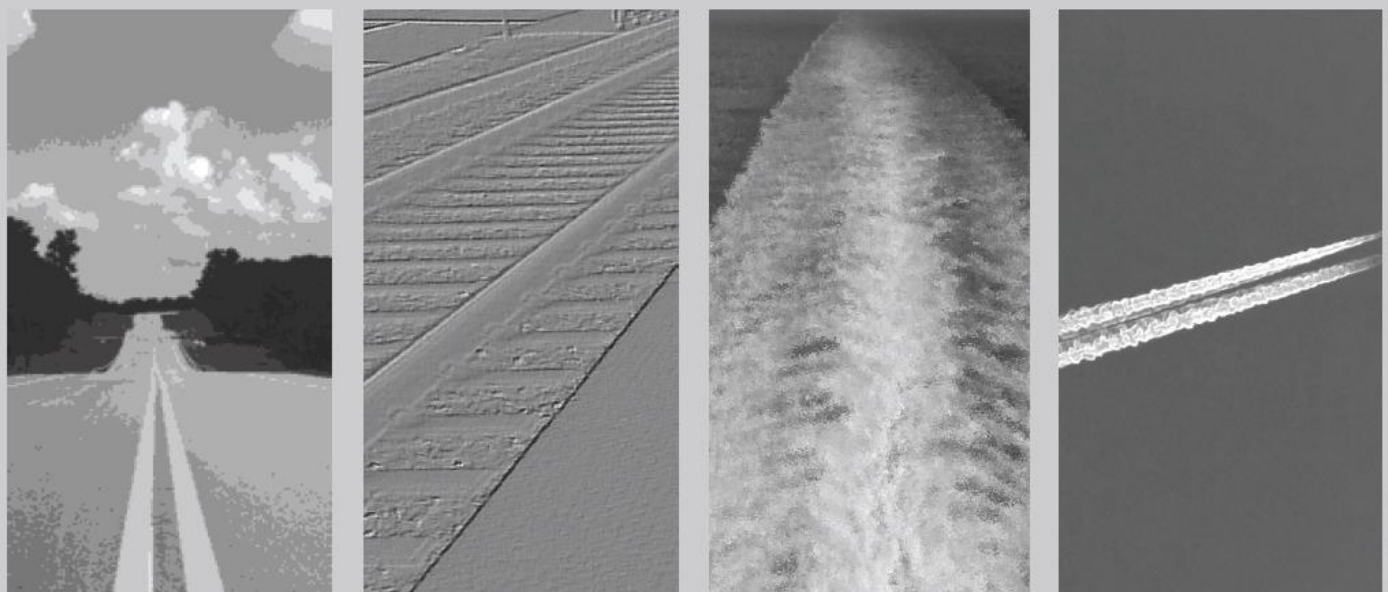
MARYLAND

DEPARTMENT OF TRANSPORTATION

A DEPARTMENT OF THE STATE OF MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2015



Larry Hogan, Governor
Boyd K. Rutherford, Lt. Governor
Pete K. Rahn, Secretary

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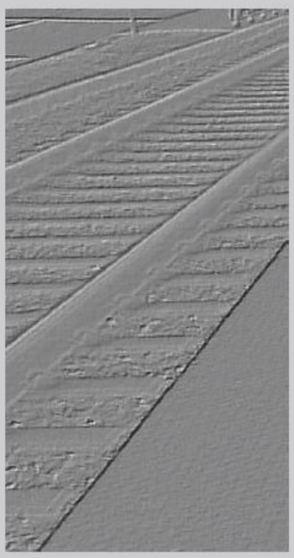
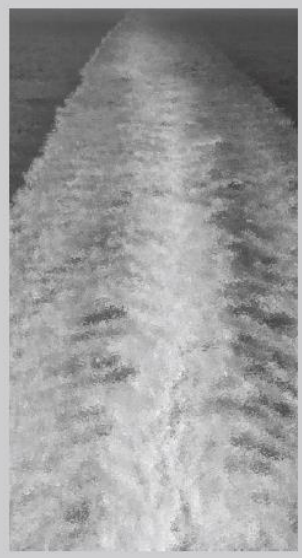
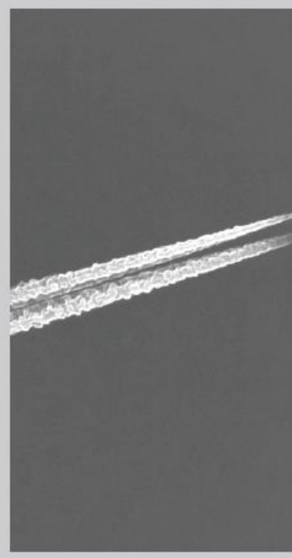

Prepared by the Secretary's Office - Office of Finance

David L. Fleming, Director/Chief Financial Officer
Steven P. Watson, Deputy Chief Financial Officer
Brandie S. Karfonta, Accounting Manager

MARYLAND DEPARTMENT OF TRANSPORTATION

Mission

The Maryland Department of Transportation's mission is to enhance the quality of life for Maryland's citizens by providing a balanced and sustainable multi-modal transportation system for safe, efficient passenger and freight movement.

