$830,305,000 , respectively.

Total minimum future rental revenues do not include contingent rentals that may be received under certain concession leases on the basis of a percentage of the concessionaire's gross revenue in excess of stipulated minimums. Rental revenue was approximately \$240,540,000 , for the year ended June 30, 2018.

As of June 30, 2018, the enterprise fund loan programs had committed to lend a total of \$614,261,000 , in additional loans and had committed \$1,300,000 for service contracts. The Community Development Administration, also an enterprise fund loan program, had \$519,325,000 of revenue bonds outstanding that are not included in the financial statements of the Administration because the bonds are not guaranteed by the State or any other program of the State or any political subdivision. The revenue bonds are secured solely by the individual multi-family project properties, related revenues, applicable credit enhancements or investments equal to the debt outstanding.

As of June 30, 2018, the higher education fund had commitments of approximately \$667,943,000 for the completion of projects under construction.

18. Contingencies:

The State is party to legal proceedings that normally occur in governmental operations. The legal proceedings are not, in the opinion of the Attorney General, likely to have a material, adverse impact on the financial position of the State as a whole.

As of June 30, 2018, economic development loan programs were contingently liable to financial institutions for \$2,036,000 for the repayment of loans for small businesses. Non-major enterprise funds were contingently liable as insurers of \$390,561,000 of \$468,698,000, mortgage loans made by public and private lenders.

Non-major component units were contingently liable as insurers of \$9,941,000 of \$30,082,000, economic development and growth bonds issued by financial institutions.

The State receives significant financial assistance from the U.S. Government. Entitlement to the resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund which received the grant. As of June 30, 2018, the State has recognized a liability of \$35,371,000, in the general fund for Medicaid claims to the Federal government related to disallowed costs and the difference between the estimated and accrued amount owed providers under the developmental disabilities and communicable disease care programs. The State estimates that no additional material liabilities will result from such audits.

19. Tobacco Settlement:

Maryland has a Cigarette Restitution account for all revenues received from any judgment against or settlement with the tobacco industry. Expenditures from the account are made by an appropriation in the annual State budget. The law provides that at least 50% of the appropriations shall be made for tobacco or health related purposes and the remaining appropriations may be for any public purpose. Currently, 30% of the appropriations shall be made for the Maryland Medical Assistance Program (Medicaid). Appropriations of 0.15% of the account are required to be appropriated for enforcing the escrow requirements for nonparticipating tobacco product manufacturers. Transfers of \$145,923,000 were made from the proceeds in the Cigarette Restitution account for fiscal year 2018 expenditure of appropriations.

As part of the Master Settlement Agreement between the states and the tobacco companies, Maryland's share during fiscal year 2018 was \$140,924,000, including the award from the arbitration panel for attorney fees. This amount does not include \$22,145,000 the tobacco companies paid to the disputed account pending the outcome of litigation.

It is estimated that the payments made to the State pursuant to the Master Settlement through fiscal year 2023 will total \$3.45 billion. The actual amount received each year, however, will reflect adjustments for inflation and cigarette shipment volume. In addition, the State expects to receive \$123,979,000 during that same period pursuant to an award for attorney fees by the national arbitration panel.

20. Landfill Closure:

State and Federal laws require the Maryland Environmental Service (the Service) to cover and to perform certain maintenance and monitoring functions at Midshore Regional Landfill I, Easton Landfill, Midshore II, and Hobbs Road Landfill sites for 30 years after closure. Although closure and post closure care charges will be paid near and after the date the landfills stop accepting waste, the Service reports a portion of these closure and post closure care costs as a liability based upon the estimated useful life of the landfills.

Midshore I's current cells are approximately 93% filled as of June 30, 2018. The landfill stopped accepting waste on December 31, 2010, was capped, and is now in the post closure monitoring and maintenance period. Total closure and post closure care costs for the landfill are currently estimated to be \$3,154,000 as determined through engineering studies, and \$1,715,000 has been recognized as a liability on the June 30, 2018, Combining Statement of Net Position, Non-Major Component Units.

A flyover is performed annually in July to assist in the calculation of the landfill's remaining capacity based upon the volume of cubic yard capacity. Midshore II's current cells, which are expected to close in 2050, are approximately 20% filled as of June 30, 2018. Total closure and postclosure care costs for the landfill are currently estimated to be \$19,901,000 as determined through engineering studies, and \$3,409,000 has been recognized as a liability as of June 30, 2018. Actual costs may be subject to change due to inflation, deflation, technology, and changes in applicable laws and regulations

A receivable from project participants corresponding to the accrued liability has also been recorded. Under Federal regulations, the Service has satisfied its financial assurance requirements based upon the local government financial ratio tests of the project participants as of June 30, 2017. The Service expects to satisfy these requirements as of June 30, 2018, using the same criteria.

21. Service Concession Arrangements:

In fiscal year 2013, the Maryland Department of Transportation entered into a long-term lease with Ports America Corporation (PAC) to manage, operate and maintain the Dundalk Marine terminal. This agreement satisfies the criteria established to be considered a service concession arrangement.

Under the terms of the ground lease, the Department transfers rights to PAC for a term of 50 years. After 50 years ownership of the Dundalk Marine Terminal will revert to the Department. PAC charges and collects fees from the user for container lifts, short tons of roll on-roll off, break-bulk and bulk cargo and pays the operating costs, management fee and debt service associated with the project. The Department has the ability to approve what services the operator is required to provide. As of June 30, 2018, the capital assets, net of accumulated depreciation, and deferred concession arrangement receipts were \$47,549,000.

The Department has entered into a light rail transit public private partnership concession arrangement. The construction, operating and maintenance risk is being managed by Purple Line Transit Partners, LLC (PLTP) through a 6-year construction and 30 year operating period. The PLTP will finance, develop, design, build, equip, and supply light rail vehicles under an availability-based concession agreement with the Department. Construction began in August 2017. The Department paid a total of \$410,539,000, for construction costs to date. As of June 30, 2018, the capital assets and deferred service concession arrangement receipts were \$66,505,000.

In fiscal year 2013, Maryland Transportation Authority and Areas USA entered a 35-year Service Concession Arrangement (SCA) agreement to redevelop and operate two travel plazas along the John F. Kennedy Memorial Highway (I-95). The structure of the agreement between the Authority and Areas USA is a long term lease and concession. The Authority retains ownership of the property and assets. All property and improvements, with the exception of the fueling systems, are returned to the Authority at the end of the 35 year lease. Under the agreement, the Authority should realize reduced future operating and capital expenses; debt capacity will be reserved for core business activities; and revenue is guaranteed over the life of the agreement. Areas USA invested \$55,890,000, which required no public subsidy or debt, to redesign and rebuild both the Maryland House and Chesapeake House travel plazas. Areas USA will operate and maintain the travel plazas through the year 2047. The unamortized balance as of June 30, 2018, is \$49,685,000, which is reported in the deferred inflow of resources on the Statement of Net Position.

The University System of Maryland has entered into a long-term lease of university-owned land and other SCA agreements with a quasi-governmental issuer of debt and a developer to build, and an operator to manage, student housing projects at seven of the System's institutions.

Under the terms of the ground lease, the System transfers rights to university-owned property for a term of 40 years to the quasi-governmental issuer of debt (the project 'owner'). The project owner contracts with a developer to build student housing on the property, as well as an operator that manages the facility on behalf of the owner. Each student housing project is financed using tax-exempt debt that limits the use of the project to uses that support the institution. The owner of the project charges and collects rent from the students, and pays the operating costs and debt service associated with the project. The residual cash flow from the project, after paying all operating costs and management fees, is paid to the university as the ground lease payment. The institution has the ability to approve what services the operator is required to provide and the rates that can be charged.

Upon final payment of the outstanding debt associated with the project, or upon termination of the ground lease, whichever is sooner, the building's ownership transfers to the university and the owner's rights to use land revert to the university.

As of June 30, 2018, the Statement of Net Position reflects net capital assets of \$320,187,000, and deferred service concession arrangement receipts of \$288,931,000, from this transaction.

22. Tax Abatements:

For financial reporting purposes, the tax abatement is defined as an agreement between the government and an individual or entity through which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to the economic development or otherwise benefits the government or its citizens. The following tax abatement programs

were granted and administered by the State of Maryland during fiscal year 2018. There were two tax abatement programs in 2018 for which a company received a tax abatement of \$5 million or greater. The two programs were the Film Production Activity Tax Credit to the Knight takes King Production in the amount of \$7 million and the Aerospace, Electronics or Defense Contract Tax Credit to Northrop Grumman Corp. in the amount of \$7.5 million.

Name of Program	Tax Abatements - FY 2018 ⁽¹⁾	Tax Filings - FY 2018 ⁽²⁾	Program Description
Economic Development Programs:			
Film Production Activity Tax Credit	\$7,000,000	1	The program is designed to maintain current level of film production in the state, increase the current level of film production in the state and maintain the positive impact on the State's economy. Production companies must incur a minimum of \$500,000 direct costs in Maryland to participate in the program. The companies are reimbursed 25% of qualifying direct costs incurred in Maryland for films and 27% of qualifying direct costs incurred in Maryland for television series. The authority under which abatements are entered into is the Annotated Code of Maryland: Tax General Title 10, Subtitle 7, Section 10-730. State business income tax is abated. Taxes are being reduced by an allowance of credit against income taxes. Taxpayers receive the full amount of the credit regardless of the tax liability (refundable). There are no provisions for recapture of credit.
One Maryland Tax Credit	\$8,100,000	72	The program provides two income tax credits to businesses that initiate major investment projects in Maryland's economically distressed jurisdictions. The Project Tax Credit can be \$5 million and the Start Up Tax Credit can be \$500,000. The business must create at least 25 new positions paying at least 150% of the federal minimum wage. Tax being abated is the State business income tax. Taxes are reduced as an allowance of the credit against taxes. If the credit is less than the tax liability the credit may be used over a 14 year period. After the 4th tax year but before the 15th year after the project has been placed in service the business may apply the excess credit for project costs to non-project related tax income and a portion may be refunded. The authority under which abatements are entered into is the Annotated Code of Maryland: Economic Development Title 6, Subtitle 4, Section 6-401-6-406. There is no provision for recapturing abated taxes.
Aerospace, Electronics or Defense Contract Tax Credit	\$7,500,000	1	The program creates a tax credit against the State income tax for a business operating a qualified aerospace, electronics or defense contract tax credit project. The purpose of the program is to keep aerospace, electronics and defense contractors employing Maryland workers and to help the Maryland economy. The credit is \$2.5 million a year for each of the three programs for 5 years. The maximum credit is \$7.5 million a year and \$37.5 million total. A business entity operating a project must create or retain 10,000 positions and expend at least \$25 million in capital expenditures in Maryland. The taxes are reduced as a credit against state business income taxes. The authority under which the abatements are entered into is the Annotated Code of Maryland, Tax General, Title 10, Subtitle 7 Section 10-737. If the credit allowed in any tax year exceeds the total income tax otherwise payable by the qualified business entity for that taxable year the business entity may claim a refund in the amount of the excess (refundable). The credit must be recaptured if during either of the 2 years after the credit year the number of qualified positions falls below a rolling average over the past 2 years of 10,000. If the credit is required to be recaptured, the credit is recomputed and reduced on a proportionate basis, based on the reduction of the rolling average number of qualified employees over the past 2 years. The recomputed credit is then subtracted from the amount of credit previously allowed. If, during any of the 2 years after the credit year, the rolling average of qualified positions falls below 9,000 for the past 2 years, all the credits shall be recaptured.
Biotechnology Investment Incentive Tax Credit	\$13,900,000	239	The purpose of the program is to increase investment in Maryland Biotechnology Companies. Investors may receive a credit on their corporate or personal Maryland State income tax equal to 50% of investment not to exceed \$250,000 and for investment in companies in certain counties, 75% of investment not to exceed \$500,000. Taxes being abated are State of Maryland corporate or personal income tax. Authority under which abatements are entered into is the Annotated Code of Maryland, Tax General, Section 10-725. Taxes are reduced as an allowance of credit against income taxes. The amount in excess of the state income tax liability may be refunded (refundable). Amount is limited to the amount in the Biotechnology Investment Incentive Tax Credit Fund. If within 2 years after the close of the tax year for which the credit was claimed the investor sells, transfers or disposes of its ownership interest or if the company ceases to have its headquarters and base of operations in Maryland, the credit must be recaptured on the investors' Maryland income tax return.

Name of Program	Tax Abatements - FY 2018 ⁽¹⁾	Tax Filings - FY 2018 ⁽²⁾	Program Description
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Economic Development Programs (continued):

Cybersecurity Investment Incentive Tax Credit	\$370,000	3	The purpose of the program is to promote investment in cybersecurity companies in Maryland. The company may receive a tax credit equal to 33% of amount invested per investor up to \$250,000 for each investor each fiscal year. The company may receive a tax credit equal to 50% of the investment per investor up to \$500,000 per investor if the company is located in certain counties. Companies are limited to a 2 year participation in the program. Taxes being abated are the Maryland Corporate income tax or personal income tax for the company receiving the investment. Authority under which abatements are entered into is the Annotated Code of Maryland Tax General Article Section 10-733. The company may take an allowance of credit against income taxes. If the credit allowed exceeds the State of Maryland income tax, an individual or a corporation may claim a refund in the amount of the excess (refundable). The provision for recapturing abated taxes requires the cybersecurity company to repay a prorated share of the credit claimed if within 2 years it ceases to operate as an active business with its headquarters and base of operations in Maryland. The prorated share is 100% if the event occurs during the taxable year the credit was claimed, 67% if the event occurs the first year after the close of the taxable year for which the credit was claimed and 33% if within 2 years after the tax year for which the tax credit was claimed.
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Housing and Community Development Program:

Sustainable Communities Tax Credit	\$1,700,000	146	The purpose of the program is to encourage private sector investment in the rehabilitation and re-use of Competitive Commercial Projects and to promote investment in local economies. Owners of income-producing properties may earn a state income tax credit capped at \$3 million that is equal to 20% of the eligible rehabilitation expenses. The annual appropriation is \$9 million. The tax being abated is the State of Maryland Business or Individual Income Taxes. Authority to abate taxes is the Annotated Code of Maryland; State Finance and Procurement Article; Section 5A-303. A pro-rated percentage of the credit is subject to recapture if disqualifying work is performed or the certified rehabilitation is disposed of during the 5 year period that begins with the year the certified rehabilitation was completed.
Total tax credits administered by State	\$38,570,000	462	

The State's tax revenues were reduced by \$700,000 under tax abatement agreements entered into and administered by the counties and municipalities, namely the Enterprise Zone Tax Credit, as follows:

Name of Program	Tax Abatements - FY 2018 ⁽¹⁾	Tax Filings - FY 2018 ⁽²⁾	Program Description
Enterprise Zone Tax Credit	\$700,000	102	The program is designed to bring new businesses and jobs to the State in areas that need revitalization. Businesses enter into an agreement with counties or municipalities to construct or make improvements to buildings located in an enterprise zone. Businesses may receive from the State \$1,000 to \$9,000 in tax credits over three years for hiring new employees at the new or renovated facilities, Business income taxes are being abated. Taxes are being reduced by an allowance of credit against State of Maryland income tax. The authority under which abatements are entered into is the Annotated Code of Maryland, Tax Property, Title 9 Subtitle 1, Section 9-103, Tax General Section 10-702, and Economic Development Article Section 5-1401 (e). If the credit allowed in any taxable year exceeds the State income tax for that taxable year, a business entity may apply the excess as a credit against the State income tax for succeeding taxable years until the earlier of the full amount of the excess is used or the expiration of the 5th taxable year from the date on which the business entity hired the qualified employee to whom the credit first applies. There are no provisions for recapturing abated taxes.
Total tax credits administered by counties and municipalities	\$700,000	102	

(1) Gross dollar amount the government's tax revenues were reduced for fiscal year 2018 as a result of tax abatement agreements

(2) Number of income tax returns filing for credit in fiscal year 2018

Required Supplementary Information

COMPREHENSIVE ANNUAL FINANCIAL REPORT, STATE OF MARYLAND



STATE OF MARYLAND
Schedule of Revenues and Expenditures and Changes in Fund Balances - Budget and Actual -
Budgetary General, Special, and Federal Funds
For the Year Ended June 30, 2018
(Expressed in Thousands)

	General Fund			
	Budget Amounts		Actual Amounts	Variance Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Income taxes	\$ 10,223,292	\$ 10,223,292	\$ 10,328,177	\$ 104,885
Sales and use taxes	4,727,127	4,727,127	4,645,756	(81,371)
Other taxes	1,103,092	1,103,092	1,185,991	82,899
Licenses and fees	176,807	176,807	164,961	(11,846)
Charges for services	293,858	293,858	228,611	(65,247)
Interest and other investment income	35,000	35,000	45,700	10,700
Other	609,826	609,826	717,085	107,259
Total revenues	17,169,002	17,169,002	17,316,281	147,279
Expenditures and encumbrances by major function:				
Payments of revenue to civil divisions of the State	166,484	166,484	166,484	
Public debt	259,649	259,649	259,649	
Legislative	108,196	107,245	84,043	23,202
Judicial review and legal	629,979	627,244	609,744	17,500
Executive and administrative control	244,355	243,833	230,038	13,795
Financial and revenue administration	238,405	228,037	219,239	8,798
Budget and management	80,846	80,541	78,584	1,957
General services	72,396	71,424	64,346	7,078
Natural resources and recreation	61,123	60,188	59,357	831
Agriculture	32,276	32,131	32,037	94
Health, hospitals and mental hygiene	4,649,346	4,676,900	4,599,427	77,473
Human resources	635,424	617,684	607,890	9,794
Labor, licensing and regulation	51,705	51,134	45,286	5,848
Public safety and correctional services	1,246,960	1,218,002	1,191,877	26,125
Public education	8,157,148	8,178,667	8,119,397	59,270
Housing and community development	50,431	55,772	33,846	21,926
Commerce	106,614	106,171	78,833	27,338
Maryland technology development corporation	19,474	19,474	19,474	
Environment	30,128	29,043	28,642	401
Juvenile services	273,450	266,929	254,831	12,098
State police	279,520	277,522	276,225	1,297
State reserve fund	10,000	10,000	10,000	
Reversions	(30,000)	(30,000)		(30,000)
Total expenditures and encumbrances	17,373,909	17,354,074	17,069,249	284,825
Excess of revenues over (under) expenditures	(204,907)	(185,072)	247,032	432,104
Other sources (uses) of financial resources:				
Transfers in (out)			113,175	113,175
Excess of revenues over (under) expenditures and other sources (uses) of financial resources	(204,907)	(185,072)	360,207	545,279
Fund balances - beginning of the year	(7,049,548)	(6,824,620)	1,283,597	8,108,217
Fund balances - end of the year	\$ (7,254,455)	\$ (7,009,692)	\$ 1,643,804	\$ 8,653,496

See accompanying Notes to Required Supplementary Information.