Vision

The Maryland Department of Transportation strives to achieve our vision of a world-class multimodal transportation system that supports a vibrant economy and an excellent quality of life for all Marylanders.

MARYLAND DEPARTMENT OF TRANSPORTATION
A Department of the STATE OF MARYLAND
Comprehensive Annual Financial Report
For the Year Ended June 30, 2015

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INTRODUCTORY SECTION

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Maryland Department of Transportation
The Secretary's Office

Larry Hogan
Governor

Boyd Rutherford
Lt. Governor

Pete K. Rahn
Secretary

December 4, 2015

Pete K. Rahn
Secretary
Maryland Department of Transportation
7201 Corporate Center Drive
Hanover, MD 21076

Dear Secretary Rahn:

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Maryland Department of Transportation (Department) for the fiscal year ended June 30, 2015, which includes the financial statements of the Department. The data, as presented, is reported in a manner designed to present fairly the financial position and changes in financial position of the Department. All disclosures necessary to enable the reader to gain a maximum understanding of the Department's financial affairs have been included. This CAFR is a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the Department. Consequently, management assumes full responsibility for the completeness and reliability of all information presented within this report. To provide a reasonable basis for making these representations, the Department's management has established a comprehensive internal control framework designed to protect the Department's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Department's financial statements in conformity with GAAP. Since the cost of internal controls should not outweigh their benefits, the Department's comprehensive framework of internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert to the best of our knowledge and belief, that this financial report is complete and reliable in all material respects.

The Department, in conjunction with the State of Maryland (State), requires an audit of the Department's basic financial statements by a firm of licensed certified public accountants. The Department has complied with this requirement, and the independent audit report of SB & Company, LLC is presented as the first component of the financial section of this report. The goal of the independent audit was to provide reasonable assurance that the Department's financial statements for the fiscal year ended June 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the

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accounting principles used and significant estimates made by management; evaluating the key internal controls and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Department's basic financial statements as of and for the fiscal year ended June 30, 2015, are fairly presented in conformity with GAAP.

The independent audit of the Department's basic financial statements is part of a broader, federally mandated "Single Audit" designed to meet the special needs of the federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the basic financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the State of Maryland's separately issued Single Audit Report.

GAAP requires 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 Department's MD&A can be found immediately following the report of the independent public accountants.

Profile of the Government

The Department has the responsibility for most State-owned transportation facilities and programs. This responsibility includes the planning, financing, construction, operation and maintenance of various modes of transportation and effecting various related licensing and administrative functions. The statutorily created transportation agencies or modal administrations that are encompassed by the Department are the Maryland Aviation Administration, the Maryland Port Administration, the Maryland Transit Administration, the Motor Vehicle Administration, the State Highway Administration, and the Transportation Secretary's Office.

The Secretary of Transportation is empowered, on behalf of the Department, to exercise or perform any power or duty that any of these Administrations may exercise or perform. These powers and duties involve, among others, the operation of the Baltimore Washington International Thurgood Marshall (BWI Marshall) Airport, including the power to set landing fees and to rent space to airlines and concessionaires; the operation of the various State-owned buildings and marine terminals in the Port of Baltimore, including the power to set and collect rental and other fees for the use of these facilities; the construction and maintenance of the State Highway System; the operation of all mass transit facilities in the Baltimore Metropolitan Transit District, including the operation of the rail system in this District and the power to set and collect the fares for this system; the licensing and registration of all motor vehicles and motor vehicle operations in the State; and the power to acquire any property by purchase or condemnation that is necessary to exercise or perform these powers and duties. The Secretary of Transportation is also empowered to provide grants for transportation-related purposes, including annual grants in support of the Washington Metropolitan area Transit Authority (WMATA) for construction and operation of its facilities.

Certain transportation facilities, which are not part of the Department's financial reporting entity, are operated as toll facilities by the Maryland Transportation Authority (Authority). These toll facilities, the Chesapeake Bay Bridges, the Fort McHenry Tunnel, the Baltimore Harbor Tunnel, the Francis Scott Key Bridge, the John F. Kennedy Memorial Highway and others are included in the Authority's separately audited financial statements. The Authority also developed a 262-acre containerized-cargo marine terminal, the Seagirt Marine Terminal and an intermodal container transfer rail yard. The Maryland Port Administration manages the intermodal container transfer yard and leases the management of Seagirt Marine Terminal to an outside private entity. The Authority consists of six members who are appointed by the Governor and the Secretary, who is ex officio and serves as the Chairman.