STATE OF MARYLAND
Schedule of Revenues and Expenditures and Changes in Fund Balances - Budget and Actual -
Budgetary General, Special, and Federal Funds
For the Year Ended June 30, 2018

(Expressed in Thousands)

	Special Fund				Federal Fund			
	Budget Amounts		Actual Amounts	Variance Positive (Negative)	Budget Amounts		Actual Amounts	Variance Positive (Negative)
	Original Budget	Final Budget			Original Budget	Final Budget		
Revenues:								
Income taxes	\$ 256,350	\$ 213,816	\$ 216,011	\$ 2,195				
Sales and use taxes	50,000	70,000	70,423	423				
Other taxes	3,035,834	3,035,979	3,249,329	213,350				
Licenses and fees	856,526	864,265	842,036	(22,229)				
Charges for services	2,896,359	2,846,389	2,073,137	(773,252)				
Interest and other investment income	3,700	3,700	21,157	17,457			\$ 566	\$ 566
Other	1,901,561	1,997,546	1,588,461	(409,085)				
Federal revenue					\$ 12,977,124	\$ 13,145,527	11,676,424	(1,469,103)
Total revenues	9,000,330	9,031,695	8,060,554	(971,141)	12,977,124	13,145,527	11,676,990	(1,468,537)
Expenditures and encumbrances by major function:								
Payments of revenue to civil divisions of the State	1,041	1,041		1,041				
Public debt	975,867	975,867	963,725	12,142	11,539	11,547	11,547	
Judicial review and legal	132,068	131,840	111,723	20,117	4,160	5,592	4,464	1,128
Executive and administrative control	323,042	347,677	213,143	134,534	319,644	326,035	200,274	125,761
Financial and revenue administration	135,979	143,852	133,110	10,742				
Budget and management	31,923	49,117	25,012	24,105	48	42	4	38
Retirement and pension	26,306	23,330	23,304	26				
General services	3,952	7,392	5,999	1,393	1,334	1,288	787	501
Transportation and highways	4,047,860	4,099,120	3,995,394	103,726	1,119,359	1,181,338	981,100	200,238
Natural resources and recreation	357,412	310,633	274,598	36,035	43,709	46,318	31,203	15,115
Agriculture	69,226	56,957	46,061	10,896	3,600	4,705	3,608	1,097
Health, hospitals and mental hygiene	1,392,444	1,436,773	1,247,209	189,564	7,867,017	7,957,763	7,424,881	532,882
Human resources	110,704	114,133	98,556	15,577	1,847,594	1,843,609	1,611,925	231,684
Labor, licensing and regulation	227,009	174,056	167,553	6,503	208,670	207,183	153,703	53,480
Public safety and correctional services	139,145	143,494	126,203	17,291	30,715	33,718	30,083	3,635
Public education	668,839	622,213	612,537	9,676	1,434,873	1,433,688	1,022,518	411,170
Housing and community development	188,801	193,022	111,499	81,523	323,946	331,261	284,981	46,280
Commerce	88,101	108,307	31,195	77,112	1,839	2,696	1,945	751
Maryland technology development corporation	7,348	7,345	7,348	(3)				
Environment	719,144	719,788	266,364	453,424	78,330	78,029	69,334	8,695
Juvenile services	4,142	4,142	3,265	877	4,821	4,788	4,598	190
State police	96,947	106,563	101,281	5,282	7,272	7,272	4,421	2,851
Total expenditures and encumbrances	9,747,300	9,776,662	8,565,079	1,211,583	13,308,470	13,476,872	11,841,376	1,635,496
Excess of revenues over (under) expenditures	(746,970)	(744,967)	(504,525)	240,442	(331,346)	(331,345)	(164,386)	166,959
Other sources (uses) of financial resources:								
Transfers in (out)			515,644	515,644			164,386	164,386
Excess of revenues over (under) expenditures and other sources (uses) of financial resources	(746,970)	(744,967)	11,119	756,086	(331,346)	(331,345)		331,345
Fund balances - beginning of the year	(7,206,462)	(7,061,521)	2,044,480	9,106,001	(4,949,123)	(4,957,018)		4,957,018
Fund balances - end of the year	\$ (7,953,432)	\$ (7,806,488)	\$ 2,055,599	\$ 9,862,087	\$ (5,280,469)	\$ (5,288,363)	\$ -	\$ 5,288,363

See accompanying Notes to Required Supplementary Information.

STATE OF MARYLAND
Reconciliation of the Budgetary General and Special Funds, Fund Balances
to the GAAP General and Special Funds, Fund Balances
June 30, 2018

(Expressed in Thousands)

	General	Special
Amount in budgetary funds, fund balance (page 101-102)	\$ 1,643,804	\$ 2,055,599
Budgetary special funds reclassified to the general fund	1,026,292	(1,026,292)
Budgetary special funds reclassified to other funds		(1,316,870)
Other non-budgetary funds reclassified to governmental funds	593,349	793
Total of budgetary fund balances reclassified into the governmental funds' fund structure	3,263,445	(286,770)
Accounting principle differences:		
Assets recognized in the governmental funds financial statements not recognized for budgetary purposes:		
Cash	70,593	
Investments	(206,415)	
Taxes receivable	34,971	3,333
Intergovernmental receivables	(57,255)	
Other accounts receivable	204,237	
Prepaid items		
Inventories	22,882	103,510
Loans and notes receivable	12	
Due from other funds	4,620	16,487
Due from component units	1,847	
Liabilities and deferred inflows of resources recognized in the governmental funds financial statements not recognized for budgetary purposes:		
Salaries payable	(187,648)	
Accounts payable and accrued liabilities	(376,717)	
Due to other funds	(841,808)	
Accounts payable to political subdivisions	(17,007)	
Unearned revenue	(79,906)	117,681
Accrued self-insurance costs	(102,845)	
Deferred inflows of resources	(46)	64,868
Financial statement governmental funds' fund balances, June 30, 2018 (page 28)	\$ 1,732,960	\$ 19,109

See accompanying Notes to Required Supplementary Information.

STATE OF MARYLAND
Schedule of Employer Contributions for
Maryland State Retirement and Pension System*
Year Ending June 30,
(Expressed in Thousands)

	2018	2017	2016
Governmental Activities' Special Funding Situation:			
Actuarially determined contribution	\$ 1,122,986	\$ 1,137,472	\$ 1,112,989
Less: Contributions in relation to the actuarially determined contribution	1,122,986	1,137,472	1,084,049
Contribution deficiency	\$ -	\$ -	\$ 28,940
Covered employee payroll	\$ 6,941,097	\$ 6,780,838	\$ 6,611,038
Actual contributions as a percentage of covered-employee payroll	16.2%	16.8%	16.4%
Other Governmental Activities:			
Actuarially determined contribution	\$ 588,649	\$ 615,316	\$ 566,475
Less: Contributions in relation to the actuarially determined contribution	588,847	615,316	528,575
Contribution deficiency	\$ (198)	\$ -	\$ 37,900
Covered employee payroll	\$ 2,576,216	\$ 2,638,040	\$ 2,428,412
Actual contributions as a percentage of covered-employee payroll	22.9%	23.3%	21.8%
Business-Type Activities:			
Actuarially determined contribution	\$ 24,952	\$ 28,648	\$ 27,761
Less: Contributions in relation to the actuarially determined contribution	24,754	28,648	25,904
Contribution deficiency	\$ 198	\$ -	\$ 1,857
Covered employee payroll	\$ 118,291	\$ 114,453	\$ 148,035
Actual contributions as a percentage of covered-employee payroll	20.9%	25.0%	17.5%
Component Units:			
Actuarially determined contribution	\$ 142,554	\$ 142,767	\$ 130,497
Less: Contributions in relation to the actuarially determined contribution	142,554	142,767	121,766
Contribution deficiency	\$ -	\$ -	\$ 8,731
Covered employee payroll	\$ 726,634	\$ 720,191	\$ 835,211
Actual contributions as a percentage of covered-employee payroll	19.6%	19.8%	14.6%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Schedule of Employer Contributions

Valuation Date:	June 30 Actuarially determined contribution rates are calculated as of June 30, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.*
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 years
Asset Valuation Method	5-years smoothed market; 20% collar
Other Information:	
Notes	Changes were made to the inflation, salary increase, and investment rate of return assumptions and benefit provisions for the 2018 valuation that are used in the calculation of the Total Pension Liability for fiscal year 2018
Inflation	2.60% general, 3.10% wage.
Salary Increases	3.10% to 9.10% including inflation.
Investment Rate of Return	7.45%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014.

*The Actuarially Determined Contribution is equal to the greater of, (1) The actuarially determined contribution under the System's funding policy before application of the corridor funding method, plus reinvested savings contributions and 2) Employer normal cost plus 30-year amortization of the unfunded liability, plus reinvested savings.

STATE OF MARYLAND
Schedule of Employer Net Pension Liability for
Maryland State Retirement and Pension System*
Year Ending June 30,
(Amounts Expressed in Thousands)

	2018	2017	2016
State of Maryland's proportion of the collective NPL:			
Governmental Activities' proportion of the System's NPL	33.31%	31.18%	32.01%
Governmental Activities' special funding proportion of the System's NPL	53.95	55.79	55.50
Business-Type Activities proportion of the System's NPL	1.18	1.23	1.23
Component Units' proportion of the System's NPL	5.86	5.78	5.27
Total	94.30%	93.98%	94.01%
State of Maryland's proportionate share of the collective NPL:			
Governmental Activities' proportionate share of the System's NPL	\$ 7,203,243	\$ 7,357,073	\$ 6,650,561
Governmental Activities' special funding proportionate share of the System's NPL	11,665,236	13,163,108	11,534,251
Business-Type Activities proportionate share of the System's NPL	254,227	290,202	256,231
Component Units' proportionate share of the System's NPL	1,267,498	1,363,073	1,095,290
Total	\$ 20,390,204	\$ 22,173,456	\$ 19,536,333
State of Maryland's covered payroll:			
Governmental Activities' covered payroll	\$ 2,576,216	\$ 2,638,040	\$ 2,428,412
Governmental Activities' special funding covered payroll	6,941,097	6,780,838	6,611,038
Business-Type Activities covered payroll	118,291	114,453	148,035
Component Units' covered payroll	726,634	720,191	835,211
Proportionate share of the collective NPL as a percentage of covered payroll:			
Governmental Activities' proportionate share of NPL as a % of covered payroll	279.61%	278.88%	273.86%
Governmental Activities' special funding proportionate share of NPL as a % of covered payroll	168.06%	194.12%	174.47%
Business-Type Activities proportionate share of NPL as % of covered payroll	214.92%	253.56%	173.09%
Component Units' proportionate share of NPL as % of covered payroll	174.43%	189.27%	131.14%
Plan fiduciary net position as a percentage of total pension liability - All	69.38%	65.79%	68.78%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

STATE OF MARYLAND
Schedule of Employer Contributions for
Maryland Transit Administration Pension Plan
Year Ending June 30,
(Expressed in Thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 66,495	\$ 62,217	\$ 44,736	\$ 40,807	\$ 39,749	\$ 34,582	\$ 32,859	\$ 33,928	\$ 26,151	\$ 24,659
Less: Contributions in relation to the actuarially determined contribution	40,997	40,997	38,037	38,361	39,749	29,519	37,859	42,528	37,761	27,254
Contribution deficiency ^{/(excess)}	\$ 25,498	\$ 21,220	\$ 6,699	\$ 2,446	\$ -	\$ 5,063	\$ (5,000)	\$ (8,600)	\$ (11,610)	\$ (2,595)
Covered employee payroll	\$ 145,834	\$ 137,154	\$ 137,427	\$ 137,680	\$ 135,545	\$ 137,596	\$ 152,276	\$ 147,474	\$ 145,029	\$ 155,560
Actual contributions as a percentage of covered-employee payroll	28.1%	29.9%	27.7%	27.9%	29.3%	21.5%	24.9%	28.8%	26.0%	17.5%

Notes to Schedule

Valuation date: Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the current fiscal year.
Actuarial valuations are performed every year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age Normal, Level Dollar
Amortization method	Level Payments ^(Closed)
Remaining amortization period	Remaining payments range from 2 to 25 years
Asset valuation method	5-year smoothed market
Inflation	3.20%
Salary increases	Rates vary by participant service
Investment rate of return	7.55 % net of investment expenses, including inflation for funded benefits
Retirement age	Rates vary by participant age
Mortality	RP-2014 Blue Collar tables with MP-2014. The RP-2014 Disabled Retiree table is used for disabled members.

STATE OF MARYLAND
Schedule of Changes in Net Pension Liability and Related Ratios for
Maryland Transit Administration Pension Plan*
For the Year End June 30,

(Expressed in Thousands)

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 37,194	\$ 36,334	\$ 45,868	\$ 24,718	\$ 19,438
Interest	54,904	57,881	31,181	39,236	43,472
Changes of benefit terms	3,106	2,133	82,510		
Differences between expected and actual experience	17,385	(20,741)	(15,024)	(19,621)	4,025
Changes of assumptions	(45,637)	(151,242)	338,950	53,480	38,643
Benefit payments, including refunds of member contributions	(37,203)	(39,062)	(35,283)	(30,636)	(32,598)
Net changes in total pension liability	29,749	(114,697)	448,202	67,177	72,980
Total pension liability-beginning	1,242,033	1,356,730	908,528	841,351	768,371
Total pension liability-ending ^(a)	\$ 1,271,782	\$ 1,242,033	\$ 1,356,730	\$ 908,528	\$ 841,351
Plan fiduciary net position					
Net investment income	20,550	27,739	3,513	8,279	28,742
Contributions-employer	\$ 40,997	\$ 40,997	\$ 38,037	\$ 38,361	\$ 39,749
Benefit payments, including refunds of member contributions	(37,203)	(35,967)	(35,283)	(30,636)	(32,598)
Administrative expenses	(2,213)	(1,914)	(1,967)	(1,851)	(2,057)
Net change in plan fiduciary net position	25,447	30,855	4,300	14,153	33,836
Plan fiduciary net position-beginning	273,000	242,145	237,845	223,692	189,856
Plan fiduciary net position-ending ^(b)	\$ 298,447	\$ 273,000	\$ 242,145	\$ 237,845	\$ 223,692
Net pension liability-ending (a)-(b)	\$ 973,335	\$ 969,033	\$ 1,114,585	\$ 670,683	\$ 617,659
Plan fiduciary net position as a percentage of the total pension liability	23.5%	22.0%	17.8%	26.2%	26.6%
Covered employee payroll	\$ 145,834	\$ 137,154	\$ 137,427	\$ 137,680	\$ 135,545
Employer net pension liability as a percent of covered-employee payroll	667.4%	706.5%	811.0%	487.1%	455.7%

Notes to Schedule

Changes of Assumptions: Fiscal year 2018 reflects an increase to the effective discount rate from 4.32% to 4.52%.

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

STATE OF MARYLAND
Schedule of Employer's Net Pension Liability for
Maryland Transit Administration Pension Plan*
Year Ending June 30,
(Expressed in Thousands)

	2018	2017	2016	2015	2014
Total pension liability	\$ 1,271,782	\$ 1,242,033	\$ 1,356,730	\$ 908,528	\$ 841,351
Less: Plan fiduciary net position	298,447	273,000	242,145	237,845	223,692
Employer net pension liability	<u>\$ 973,335</u>	<u>\$ 969,033</u>	<u>\$ 1,114,585</u>	<u>\$ 670,683</u>	<u>\$ 617,659</u>
Plan fiduciary net position as a percentage of the total pension liability	23.5%	22.0%	17.8%	26.2%	26.6%
Covered employee payroll	\$ 145,834	\$ 137,154	\$ 137,427	\$ 137,680	\$ 135,545
Employer net pension liability as a percent of covered-employee payroll	667.4%	706.5%	811.0%	487.1%	455.7%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

STATE OF MARYLAND
Schedule of Investment Returns for
Maryland State Transit Administration Pension Plan*
Year Ending June 30,
(Expressed in Thousands)

Fiscal Year Ended	Annual money-weighted rate of return, net of investment expenses
2018	8.1%
2017	10.0%
2016	1.5%
2015	3.7%
2014	14.4%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

STATE OF MARYLAND
Schedule of Employer Contributions for
Other Post-Employment Benefit Plan
Year Ending June 30,
(Expressed in Thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 532,287	\$ 779,316	\$ 634,552	\$ 574,359	\$ 576,050	\$ 634,465	\$ 704,382	\$ 1,225,206	\$ 1,184,522	\$ 1,148,597
Less: Contributions in relation to the actuarially determined contribution	562,479	526,535	490,765	449,750	402,794	393,078	385,913	368,844	336,408	366,388
Contribution deficiency/(excess)	<u>\$ (30,192)</u>	<u>\$ 252,781</u>	<u>\$ 143,787</u>	<u>\$ 124,609</u>	<u>\$ 173,256</u>	<u>\$ 241,387</u>	<u>\$ 318,469</u>	<u>\$ 856,362</u>	<u>\$ 848,114</u>	<u>\$ 782,209</u>
Covered employee payroll	\$ 5,115,140	\$ 5,111,236	\$ 4,997,602	\$ 4,929,100	\$ 4,803,627	\$ 4,457,421	\$ 4,144,267	\$ 4,633,653	\$ 4,627,379	\$ 4,740,553
Actual contributions as a percentage of covered-employee payroll	11.0%	10.3%	9.8%	9.1%	8.4%	8.8%	9.3%	8.0%	7.3%	7.7%

Notes to Schedule

Valuation date: Actuarially determined contribution amounts are calculated as of June 30 prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Actuarial Cost method
Amortization method	Level percent of payroll
Remaining amortization period	30 years
Asset valuation method	Market value of asset

STATE OF MARYLAND
Schedule of Changes in Net OPEB Liability and Related Ratios for
Other Post-Employment Benefit Plan
For the Year Ended June 30,
(Expressed in Thousands)

	2018	2017
Total OPEB liability		
Service cost	\$ 306,642	\$ 476,243
Interest	410,862	370,188
Differences between expected and actual experience	323,130	(82,171)
Changes of assumptions	(969,487)	(1,621,932)
Benefit payments, including refunds of member contributions	(562,479)	(526,535)
Net changes in total OPEB liability	(491,332)	(1,384,207)
Total OPEB liability-beginning	11,391,883	12,776,090
Total OPEB liability-ending ^(a)	\$ 10,900,551	\$ 11,391,883
Plan fiduciary net position		
Net investment income	\$ 22,599	\$ 30,624
Net change in plan fiduciary net position	22,599	30,624
Plan fiduciary net position-beginning	306,673	276,049
Plan fiduciary net position-ending ^(b)	\$ 329,272	\$ 306,673
Net OPEB liability-ending (a)-(b)	\$ 10,571,279	\$ 11,085,210
Plan fiduciary net position as a percentage of the total OPEB liability	3.0%	2.7%
Covered employee payroll	\$ 5,115,140	\$ 5,111,236
Plan net OPEB liability as a percent of covered-employee payroll	206.7%	216.9%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

STATE OF MARYLAND
Schedule of Employer's Net OPEB Liability for
Other Post-Employment Benefit Plan*
Year Ending June 30,
(Amounts Expressed in Thousands)

	2018	2017
Total OPEB liability	\$ 10,900,551	\$ 11,391,883
Less: Plan fiduciary net position	329,272	306,673
Employer net OPEB liability	\$ 10,571,279	\$ 11,085,210
Covered employee payroll	\$ 5,115,140	\$ 5,111,236
Employer net OPEB liability as a percent of covered- employee payroll	206.7%	216.9%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

STATE OF MARYLAND
Schedule of Investment Returns for
Other Post-Employment Benefit Plan*
Year Ending June 30,
(Expressed in Thousands)

Fiscal Year Ended	Annual money-weighted rate of return, net of investment expenses
2018	7.4%
2017	11.1%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

STATE OF MARYLAND
Schedule of Employer Contributions for
Maryland Transit Administration Retiree Healthcare Benefit Plan*
Year Ending June 30,
(Expressed in Thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 47,907	\$ 90,004	\$ 72,624	\$ 67,496	\$ 70,512	\$ 70,512	\$ 55,852	\$ 53,015	\$ 45,500	\$ 43,900
Less: Contributions in relation to the actuarially determined contribution	12,422	16,887	15,296	13,905	18,383	14,147	15,103	14,230	10,900	10,100
Contribution deficiency/(excess)	\$ 35,485	\$ 73,117	\$ 57,328	\$ 53,591	\$ 52,129	\$ 56,365	\$ 40,749	\$ 38,785	\$ 34,600	\$ 33,800
Covered employee payroll	\$ 145,834	\$ 137,154	\$ 137,427	\$ 137,680	\$ 135,545	\$ 137,596	\$ 152,276	\$ 147,474	\$ 145,029	\$ 151,560
Actual contributions as a percentage of covered-employee payroll	8.5%	12.3%	11.1%	10.1%	13.6%	10.3%	9.9%	9.6%	7.5%	6.7%

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of June 30 prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to establish “actuarially determined contribution” rates:

Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level percent of payroll
Remaining amortization period	30 years
Asset valuation method	Market value of assets

*OPEB plan funds pay-go only

STATE OF MARYLAND
Schedule of Changes in Net OPEB Liability and Related Ratios for
Maryland Transit Administration Retiree Healthcare Benefit Plan*
Year Ending June 30,
(Expressed in Thousands)

	2018
Total OPEB liability	
Service cost	\$ 47,907
Interest	25,090
Changes of assumptions	(113,863)
Benefit payments, including refunds of member contributions	(12,422)
Net changes in total OPEB liability	(53,288)
Total OPEB liability-beginning	886,577
Total OPEB liability-ending ^(a)	\$ 833,289
Plan fiduciary net position	
Contributions-employer	\$ 13,208
Benefit payments, including refunds	(12,422)
Administrative expenses	(786)
Net change in plan fiduciary net position	-
Plan fiduciary net position-beginning	-
Plan fiduciary net position-ending ^(b)	\$ -
Net OPEB liability-ending (a)-(b)	\$ 833,289
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%
Covered employee payroll	\$ 145,834
Employer net OPEB liability as a percent of covered-employee payroll	571.4%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

STATE OF MARYLAND
Schedule of Net OPEB Liability for
Maryland Transit Administration Retiree Healthcare Benefit Plan*
Year Ending June 30,
(Amounts Expressed in Thousands)

	2018
Total OPEB liability	\$ 833,289
Less: Plan fiduciary net position	-
Employer net OPEB liability	\$ 833,289
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%
Covered employee payroll	\$ 145,834
Employer net OPEB liability as a percent of covered- employee payroll	571.4%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

STATE OF MARYLAND
Notes to Required Supplementary Information
For the Year Ended June 30, 2018

Budgeting and Budgetary Control:

The Maryland Constitution requires the Governor to submit to the General Assembly an annual balanced budget for the following fiscal year. This budget is prepared and adopted for the General Fund, which includes all transactions of the State, unless otherwise directed to be included in another fund and the Special Fund, which includes the transportation activities of the State, fishery and wildlife funds, shared taxes and payments of debt service on general obligation bonds. In contrast, the GAAP special revenue fund includes the operations (other than debt service and pension activities) of the Maryland Department of Transportation. The budgetary Federal fund revenue and expenditures are included in the GAAP General and Special Funds as federal revenues and expenditures by function. An annual budget is also prepared for the Federal Fund, which accounts for substantially all grants from the Federal government, and the current unrestricted and restricted funds of the Universities and Colleges. In addition to the annual budget, the General Assembly adopts authorizations for the issuance of general obligation bonds. The expenditures of the resources obtained thereby are accounted for in the capital projects fund.