The Department's annual budget serves as the foundation for its financial planning and control. The Governor is required, by the Maryland Constitution, to submit annually to the General Assembly a balanced budget containing a complete plan of proposed expenditures and estimated revenues for the ensuing fiscal year, including a plan of proposed expenditures and estimated revenues for the Department. The General Assembly may not amend the Budget Bill to affect payment of State debt or otherwise to change its provisions, except to increase or decrease the appropriations relating to the General Assembly or the judiciary, or to strike out or reduce other appropriations submitted by the Governor. It must, however, enact a balanced budget. The General Assembly may authorize an appropriation apart from the Budget Bill, but it may only do so by a separate supplementary appropriation bill limited to a single object or purpose and providing for levying a specific tax or taxes in that bill sufficient to fund the appropriation.

The Department's expenditures are made in accordance with appropriations provided for in the annual budget, except that the Department may submit to the Governor a budget amendment and, if the Governor approves the amendment, the Department may make disbursements in accordance with the budget amendment. By budget amendment, the Department may increase or decrease the amount of the appropriation for any project or transfer funds from one project or administration to another. A budget amendment may not, however, increase the salary or salaries of any office or position, except in certain acute emergencies, or change any language or substantive provision in the budget. All amendments approved by the Governor are required to be reported to the next session of the General Assembly. By means of a constitutional amendment in 1978, the General Assembly is permitted to enact bills that may require the Governor to provide for specific program funding in the annual budget. A schedule showing budget and actual expenditures is presented as required supplementary information at the end of the financial section of this report.

Transportation Trust Fund

The Transportation Trust Fund (TTF) was established in 1971 by Chapter 526 of the Laws of Maryland for 1970. The TTF is credited with revenues collected from motor vehicle titling and fuel taxes, a portion of the State's corporate income tax, a portion of the State's sales tax on rental vehicles, various fees, charges for services, bond proceeds, federal grants for transportation purposes and other receipts of the Department. All expenditures of the Department are made from the TTF. The Department may use the funds in the TTF for any lawful purpose related to the exercise of its powers, duties and obligations, after meeting its debt service requirements. Unexpended funds remaining in the TTF at the close of each fiscal year do not revert to the State's General Fund Account but remain in the TTF.

Accounting records for the Transportation Trust Fund (TTF) are maintained by the Comptroller of Maryland, and all cash and investments of the TTF are held by the State Treasurer, except for revolving cash accounts. Accounting records for the TTF, for operational and management purposes are maintained by the Department's Office of Finance. Although the accounts maintained by the Department on a budgetary basis generally conform to GAAP, there are certain departures from these principles that are dictated by statutory requirements and historical practices. The principal departures are the exclusion of non-budgeted activities and classification of fund-type.

Factors Affecting Financial Condition

The information presented in the Department's financial statements is best understood when it is considered from a broader perspective of the specific environment within which the Department operates. All of the Department's activities are supported by the TTF. The flexible structure of the TTF provides the Department with the ability to expand and maintain the modal administrations' operating, capital construction and maintenance programs. The condition of the State's economy influences its revenue sources. Tracking the factors that affect Maryland's economy helps in monitoring the financial health of the TTF.

Local Economy

This past year, Maryland's economy continued to recover from the recent economic downturn. However, the pace has trailed the national recovery primarily because of federal cutbacks. Most of Maryland's economic indicators showed positive growth. Employment continued to expand with modest year-over-year job growth each month. The unemployment rate for 2015 is expected to drop below 5.5% for the first time since 2008.

Maryland has actively managed its fiscal issues, but the greatest concern for continued recovery remains tied with the federal government. Our outlook assumes that federal policymakers continue to address their fiscal issues. The lessening of this fiscal drag and alleviation of the uncertainty should increase Maryland's economy through improving employment, housing, and income growth throughout the coming year.

The Department's transportation system provides important economic benefits to the citizens and businesses throughout Maryland. The port, airports, highways, and transit systems each play a vital role in moving goods and people around and through the State. Maintaining and improving the Department's transportation system is essential for growth in Maryland's economy. Investment in the Department's transportation system results in direct economic benefits such as construction jobs and indirect benefits such as businesses choosing to relocate in Maryland, in part due to the Department's efficient and effective transportation system.

Long-term Planning

Each year the Department uses the Maryland Transportation Plan, last adopted in January 2014, as a guide to develop the draft Consolidated Transportation Program (CTP), a specific list of projects to be funded over a six-year period. The Department publishes the draft CTP in September of each year and the final CTP in January of the next calendar year. The CTP lists the capital projects that preserve and enhance our transportation system to accommodate intrastate and interstate travel, international travel, and to facilitate commerce. These projects are Maryland's investment in our highway, transit, port, and aviation facilities that ensure a safe and efficient transportation system.