All State budgetary expenditures for the general, special and federal funds are made pursuant to appropriations in the annual budget, as amended from time to time, by budget amendments. The legal level of budgetary control is at the program level of the general, special and federal funds. State governmental departments and independent agencies may, with the Governor's approval, amend the appropriations by program within the budgetary general fund, provided they do not exceed their total general fund appropriations as contained within the annual budget. Increases in total general fund appropriations must be approved by the General Assembly. For the fiscal year ended June 30, 2018, the General Assembly approved a net increase in General Fund appropriations of \$46,615,000. Appropriations for programs funded by, in whole or in part, from the special or federal funds, may permit expenditures in excess of original special or federal fund appropriations to the extent that actual revenues exceed original budget estimates and such additional expenditures are approved by the Governor. Unexpended appropriations from the general fund may be carried over to succeeding years to the extent of encumbrances, with all other appropriations lapsing as of the end of the fiscal year. Unexpended appropriations from special and federal funds may be carried over to the extent of (a) available resources, and (b) encumbrances. The State's accounting system is maintained by the Comptroller in compliance with State Law and in accordance with the State's Budgetary Funds. It controls expenditures at the program level to ensure legal compliance. The "Agency Appropriation Unencumbered Balance Report," which is available for public inspection at the Office of the Comptroller, provides a more comprehensive accounting of activity on the basis of budgeting at the legal level of budgetary control.

The original and amended budget adopted by the General Assembly for the general, special and federal funds is presented in the Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balances, Budget and Actual for the year ended June 30, 2018. The State's budgetary fund structure and the basis of budgeting, which is the modified accrual basis with certain exceptions, differ from that utilized to present financial statements in conformity with generally accepted accounting principles. The budgetary system's principal departures from the modified accrual basis are the classification of the State's budgetary funds and the timing of recognition of certain revenues and expenditures. A summary of the effects of the fund structure differences and exceptions to the modified accrual basis of accounting, as of June 30, 2018, is provided in the "Reconciliation of the Budgetary General and Special Fund, Fund Balances to the GAAP General and Special Revenue Fund Balances" immediately following the budgetary schedule.



Combining Financial Statements

COMPREHENSIVE ANNUAL FINANCIAL REPORT, STATE OF MARYLAND



STATE OF MARYLAND

Non-major Governmental Funds

Debt Service Funds

General Obligation Bonds, Debt Service Fund: Transactions related to resources obtained and used for the payment of interest and principal on general long-term debt obligations are accounted for in the general obligation bonds debt service fund.

Transportation Bonds, Debt Service Fund: Transactions related to resources obtained and used for the payment of interest and principal on transportation long-term debt obligations are accounted for in the transportation bonds debt service fund.

Capital Projects Funds

Transactions related to resources obtained and used for the acquisition, construction or improvement of certain capital facilities, including those provided to political subdivisions and other public organizations are accounted for in the capital projects fund. Such resources are derived principally from proceeds of general obligation bond issues, federal grants and operating transfers from the State's general fund. The State enters into long-term contracts for construction of major capital projects and records the related commitments as encumbrances.

STATE OF MARYLAND
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2018

(Expressed in Thousands)

	Debt Service Funds			Total Non- major Governmental Funds
	General Obligation Bonds	Transportation Bonds	Capital Projects Fund	
Assets:				
Equity in pooled invested cash			\$ 163,451	\$ 163,451
Investments			314,631	314,631
Other accounts receivable			133	133
Restricted Assets:				
Cash with fiscal agent	\$ 41,276	\$ -		41,276
Equity in pooled invested cash	159,298			159,298
Investments	22,383			22,383
Taxes receivable, net	22,526			22,526
Other accounts receivable	453			453
Loans and notes receivable, net	1,320			1,320
Total assets	\$ 247,256	\$ -	\$ 478,215	\$ 725,471
Liabilities:				
Vouchers payable			\$ 41,309	\$ 41,309
Accounts payable and accrued liabilities			43,862	43,862
Due to other funds			47,716	47,716
Accounts payable to political subdivisions			10,176	10,176
Total liabilities			143,063	143,063
Fund balances:				
Restricted	\$ 247,256	\$ -		247,256
Committed			570,570	570,570
Unassigned			(235,418)	(235,418)
Total fund balance	247,256		335,152	582,408
Total liabilities and fund balances	\$ 247,256	\$ -	\$ 478,215	\$ 725,471

STATE OF MARYLAND
Combining Statement of Revenues, Expenditures, Other Sources and Uses of
Financial Resources and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2018
(Expressed in Thousands)

	Debt Service Funds			Total Non-major Governmental Funds
	General Obligation Bonds	Transportation Bonds	Capital Projects Fund	
Revenues:				
Property taxes	\$ 806,597			\$ 806,597
Interest and other investment income	1,094		\$ 4,501	5,595
Federal revenue	11,547			11,547
Other	138		19	157
Total revenue	819,376		4,520	823,896
Expenditures:				
Education			402,376	402,376
Aid to higher education			320,930	320,930
Transportation		\$ 5,769		5,769
Intergovernmental grants and revenue sharing			206,469	206,469
Capital outlays			111,091	111,091
Debt service:				
Principal retirement	835,446	221,710		1,057,156
Interest	391,804	118,350		510,154
Bond issuance costs			4,652	4,652
Total expenditures	1,227,250	345,829	1,045,518	2,618,597
Deficiency of revenues under expenditures	(407,874)	(345,829)	(1,040,998)	(1,794,701)
Other sources (uses) of financial resources:				
Bonds issued			1,079,822	1,079,822
Refunding bonds issued			785,340	785,340
Bond premium	150,571		200,166	350,737
Payments to refunded bond escrow agent			(967,047)	(967,047)
Transfers in	266,498	340,060	166,873	773,431
Transfers out			(104,135)	(104,135)
Total other sources of financial resources	417,069	340,060	1,161,019	1,918,148
Net changes in fund balances	9,195	(5,769)	120,021	123,447
Fund balances, beginning of year	238,061	5,769	215,131	458,961
Fund balances, end of year	\$ 247,256	\$ -	\$ 335,152	\$ 582,408

STATE OF MARYLAND

Non-major Enterprise Funds

Transactions related to commercial types of activities operated by the State are accounted for in the enterprise funds. The non-major enterprise funds consist of the economic development insurance programs of the Department of Housing and Community Development and Maryland Correctional Enterprises, which utilizes inmate labor from State correctional institutions to manufacture goods, wares and merchandise to be sold to State and federal agencies, political subdivisions and charitable, civic, educational, fraternal or religious associations or institutions.

STATE OF MARYLAND
Combining Statement of Net Position
Non-major Enterprise Funds
June 30, 2018

(Expressed in Thousands)

	Economic Development Insurance Programs	Maryland Correctional Enterprises	Total Non-Major Enterprise Funds
Assets-			
Current assets:			
Equity in pooled invested cash	\$ 2,073	\$ 19,716	\$ 21,789
Other accounts receivable		7,141	7,141
Inventories		10,488	10,488
Other assets	997	32	1,029
Restricted equity in pooled invested cash	82,627		82,627
Total current assets	85,697	37,377	123,074
Non-current assets:			
Investments	2,153		2,153
Capital assets, net of accumulated depreciation:			
Structures and improvements		5,133	5,133
Equipment		3,232	3,232
Total non-current assets	2,153	8,365	10,518
Total assets	87,850	45,742	133,592
Deferred outflows of resources		2,534	2,534
Liabilities-			
Current liabilities:			
Accounts payable and accrued liabilities	382	1,985	2,367
Accrued insurance on loan losses	10,379		10,379
Other liabilities	310	807	1,117
Unearned revenue	655	173	828
Total current liabilities	11,726	2,965	14,691
Non-current liabilities:			
Other liabilities	2,182	14,137	16,319
Total non-current liabilities	2,182	14,137	16,319
Total liabilities	13,908	17,102	31,010
Deferred inflows of resources		936	936
Net Position-			
Net investment in capital assets		8,365	8,365
Restricted for insurance programs	82,626		82,626
Unrestricted (deficit)	(8,684)	21,873	13,189
Total net position	\$ 73,942	\$ 30,238	\$ 104,180

STATE OF MARYLAND
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Non-major Enterprise Funds
For the Year Ended June 30, 2018
(Expressed in Thousands)

	Economic Development Insurance Programs	Maryland Correctional Enterprises	Total Non-Major Enterprise Funds
Operating revenues:			
Charges for services and sales	\$ 1,096	\$ 55,003	\$ 56,099
Unrestricted interest on loan income	530		530
Other	385		385
Total operating revenues	2,011	55,003	57,014
Operating expenses:			
Cost of sales and services		41,923	41,923
General and administrative	803	8,355	9,158
Depreciation and amortization		872	872
Provision for insurance on loan losses	577		577
Total operating expenses	1,380	51,150	52,530
Operating income (loss)	631	3,853	4,484
Non-operating revenues (expenses):			
Restricted investment income	1,278		1,278
Other		(8)	(8)
Total non-operating revenues (expenses)	1,278	(8)	1,270
Changes in net position	1,909	3,845	5,754
Total net position - beginning of the year	72,033	26,393	98,426
Total net position - end of the year	\$ 73,942	\$ 30,238	\$ 104,180

STATE OF MARYLAND
Combining Statement of Cash Flows
Non-major Enterprise Funds
For the Year Ended June 30, 2018
(Expressed in Thousands)

	Economic Development Insurance Programs	Maryland Correctional Enterprises	Total Non-Major Enterprise Funds
Cash flows from operating activities:			
Receipts from customers	\$ 1,072	\$ 53,548	\$ 54,620
Payments to suppliers		(34,206)	(34,206)
Payments to employees	(1,038)	(14,138)	(15,176)
Other receipts	902		902
Other payments	(563)		(563)
Net cash from operating activities	373	5,204	5,577
Cash flows from capital and related financing activities:			
Acquisition of capital assets		(1,852)	(1,852)
Net cash from capital and related financing activities		(1,852)	(1,852)
Cash flows from investing activities:			
Interest received on debt instruments of other entities	1,278		1,278
Net cash from investing activities	1,278		1,278
Net change in cash and cash equivalents	1,651	3,352	5,003
Balance - beginning of the year	83,049	16,364	99,413
Balance - end of the year	\$ 84,700	\$ 19,716	\$ 104,416
Reconciliation of operating income to net cash from operating activities:			
Operating income (loss)	\$ 631	\$ 3,853	\$ 4,484
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation and amortization		872	872
Deferred inflows of resources		566	566
Deferred outflows of resources		5,097	5,097
Effect of changes in non-cash operating assets and liabilities:			
Other accounts receivable		(1,546)	(1,546)
Inventories		47	47
Other assets	26	84	110
Accounts payable and accrued liabilities	125	439	564
Accrued insurance and loan losses	(361)		(361)
Unearned revenue	(48)	90	42
Other liabilities		(4,298)	(4,298)
Net cash from operating activities	\$ 373	\$ 5,204	\$ 5,577

STATE OF MARYLAND

Fiduciary Funds

The Pension and Other Post-Employment Benefits Trust Funds include the Maryland State Retirement and Pension System, Maryland Transit Administration Pension Plan, Deferred Compensation Plan and Post-Employment Health Benefits Trust Fund. The Pension Trust Funds reflect the transactions, assets, liabilities and net position of the plans administered by the State and the Maryland Transit Administration and are accounted for using the flow of economic resources measurement focus. The Deferred Compensation Plan, which is included with a year end of December 31, accounts for participant earnings deferred in accordance with Internal Revenue Code Sections 457, 403(b), 401(a) and 401(k). Amounts deferred are invested and are not subject to Federal income taxes until paid to participants upon termination or retirement from employment, death or for an unforeseeable emergency. The other Post-Employment Health Benefits Trust Fund (OPEB Trust) accumulates funds to assist the State's Employee and Retiree Health and Welfare Benefits Program finance the State's postretirement health insurance subsidy. The OPEB Trust is administered by the Board of Trustees for the Maryland State Retirement and Pension System, and its transactions and account balances are accounted for using the flow of economic resources measurement focus.

The agency funds are custodial in nature and do not present the results of operations or have a measurement focus. The State uses agency funds to account for the receipt and disbursement of patient and prisoner accounts, various taxes collected by the State for distribution to the Federal government and political subdivisions and amounts withheld from employee's payroll.

STATE OF MARYLAND
Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefits Trust Funds
June 30, 2018
(Expressed in Thousands)

	Maryland State Retirement and Pension System	Maryland Transit Administration Pension Plan	Postretirement Health Benefits Trust Fund	Deferred Compensation Plan December 31, 2017	Total
Assets:					
Cash	\$ 1,252,466	\$ 5,877	\$ 12	\$ 3,821	\$ 1,262,176
Investments:					
US Treasury and agency obligations	5,911,900	38,029	48,269		5,998,198
Bonds	3,371,685	20,576	38,142		3,430,403
Corporate equity securities	18,521,359	113,491	186,045		18,820,895
Mortgage related securities	1,528,439	8,827	7,760		1,545,026
Mutual funds				3,096,608	3,096,608
Guaranteed investment contracts				756,160	756,160
Real estate	3,875,475		35,301		3,910,776
Annuity contracts				71,320	71,320
Private equity	6,650,087				6,650,087
Commingled funds	8,719,481	111,139	13,743		8,844,363
Investment held by borrowers under securities lent with cash collateral	1,995,271				1,995,271
Total investments	50,573,697	292,062	329,260	3,924,089	55,119,107
Other receivables	1,194,962	6,240		40,245	1,241,447
Collateral for lent securities	2,043,411				2,043,411
Total assets	55,064,536	304,179	329,272	3,968,155	59,666,142
Liabilities:					
Accounts payable and accrued liabilities	1,193,892	5,732			1,199,624
Collateral obligation for lent securities	2,043,411				2,043,411
Total liabilities	3,237,303	5,732			3,243,035
Net position restricted for :					
Pension benefits	51,827,233	298,447			52,125,680
Deferred compensation benefits				3,968,155	3,968,155
Postretirement health benefits			329,272		329,272
Total net position	\$ 51,827,233	\$ 298,447	\$ 329,272	\$ 3,968,155	\$ 56,423,107

STATE OF MARYLAND
Combining Statement of Changes in Plan Net Position
Pension and Other Employee Benefits Trust Funds
For the Year Ended June 30, 2018
(Expressed in Thousands)

	Maryland State Retirement and Pension System	Maryland Transit Administration Pension Plan	Postretirement Health Benefits Trust Fund	Deferred Compensation Plan December 31, 2017	Total
Additions:					
Contributions:					
Employers	\$ 1,248,663	\$ 40,997	\$ 562,479		\$ 1,852,139
Members	791,583			\$ 167,321	958,904
Sponsors	746,354				746,354
Total contributions	2,786,600	40,997	562,479	167,321	3,557,397
Investment earnings:					
Net appreciation (depreciation) in fair value of investments	2,221,834	970	22,791	491,696	2,737,291
Interest	408,189	19,580	26	21,026	448,821
Dividends	1,641,374				1,641,374
Total investment income	4,271,397	20,550	22,817	512,722	4,827,486
Less: investment expense	372,004		218		372,222
Net investment income	3,899,393	20,550	22,599	512,722	4,455,264
Total additions	6,685,993	61,547	585,078	680,043	8,012,661
Deductions:					
Benefit payments	3,744,132	33,887	562,479	241,722	4,582,220
Refunds	68,600				68,600
Administrative expenses	33,211	2,213		5,538	40,962
Total deductions	3,845,943	36,100	562,479	247,260	4,691,782
Net increase/(decrease)	2,840,050	25,447	22,599	432,783	3,320,880
Net position-beginning	48,987,183	273,000	306,673	3,535,372	53,102,227
Net position-ending	\$ 51,827,233	\$ 298,447	\$ 329,272	\$ 3,968,155	\$ 56,423,107

STATE OF MARYLAND
Combining Schedule of Fiduciary Net Position
Maryland State Retirement and Pension System
June 30, 2018

(Expressed in Thousands)

	Teachers' Retirement and Pension System	Employees' Retirement and Pension System	State Police Retirement System	Judges' Retirement System	Law Enforcement Officers' Pension System	Subtotal	Eliminations*	Total
Assets:								
Cash	\$ 758,199	\$ 421,787	\$ 36,336	\$ 13,984	\$ 22,160	\$ 1,252,466		\$ 1,252,466
Investments, at fair value	30,724,926	17,030,187	1,410,957	456,428	951,199	50,573,697		50,573,697
Other receivables	720,011	410,651	32,783	10,325	21,192	1,194,962		1,194,962
Due from other systems	43,610	32,407	39		2,986	79,042	\$ (79,042)	
Collateral for lent securities	1,245,212	687,512	56,663	18,198	35,826	2,043,411		2,043,411
Total assets	33,491,958	18,582,544	1,536,778	498,935	1,033,363	55,143,578	(79,042)	55,064,536
Liabilities:								
Accounts payable and accrued liabilities	722,016	407,273	33,623	10,716	20,264	1,193,892		1,193,892
Due to other system	44,276	34,822	(56)			79,042	(79,042)	
Collateral obligation for lent securities	1,245,212	687,512	56,663	18,198	35,826	2,043,411		2,043,411
Total liabilities	2,011,504	1,129,607	90,230	28,914	56,090	3,316,345	(79,042)	3,237,303
Net Position:								
Restricted for pension benefits	\$ 31,480,454	\$ 17,452,937	\$ 1,446,548	\$ 470,021	\$ 977,273	\$ 51,827,233	\$ -	\$ 51,827,233

* Intersystem balances have been eliminated in the financial statements.

STATE OF MARYLAND
Combining Schedule of Changes in Plan Net Position
Maryland State Retirement and Pension System
For the Year Ended June 30, 2018

(Expressed in Thousands)

	Teachers' Retirement and Pension System	Employees' Retirement and Pension System	State Police Retirement System	Judges' Retirement System	Law Enforcement Officers' Pension System	Subtotal	Eliminations*	Total
Additions:								
Contributions:								
Employers	\$ 376,632	\$ 707,194	\$ 80,241	\$ 22,465	\$ 62,131	\$ 1,248,663	\$ -	\$ 1,248,663
Members	484,923	283,671	8,063	3,071	11,855	791,583		791,583
Sponsors	746,354					746,354		746,354
Total contributions	1,607,909	990,865	88,304	25,536	73,986	2,786,600		2,786,600
Investment earnings:								
Net increase in fair value of investments	1,347,557	751,233	62,423	20,010	40,611	2,221,834		2,221,834
Interest	247,478	137,888	11,449	3,735	7,639	408,189		408,189
Dividends	994,957	555,141	45,947	14,810	30,519	1,641,374		1,641,374
Total investment income	2,589,992	1,444,262	119,819	38,555	78,769	4,271,397		4,271,397
Less: investment expense	225,471	125,824	10,413	3,360	6,936	372,004		372,004
Net investment income	2,364,521	1,318,438	109,406	35,195	71,833	3,899,393		3,899,393
Total additions	3,972,430	2,309,303	197,710	60,731	145,819	6,685,993		6,685,993
Deductions:								
Benefit payments	2,171,757	1,347,060	122,535	32,009	70,771	3,744,132		3,744,132
Refunds	33,553	33,983	185		879	68,600		68,600
Administrative expenses	18,089	14,332	243	54	493	33,211		33,211
Total deductions	2,223,399	1,395,375	122,963	32,063	72,143	3,845,943		3,845,943
Net system transfers	231	(1,656)	21		1,404			
Changes in net position	1,749,262	912,272	74,768	28,668	75,080	2,840,050		2,840,050
Net position restricted for pension benefits:								
Beginning of the year	29,731,192	16,540,665	1,371,780	441,353	902,193	48,987,183		48,987,183
End of the year	\$ 31,480,454	\$ 17,452,937	\$ 1,446,548	\$ 470,021	\$ 977,273	\$ 51,827,233	\$ -	\$ 51,827,233

*Intersystem transfers have been eliminated in the financial statements.

STATE OF MARYLAND
Combining Schedule of Fiduciary Net Position
Deferred Compensation Plan
December 31, 2017

(Expressed in Thousands)

	Deferred Compensation Plan Section 457	Savings and Investment Plan Section 401(k) Plan	Match Plan and Trust 401(a) Plan	Tax Sheltered Annuity Plan 403(b) Plan	Total
Assets:					
Cash	\$ 3,822			\$	3,822
Investments, at fair value	1,717,681	\$ 1,911,603	\$ 195,848	\$ 98,957	3,924,089
Other receivables	19,960	19,911		373	40,245
Total assets	1,741,463	1,931,514	195,848	99,330	3,968,155
Net position:					
Restricted for deferred compensation benefits	\$ 1,741,463	\$ 1,931,514	\$ 195,848	\$ 99,330	\$ 3,968,155

STATE OF MARYLAND
Combining Schedule of Changes in Plan Net Position
Deferred Compensation Plan
For the Year Ended December 31, 2017

(Expressed in Thousands)

	Deferred Compensation Plan Section 457	Savings and Investment Plan Section 401(k) Plan	Match Plan and Trust 401(a) Plan	Tax Sheltered Annuity Plan 403(b) Plan	Total
Additions:					
Contributions:					
Members	\$ 72,953	\$ 91,833		\$ 2,535	\$ 167,321
Total contributions	72,953	91,833		2,535	167,321
Investment earnings:					
Net increase in fair value of investments	199,094	250,346	\$ 27,750	14,505	491,696
Interest	12,176	7,994	647	209	21,026
Net investment income	211,270	258,340	28,397	14,714	512,722
Total additions	284,223	350,173	28,397	17,249	680,043
Deductions:					
Benefit payments	112,582	113,817	9,219	6,104	241,722
Administrative expenses	2,203	2,927	265	143	5,538
Total deductions	114,785	116,744	9,484	6,247	247,260
Changes in net position	169,438	233,429	18,913	11,002	432,783
Net position restricted for pension and other employee benefits:					
Beginning of the year	1,572,024	1,698,085	176,934	88,329	3,535,372
End of the year	\$ 1,741,462	\$ 1,931,514	\$ 195,848	\$ 99,330	\$ 3,968,155

STATE OF MARYLAND
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2018
(Expressed in Thousands)

	Agency Funds						
	Local Income Taxes	Insurance Premium Taxes	Local Transportation Funds and Other Taxes	Payroll Taxes and Fringe Benefits	Litigant, Patient and Prisoner Accounts	Total Agency Funds	
Assets:							
Cash		\$ 10	\$ 25,106		\$ 60,949	\$ 86,065	
Equity in pooled invested cash	\$ 803,463	102,999	17,428	\$ 390	8,670	932,950	
Taxes receivable, net	158,951					158,951	
Intergovernmental receivables	244,370			35		244,405	
Accounts receivable from state treasury	804,492					804,492	
Total assets	<u>\$ 2,011,276</u>	<u>\$ 103,009</u>	<u>\$ 42,534</u>	<u>\$ 425</u>	<u>\$ 69,619</u>	<u>\$ 2,226,863</u>	
Liabilities:							
Accounts payable and accrued liabilities		\$ 103,009	\$ 4,263	\$ 425	\$ 66,064	\$ 173,761	
Accounts payable to political subdivisions	\$ 2,011,276		38,271		3,555	2,053,102	
Total liabilities	<u>\$ 2,011,276</u>	<u>\$ 103,009</u>	<u>\$ 42,534</u>	<u>\$ 425</u>	<u>\$ 69,619</u>	<u>\$ 2,226,863</u>	

STATE OF MARYLAND
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2018
(Expressed in Thousands)

	Balance				Balance
	June 30, 2017	Additions	Deletions		June 30, 2018
<i>Litigant, Patient and Prisoner Accounts</i>					
Assets:					
Cash	\$ 52,081	\$ 159,221	\$ 150,353	\$	60,949
Equity in pooled invested cash	34,898	21,077	47,305		8,670
Total assets	<u>\$ 86,979</u>	<u>\$ 180,298</u>	<u>\$ 197,658</u>	<u>\$</u>	<u>69,619</u>
Liabilities:					
Accounts payable and accrued liabilities	\$ 83,389	\$ 180,132	\$ 197,457	\$	66,064
Accounts payable to political subdivisions	3,590	166	201		3,555
Total liabilities	<u>\$ 86,979</u>	<u>\$ 180,298</u>	<u>\$ 197,658</u>	<u>\$</u>	<u>69,619</u>
<i>Insurance Premium Taxes</i>					
Assets:					
Cash	\$ 10			\$	10
Equity in pooled invested cash	98,130	37,949	33,080		102,999
Total assets	<u>\$ 98,140</u>	<u>\$ 37,949</u>	<u>\$ 33,080</u>	<u>\$</u>	<u>103,009</u>
Liabilities:					
Accounts payable and accrued liabilities	<u>\$ 98,140</u>	<u>\$ 37,949</u>	<u>\$ 33,080</u>	<u>\$</u>	<u>103,009</u>
<i>Local Income Taxes</i>					
Assets:					
Equity in pooled invested cash	\$ 479,277	\$ 5,706,307	\$ 5,382,121	\$	803,463
Taxes receivable	199,413	158,951	199,413		158,951
Intergovernmental receivables	241,910	2,460			244,370
Accounts receivable from state treasury	880,239	534,492	610,239		804,492
Total assets	<u>\$ 1,800,839</u>	<u>\$ 6,402,210</u>	<u>\$ 6,191,773</u>	<u>\$</u>	<u>2,011,276</u>
Liabilities:					
Accounts payable to political subdivisions	<u>\$ 1,800,839</u>	<u>\$ 6,402,210</u>	<u>\$ 6,191,773</u>	<u>\$</u>	<u>2,011,276</u>
<i>Local Transportation Funds and Other Taxes</i>					
Assets:					
Cash	\$ 39,604		\$ 14,498	\$	25,106
Equity in pooled invested cash	17,806	134,718	135,096		17,428
Total assets	<u>\$ 57,410</u>	<u>\$ 134,718</u>	<u>\$ 149,594</u>	<u>\$</u>	<u>42,534</u>
Liabilities:					
Accounts payable and accrued liabilities	\$ 3,775	\$ 4,263	\$ 3,775	\$	4,263
Accounts payable to political subdivisions	53,635	130,455	145,819		38,271
Total liabilities	<u>\$ 57,410</u>	<u>\$ 134,718</u>	<u>\$ 149,594</u>	<u>\$</u>	<u>42,534</u>
<i>Payroll Taxes and Fringe Benefits</i>					
Assets:					
Equity in pooled invested cash	\$ 341	\$ 1,626,574	\$ 1,626,525	\$	390
Intergovernmental receivables	100	35	100		35
Total assets	<u>\$ 441</u>	<u>\$ 1,626,609</u>	<u>\$ 1,626,625</u>	<u>\$</u>	<u>425</u>
Liabilities:					
Accounts payable and accrued liabilities	<u>\$ 441</u>	<u>\$ 1,626,609</u>	<u>\$ 1,626,625</u>	<u>\$</u>	<u>425</u>
<i>Totals - All Agency Funds</i>					
Assets:					
Cash	\$ 91,695	\$ 159,221	\$ 164,851	\$	86,065
Equity in pooled invested cash	630,452	7,526,625	7,224,127		932,950
Taxes receivable	199,413	158,951	199,413		158,951
Intergovernmental receivables	242,010	2,495	100		244,405
Accounts receivable from state treasury	880,239	534,492	610,239		804,492
Total assets	<u>\$ 2,043,809</u>	<u>\$ 8,381,784</u>	<u>\$ 8,198,730</u>	<u>\$</u>	<u>2,226,863</u>
Liabilities:					
Accounts payable and accrued liabilities	\$ 185,745	\$ 1,848,953	\$ 1,860,937	\$	173,761
Accounts payable to political subdivisions	1,858,064	6,532,831	6,337,793		2,053,102
Total liabilities	<u>\$ 2,043,809</u>	<u>\$ 8,381,784</u>	<u>\$ 8,198,730</u>	<u>\$</u>	<u>2,226,863</u>

STATE OF MARYLAND

Non-major Component Unit Financial Statements

Non-major Component Units

Non-major component units are comprised of the following proprietary fund type entities:

Maryland Environmental Service

The Maryland Environmental Service was created as a body corporate and politic. The Service helps private industry and local governments manage liquid, solid and hazardous wastes. In accordance with direction from the Governor, the Service plans and establishes major resource recovery facilities, solid waste management plans and hazardous waste management programs.

Maryland Industrial Development Financing Authority

The Maryland Industrial Development Financing Authority was established as a body corporate and politic and a public instrumentality of the State to provide financial assistance to enterprises seeking to locate or expand operations in Maryland.

Maryland Food Center Authority

The Maryland Food Center Authority is a body corporate and politic which was created to establish and operate a consolidated wholesale food center within the Greater Baltimore Region and is subject to State regulations.

Maryland Technology Development Corporation

The Maryland Technology Development Corporation was established as a body corporate and politic and a public instrumentality of the State to assist in the commercialization of technology developed in the universities and the private sector. The Corporation administers the Maryland Technology Incubator program, Maryland Stem Cell Research Fund and Maryland Venture Fund.

STATE OF MARYLAND
Combining Statement of Net Position
Non-major Component Units
June 30, 2018

(Expressed in Thousands)

	Maryland Environmental Service	Maryland Industrial Development Financing Authority	Maryland Food Center Authority	Maryland Technology Development Corporation	Total Non-major Component Units
Assets:					
Cash	\$ 20,038		\$ 5	\$ 27,968	\$ 48,011
Equity in pooled invested cash		\$ 29,092	8,453	12,259	49,804
Investments	5,977			80,767	86,744
Other accounts receivable	29,622		297	2,530	32,449
Loans and notes receivable, net				12,517	12,517
Other assets	13,281			191	13,472
Restricted assets:					
Cash	303			1,338	1,641
Investments	2,285				2,285
Capital assets, net of accumulated depreciation:					
Land	5,952		3,582		9,534
Structures and improvements	26,944		13,878		40,822
Infrastructure	215				215
Equipment	6,570		607	50	7,227
Construction in progress	475		6,262		6,737
Total assets	111,662	29,092	33,084	137,620	311,458
Deferred outflows of resources	720		701		1,421
Liabilities:					
Accounts payable and accrued liabilities	19,906		596	16,505	37,007
Due to Primary Government				712	712
Unearned revenue		24	72	5,730	5,826
Accrued insurance on loan losses		623			623
Other liabilities			198		198
Bonds and notes payable:					
Due within one year	1,185				1,185
Due in more than one year	17,747				17,747
Other noncurrent liabilities:					
Due within one year	18,013		158		18,171
Due in more than one year	14,359		1,983		16,342
Total liabilities	71,210	647	3,007	22,947	97,811
Deferred inflows of resources	1,695		130		1,825
Net position:					
Net investment in capital assets	18,795		24,329	50	43,174
Restricted:					
Capital improvements and deposits	12				12
Unrestricted	20,670	28,445	6,319	114,623	170,057
Total net position	\$ 39,477	\$ 28,445	\$ 30,648	\$ 114,673	\$ 213,243

STATE OF MARYLAND
Combining Statement of Activities
Non-major Component Units
For the Year Ended June 30, 2018
(Expressed in Thousands)

	Maryland Environmental Service	Maryland Industrial Development Financing Authority	Maryland Food Center Authority	Maryland Technology Development Corporation	Total Non-major Component Units
Expenses:					
General and administrative	\$ 15,659	\$ 2,772	\$ 1,500	\$ 1,595	\$ 21,526
Operation and maintenance of facilities	137,487		2,063		139,550
Interest on long-term debt	909				909
Depreciation and amortization	2,817		979	83	3,879
Other	2,384			22,795	25,179
Total expenses	159,256	2,772	4,542	24,473	191,043
Program revenues:					
Charges for services and sales	161,501	2,838	4,311	1,465	170,115
Total charges for services	161,501	2,838	4,311	1,465	170,115
Operating grants and contributions	1,699			26,484	28,183
Total program revenues	163,200	2,838	4,311	27,949	198,298
Net program revenue (expense)	3,944	66	(231)	3,476	7,255
General revenues:					
Unrestricted investment income	289	458		7,259	8,006
Total general revenues	289	458		7,259	8,006
Change in net position	4,233	524	(231)	10,735	15,261
Net position - beginning of the year	35,244	27,921	30,879	103,938	197,982
Net position - end of the year	\$ 39,477	\$ 28,445	\$ 30,648	\$ 114,673	\$ 213,243



Statistical Section

COMPREHENSIVE ANNUAL FINANCIAL REPORT, STATE OF MARYLAND



STATISTICAL SECTION

This part of the State's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's economic condition.

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Demographic and Economic Information

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Operating Information

These schedules contain service data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs 154

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

STATE OF MARYLAND
Net Position by Component, Primary Government
Last Ten Fiscal Years
(accrual basis of accounting)
(Expressed in Thousands)

	Year ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities:										
Net investment in capital assets	\$ 16,702,586	\$ 16,164,081	\$ 15,311,051	\$ 14,737,916	\$ 14,312,895	\$ 14,203,503	\$ 13,771,338	\$ 13,669,573	\$ 13,796,006	\$ 14,381,207
Restricted	255,515	248,519	299,288	233,403	214,000	241,446	229,448	200,791	154,372	126,583
Unrestricted (deficit)	(34,404,356)	(27,010,946)	(25,671,817)	(25,444,098)	(12,086,503)	(10,915,188)	(10,023,466)	(8,238,126)	(6,664,836)	(5,152,460)
Total governmental activities net position	\$ (17,446,255)	\$ (10,598,346)	\$ (10,061,478)	\$ (10,472,779)	\$ 2,440,392	\$ 3,529,761	\$ 3,977,320	\$ 5,632,238	\$ 7,285,542	\$ 9,355,330
Business-type activities:										
Net investment in capital assets	\$ 4,360,412	\$ 3,465,391	\$ 3,278,343	\$ 3,070,913	\$ 2,780,663	\$ 2,396,073	\$ 2,314,382	\$ 2,117,369	\$ 1,554,706	\$ 1,368,562
Restricted	2,186,191	2,182,755	1,901,482	1,981,316	2,074,041	2,267,356	2,219,474	2,002,872	2,281,572	2,321,225
Unrestricted	1,989,288	2,442,849	2,457,957	2,213,139	2,208,475	2,112,651	1,855,353	1,602,600	1,453,631	1,498,587
Total business-type activities net position	\$ 8,535,891	\$ 8,090,995	\$ 7,637,782	\$ 7,265,368	\$ 7,063,179	\$ 6,776,080	\$ 6,389,209	\$ 5,722,841	\$ 5,289,909	\$ 5,188,374
Primary government:										
Net investment in capital assets	\$ 21,062,998	\$ 19,629,472	\$ 18,589,394	\$ 17,808,829	\$ 17,093,558	\$ 17,093,558	\$ 16,599,576	\$ 16,085,720	\$ 15,786,942	\$ 15,350,712
Restricted	2,441,706	2,431,274	2,200,770	2,214,719	2,288,041	2,288,041	2,508,802	2,448,922	2,203,663	2,435,944
Unrestricted (deficit)	(32,415,068)	(24,568,097)	(23,213,860)	(23,230,959)	(9,878,028)	(9,878,028)	(8,802,537)	(8,168,113)	(6,635,526)	(5,211,205)
Total primary government net position	\$ (8,910,364)	\$ (2,507,351)	\$ (2,423,696)	\$ (3,207,411)	\$ 9,503,571	\$ 9,503,571	\$ 10,305,841	\$ 10,366,529	\$ 11,355,079	\$ 12,575,451

STATE OF MARYLAND
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(Expressed in Thousands)

	Year ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities: ⁽¹⁾										
Expenses	\$ 37,109,957	\$ 36,672,888	\$ 34,595,952	\$ 33,955,678	\$ 32,979,215	\$ 31,110,854	\$ 31,045,539	\$ 31,067,223	\$ 29,909,914	\$ 28,467,897
Program revenues	15,273,365	15,313,142	14,422,414	14,239,658	13,221,268	12,655,977	12,356,151	13,002,556	12,207,706	10,177,024
Net (expense)/revenue, governmental activities	(21,836,592)	(21,359,746)	(20,173,538)	(19,716,020)	(19,757,947)	(18,454,877)	(18,689,388)	(18,064,667)	(17,702,208)	(18,290,873)
General revenues and other changes, governmental activities	21,964,499	20,822,878	20,584,839	19,853,048	18,699,201	18,007,318	17,034,470	16,411,363	15,632,420	15,742,974
Change in net position, governmental activities	127,907	(536,868)	411,301	137,028	(1,058,746)	(447,559)	(1,654,918)	(1,653,304)	(2,069,788)	(2,547,899)
Net position, beginning	(10,598,346)	(10,061,478)	(10,472,779)	2,440,392	3,529,761	3,977,320	5,632,238	7,285,542	9,355,330	12,081,097
Restatement ⁽²⁾	(6,975,816)			(13,050,199)	(30,623)					(177,868)
Net position, ending, governmental activities	\$ (17,446,255)	\$ (10,598,346)	\$ (10,061,478)	\$ (10,472,779)	\$ 2,440,392	\$ 3,529,761	\$ 3,977,320	\$ 5,632,238	\$ 7,285,542	\$ 9,355,330
Business-type activities: ⁽¹⁾										
Expenses	\$ 3,953,255	\$ 3,762,859	\$ 3,576,982	\$ 3,519,427	\$ 3,560,492	\$ 3,724,891	\$ 3,751,849	\$ 3,666,971	\$ 3,905,705	\$ 3,191,998
Program revenues	5,558,670	5,248,348	5,025,995	4,847,349	4,767,617	4,889,817	4,917,366	4,622,076	4,628,272	3,323,650
Net (expense)/revenue, business-type activities	1,605,415	1,485,498	1,449,013	1,327,922	1,207,125	1,164,926	1,165,517	955,105	722,567	131,652
General revenues and other changes, business-type activities	(1,160,519)	(1,032,276)	(973,165)	(935,046)	(879,484)	(778,055)	(499,149)	(522,173)	(605,726)	(443,156)
Special item - Transfer of operations			(103,434)							
Change in net position, business-type activities	444,896	453,213	372,414	392,876	327,641	386,871	666,368	432,932	116,841	(311,504)
Net position, beginning	8,090,995	7,637,782	7,265,368	7,063,179	6,776,080	6,389,209	5,722,841	5,289,909	5,188,374	5,357,439
Restatement ⁽²⁾				(190,687)	(40,542)				(15,306)	142,439
Net position, ending, business-type activities	\$ 8,535,891	\$ 8,090,995	\$ 7,637,782	\$ 7,265,368	\$ 7,063,179	\$ 6,776,080	\$ 6,389,209	\$ 5,722,841	\$ 5,289,909	\$ 5,188,374
Primary government:										
Expenses	\$ 41,063,212	\$ 40,435,747	\$ 38,172,934	\$ 37,475,105	\$ 36,539,707	\$ 34,835,745	\$ 34,797,388	\$ 34,734,194	\$ 33,815,619	\$ 31,659,895
Program revenues	20,832,035	20,561,490	19,448,409	19,087,007	17,988,885	17,545,794	17,273,517	17,624,632	16,835,978	13,500,674
Net (expense)/revenue, primary government	(20,231,177)	(19,874,256)	(18,724,525)	(18,388,098)	(18,550,822)	(17,289,951)	(17,523,871)	(17,109,562)	(16,979,641)	(18,159,221)
General revenues and other changes, primary government	20,803,980	19,790,602	19,611,674	18,918,002	17,819,717	17,229,263	16,535,321	15,889,190	15,026,694	15,299,818
Special item - Transfer of operations			(103,434)							
Change in net position, primary government	572,803	(83,655)	783,715	529,904	(731,105)	(60,688)	(988,550)	(1,220,372)	(1,952,947)	(2,859,403)
Net position, beginning	(2,507,351)	(2,423,696)	(3,207,411)	9,503,571	10,305,841	10,366,529	11,355,079	12,575,451	14,543,704	17,438,536
Restatement	(6,975,816)			(13,240,886)	(71,165)				(15,306)	(35,429)
Net position ending, primary government	\$ (8,910,364)	\$ (2,507,351)	\$ (2,423,696)	\$ (3,207,411)	\$ 9,503,571	\$ 10,305,841	\$ 10,366,529	\$ 11,355,079	\$ 12,575,451	\$ 14,543,704

⁽¹⁾ See the Expenses by Function, Primary Government and Revenues, Primary Government schedules for detail information on expenses and revenues.