Projects included in the Department's 2015 draft CTP for fiscal years 2015-2020 requires about $15.9 billion in funding over the next six years. Of that amount, $7.4 billion is allocated for State Highway Administration projects, while $5 billion is allocated for Maryland Transit Administration projects. The remaining amount includes Maryland Port Administration projects of $948 million, Maryland Aviation Administration projects of $584 million, Motor Vehicle Administration projects of $122 million, and projects in the Transportation Secretary's Office of $266 million. Maryland also contributes $1.6 billion to the Washington Metropolitan Area Transit Authority for the fiscal years 2015-2020. Overall, the Department's capital program continues to emphasize preservation of Maryland's existing transportation infrastructure and ensures the competitiveness of the Port of Baltimore and BWI Marshall Airport.

Pension Benefits

The Department contributes to the State Retirement and Pension System of Maryland (System), established by the State of Maryland to provide pension benefits for State employees (other than employees covered by the Maryland Transit Administration Pension Plan described below) and employees of the various participating political subdivisions or other entities within the State. While the System is an agent multiple-employer public employee retirement system, the Department accounts for the plan as a cost sharing multiple-employer public employee retirement system since a separate valuation is not performed for the Department and the Department's only obligation to the plan is its annual contributions.

The Department sponsors a single-employer noncontributory benefit pension plan for all Maryland Transit Administration employees that are 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. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution the Department must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Maryland Department of Transportation for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This year was the fifteenth consecutive year the Department has received this prestigious award. In order to be awarded a Certificate of Achievement, the Department must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this CAFR would not have been possible without the efficient and dedicated services of the entire staff in the Office of Finance and assistance from various other agencies within the Department. I would like to express my appreciation to all members of the Department who assisted and contributed to the preparation of this CAFR.

Sincerely,

David L. Fleming

David L. Fleming
Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Maryland Department of Transportation

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

MARYLAND DEPARTMENT OF TRANSPORTATION
Organizational Chart

Governor

Secretary

Deputy Secretaries

EXECUTIVE STAFF

- Chief of Staff
- Office of the Attorney General
- Office of Audits
- Office of Public Affairs
- Office of Homeland Security

BOARDS AND COMMISIONS

- Maryland Port Commission
- Maryland Aviation Commission
- Board of Review
- Maryland Transportation Commissions
- Transportation Professional Services Selection Board

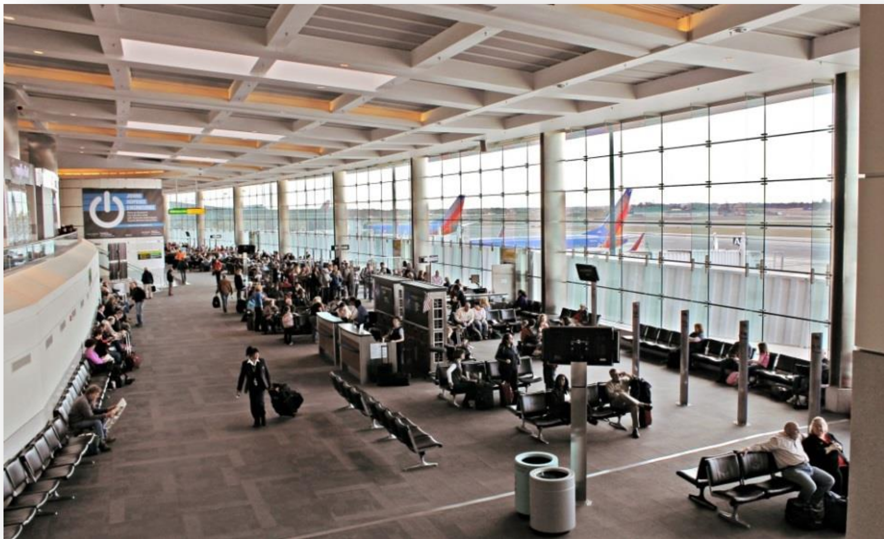
ADMINISTRATIONS

- State Highway Administration
- Maryland Port Administration
- Motor Vehicle Administration
- Maryland Transit Administration
- Maryland Aviation Administration

OPERATING STAFF

- Office of Assistant Secretary for Administration
- Office of Diversity and Equity
- Office of Finance
- Office of Fleet, Facilities and Administrative Services
- Office of Freight and Multimodalism
- Office of Governmental Affairs
- Office of Human Resources
- Office of Minority Business Enterprise
- Office of Planning and Capital Programming
- Office of Procurement
- Office of Real Estate and Economic Development
- Office of Transportation Technology Services

Maryland Department of Transportation Profiles
Maryland Aviation Administration



The Maryland Aviation Administration (MAA) owns and operates Baltimore/Washington International Thurgood Marshall Airport (BWI Marshall) and Martin State Airport, and supports public-use airports across the State of Maryland. At the MAA, the core mission is the operation and support of airports in Maryland to provide residents, businesses and travelers with the highest levels of service, safety and economic benefit. BWI Marshall is the twenty second busiest airport in the United States and serves more than 22 million passengers per year. Air service includes an average of more than 600 daily commercial flights and nonstop service to 80 domestic and international destinations. BWI Marshall is a major transportation resource and economic development engine for the State of Maryland region, creating and supporting almost 98,000 regional jobs and more than $7 billion in business revenue.