⁽²⁾ Beginning net position balances were restated for fiscal year 2009 to recognize pollution remediation obligations for governmental activities and a prior period adjustment for capital assets of the Maryland Transportation Authority in the business-type activities. Beginning net position was restated for fiscal year 2010, 2014, 2015 and 2018 due to implementation of GASB Statements No. 53, 65, 68 and 75, respectively.

STATE OF MARYLAND
Expenses by Function, Primary Government
Last Ten Fiscal Years
(accrual based accounting)
(Expressed in Thousands)

	Year ended June 30,									
Functions/Programs	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Government activities:										
General government	\$ 965,904	\$ 946,670	\$ 880,414	\$ 861,601	\$ 832,041	\$ 894,637	\$ 871,352	\$ 865,519	\$ 837,542	\$ 835,858
Health and mental hygiene	13,526,404	13,414,334	12,215,519	11,995,583	11,078,408	10,038,006	9,870,227	9,592,240	9,174,006	8,398,880
Education	8,493,967	8,486,468	7,860,472	7,765,925	7,970,236	7,695,521	7,790,385	7,896,010	7,294,358	7,173,417
Aid for higher education	2,331,498	2,323,284	2,351,057	2,200,669	2,042,523	1,918,549	1,898,244	1,921,224	1,908,027	1,878,043
Human resources	2,336,614	2,446,063	2,510,369	2,544,917	2,584,755	2,611,879	2,551,033	2,537,952	2,401,029	2,163,217
Public safety	2,107,790	2,278,563	2,031,359	2,034,175	2,101,314	2,095,994	2,078,085	2,198,490	2,119,696	2,134,038
Transportation	4,068,118	3,478,387	3,706,904	3,610,810	3,504,411	3,146,053	3,155,703	3,176,910	3,460,865	3,202,687
Judicial	779,043	803,668	733,794	699,116	662,086	642,559	649,324	681,717	654,605	682,324
Labor, licensing and regulation	373,815	349,394	312,850	325,179	333,701	319,757	279,632	277,887	253,977	204,027
Natural resources and recreation	367,266	360,187	255,076	275,936	213,004	185,627	207,840	205,921	187,525	219,060
Housing and community development	329,330	321,792	283,046	266,523	294,408	295,611	347,008	373,548	319,721	248,334
Environment	108,218	110,577	111,686	109,349	102,712	104,685	108,213	126,054	121,957	123,854
Agriculture	97,966	111,321	94,561	89,464	97,770	97,234	46,645	90,502	57,275	94,930
Commerce	101,475	109,054	83,664	100,264	105,177	71,517	78,406	83,519	78,701	94,584
Intergovernmental grants	599,408	649,794	662,629	600,362	541,034	507,660	614,685	611,595	635,467	624,475
Interest	523,141	483,332	502,553	475,805	515,633	485,565	498,757	428,135	405,163	390,169
Total governmental activities expenses	37,109,957	36,672,888	34,595,952	33,955,678	32,979,215	31,110,854	31,045,539	31,067,223	29,909,914	28,467,897
Business-type activities:										
Economic development-insurance programs	1,380	1,227	3,372	2,838	4,534	12,565	4,689	12,693	4,247	8,881
Economic development-general loan programs	23,339	23,496	15,062	16,817	32,176	20,344	20,106	18,905	13,501	30,586
Economic development-water quality loan programs	138,369	168,631	221,101	251,636	174,566	209,263	142,280	153,331	99,911	43,245
Economic development-housing loan programs	171,443	163,267	175,706	179,393	202,818	207,423	204,117	193,258	201,077	210,603
Unemployment insurance program	518,190	546,415	571,259	680,420	925,005	1,246,507	1,585,495	1,629,721	2,004,334	1,330,465
Maryland Lottery and Gaming Control Agency	2,490,823	2,264,581	1,993,732	1,845,837	1,701,020	1,525,381	1,331,899	1,254,095	1,205,310	1,207,171
Maryland Transportation Authority	558,553	537,773	538,560	489,859	469,606	451,944	412,509	355,467	327,360	308,383
Maryland Correctional Enterprises	51,158	57,467	58,190	52,627	50,767	51,464	50,754	49,501	49,965	52,664
Total business-type activities expenses	3,953,255	3,762,859	3,576,982	3,519,427	3,560,492	3,724,891	3,751,849	3,666,971	3,905,705	3,191,998
Total primary government expenses	\$ 41,063,212	\$ 40,435,747	\$ 38,172,934	\$ 37,475,105	\$ 36,539,707	\$ 34,835,745	\$ 34,797,388	\$ 34,734,194	\$ 33,815,619	\$ 31,659,895

STATE OF MARYLAND
Revenues, Primary Government
Last Ten Fiscal Years
(accrual based accounting)
(Expressed in Thousands)

Source	Year ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities:										
Program revenues:										
Charges for services:										
General government	\$ 618,153	\$ 778,578	\$ 817,528	\$ 657,548	\$ 577,929	\$ 724,997	\$ 500,747	\$ 455,729	\$ 490,230	\$ 616,176
Health and mental hygiene	1,022,439	1,082,744	1,156,098	1,223,465	1,445,746	1,368,278	1,332,658	1,205,122	948,124	564,677
Transportation	865,512	625,103	618,334	652,820	582,332	679,378	541,961	540,859	527,330	508,629
Judicial	260,136	305,700	278,514	277,001	313,598	349,347	434,276	283,781	246,027	252,847
Other activities	556,702	529,020	467,989	391,082	418,981	454,900	462,765	460,733	608,284	462,761
Operating grants and contributions	11,046,827	11,120,269	10,342,983	10,263,139	9,056,184	8,233,915	8,199,616	9,341,179	8,659,808	7,079,697
Capital grants and contributions	903,595	871,728	740,968	774,605	826,498	845,162	884,128	715,153	727,903	692,237
Total program revenues	15,273,364	15,313,144	14,422,414	14,239,660	13,221,268	12,655,977	12,356,151	13,002,556	12,207,706	10,177,024
General revenues:										
Taxes:										
Income Taxes	10,676,428	9,828,434	9,797,055	9,445,934	8,803,951	8,657,390	7,868,089	7,605,497	7,003,514	7,167,890
Sales and use taxes	4,720,311	4,612,619	4,506,092	4,412,308	4,199,862	4,115,724	4,078,000	3,898,509	3,760,756	3,857,020
Motor vehicle taxes	2,631,645	2,657,696	2,554,740	2,383,505	2,196,805	2,072,571	1,988,153	1,913,570	1,796,769	1,787,144
Tobacco taxes	372,724	386,965	395,266	391,452	402,403	415,922	411,427	407,570	405,915	405,559
Insurance company taxes	541,758	512,033	491,226	505,991	475,294	429,410	428,023	392,287	382,569	369,479
Property taxes	1,153,640	1,099,731	1,053,103	1,002,787	972,947	990,061	994,439	1,043,943	1,009,768	968,892
Estate & inheritance taxes	241,226	252,118	288,833	266,809	238,276	258,978	221,206	241,576	196,002	229,723
Other taxes	323,472	312,867	311,694	306,505	313,474	293,031	296,068	302,421	294,752	293,391
Unrestricted investment earnings	136,427	120,657	197,411	186,926	212,533	(4,794)	155,587	79,042	167,581	202,682
Transfers	1,166,868	1,039,758	989,420	950,831	883,656	779,026	593,478	526,948	614,794	461,194
Total general revenues and transfers	21,964,499	20,822,878	20,584,840	19,853,048	18,699,201	18,007,318	17,034,470	16,411,363	15,632,420	15,742,974
Total revenues and transfers - governmental activities	37,237,863	36,136,022	35,007,254	34,092,708	31,920,469	30,663,295	29,390,621	29,413,919	27,840,126	25,919,998
Business-type activities:										
Program revenues:										
Charges for services:										
Unemployment insurance program	520,163	565,671	627,998	679,346	658,998	899,368	1,136,677	1,031,602	953,711	475,032
Maryland Lottery and Gaming Control Agency	3,740,610	3,384,334	3,078,920	2,877,945	2,645,960	2,444,195	2,022,445	1,828,489	1,711,285	1,699,156
Maryland Transportation Authority	862,395	869,605	836,079	827,759	804,642	617,334	532,042	553,786	588,427	391,558
Other activities	326,924	331,113	351,511	337,580	355,935	337,214	307,914	327,854	359,204	366,916
Operating grants and contributions	108,578	97,625	131,487	124,719	302,082	591,706	917,219	880,345	1,015,645	390,988
Capital grants and contributions							1,069			
Total program revenues	5,558,670	5,248,348	5,025,995	4,847,349	4,767,617	4,889,817	4,917,366	4,622,076	4,628,272	3,323,650
General revenues:										
InvestMD tax credits							84,000			
Unrestricted investment earnings	6,349	7,482	16,255	15,785	4,172	971	10,329	4,775	9,068	18,038
Transfers	(1,166,868)	(1,039,758)	(989,420)	(950,831)	(883,656)	(779,026)	(593,478)	(526,948)	(614,794)	(461,194)
Total general revenues and transfers	(1,160,519)	(1,032,276)	(973,165)	(935,046)	(879,484)	(778,055)	(499,149)	(522,173)	(605,726)	(443,156)
Special item - Transfer of operations			(103,434)							
Total revenues, transfers, and special items - business-type activities	4,398,151	4,216,072	3,949,396	3,912,303	3,888,133	4,111,762	4,418,217	4,099,903	4,022,546	2,880,494
Total primary government revenues and transfers	\$ 41,636,014	\$ 40,352,094	\$ 38,956,650	\$ 38,005,011	\$ 35,808,602	\$ 34,775,057	\$ 33,808,838	\$ 33,513,822	\$ 31,862,672	\$ 28,800,492

STATE OF MARYLAND
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual based accounting)

(Expressed in Thousands)

	Year ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund:										
Nonspendable	\$ 598,754	\$ 571,891	\$ 618,563	\$ 514,051	\$ 495,542	\$ 493,431	\$ 485,654	\$ 468,330	\$ 448,982	
Restricted	8,259	10,459	11,403	16,487	6,501	187	632	294	398	
Committed	1,633,323	1,564,668	1,675,674	1,519,539	1,553,584	1,488,477	1,271,765	1,163,278	1,140,676	
Unassigned	(507,376)	(788,832)	(509,187)	(766,124)	(916,302)	(622,860)	(680,949)	(292,292)	(340,964)	
Reserved										\$ 1,363,060
Unreserved (deficit)										146,862
Total general fund	1,732,960	1,358,186	1,796,453	1,283,953	1,139,325	1,359,235	1,077,102	1,339,610	1,249,092	1,509,922
All other governmental funds:										
Nonspendable	240,924	103,510	211,726	197,847	192,871	183,355	181,093	182,156	171,094	
Restricted	247,256	243,829	287,885	216,916	207,499	241,260	228,816	200,497	154,386	
Committed	583,117	578,790	685,348	800,158	791,084	663,718	550,287	568,396	608,854	
Unassigned ⁽¹⁾	(469,780)	(264,367)	(273,530)	(511,961)	(414,043)	(353,964)	(431,416)	(403,711)	(358,796)	
Reserved										574,349
Unreserved, reported in:										
Special revenue funds										166,567
Capital projects funds ⁽¹⁾										(375,595)
Debt service funds										104,238
Total all other governmental funds	601,517	661,763	911,429	702,960	777,411	734,369	528,780	547,338	575,538	469,559
Total governmental funds	\$ 2,334,477	\$ 2,019,948	\$ 2,707,882	\$ 1,986,913	\$ 1,916,736	\$ 2,093,604	\$ 1,605,882	\$ 1,886,948	\$ 1,824,630	\$ 1,979,481

⁽¹⁾The unreserved and unassigned fund balance deficit of the capital projects fund will be funded by future bond proceeds and capital appropriations of the general fund.

STATE OF MARYLAND
Changes in Fund Balances, Government Funds
Last Ten Fiscal Years
(modified accrual based accounting)
(Expressed in Thousands)

	Year ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Income taxes	\$ 10,740,942	\$ 9,786,505	\$ 9,832,668	\$ 9,418,584	\$ 8,743,986	\$ 8,652,063	\$ 7,822,259	\$ 7,639,285	\$ 6,957,811	\$ 7,156,297
Retail sales and use taxes	4,716,515	4,609,782	4,504,417	4,410,080	4,196,314	4,114,462	4,076,729	3,896,876	3,754,326	3,851,752
Motor vehicle taxes and fees	2,631,645	2,657,696	2,554,740	2,383,505	2,196,805	2,072,571	1,988,153	1,913,570	1,796,769	1,787,144
Tobacco taxes	372,724	386,965	395,266	391,452	402,403	415,922	411,427	407,570	405,915	405,559
Insurance company taxes	541,758	512,033	491,226	505,991	475,294	429,410	428,023	392,287	382,569	369,479
Property taxes	1,153,639	1,099,731	1,053,102	1,002,786	972,947	990,061	994,439	1,043,943	1,009,768	968,892
Estate & inheritance taxes	241,226	252,118	288,833	266,809	238,276	258,978	221,206	241,576	196,002	229,723
Other taxes	323,472	312,867	311,694	306,505	313,474	293,031	296,068	302,421	294,752	293,391
Other licenses and fees	561,410	604,004	646,622	641,478	607,785	678,648	714,891	683,289	682,756	686,806
Charges for services	2,206,187	2,115,409	2,191,464	2,132,893	2,304,305	2,403,377	2,150,332	1,878,075	1,639,917	1,259,309
Revenues pledged as security for bonds*								95,057	89,521	66,098
Interest and other investment income	(36,350)	(59,874)	57,549	66,067	110,607	(89,273)	88,068	23,052	121,233	161,696
Federal	11,762,012	11,970,737	10,999,638	11,033,156	9,897,214	9,096,720	9,104,024	9,968,631	9,386,888	7,767,558
Other	438,336	574,784	477,526	439,015	412,182	474,867	405,263	309,902	413,762	377,127
Total revenues	35,653,516	34,822,757	33,804,745	32,998,321	30,871,592	29,790,837	28,700,882	28,795,534	27,131,989	25,380,831
Expenditures:										
Current:										
General government	914,344	878,805	887,127	860,009	836,341	884,048	836,112	775,370	762,488	757,186
Education	10,510,656	10,403,553	10,231,349	10,079,813	9,636,845	9,305,918	9,298,976	9,474,145	9,104,692	8,948,062
Commerce	100,377	106,959	83,389	100,030	103,253	69,425	75,835	79,284	74,578	90,892
Labor, licensing and regulation	364,276	334,642	315,758	322,158	319,814	304,289	261,615	246,700	226,118	182,751
Human resources	2,324,795	2,391,286	2,501,100	2,543,937	2,542,075	2,557,386	2,488,200	2,420,789	2,291,347	2,061,959
Health and mental hygiene	13,483,142	13,334,642	12,206,406	12,007,975	11,160,187	9,949,816	9,772,861	9,441,903	9,040,549	8,286,032
Environment	102,623	108,702	108,548	107,103	96,901	87,728	96,116	107,457	110,092	106,307
Transportation	1,925,329	1,533,532	1,737,964	1,719,153	1,793,001	1,468,019	1,472,418	1,228,659	1,422,084	1,333,618
Public safety	1,989,791	2,076,945	1,983,864	1,972,570	1,888,200	1,879,264	1,875,795	1,873,921	1,773,141	1,824,595
Judicial	742,851	740,041	715,230	689,975	638,115	594,522	590,082	577,333	556,908	585,778
Housing and community development	327,564	319,809	282,414	266,912	292,494	293,743	344,408	368,857	315,630	244,208
Natural resources and recreation	353,728	306,062	236,959	232,514	186,486	171,206	179,682	182,229	184,342	205,876
Agriculture	82,600	71,000	69,105	75,226	87,110	80,353	79,294	80,770	92,954	142,804
Intergovernmental	1,384,498	1,379,988	1,352,665	1,344,034	1,190,477	1,156,328	1,265,314	1,249,592	1,187,153	1,425,506

STATE OF MARYLAND
Changes in Fund Balances, Government Funds (continued)
Last Ten Fiscal Years
(modified accrual based accounting)
(Expressed in Thousands)

	Year ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Debt service:										
Principal	1,057,156	993,324	926,719	810,783	744,599	673,639	645,024	598,265	560,348	536,050
Interest	510,154	496,946	468,169	440,063	434,811	414,089	399,710	390,340	366,237	349,214
Capital outlay	2,239,206	2,594,494	2,115,363	1,910,348	1,598,458	1,614,972	1,274,591	1,276,049	1,200,176	1,430,170
Total expenditures	38,413,090	38,070,730	36,222,129	35,482,603	33,549,167	31,504,745	30,956,033	30,371,663	29,268,837	28,511,008
Excess (deficiency) of revenues over expenditures	(2,759,574)	(3,247,973)	(2,417,384)	(2,484,281)	(2,677,575)	(1,713,908)	(2,255,151)	(1,576,129)	(2,136,848)	(3,130,177)
Other financing sources (uses):										
Capital leases	11,275	8,670	43,127	9,409	170,236	32,311	23,440	53,334	15,472	27,945
Proceeds from bond issues	1,893,666	1,513,598	2,105,806	1,662,385	1,445,884	1,389,203	1,375,297	1,058,166	1,477,837	1,318,718
Proceeds from refunding bonds	969,340	813,042		1,478,889	279,273	424,111	656,851		798,080	69,431
Payments to escrow agents	(967,047)	(815,030)		(1,547,056)	(278,876)	(423,021)	(674,982)		(924,185)	(69,213)
Transfers in	2,313,026	2,104,547	1,993,776	1,766,489	1,659,660	1,331,669	1,552,089	1,716,673	1,895,049	1,203,021
Transfers out	(1,146,158)	(1,064,788)	(1,004,356)	(815,658)	(775,470)	(552,643)	(958,611)	(1,189,726)	(1,280,256)	(741,827)
Net other sources (uses) of financial resources	3,074,102	2,560,039	3,138,353	2,554,458	2,500,707	2,201,630	1,974,084	1,638,447	1,981,997	1,808,075
Net changes in fund balance	314,528	(687,934)	720,970	70,177	(176,868)	487,722	(281,067)	62,318	(154,851)	(1,322,102)
Fund balance, beginning of the year	2,019,949	2,707,882	1,986,912	1,916,736	2,093,604	1,605,882	1,886,948	1,824,630	1,979,481	3,301,583
Fund balance, end of the year	\$ 2,334,477	\$ 2,019,948	\$ 2,707,882	\$ 1,986,912	\$ 1,916,736	\$ 2,093,604	\$ 1,605,881	\$ 1,886,948	\$ 1,824,630	\$ 1,979,481
Debt service as a percentage of noncapital expenditures	4.3%	4.2%	4.1%	3.7%	3.7%	3.6%	3.6%	3.5%	3.4%	3.4%

* Beginning in fiscal year 2012, revenues pledged as security for bonds were reclassified to charges for services.