Maryland Port Administration

MPA (cont.)

The Port of Baltimore is ranked as the top port among 360 U.S. ports for handling autos and light trucks, farm and construction machinery, imported forest products, imported sugar, imported aluminum and imported gypsum. Baltimore ranks second in the U.S. for exported coal. Overall, Baltimore is ranked ninth for the total dollar value of international cargo and fourteenth for international cargo tonnage. With a 50-foot deep channel, 50-foot deep berth and supersized cranes, the Port of Baltimore is one of only two U.S. East Coast ports that is ready today to handle the largest ships in the world. Baltimore is also one of the busiest cruise ports on the East Coast and is home to both Royal Caribbean and Carnival cruise lines. Business at the Port of Baltimore generates about 13,600 direct jobs, while about 127,000 jobs in Maryland are linked to port activities. The Port is responsible for $3 billion in personal wages and salary and more than $300 million in state and local taxes.

Maryland Transit Administration (MTA)

The mission of the Maryland Transit Administration (MTA) is to provide safe, efficient and reliable transit across Maryland with world-class customer service. MTA is the thirteenth largest public transit organization in the United States, operating Local Bus, Commuter Bus, Light Rail, Metro Subway, MARC Train and Mobility/Paratransit services throughout Maryland. The MTA provides 24-hour daily service, including holidays and weekends, and operates more than 1,350 vehicles during peak periods. With the teamwork of 3,300 dedicated employees, which includes a nationally accredited Police Department, the MTA transported more than 116 million riders in Fiscal Year 2015.

Motor Vehicle Administration (MVA)

The Maryland Motor Vehicle Administration (MVA) ensures the safe enjoyment of Maryland's transportation infrastructure by providing efficient, courteous and accurate driver-related services, including licensing and registration, to Maryland citizens and safeguarding personal information. With approximately 1,700 employees working at 24 offices and 18 Vehicle Emission Inspection Program stations throughout the State, MVA processes more than 12 million core transactions each year and manages more than 10 million driver and vehicle records. Serving as home to the Maryland Highway Safety Office, MVA also is a key agency responsible for highway safety initiatives and campaigns in Maryland.

State Highway Administration (SHA)

SHA (cont.)

The Maryland State Highway Administration (SHA) operates, maintains and rebuilds the major highways (numbered, non-toll routes) in Maryland's 23 counties – more than 17,000 lane-miles and 2,572 bridges. SHA monitors traffic 24/7 and through emergency patrols assists nearly 30,000 stranded motorists and clears an average 23,000 crashes per year, collectively saving commuters more than 36 million hours of delay and enhancing safety. SHA roads carry 66% of the state's 56 billion miles of annual travel, and 85% of its truck freight, providing economic opportunity, mobility and access for people, businesses, goods and service throughout Maryland. SHA delivers more than $1 billion of work annually that is competitively awarded to private entities, sustaining thousands of jobs in the highway industry for contractors, suppliers, engineering firms and small and minority businesses. The State highway system supports Marylander's quality of life by connecting communities, schools, recreation, worship and local and world travel through BWI Marshal Airport and the Port of Baltimore.

The Secretary's Office (TSO)

The Maryland Department of Transportation (MDOT) is comprised of The Secretary's Office and five business units: the Maryland Aviation Administration, the Maryland Port Administration, the Maryland Transit Administration, Maryland Motor Vehicle Administration, and the State Highway Administration. The Secretary's Office (TSO) delivers overall policy direction, guidance and support to the MDOT business units in the areas of administrative policy, governmental relations, public affairs, finance, customer service, real estate and business development, procurement, human resources and capital planning. In addition, TSO's Office of Transportation Technology Services runs centralized computing resources and general information technology services throughout MDOT. TSO also awards operating and capital grants for transit services in the Washington, D.C., metropolitan area. TSO also provides grants to other governmental agencies, such as local transportation planning agencies, for transportation-related purposes. TSO is focused on promoting better communications, customer-friendly services and smart use of resources throughout MDOT.