STATE OF MARYLAND
Personal Income Tax Filers by Subdivision
Tax Year Ended December 31, 2017

Subdivision	Number of Filers	Adjusted Gross Income	Net Taxable Income	State Income Tax ⁽¹⁾	Local Income Tax	State and Local Income Tax	Local Tax Rate
Allegany	21,837	\$ 1,215,831,812	\$ 960,793,996	\$ 43,387,867	\$ 28,319,705	71,707,572	3.05%
Anne Arundel	228,899	23,077,230,181	19,101,621,508	894,264,443	467,389,165	1,361,653,608	2.50%
Baltimore County	327,311	28,985,962,355	23,590,148,949	1,114,370,734	652,494,799	1,766,865,533	2.83%
Calvert	201,582	12,786,507,815	10,147,606,358	460,591,514	310,517,482	771,108,996	3.20%
Caroline	36,095	3,346,054,052	2,705,162,198	126,334,102	79,994,418	206,328,520	3.00%
Carroll	11,726	683,709,448	522,179,731	21,882,779	13,587,198	35,469,977	2.73%
Cecil	68,714	6,219,844,524	5,079,114,372	239,758,519	152,459,678	392,218,197	3.03%
Charles	37,300	2,658,199,252	2,127,720,990	75,300,165	55,676,274	130,976,439	2.80%
Dorchester	64,164	5,106,125,105	3,916,640,364	180,540,237	116,686,960	297,227,197	3.03%
Frederick	11,431	651,349,372	503,014,657	21,722,903	12,490,713	34,213,616	2.62%
Garrett	102,674	9,152,053,597	7,439,387,190	349,033,853	217,324,293	566,358,146	2.96%
Harford	10,469	619,713,928	486,746,503	21,658,095	12,425,188	34,083,283	2.65%
Howard	102,004	8,650,367,264	7,033,335,194	326,129,099	211,763,356	537,892,455	3.06%
Kent	126,592	15,754,729,059	13,298,934,439	635,917,077	419,740,330	1,055,657,407	3.20%
Montgomery	7,112	574,144,332	452,607,625	19,232,339	12,354,500	31,586,839	2.85%
Prince George's	428,241	54,374,471,608	46,008,182,086	2,152,096,945	1,422,137,607	3,574,234,552	3.20%
Queen Anne's	367,692	23,779,593,631	17,343,454,990	786,835,282	539,798,615	1,326,633,897	3.20%
St Mary's	19,424	1,903,491,464	1,549,744,106	71,436,209	48,769,263	120,205,472	3.20%
Somerset	42,099	3,559,169,002	2,897,415,573	134,929,403	85,582,254	220,511,657	3.00%
Talbot	6,244	315,275,831	235,976,352	10,150,073	7,112,890	17,262,963	3.20%
Washington	14,846	1,502,571,658	1,235,868,490	57,102,071	28,647,595	85,749,666	2.40%
Wicomico	54,951	3,546,697,675	2,801,401,499	127,639,502	76,315,415	203,954,917	2.80%
Worcester	35,220	2,114,059,066	1,658,503,594	70,521,369	50,477,079	120,998,448	3.20%
Baltimore City	22,013	1,576,110,470	1,267,247,948	55,643,247	21,264,452	76,907,699	1.75%
Non-resident	136,850	7,823,364,773	6,821,996,833	478,559,013		478,559,013	
Total	\$ 2,485,490	\$219,976,627,274	\$179,184,805,545	\$ 8,475,036,840	\$ 5,043,329,229	\$ 13,518,366,069	

⁽¹⁾ See State personal income tax rates schedules for tax rate information.

Source: Revenue Administration Division, State Comptroller's Office

STATE OF MARYLAND

State Personal Income Tax and Sales Tax Rates Calendar Year 2012-2018*

Filing Status, Single:		Married Filing Jointly:	
Taxable Income:	Rate:	Taxable Income:	Rate:
\$3,001 - \$100,000	4.75%	\$3,001 - \$150,000	4.75%
\$100,001 - \$125,000	5.00%	\$150,001 - \$175,000	5.00%
\$125,001 - \$150,000	5.25%	\$175,001 - \$225,000	5.25%
\$150,001 - \$250,000	5.50%	\$225,001 - \$300,000	5.50%
Over \$250,000	5.75%	Over \$300,000	5.75%
Sales Tax Rate: 6%			

*Rates effective January 1, 2012

State Personal Income Tax and Sales Tax Rates Calendar Years 2009-2011*

Filing Status, Single:		Married Filing Jointly:	
Taxable Income:	Rate:	Taxable Income:	Rate:
\$3,000 - \$150,000	4.75%	\$3,000 - \$200,000	4.75%
\$150,001 - \$300,000	5.00%	\$200,001 - \$350,000	5.00%
\$300,001 - \$500,000	5.25%	\$350,001 - \$500,000	5.25%
\$500,001 - \$1,000,000	5.50%	\$500,001 - \$1,000,000	5.50%
Over \$1,000,000	6.25%**	Over \$1,000,000	6.25%**
Sales Tax Rate: 6%			

*Rates effective January 1, 2008

**Rates for calendar year 2011 were 5.50%

Source: Revenue Administration Division, State Comptroller's Office

STATE OF MARYLAND
Personal Income Tax Filers and Liability by Income Level
Last Ten Tax Years Ended December 31st
(Dollars, except income level, Expressed in Thousands)

2017						
	Number of Filers	Percentage of Total		Income Tax Liability	Percentage of Total	
Income Level						
\$500,000 and higher	29,053	1.17	%	\$ 1,791,955	21.14	%
\$100,000-\$499,999	590,844	23.77		4,197,129	49.52	
\$70,000-\$99,999	325,479	13.10		970,305	11.45	
\$50,000-\$69,999	334,540	13.46		673,911	7.95	
\$25,000-\$49,999	644,074	25.91		657,865	7.76	
\$10,000-\$24,999	457,559	18.41		170,442	2.01	
Under \$10,000	103,941	4.18		13,429	0.16	
Total	2,485,490	100.00	%	\$ 8,475,036	100.00	%

2015						
	Number of Filers	Percentage of Total		Income Tax Liability	Percentage of Total	
Income Level						
\$500,000 and higher	25,747	1.08	%	\$ 1,533,581	19.70	%
\$100,000-\$499,999	552,401	23.09		3,858,612	49.56	
\$70,000-\$99,999	317,167	13.25		940,026	12.07	
\$50,000-\$69,999	320,708	13.40		640,008	8.22	
\$25,000-\$49,999	623,249	26.05		634,477	8.15	
\$10,000-\$24,999	453,975	18.97		166,838	2.14	
Under \$10,000	99,564	4.16		12,631	0.16	
Total	2,392,811	100.00	%	\$ 7,786,173	100.00	%

2013						
	Number of Filers	Percentage of Total		Income Tax Liability	Percentage of Total	
Income Level						
\$500,000 and higher	21,935	0.92	%	\$ 1,266,568	16.27	%
\$100,000-\$499,999	503,837	21.06		3,434,142	44.11	
\$70,000-\$99,999	309,903	12.95		905,699	11.63	
\$50,000-\$69,999	312,548	13.06		615,553	7.91	
\$25,000-\$49,999	621,710	25.98		618,113	7.94	
\$10,000-\$24,999	477,663	19.96		162,722	2.09	
Under \$10,000	99,685	4.17		12,100	0.16	
Total	2,347,281	98.09	%	\$ 7,014,897	90.09	%

2016						
	Number of Filers	Percentage of Total		Income Tax Liability	Percentage of Total	
Income Level						
\$500,000 and higher	26,496	1.09	%	\$ 1,607,900	20.11	%
\$100,000-\$499,999	562,683	23.05		3,948,852	49.40	
\$70,000-\$99,999	321,207	13.16		954,063	11.94	
\$50,000-\$69,999	326,819	13.39		653,878	8.18	
\$25,000-\$49,999	639,012	26.17		646,421	8.09	
\$10,000-\$24,999	463,348	18.98		169,317	2.12	
Under \$10,000	101,955	4.18		13,008	0.16	
Total	2,441,520	100.00	%	\$ 7,993,441	100.00	%

2014						
	Number of Filers	Percentage of Total		Income Tax Liability	Percentage of Total	
Income Level						
\$500,000 and higher	24,432	1.03	%	\$ 1,487,042	19.88	%
\$100,000-\$499,999	527,543	22.14		3,648,239	48.76	
\$70,000-\$99,999	312,138	13.10		919,952	12.30	
\$50,000-\$69,999	315,473	13.24		626,493	8.37	
\$25,000-\$49,999	623,459	26.16		623,584	8.33	
\$10,000-\$24,999	476,740	20.01		163,914	2.19	
Under \$10,000	103,143	4.33		12,749	0.17	
Total	2,382,928	100.00	%	\$ 7,481,973	100.00	%

2012						
	Number of Filers	Percentage of Total		Income Tax Liability	Percentage of Total	
Income Level						
\$500,000 and higher	24,255	1.05	%	\$ 1,533,202	21.59	%
\$100,000-\$499,999	493,577	21.44		3,281,446	46.21	
\$70,000-\$99,999	307,641	13.36		884,705	12.46	
\$50,000-\$69,999	311,773	13.54		605,169	8.52	
\$25,000-\$49,999	615,541	26.74		608,132	8.56	
\$10,000-\$24,999	470,011	20.43		175,568	2.47	
Under \$10,000	79,274	3.44		13,671	0.19	
Total	2,302,072	100.00	%	\$ 7,101,893	100.00	%

STATE OF MARYLAND
Personal Income Tax Filers and Liability by Income Level
Last Ten Tax Years Ended December 31st

(Dollars, except income level, Expressed in Thousands)

(continued)

2011					2010				
Income Level	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total	Income Level	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
\$500,000 and higher	20,027	0.90 %	\$ 1,074,619	17.05 %	\$500,000 and higher	19,031	0.86 %	\$ 1,103,398	18.00 %
\$100,000-\$499,999	475,139	21.15	3,020,394	47.91	\$100,000-\$499,999	460,144	20.77	2,872,843	46.86
\$70,000-\$99,999	301,920	13.44	854,629	13.56	\$70,000-\$99,999	297,568	13.43	829,513	13.53
\$50,000-\$69,999	309,545	13.78	591,156	9.38	\$50,000-\$69,999	306,283	13.82	577,222	9.42
\$25,000-\$49,999	609,707	27.15	599,435	9.51	\$25,000-\$49,999	605,480	27.33	590,450	9.63
\$10,000-\$24,999	461,729	20.57	152,585	2.42	\$10,000-\$24,999	454,672	20.52	149,735	2.44
Under \$10,000	68,009	3.03	11,115	0.18	Under \$10,000	72,525	3.27	7,087	0.12
Total	2,246,076	100.00 %	\$ 6,303,933	100.00 %	Total	2,215,703	100.00 %	\$ 6,130,248	100.00 %

2009					2008				
Income Level	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total	Income Level	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
\$500,000 and higher	16,589	0.77 %	\$ 901,111	15.76 %	\$500,000 and higher	18,490	0.84 %	\$ 1,203,268	19.89 %
\$100,000-\$499,999	440,514	20.33	2,700,374	47.24	\$100,000-\$499,999	436,125	19.76	2,680,009	44.29
\$75,000-\$99,999	294,317	13.58	810,590	14.18	\$75,000-\$99,999	299,054	13.55	817,229	13.51
\$50,000-\$74,999	305,438	14.09	567,707	9.93	\$50,000-\$74,999	309,460	14.02	569,793	9.42
\$25,000-\$49,999	601,213	27.74	585,150	10.24	\$25,000-\$49,999	619,265	28.05	619,216	10.23
\$10,000-\$24,999	440,498	20.33	144,875	2.53	\$10,000-\$24,999	445,300	20.17	152,357	2.52
Under \$10,000	68,464	3.16	6,709	0.12	Under \$10,000	79,781	3.61	8,570	0.14
Total	2,167,033	100.00 %	\$ 5,716,516	100.00 %	Total	2,207,475	100.00 %	\$ 6,050,442	100.00 %

Source: Revenue Administration Division, Comptroller's Office

STATE OF MARYLAND
Sales and Use Tax Receipts by Principal Type of Business
Last Ten Fiscal Years
(Expressed in Thousands)

Year	Food and Beverage*	Apparel	General Merchandise	Automotive	Furniture and Appliances	Building & Industrial Supplies	Utilities & Transportation	Hardware, Machinery & Equipment	Miscellaneous	Assessment Collections	Total Collections
2018	\$ 1,178,939	\$ 228,454	\$ 914,792	\$ 298,681	\$ 287,656	\$ 643,121	\$ 361,281	\$ 113,453	\$ 699,355	\$ 8,100	\$ 4,733,832
2017	1,156,169	226,682	867,534	298,391	290,538	615,486	377,542	110,636	684,747	10,062	4,637,787
2016	1,134,386	214,016	861,937	295,298	295,776	589,726	350,722	111,102	683,872	11,718	4,548,553
2015	1,090,515	208,036	811,774	284,110	299,874	563,869	378,578	110,016	652,615	10,508	4,409,895
2014	1,034,463	199,133	751,972	274,024	295,710	530,891	383,069	103,416	614,776	8,542	4,195,996
2013	1,011,944	197,086	754,822	266,675	315,902	501,287	354,509	98,914	605,375	7,783	4,114,297
2012	1,013,589	193,049	736,119	268,506	330,226	485,588	349,284	100,832	582,760	16,627	4,076,580
2011	891,267	187,014	716,226	259,052	343,897	467,156	367,543	94,654	559,420	10,470	3,896,699
2010	864,941	189,057	705,121	239,813	347,243	445,706	370,435	92,241	484,910	14,310	3,753,777
2009	851,038	188,931	705,193	252,973	362,374	483,384	404,219	97,355	489,672	16,153	3,851,292

Source: Revenue Administration Division, Comptroller's Office

*The 2011 Session of the Maryland General Assembly approved legislation increasing the sales tax on alcoholic beverages from 6% to 9% effective fiscal year 2012.

STATE OF MARYLAND
Schedule of Ratio of Outstanding Debt by Type
Last Ten Years
(Dollars Expressed in Thousands except Per Capita)

Fiscal Year	General Bonded Debt		Other Governmental Activities Debt		Total Governmental Activities Debt	Debt Ratios, Governmental Activities		Business-Type Activities Debt		Total Business-Type Activities Debt	Debt Ratios, Primary Government	
	General Obligation Bonds ⁽²⁾	Transportation Bonds ⁽²⁾	Capital Leases	Capital Leases with Component Units		Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾	Revenue Bonds	Capital Leases		Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾
2018	\$ 10,849,313	\$ 3,241,095	\$ 787,303	\$ 83,933	\$ 14,961,644	4.29 %	\$ 2,487	\$ 4,451,025		\$ 4,451,025	5.57 %	\$ 3,227
2017	10,526,151	2,860,829	842,363	103,100	14,332,443	4.11	2,382	5,345,081	\$ 35,669	5,380,750	5.66	3,277
2016	10,672,349	2,359,453	907,425	121,543	14,060,770	4.17	2,341	5,630,773	48,285	5,679,058	5.85	3,286
2015	9,800,864	2,233,690	929,679	140,559	13,104,792	3.98	2,193	5,721,363	60,715	5,782,078	5.73	3,160
2014	9,256,090	1,948,837	915,393	163,574	12,283,894	3.82	2,072	5,939,721	17,480	5,957,201	5.67	3,077
2013	8,659,236	1,728,192	766,393	186,706	11,340,527	3.58	1,927	6,220,872	31,024	6,251,896	5.56	2,990
2012	8,081,668	1,654,497	755,653	210,676	10,702,494	3.41	1,728	6,377,228	56,212	6,433,440	5.59	2,832
2011	7,425,402	1,630,533	755,778	214,590	10,026,303	3.35	1,645	6,504,780	44,886	6,549,666	5.66	2,776
2010	6,921,542	1,721,856	798,201	232,762	9,674,361	3.31	1,614	6,161,633	5,261	6,166,894	5.53	2,696
2009	6,226,287	1,667,124	848,208	250,407	8,992,026	3.14	1,519	5,422,501	5,748	5,428,249	5.13	2,482

Source: General Accounting Division, State Comptroller's Office

⁽¹⁾ Population and personal income data can be found in the Schedule of Demographics Statistics.

⁽²⁾ General bonded debt and transportation bonds are net of related premiums, discounts and adjustments.

STATE OF MARYLAND
Ratio of General Bonded Debt
To Actual Value and General Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	<i>(Expressed in Thousands)</i>			Ratio of General Bonded Debt to Actual Property Value	General Bonded Debt per Capita
	Estimated Population ⁽¹⁾	Estimated Property Value	General Bonded Debt ⁽²⁾		
2018	6,052	\$ 741,299,911	\$ 10,849,313	1.46%	\$ 1,793
2017	6,016	714,873,503	10,526,151	1.47	1,750
2016	6,007	693,056,335	10,672,349	1.54	1,777
2015	5,976	664,447,412	9,800,864	1.48	1,640
2014	5,929	647,265,360	9,256,090	1.43	1,561
2013	5,885	641,751,347	8,659,236	1.35	1,471
2012	5,828	653,376,073	8,081,668	1.24	1,387
2011	5,786	689,329,692	7,425,402	1.08	1,283
2010	5,699	731,809,178	6,921,542	0.95	1,215
2009	5,634	707,573,095	6,226,287	0.88	1,105

Source: The Sixty-Fifth through Seventy-Fourth Report of the State Department of Assessments and Taxation and the State Comptroller's Office

⁽¹⁾ See Schedule of Demographic Statistics.

⁽²⁾ Includes general obligation bonds. The primary revenue source to pay the debt service for general obligation bonds is property taxes.
The General bonded debt is net of related premiums, discounts, and adjustments.

STATE OF MARYLAND
Legal Debt Margin Information
Last Ten Fiscal Years
(Expressed in Thousands)

Legal Debt Margin Calculation for Fiscal Year 2018

Debt Limit ⁽¹⁾	\$ 15,781,124
Debt applicable to limit:	
General obligation bonds	9,479,407
Transportation bonds	2,911,675
Nontraditional Transportation debt ⁽²⁾	604,820
Less amounts set aside for replacement of:	
General obligation debt	247,256
Transportation debt	43,147
Total net debt applicable to limit	<u>12,705,499</u>
Legal debt margin	<u>\$ 3,075,625</u>

	Year ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Debt limit	\$ 15,781,124	\$ 15,123,970	\$ 15,021,257	\$ 14,493,789	\$ 13,918,130	\$ 13,169,535	\$ 12,388,337	\$ 11,790,027	\$ 11,410,017	\$ 9,822,844
Total net debt applicable to limit	<u>12,705,499</u>	<u>12,280,624</u>	<u>11,991,290</u>	<u>11,159,389</u>	<u>10,615,974</u>	<u>10,033,126</u>	<u>9,438,132</u>	<u>8,948,851</u>	<u>8,658,167</u>	<u>8,015,376</u>
Legal debt margin	<u>\$ 3,075,625</u>	<u>\$ 2,843,346</u>	<u>\$ 3,029,967</u>	<u>\$ 3,334,400</u>	<u>\$ 3,302,156</u>	<u>\$ 3,136,409</u>	<u>\$ 2,950,205</u>	<u>\$ 2,841,176</u>	<u>\$ 2,751,850</u>	<u>\$ 1,807,468</u>
Total net debt applicable to limit as a percentage of debt limit	80.51%	81.20%	79.83%	76.99%	76.27%	76.18%	76.19%	75.90%	75.88%	81.60%

Source: General Accounting Division, State Comptroller's Office

⁽¹⁾ For general obligation bonds, the debt limit is based on separate enabling acts for particular objects or purposes that are enacted during each legislative session. There is no separately mandated maximum amount for the issuance of general obligation bonds. For transportation bonds, the General Assembly each year establishes a maximum aggregate outstanding amount that does not exceed \$2,600,000,000 through June 30, 2009, and \$4,500,000,000 thereafter.