MARYLAND DEPARTMENT OF TRANSPORTATION
List of Principal Department Officials
For the Year Ended June 30, 2015

Title	Name
Secretary of Transportation	**Pete K. Rahn**
Deputy Secretary of Transportation	**James F. Ports**
Deputy Secretary of Transportation	**Dennis R. Schrader**
State Highway Administrator	**Gregory C. Johnson**
Maryland Port Executive Director	**James J. White**
Motor Vehicle Administrator	**Christine E. Nizer**
Maryland Transit Administrator	**Paul W. Comfort**
Maryland Aviation Executive Director	**Ricky D. Smith, Sr.**
Principal Counsel, Assistant Attorney General	**Cheryl A.C. Brown-Whitfield**
Chief Financial Officer	**David L. Fleming**

FINANCIAL SECTION

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Mr. Pete K. Rahn, Secretary
Maryland Department of Transportation

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Maryland Department of Transportation (the Department), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Department'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 control 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 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.

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 control 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 control. 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Department, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1.D. to the financial statements, during the year ended June 30, 2015, the Department adopted new accounting guidance from Government Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions." Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress and employer contributions of the Maryland Transit Administration Other Post-employment Benefit Plan, schedule of changes in the net pension liability and related ratios and schedule of employer contributions for the Maryland Transit Administration Pension Plan, schedules of the Department's proportionate share of the net pension liability and Department contributions for the Maryland State Retirement and Pension System, and the special revenue funds schedule of revenue, expenditures and changes in fund balance – budget and actual, 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 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.

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Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The statement of changes in assets and liabilities – agency funds, introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statement of changes in assets and liabilities – agency funds is the responsibility of management and was derived from and relates 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. In our opinion, the statement of changes in assets and liabilities – agency funds is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section has 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 it.

SB & Company, LLC

Hunt Valley, Maryland
December 4, 2015

MARYLAND DEPARTMENT OF TRANSPORTATION
Management's Discussion and Analysis

As management of the Maryland Department of Transportation (Department), we offer the citizens of Maryland and others interested in the Department's financial statements this narrative overview and analysis of the financial activities of the Department **for the fiscal year ended June 30, 2015**. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page 7 of this report.

Financial Highlights

- The assets of the Department exceeded its liabilities at the close of the most recent fiscal year by $13,021,909,000 (net position). Of this amount, $1,450,994,000 represents the unrestricted deficit primarily due to the reporting of net pension liability and OPEB liability.
- The Department's governmental funds reported a combined ending fund balance, as of the close of the current fiscal year, of $356,265,000, a decrease of $11,205,000 in comparison with the prior fiscal year.
- The Department's Consolidated Transportation Bonds debt outstanding increased by $207,580,000 (11.5%) during the current fiscal year. The key factors in this increase were bond issuances of $401,535,000, while the Department continued to make its regularly scheduled debt service principal payments during the year which totaled $152,415,000. In addition, the Department issued $259,715,000 refunding bonds to defease $301,255,000 bonds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Department's basic financial statements. The Department's basic financial statements are comprised of three components: (1) *government-wide financial statements,* (2) *fund financial statements*, and (3) *notes to the financial statements*. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Department's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the Department's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as one of several useful indicators of the Department's financial position. The Statement of Activities presents information showing how the Department'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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Department that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions. The governmental activities of the Department include the Secretary's

Office, the State Highway Administration (SHA), the Maryland Port Administration (MPA), the Motor Vehicle Administration (MVA), the Maryland Transit Administration (MTA), the Maryland Aviation Administration (MAA), Washington Metropolitan Area Transit Authority Grants (WMATA), distributions to political subdivisions, distributions to other state agencies and debt service. The government-wide financial statements include only the Department (a special revenue fund of the State of Maryland), which has no component units and does not include the Maryland Transportation Authority, which is a separate enterprise fund of the State of Maryland. The government-wide financial statements can be found starting on page 36 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 Department, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Department can be divided into two categories: governmental funds and fiduciary funds.

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, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the 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 government'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.

The Department maintains two individual 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 special revenue fund and the debt service fund. The special revenue fund is considered to be a major fund. The basic governmental fund financial statements can be found starting on page 38 of this report.

The Maryland General Assembly authorizes an annual appropriated budget for the Department's special revenue fund. A budgetary comparison schedule has been provided for the special revenue fund to demonstrate compliance with this budget. The budgetary comparison schedule can be found on page 71 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Department's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 41 of this report.

Notes to the financial statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 43 of this report.

Changes in Governmental Accounting Standards

In June 2012, the Governmental Accounting Standards Board (GASB) approved a Statement that reflects substantial changes to the accounting and financial reporting of pension plans. Statement No. 67, Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans. Statement No. 67 replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans and replaces the requirements of Statement No. 50, Pension Disclosures, for those governments and public pension plans. Under Statement No. 67, an emphasis is put on accounting for pension plans whereas Statement No. 25 dealt more with funding pension plans. Implementation of the standard caused an adjustment to beginning net position of approximately $1.04 billion.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Department's progress in funding its obligation to provide pension benefits to its employees at the MTA, as well as the budget and actual comparison schedule. Required supplementary information can be found starting on page 69 of this report.

<u>Government-wide Financial Analysis</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the Department, assets and deferred outflows exceeded liabilities and deferred inflows by $13,021,909,000 at the close of the most recent fiscal year. By far the largest portion of the Department's net position reflects its investment in capital assets (e.g., land, buildings, equipment and infrastructure), less any still outstanding related debt used to acquire those assets. The Department uses those capital assets to provide services to the citizens of Maryland; consequently, these assets are not available for future spending. Although the Department's investment in its 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.

The Department's net position decreased by $678,269 during the current fiscal year 2015, primarily due to the implementation of GASB 68.

The following schedule reflects the Department's Net Position Summary.

Maryland Department of Transportation
Net Position
(amounts expressed in thousands)

Governmental Activities	2015	2014
Current and other assets	$ 1,075,212	$ 1,098,394
Capital assets	17,411,981	16,706,298
Total assets	18,487,193	17,804,692
Deferred amount on refunding bonds	24,397	6,450
Deferred amount related to pensions	106,967	-
	131,364	6,450
Long-term liabilities outstanding	4,758,245	3,336,247
Other liabilities	703,898	722,640
Total liabilities	5,462,143	4,058,887
Deferred concession arrangement	50,945	52,077
Defered amount related to pensions	83,560	-
	134,505	52,077
Net position:		
Net Investment in capital assets	14,472,903	14,063,378
Unrestricted deficit	(1,450,994)	(363,200)
Total net position	$13,021,909	$13,700,178

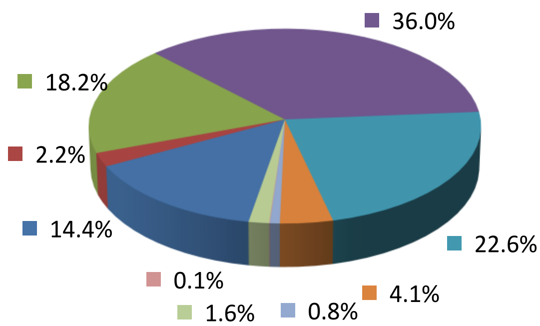
Governmental activities
Governmental activities, which represent the Department's overall economic position, decreased the Department's net position by $678,269,000. The key elements of the Department's governmental activities are as follows:

Maryland Department of Transportation
Changes in Net Position
(amounts expressed in thousands)

Governmental Activities	**2015**	**2014**
Revenues:		
Program revenues:		
Charges for services	$ 588,304	$ 565,814
Operating grants and contributions	92,238	90,574
Capital grants and contributions	741,846	800,019
General revenues:		
Motor vehicle taxes and fees	1,465,022	1,389,066
Motor fuel taxes and fees	918,483	807,739
Corporation income tax share	166,051	162,609
State sales tax share	30,788	48,653
Unrestricted investment earnings	2,096	2,156
Other	64,516	16,518
Total revenues	4,069,344	3,883,148
Expenses:		
Secretary's Office	624,378	570,596
State Highway Administration	1,399,446	1,436,114
Port Administration	126,885	99,996
Motor Vehicle Administration	213,896	207,342
Transit Administration	937,286	886,966
Aviation Administration	337,596	354,180
Interest on long-term debt	69,902	122,894
Total expenses	3,709,389	3,678,088
Increase in net position	359,955	205,060
Net position – July 1	13,700,178	13,495,118
Net position as previously reported	14,060,133	13,700,178
Prior period adjustment-adoption of GASB 68	(1,038,224)	-
Net position – June 30	$ 13,021,909	$13,700,178

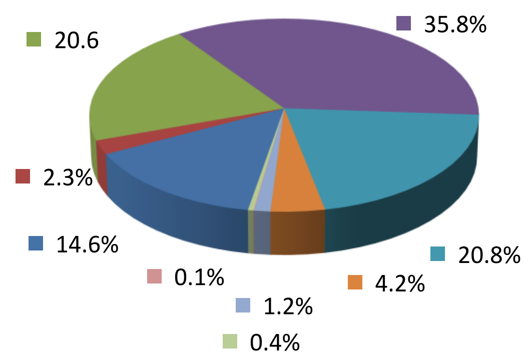
Below are the Department's Revenues by Source and Expenses by Function for Fiscal Years 2015 & 2014