⁽²⁾ The 2017 session of the General Assembly established a maximum outstanding principal amount of \$880,900,000 as of June 30, 2018, for all nontraditional debt of the Department. Nontraditional debt outstanding is defined as any debt instrument that is not a Consolidated Transportation Bond or GARVEE bond. This debt includes certificates of participation, debt backed by customer facility charges, passenger facility charges, or other revenues, and debt issued by the Maryland Economic Development Corporation or any other third party on behalf of the Department.

STATE OF MARYLAND
Schedule of Taxes Pledged to Consolidated Transportation Bonds and Net Revenues as
Defined for Purposes of Consolidated Transportation Bonds Coverage Tests
Last Ten Fiscal Years
(Expressed in Thousands)

	Year ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Taxes and fees:										
Taxes pledged to bonds ⁽¹⁾⁽²⁾⁽⁴⁾⁽⁵⁾	\$ 1,965,757	\$ 1,971,162	\$ 1,924,937	\$ 1,749,800	\$ 1,590,767	\$ 1,382,135	\$ 1,277,770	\$ 1,300,022	\$ 1,244,280	\$ 1,234,750
Other taxes and fees ⁽³⁾	605,153	623,230	611,259	603,700	586,514	572,894	475,561	439,657	415,409	418,734
Total taxes and fees	2,570,910	2,594,392	2,536,196	2,353,500	2,177,281	1,955,029	1,753,331	1,739,679	1,659,689	1,653,484
Operating revenues	459,912	441,420	436,571	414,290	409,952	407,187	402,056	390,547	388,587	392,772
Investment income	60,566	69,012	59,609	47,307	29,139	30,785	40,015	60,458	394	3,996
Other	2,322	627	3,819	2,090	2,154	758	2,750	1,004	(3,600)	(3,666)
Total revenue	3,093,710	3,105,451	3,036,195	2,817,187	2,618,526	2,393,759	2,198,152	2,191,688	2,045,070	2,046,586
Administration, operation and maintenance expenditures	2,048,949	1,948,196	1,917,471	1,859,524	1,842,785	1,638,407	1,572,181	1,547,339	1,582,578	1,526,965
Less: Federal funds	(99,533)	(94,498)	(87,325)	(89,843)	(90,567)	(72,397)	(92,737)	(90,733)	(90,761)	(93,729)
Total	1,949,416	1,853,698	1,830,146	1,769,681	1,752,218	1,566,010	1,479,444	1,456,606	1,491,817	1,433,236
Net revenues	\$ 1,144,294	\$ 1,251,753	\$ 1,206,049	\$ 1,047,506	\$ 866,308	\$ 827,749	\$ 718,708	\$ 735,082	\$ 553,253	\$ 613,350
Maximum annual principal and interest requirements	\$ 358,739	\$ 331,345	\$ 305,197	\$ 292,327	\$ 270,527	\$ 237,394	\$ 219,765	\$ 210,714	\$ 210,714	\$ 197,281
Ratio of net revenues to maximum annual principal and interest requirements	3.19	3.78	3.95	3.58	3.20	3.49	3.27	3.49	2.63	3.11
Ratio of taxes pledged to bonds to maximum annual principal and interest requirements	5.48	5.95	6.31	5.99	5.88	5.82	5.81	6.17	5.91	6.26

Source: The Maryland Department of Transportation, The Secretary's Office, Office of Finance.

⁽¹⁾ The State's sales tax and the Vehicle Excise Tax (Titling tax) was increased from 5% to 6%, effective January 1, 2008. In addition, effective July 1, 2008, the percentage of titling tax retained by the Department was increased incrementally to fiscal year 2014 from 76% to 93.6%.

⁽²⁾ The Department was allocated 6.5% of the State's sales tax effective July 1, 2008. The distribution was reduced to 5.3% in fiscal years 2010 and 2011 and ended July 1, 2011.

⁽³⁾ The Transportation Trust Fund transferred \$40,000,000 of the Department's share of Highway User Revenues to the Revenue Stabilization Account in fiscal year 2012.

⁽⁴⁾ The allocation of the corporate income tax to the Department was changed from 24% to 17.2% in fiscal year 2012, 9.5% in fiscal year 2013, 19.5% through fiscal year 2016, and 17.2% thereafter.

⁽⁵⁾ The motor fuel tax rate was increased based on growth of the Consumer Price Index and applies a sales and use tax equivalent to the price of motor fuel beginning in fiscal year 2014.

STATE OF MARYLAND
Ratio of Pledged Assets to
Revenue Bonds, Community Development Administration
Last Ten Fiscal Years
(Expressed in Thousands)

		Pledged Assets ⁽¹⁾		Revenue Bonds Payable	Ratio of Pledged Assets to Revenue Bonds
2018	\$	2,489,743	\$	1,948,457	1.28
2017		2,607,201		2,030,891	1.28
2016		2,721,570		2,158,680	1.26
2015		2,847,756		2,307,890	1.23
2014		3,015,137		2,507,082	1.20
2013		3,311,864		2,766,326	1.20
2012		3,542,214		2,926,149	1.21
2011		3,627,287		3,047,472	1.19
2010		3,717,989		3,136,883	1.19
2009		3,517,631		2,983,490	1.18

⁽¹⁾ Bonds and notes issued by the Community Development Administration (CDA) are special obligations of CDA and are payable solely from the revenues of the applicable mortgage loan programs. Assets, principally mortgage loans, and program revenues are pledged as collateral for the revenue bonds.

STATE OF MARYLAND
Schedule of Demographic Statistics
Last Ten Years
(Expressed in Thousands)

	Population ⁽¹⁾	Total Personal Income ⁽²⁾		Per Capita Personal Income	School Enrollment ⁽³⁾	Unemployment Rate ⁽⁴⁾
2018	6,052,177	\$ 360,250,668	\$	59,524	1,021,454	4.1%
2017	6,016,447	348,569,720		57,936	1,009,762	4.2
2016	6,007,289	337,174,077		56,127	1,010,035	4.3
2015	5,976,407	329,559,646		55,143	1,001,193	5.2
2014	5,928,814	321,688,894		53,816	994,380	6.0
2013	5,884,563	316,681,620		53,816	992,828	6.8
2012	5,828,289	295,235,516		50,656	961,486	6.8
2011	5,785,982	283,919,505		49,070	993,996	7.2
2010	5,699,478	278,026,000		48,378	984,134	7.4
2009	5,633,597	272,542,169		48,378	975,861	5.9

Sources:

⁽¹⁾ U.S. Census Bureau, "Annual Estimates of the Resident Population: April 1, 2010 - July 1, 2017", revised December, 2017. Estimates for the calendar year except that the current year amount is a projected estimate for the year.

⁽²⁾ U.S. Department of Commerce, Bureau of Economic Analysis. Data for all years based on revised statistics of state personal income released on March 22, 2018. All estimates of state personal income are subject to BEA's flexible annual revision schedule.

⁽³⁾ Figures are as of September 30 of the prior calendar year from State Department of Education, grades pre-kindergarten through grade 12. Includes public and nonpublic schools. Data for nonpublic schools is incomplete.

⁽⁴⁾ Figures are for the fiscal year from State Department of Labor, Licensing and Regulation.

STATE OF MARYLAND
Schedule of Employment by Sector
Prior Year and Nine Years Prior

	Calendar Year 2017 ⁽¹⁾			Calendar Year 2008 ⁽²⁾		
	Average Annual Employment	Total Wages (Expressed in Thousands)	Average Weekly Wage Per Worker	Average Annual Employment	Total Wages (Expressed in Thousands)	Average Weekly Wage Per Worker
Government:						
State and local	340,329	\$ 19,306,561	\$ 1,091	343,259	\$ 16,768,528	\$ 939
Federal	146,707	14,872,855	1,950	127,150	10,651,787	1,611
Total government	487,036	34,179,416	1,350	470,409	27,420,315	1,121
Manufacturing	105,130	8,243,342	1,508	128,440	7,945,238	1,190
Natural resources and mining	6,434	273,268	817	6,528	232,333	684
Construction	162,154	10,542,768	1,250	178,076	9,360,658	1,011
Trade, transportation, and utilities	461,998	20,962,382	873	461,249	17,943,133	748
Information services	37,625	3,311,520	1,693	49,820	3,336,494	1,288
Financial activities	140,275	12,737,097	1,746	149,220	10,376,471	1,337
Professional and business services	443,960	34,341,101	1,488	398,952	25,063,169	1,208
Education and health services	436,174	23,214,138	1,024	367,671	16,683,401	873
Leisure and hospitality	280,175	6,568,157	451	236,048	4,428,239	361
Unclassified and other services	91,511	3,826,600	804	90,987	2,947,701	623
Total of all sectors	2,652,472	\$ 158,199,789	\$ 1,147	2,537,400	\$ 125,737,152	\$ 953

⁽¹⁾ Source: DLLR Website - <http://dllr.maryland.gov/lmi/emppay/md2017ep.shtml>

⁽²⁾ Source: DLLR Website - <http://dllr.maryland.gov/lmi/emppay/md2008ep.shtml>

STATE OF MARYLAND
Maryland's Ten Largest Private Employers ⁽¹⁾

Calendar Years		
Employer (Listed Alphabetically)		
2018 ⁽²⁾	2017 ⁽²⁾	2016 ⁽²⁾
Applied Physics Laboratory	Applied Physics Laboratory	Applied Physics Laboratory
BYK Gardner Inc.	BYK Gardner	BYK Gardner
Care First Blue Cross Blue Shield	Clean Harbors Inc.	Johns Hopkins University
F.H Furr Plumbing, HVAC & Electrical	Cristal USA	Liberty Tax Service
Johns Hopkins Hospital	Johns Hopkins Hospital	Northrop Grumman Electronic Systems
Johns Hopkins University	Johns Hopkins University	Stephen James Associates
Northrop Grumman Electronic Systems	Northrop Grumman Electronic Systems	Sylvan Learning Center
University of Maryland Biotechnology	Sap America Inc.	University of Maryland Medical Center
University of Maryland Medical Center	Sinai Hospital	Vitamin Shoppe
Sap America Inc.	University of Maryland Medical Center	Werner Enterprises Inc.
2015 ⁽²⁾	2014, 2013, 2012 and 2011	2010 and 2009
BAE Systems Inc.	Giant Food LLC	Adventist Healthcare
Exelon Corporation	Helix Health Systems Inc.	Giant Food LLC
Giant Food LLC	Home Depot Inc.	Helix Health System Inc.
H & R Block Inc.	Johns Hopkins Hospital	Johns Hopkins Hospital
Johns Hopkins University	Johns Hopkins University	Johns Hopkins University
Lockheed Martin Corporation	Northrop Grumman Corporation	Northrop Grumman Corporation
McDonald's Corporation	Safeway Inc.	Safeway Inc.
Northrop Grumman Corporation	Target	Target
Safeway Inc.	University of Maryland Medical System	University of Maryland Medical System
Walmart	Walmart	Walmart

Source: Department of Labor, Licensing and Regulation; Office of Market Labor

Analysis and Information – Major Employer List – March 2018

⁽¹⁾ Information such as the number of employees or the employers' percentage of total employment is not available for disclosure.

⁽²⁾ Beginning in 2015, the source for the State's largest employers is a private contractor rather than the agency's in-house system.

STATE OF MARYLAND
State Employees by Function/Program
Last Ten Fiscal Years

	Year ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
State Employees:										
Governmental activities:										
General government	5,605	5,770	5,841	5,464	5,922	5,396	5,487	5,479	5,695	5,813
Health and mental hygiene	9,868	9,878	10,187	9,629	10,416	9,743	9,929	9,459	10,103	10,880
Education	2,203	2,230	2,330	2,207	2,509	2,253	2,227	2,162	2,250	2,450
Human resources	5,901	5,970	6,122	6,122	6,232	6,149	6,268	6,327	6,456	6,503
Public safety	13,137	14,010	19,769	14,963	15,449	15,443	15,625	15,547	15,759	16,311
Transportation	6,075	5,977	6,213	6,130	6,082	6,095	6,201	6,137	6,405	6,638
Judicial	6,354	6,321	6,277	6,024	6,158	5,937	5,905	5,935	5,854	6,109
Labor, licensing and regulation	1,642	1,659	1,821	1,633	1,971	1,793	1,906	1,962	1,879	1,662
Natural resources and recreation	2,107	2,074	2,290	2,001	2,349	2,049	2,100	2,135	2,111	2,104
Housing and community development	216	195	199	194	210	386	385	268	274	246
Environment	868	881	904	901	915	931	927	958	1,000	960
Agriculture	431	447	439	424	472	446	436	450	482	482
Commerce	169	170	163	154	164	169	170	167	163	228
Total governmental activities employees	54,576	55,582	62,555	55,846	58,849	56,790	57,566	56,986	58,431	60,386
Business-type activities:										
Economic development - insurance programs	276	285	284	267	287	265	268	266	262	237
Maryland Lottery and Gaming Control Agency	326	326	321	298	269	248	215	200	181	189
Maryland Transportation Authority	1,662	1,578	1,667	1,666	1,683	1,644	1,681	1,650	1,660	1,652
Maryland Correctional Enterprises	146	157	171	177	190	183	194	184	200	204
Total business-type employees	2,410	2,346	2,443	2,408	2,429	2,340	2,358	2,300	2,303	2,282
Total primary government employees	56,986	57,928	64,998	58,254	61,278	59,130	59,924	59,286	60,734	62,668
Component Units:										
Higher Education	47,756	47,671	45,597	44,875	45,332	41,676	39,005	39,259	39,411	38,985
Prepaid College Trust	27	30	25	15	18	17	14	15	17	16
Stadium Authority	170	155	143	133	129	123	112	112	108	117
Other component units	27	25	28	27	27	27	29	29	28	24
Total component units employees	47,980	47,881	45,793	45,050	45,506	41,843	39,160	39,415	39,564	39,142

Source: Central Payroll Bureau, State Comptroller's Office

STATE OF MARYLAND
Schedule of Miscellaneous, Operating and Capital Asset Statistics by Function
Last Ten Fiscal Years

Date of Ratification	1788									
Form of Government	Legislative - Executive - Judicial									
Land Area	9844 square miles									
Function/Program	2018 ⁽¹⁾	2017	2016	2015	2014	2013	2012	2011	2010	2009
Education, Public School Enrollment	893,689	886,221	879,601	874,514	827,999	823,452	821,106	817,610	814,609	815,742
Health and Human Resources:										
Medicaid Enrollment	1,141,995	1,098,887	1,081,526	1,138,532	1,079,849	841,812	810,593	764,500	676,187	569,964
Children's Health Program Enrollment	147,837	146,031	136,980	122,955	114,648	111,132	103,011	98,000	97,998	105,617
WIC Food Program Recipients	129,504	134,662	140,909	140,600	140,830	144,923	146,787	155,000	148,670	144,072
Behavioral Health Clients	326,249	201,005	199,138	185,181	184,104	167,680	159,124	152,953	122,046	111,678
Public Assistance Caseload (AFDC/TANF)	46,651	50,901	56,115	61,739	64,359	67,436	72,413	67,422	67,422	58,426
Foster Care and Subsidized Adoption Average Caseload	12,727	12,977	13,410	13,477	15,090	15,386	14,230	15,297	15,093	14,235
Public Safety:										
Correctional Institutions Average Daily Population	22,799	23,115	23,093	23,951	24,237	24,686	25,450	21,159	20,891	22,778
Parole and Probation, Active Cases under Supervision	69,878	40,402	42,368	50,968	49,734	52,187	50,982	55,200	54,939	54,484
Youth Residential Programs, Average Daily Population	739	782	852	998	1,209	1,201	1,304	1,468	1,406	1,519
Average Monthly number of Youths on Probation	2,292	2,296	2,446	2,761	2,630	2,983	3,375	5,015	5,015	6,760
Public Safety (State Police):										
Number of Police Stations	23	23	23	26	26	25	25	25	25	26
Number of State Police	1,428	1,452	1,456	1,443	1,570	1,562	1,563	1,565	1,565	1,567
Motor Vehicle citations (calendar year)	336,950	330,153	355,061	363,134	370,767	384,500	336,094	348,459	381,915	390,100
Motor Vehicle - Number of Collisions (calendar year) ⁽⁷⁾	34,278	23,779	19,907	98,400	96,200	88,700	89,285	102,000	90,517	98,352
Judicial, Total Filings	NA	1,886,882	1,931,138	1,946,586	1,987,309	2,050,561	2,056,603	2,105,728	2,155,864	2,208,268
Transportation:										
Miles of State Highway	5,274	5,270	5,274	5,271	5,273	5,264	5,266	5,254	5,244	5,240
Lane Miles Maintained	17,174	17,143	17,132	17,117	17,063	17,050	17,042	16,988	16,961	16,895
Expenditures per Lane Mile	\$ 9,423	\$ 9,373	\$ 9,199	\$ 8,430	\$ 8,261	\$ 8,655	\$ 8,618	\$ 8,171	\$ 7,572	\$ 8,913
Number of Bridges ⁽²⁾	1,483	1,484	1,483	1,499	1,496	1,434	1,182	1,183	1,180	1,180
Motor Vehicle Registrations	5.0 million	5.0 million	5 million	4.9 million	4.9 million	4.8 million	4.9 million	5.0 million	4.8 million	4.6 million
BWI Airport Passengers (calendar year)	24.8 million	25.7 million	24.7 million	22.8 million	22.7 million	22.2 million	22.8 million	22.5 million	21.7 million	19.6 million
Acres Agricultural Land Preserved - all programs	654,490	635,710	614,173	609,661	587,757	574,838	572,680	563,482	554,285	534,906
Department of Housing and Community Development:										
Active Single Family/Multifamily Bond Financed Loans ⁽⁴⁾	10,510	11,525	12,646	13,734	14,919	15,426	16,796	16,456	16,405	16,906
Department of Commerce:										
Number of businesses assisted ⁽³⁾	30	NA	4	7	9	9	13	17	24	50
Number of workers trained ⁽³⁾	1,210	NA	126	142	161	79	262	637	547	1,007

STATE OF MARYLAND
Schedule of Miscellaneous, Operating and Capital Asset Statistics by Function (Continued)
Last Ten Fiscal Years

Function/Program	2018 ⁽¹⁾	2017	2016	2015	2014	2013	2012	2011	2010	2009
Higher Education (Universities, Colleges and Community Colleges):										
Number of Campuses in State	29	29	29	29	29	29	29	29	29	29
Number of Educators ⁽⁵⁾	8,383	8,387	8,355	8,391	8,298	8,271	9,892	9,671	9,421	9,190
Number of Students	289,879	287,831	291,797	288,720	296,805	302,115	298,273	286,106	280,196	269,287
Number of State Scholarships Awarded ⁽⁶⁾	35,252	32,203	35,859	40,061	43,318	45,212	40,485	65,544	52,965	58,935
Recreation:										
Number of State Parks and Forests	62	60	60	60	66	66	66	65	65	64
State Parks Daily Visitors	13.8 million	14.0 million	12.9 million	11.3 million	10.3 million	11.2 million	11.8 million	10.5 million	10.1 million	10.7million
Area of State Parks, Acres	97,195	94,762	95,314	95,196	97,414	96,130	95,199	95,196	94,729	94,520
Area of State Forests, Acres	147,863	147,810	147,521	145,761	145,200	143,430	142,979	142,058	141,789	141,434

Sources: State Comptroller's Office, General Accounting Division, Central Payroll Bureau, www.mdarchives.state.md.us/msa/mdmanual, Maryland Budget, Department of Budget and Management, Department of Natural Resources, and the State Highway Administration of Maryland.

⁽¹⁾ These amounts are estimates.

⁽²⁾ Maryland's portion of the National Highway System was recently expanded beginning in 2013 due to Federal Highway Legislation.

⁽³⁾ Restructuring of training programs in 2009 led to reduced funding for the Partnership for Workforce Quality Program (PWQ) through 2017.

⁽⁴⁾ CDA relies completely on the reporting of two different Master Servicers on the underlying loans that comprise the Mortgage-backed securities held by CDA at fiscal year end.

⁽⁵⁾ Large reduction of faculty count is due to exclusion of faculty at Clinical Medicine at UMB, faculty at extension services, and continuing education faculty beginning in 2013.

⁽⁶⁾ Legislative scholarships are not included due to a change in awarding practices begun in FY 2012.

⁽⁷⁾ Crashes investigated by Maryland State Police; prior to 2016 totals include allied agencies.

Financial Schedules Required by Law

THESE SCHEDULES ARE REQUIRED TO BE SUBMITTED BY THE COMPTROLLER BY TITLE 2,
SECTION 102 OF THE STATE FINANCE AND PROCUREMENT ARTICLE OF THE ANNOTATED
CODE OF MARYLAND



STATE OF MARYLAND
Schedule of Estimated and Actual Revenues By Source, Budgetary Basis, for the Year Ended June 30, 2018
(Expressed in Thousands)

	Annual Budgeted Funds											
							Higher Education Funds				Capital Projects Fund Actual Revenues	Total Actual Revenues
	General Fund		Special Fund		Federal Fund		Current Unrestricted Fund		Current Restricted Fund			
	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues		
Taxes:												
Property tax	\$ 46,028	\$ 52,573	\$ 908,562	\$ 1,022,879								\$ 1,075,452
Franchise and corporation tax	139,504	145,437										145,437
Death taxes	184,512	214,383										214,383
Admission and amusement tax			7,989	14,741								14,741
Alcohol beverages tax	32,946	31,597		85								31,682
Motor vehicle fuel taxes			950,000	1,084,195								1,084,195
Income taxes	10,223,292	10,328,177	213,816	216,011								10,544,188
Sales and use taxes	4,727,127	4,645,756	70,000	70,424								4,716,180
Tobacco taxes	396,037	372,724										372,724
Motor vehicle titling taxes			900,000	869,309								869,309
Insurance company taxes	304,066	414,643	145,000	127,115								541,758
Horse racing taxes			1,500	1,175								1,175
Shellfish taxes				222								222
Boxing, wrestling or sparring taxes		661										661
Boat titling tax			7,847	20,532								20,532
Energy generation tax			65,080	51,117								51,117
Emergency telephone system tax			50,000	57,958								57,958
Total taxes	16,053,512	16,205,951	3,319,794	3,535,763								19,741,714
Other:												
Licenses and permits	50,057	43,291	612,742	624,158								667,449
Fees for services	154,322	149,798	1,134,006	896,830								1,046,628
Fines and costs	126,750	121,671	251,523	217,879								339,550
Sales to the public	43,449	8,171	730,608	99,840								108,011
Commissions and royalties	58		107,529	82,949								82,949
Rentals	159	1,791	114,417	127,553								129,344
Interest on investments	35,000	45,700	3,400	20,247		\$ 566					\$ 88	66,601
Interest on loan repayments			300	910								910
Miscellaneous	88,004	132,070	196,640	225,841								357,911
Colleges and universities							\$ 3,201,530	\$ 3,140,807	\$ 1,348,736	\$ 1,347,679		4,488,486
Federal reimbursements and grants					\$ 13,145,527	11,676,424						11,676,424
Other reimbursements	96,087	70,642	981,868	1,076,467								1,147,109

STATE OF MARYLAND
Schedule of Estimated and Actual Revenues By Source, Budgetary Basis, for the Year Ended June 30, 2018 (Continued)
(Expressed in Thousands)

	General Fund		Special Fund		Federal Fund		Higher Education Funds				Capital Projects Fund	Total
							Current Unrestricted Fund		Current Restricted Fund		Actual Revenues	Actual Revenues
	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues		
Bond issues:												
State - general purpose				\$ 1,240							\$ 1,079,765	\$ 1,081,005
Consolidated transportation bonds			\$ 1,250,000	555,000								555,000
Premiums			79,867	246,567							12,980	259,547
State reimbursements	\$ 512,994	\$ 527,415	241,870	336,998							25,985	890,398
Appropriated from other funds							\$ 1,432,638	\$ 1,432,638				1,432,638
Trust funds			1,099	401								401
Revolving accounts	8,610	9,781	6,032	11,911								21,692
Total revenues	\$ 17,169,002	\$ 17,316,281	\$ 9,031,695	\$ 8,060,554	\$ 13,145,527	\$ 11,676,990	\$ 4,634,168	\$ 4,573,445	\$ 1,348,736	\$ 1,347,679	\$ 1,118,818	\$ 44,093,767

STATE OF MARYLAND
Schedule of Budget and Actual Expenditures and Encumbrances By Major Function, Budgetary Basis
For the Year Ended June 30, 2018
(Expressed in Thousands)

Expenditures and Encumbrances by Major Function*	Annual Budgeted Funds											Capital Projects Fund Actual	Total Actual
	General Fund						Higher Education Funds						
	Final		Special Fund		Federal Fund		Current Unrestricted Fund		Current Restricted Fund				
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual			
Payments of revenue to civil divisions of the State	\$ 166,484	\$ 166,483	\$ 1,041										\$ 166,483
Public debt			975,867	\$ 963,725	\$ 11,547	\$ 11,547							975,272
Legislative	89,334	89,334											89,334
Judicial review and legal	612,612	610,870	127,706	114,356	5,592	4,464							729,690
Executive and administrative control	238,594	235,214	262,982	227,715	264,675	241,495							704,424
Financial and revenue administration	225,405	220,128	140,390	134,680									354,808
Budget and management	80,141	78,950	28,113	24,041									102,991
Retirement and pension			24,675	24,426									24,426
General services	66,402	66,137	9,650	7,985	1,288	1,287							75,409
Transportation and highways			4,062,384	3,992,937	1,181,338	981,165							4,974,102
Natural resources and recreation	60,069	59,748	289,204	276,972	37,419	30,331							367,051
Agriculture	32,131	32,037	69,016	48,041	4,705	3,608							83,686
Health, hospitals and mental hygiene	4,675,547	4,669,099	1,399,380	1,251,676	7,957,246	7,585,252							13,506,027
Human resources	613,378	610,170	100,251	99,330	1,823,201	1,627,626							2,337,126
Labor, licensing and regulation	47,371	46,338	225,543	167,649	177,171	155,695							369,682
Public safety and correctional services	1,198,696	1,193,413	137,962	125,601	33,389	29,986							1,349,000
Public education	8,157,167	8,142,973	619,865	614,427	1,256,671	1,099,865	\$ 4,637,108	\$ 4,575,668	\$ 1,408,762	\$ 1,347,817			15,780,750
Housing and community development	11,846	11,845	115,543	103,948	303,154	292,204							407,997
Commerce	84,194	84,045	40,990	39,381	2,519	2,182							125,608
Maryland technology development corporation	19,475	19,475	7,348	7,348									26,823
Environment	28,869	28,869	285,551	277,494	73,898	70,863							377,226
Juvenile services	266,386	257,998	3,274	3,265	4,788	4,599							265,862
State police	276,733	276,322	104,960	101,142	6,926	4,475							381,939
State reserve fund	10,000	10,000											10,000
Loan accounts	259,649	259,649										\$ 1,038,855	1,298,504
Reversions:													
Current year reversions	(30,000)												
Prior year reversions		(92,792)		(37,999)		(212,505)		(390)		(73)			(343,759)
Total expenditures and encumbrances	\$17,190,483	\$17,076,305	\$ 9,031,695	\$8,568,140	\$13,145,527	\$11,934,139	\$ 4,637,108	\$ 4,575,278	\$ 1,408,762	\$ 1,347,744	\$ 1,038,855		\$44,540,461

*Appropriation and expenditure differences between this statement and the "Statement of Revenues, Expenditures and Encumbrances and Changes in Fund Balances - Budget and Actual - Budgetary General, Special, and Federal Funds" included in the RSI Section, result from differences in the classification of prior year encumbrances and expenditures.

STATE OF MARYLAND
Schedule of Changes in Fund Equities - Budgetary Basis
For the Year Ended June 30, 2018
(Expressed in Thousands)

	General Fund		Special Fund		Federal Fund	Higher Education Funds		Capital Projects Fund	Total
	General	State Reserve	Special	Debt Service		Current Unrestricted Fund	Current Restricted Fund		
Fund equities, June 30, 2017	\$ 422,141	\$ 861,456	\$ 1,861,763	\$ 182,717		\$ 1,164,557	\$ 5,812	\$ 223,838	\$ 4,722,284
Increase:									
Revenues	17,292,881	23,400	7,103,452	957,102	\$ 11,676,990	4,634,168	1,348,736	1,118,818	44,155,547
Decrease:									
Appropriations	17,220,483		8,055,828	975,867	13,145,527	4,637,108	1,408,762	1,038,855	
Less: Current year reversions	(51,386)		(413,414)	(12,142)	(998,882)	(61,440)	(60,945)		
Prior year reversions	(92,792)		(37,999)		(212,506)	(390)	(73)		
Expenditures and encumbrances*	17,076,305		7,604,415	963,725	11,934,139	4,575,278	1,347,744	1,038,855	44,540,461
Changes to encumbrances during fiscal year 2018	(7,056)		(3,061)		(92,763)	(1,833)	(66)		(104,779)
Expenditures	17,069,249		7,601,354	963,725	11,841,376	4,573,445	1,347,678	1,038,855	44,435,682
Transfers in ^(out)	114,469	(1,294)	508,909	6,735	164,386	(15,958)		106,401	883,648
Fund equities, June 30, 2018	\$ 760,242	\$ 883,562	\$ 1,872,770	\$ 182,829	\$	\$ 1,209,322	\$ 6,870	\$ 410,202	\$ 5,325,797
Fund Balance:									
Reserved:									
Encumbrances	\$ 170,647		\$ 727,505		\$ 331,345	\$ 2,797	\$ 329	\$ 563,388	\$ 1,796,011
State reserve fund		\$ 883,562							883,562
Loans and notes receivable				\$ 1,398					1,398
Shore erosion loan program			7,084						7,084
Gain/Loss on Investments									
Unreserved:									
Designated for:									
General long-term debt service				181,431					181,431
2019 operations	191,594								191,594
Undesignated surplus (deficit)	398,001		1,138,181		(331,345)	1,206,525	6,541	(153,186)	2,264,717
Total	\$ 760,242	\$ 883,562	\$ 1,872,770	\$ 182,829	\$	\$ 1,209,322	\$ 6,870	\$ 410,202	\$ 5,325,797

*Appropriations and expenditure differences between this statement and the "Statement of Revenues, Expenditures and Encumbrances and Changes in Fund Balances - Budget and Actual - Budgetary General, Special, and Federal Funds" included in the RSI Section, result from differences in the classification of prior year encumbrances and expenditures.

STATE OF MARYLAND
Schedule of Funds Transferred to Political Subdivisions
For the Year Ended June 30, 2018 ⁽¹⁾
(Expressed in Thousands)

Subdivision	State Sources				Other Sources				Assessed Value of Real and Personal Property ⁽²⁾	Amount Per \$100 of Assessed Value
	Direct Grants and Debt			Total	State Administered					
	Shared				Federal	Local	Total			
	Revenues	Appropriations	Service		Funds	Revenue				
Allegany	\$ 470	\$ 120,818	\$ 17,665	\$ 138,953	\$ 20,117	\$ 29,680	\$ 188,750	\$ 3,996,282	\$ 4.72	
Anne Arundel	2,927	524,653	24,606	552,186	82,480	544,373	1,179,039	89,698,247	1.31	
Baltimore County	4,084	920,700	47,309	972,093	157,939	688,201	1,818,233	87,043,187	2.09	
Calvert	633	105,143	14,683	120,459	14,170	91,669	226,298	13,022,332	1.74	
Caroline	394	69,814	1,561	71,769	12,494	14,043	98,306	2,640,383	3.72	
Carroll	1,116	179,027	1,719	181,862	22,349	155,648	359,859	20,034,438	1.80	
Cecil	644	145,884	8,505	155,033	22,842	63,150	241,025	10,218,092	2.36	
Charles	966	231,344	16,800	249,110	30,965	125,076	405,151	18,013,810	2.25	
Dorchester	445	60,565	10,908	71,918	13,951	14,436	100,305	2,860,493	3.51	
Frederick	1,352	312,141	23,303	336,796	37,214	215,598	589,608	30,166,472	1.95	
Garrett	527	39,105	2,725	42,357	9,251	15,820	67,428	4,608,244	1.46	
Harford	1,376	287,378	9,135	297,889	42,373	228,309	568,571	28,832,288	1.97	
Howard	1,596	357,885	15,428	374,909	34,441	443,314	852,664	52,551,167	1.62	
Kent	224	16,763	164	17,151	5,741	13,964	36,856	2,964,227	1.24	
Montgomery	3,707	1,017,851	40,983	1,062,541	148,251	1,462,799	2,673,591	194,652,167	1.37	
Prince George's	3,001	1,388,734	28,455	1,420,190	135,789	607,685	2,163,664	95,674,799	2.26	
Queen Anne's	524	59,188	2,838	62,550	9,268	57,659	129,477	8,191,968	1.58	
St Mary's	784	134,213	832	135,829	19,495	96,951	252,275	12,595,153	2.00	
Somerset	280	47,424	9,692	57,396	12,613	8,124	78,133	1,424,651	5.48	
Talbot	322	24,140		24,462	8,292	25,976	58,730	8,411,911	0.70	
Washington	874	235,182	3,298	239,354	38,581	84,001	361,936	13,114,326	2.76	
Wicomico	648	193,491	16,947	211,086	29,064	50,942	291,092	6,433,715	4.52	
Worcester	513	37,121		37,634	15,439	30,867	83,940	15,765,849	0.53	
Baltimore City	124,868	1,272,415	24,379	1,421,662	306,884	382,022	2,110,568	41,284,994	5.11	
Total	\$ 152,275	\$ 7,780,979	\$ 321,935	\$ 8,255,189	\$ 1,230,003	\$ 5,450,307	\$ 14,935,499	\$ 764,199,195		

⁽¹⁾ In addition to the amounts shown for counties and Baltimore City, \$155,970,000 was distributed to municipalities within the counties.

⁽²⁾ Source: Seventy-Fourth Report of the Department of Assessments and Taxation, dated January 2018. Assessed value of property is 100%

STATE OF MARYLAND
Schedule of Taxes Receivable from
Collectors of State Property Taxes
June 30, 2018

(Expressed in Thousands)

Political Subdivision	Taxes Receivable		
	Current Year	Prior Years	Total
Allegany	\$ 389	\$ 242	\$ 631
Anne Arundel	1,032	399	1,431
Baltimore County	729	250	979
Calvert	400	90	490
Caroline	74	15	89
Carroll	248	18	266
Cecil	166	23	189
Charles	6	172	178
Dorchester	251	71	322
Frederick	214	154	368
Garrett	316	19	335
Harford	230	24	254
Howard	216	1,126	1,342
Kent	180	51	231
Montgomery	893	(823)	70
Prince George's	973	596	1,569
Queen Anne's	41	20	61
St Mary's	240	77	317
Somerset	169	306	475
Talbot	52	22	74
Washington	74	(27)	47
Wicomico	137	94	231
Worcester	518	54	572
Baltimore City	1,409	10,596	12,005
Total	\$ 8,957	\$ 13,569	\$ 22,526

STATE OF MARYLAND
Schedule of Estimated Revenues - Budgetary Basis
For the Year Ending June 30, 2019
(Expressed in Thousands)

	General Fund	Special Fund	Federal Fund	Current Unrestricted Fund	Current Restricted Fund	Total
Income Taxes	\$ 10,797,042	\$ 239,959				\$ 11,037,001
Retail sales and use tax and licenses	4,750,875	85,450				4,836,325
Motor vehicle fuel taxes and licenses		1,116,240				1,116,240
Motor vehicle tax and licenses		1,280,300				1,280,300
Property taxes		1,075,606 (1)				1,075,606
Insurance company taxes, licenses and fees	349,984					349,984
Franchise and corporation taxes	249,678					249,678
State tobacco tax and licenses	378,333					378,333
Alcoholic beverages taxes and licenses	33,387					33,387
Death taxes	186,286					186,286
Miscellaneous taxes, fees and other revenues	164,016	169,546 (1)	\$ 12,831 (1)			346,393
Budgeted tobacco settlement recoveries		165,810				165,810
Horse racing taxes and licenses		4,034				4,034
District courts fines and costs	58,871					58,871
Interest on investments	47,250	2,000				49,250
Hospital patient recoveries	63,621					63,621
Legislative	26					26
Judicial review and legal	67,984	116,170	4,396			188,550
Executive and administrative control	9,678	217,912	206,197			433,787
Financial and revenue administration	15,582	64,874				80,456
Budget and management	4,491	27,265	4,502			36,258
Maryland lottery and gaming control	527,107	624,720				1,151,827
Information technology development		17,244				17,244
Retirement and pension		23,314				23,314
General services		4,258	1,332			5,590
Transportation and highways		1,421,724	1,227,153			2,648,877
Natural resources and recreation	113	89,042	36,475			125,630
Agriculture	93	37,742	4,548			42,383
Health, hospitals and mental hygiene	31,252	1,181,524	8,068,719			9,281,495
Human resources	1,551	96,920	1,721,834			1,820,305
Labor, licensing and regulation	4,748	216,974	153,028			374,750
Public safety and correctional services	10,585	137,265	29,518			177,368
Public education	5,217	33,187	1,226,518	\$ 4,686,263	\$ 1,385,510	7,336,695
Housing and community development	383	102,487	295,604			398,474
Commerce	20	62,381	1,490			63,891
Maryland technology development corporation		7,714				7,714
Environment	730	320,786	75,655			397,171
Juvenile services	1	3,616	5,306			8,923
State police	4,078	96,143	6,925			107,146
Total estimated revenues ⁽²⁾	\$ 17,762,982	\$ 9,042,207	\$ 13,082,031	\$ 4,686,263	\$ 1,385,510	\$ 45,958,993

⁽¹⁾ Includes \$1,016,831,000 recorded in the Debt Service Fund for accounting purposes.

⁽²⁾ Amounts are reported as of July 1, 2018, and do not reflect revisions, if any, subsequent to that date.

STATE OF MARYLAND
Schedule of General, Special, Federal, Current Unrestricted
and Current Restricted Fund Appropriations - Budgetary Basis
For the Year Ending June 30, 2019
(Expressed in Thousands)

	General	Special	Federal	Current	Current	
	Fund	Fund	Fund	Unrestricted	Restricted	Total
Payments of revenue to civil divisions of the State	\$ 168,463	\$ 1,200				\$ 169,663
Public debt	286,000	1,004,000 ⁽¹⁾	\$ 12,831			1,302,831
Legislative	90,761					90,761
Judicial review and legal	633,225	117,100	4,396			754,721
Executive and administrative control	301,409	223,912	206,197			731,518
Financial and revenue administration	223,431	157,181				380,612
Budget and management	169,094	44,509	4,502			218,105
Retirement and pension		23,314				23,314
General services	65,908	4,461	1,332			71,701
Transportation and highways		4,022,832	1,227,153			5,249,985
Natural resources and recreation	62,705	335,262	36,475			434,442
Agriculture	34,720	81,627	4,548			120,895
Health, hospitals and mental hygiene	4,906,112	1,329,323	8,068,719			14,304,154
Human resources	601,335	96,920	1,721,834			2,420,089
Labor, licensing and regulation	44,518	219,532	153,028			417,078
Public safety and correctional services	1,223,925	137,266	29,518			1,390,709
Public education	8,325,173	650,641	1,226,518	\$ 4,686,263	\$ 1,385,510	16,274,105
Housing and community development	22,650	102,487	295,604			420,741
Commerce	85,366	62,381	1,490			149,237
Maryland technology development corporation	19,474	7,714				27,188
Environment	30,732	320,786	75,655			427,173
Juvenile justice	262,527	3,616	5,306			271,449
State police	282,560	96,143	6,925			385,628
State reserve fund	68,826					68,826
Total appropriations ⁽²⁾	\$ 17,908,914	\$ 9,042,207	\$ 13,082,031	\$ 4,686,263	\$ 1,385,510	\$ 46,104,925

⁽¹⁾ Recorded in the Debt Service Fund for accounting purposes.

⁽²⁾ Amounts are reported as of July 1, 2018, and do not reflect revisions, if any, subsequent to that date.