Revenue 2015



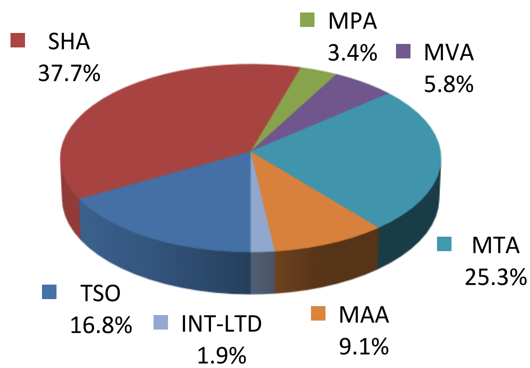
- Charges for services 14.4%
- Operating grants and contributions 2.2%
- Capital grants and contributions 18.2%
- Motor vehicle taxes and fees 36.0%
- Motor fuel taxes and fees 22.6%
- Corporation income tax share 4.1%
- State sales tax share 0.8%
- Unrestricted investment earnings 0.1%
- Other 1.6%

Revenue 2014



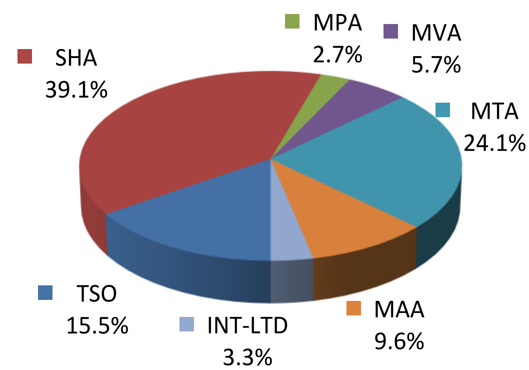
- Charges for services 14.6%
- Operating grants and contributions 2.3%
- Capital grants and contributions 20.6%
- Motor vehicle taxes and fees 35.8%
- Motor fuel taxes and fees 20.8%
- Corporation income tax share 4.2%
- State sales tax share 1.2%
- Unrestricted investment earnings 0.1%
- Other 0.4%

Expenses 2015



- Secretary's Office (TSO) 16.8%
- State Highway Administration (SHA) 37.7%
- Port Administration (MPA) 3.4%
- Motor Vehicle Administration (MVA) 5.8%
- Transit Administration (MTA) 25.3%
- Maryland Aviation Admin. (MAA) 9.1%
- Interest on Long-Term Debt (INT-LTD) 1.9%

Expenses 2014



- Secretary's Office (TSO) 15.5%
- State Highway Administration (SHA) 39.1%
- Port Administration (MPA) 2.7%
- Motor Vehicle Administration (MVA) 5.7%
- Transit Administration (MTA) 24.1%
- Maryland Aviation Admin. (MAA) 9.6%
- Interest on Long-Term Debt (INT-LTD) 3.3%

Financial Analysis of the Government's Funds

As noted earlier, the Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the Department's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Department's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Department's governmental funds reported combined ending fund balances of $356,265,000, a decrease of $11,205,000 in comparison with the prior fiscal year. The Department's governmental funds increase is due primarily to the increase in revenue and liquidation of federal receivables. All of the special revenue fund balance is non-spendable, restricted, committed, and/or assigned fund balance and indicates that it is not available for new spending because it has already been committed and/or assigned for the following purposes: (1) to maintain a separate nonspendable account for inventory activity balances in the amount of $93,356,000; (2) to maintain a separate nonspendable account for prepaid expenses activity balances in the amount of $104,491,000; (3) to maintain a separate committed account for encumbrances in the amount of $27,930,000; (4) to maintain a separate assigned account for specific agency activity balances in the amount of $677,000; and (5) to maintain a separate assigned account for transportation programs in the amount of $129,811,000.

The special revenue fund is the chief operating fund for the Department. As a measure of the special revenue fund's liquidity, it may be useful to compare the total fund balance of $356,265,000 to the total Department expenditures of $4,488,052,000. The total fund balance represents 8.3% of the total fund expenditures.

Capital Asset and Debt Administration

Capital assets

The Department's investments in capital assets for its governmental activities as of June 30, 2015, amounts to $17,411,981,000 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, infrastructure and construction in progress. In the current fiscal year, the Department's investments in capital assets increased by $705,683,000.

Some of the major capital asset events during the current fiscal year included the following:

- Construction continued on the expansion and upgrading of the airport facilities at Baltimore Washington International Thurgood Marshall Airport (BWI Marshall); construction in progress at BWI Marshall at the close of the current fiscal year increased to $263,280,000 compared to $249,304,000 in the prior fiscal year, while MAA buildings increased by $162,707,000 and infrastructure increased by $12,453,000 in the current fiscal year.

- A variety of widening and/or expansion of existing and new highways and bridges were completed in fiscal year 2015; infrastructure assets for SHA at the close of the current fiscal year reached $18,934,362,000 compared to $18,140,331,000 in the prior fiscal year, a 4.4% increase.

- Various transit, port and motor vehicle administration construction projects began in fiscal year 2015; construction in progress for these administrations at the close of the current fiscal year was $2,413,288,000 compared to $1,994,429,000 in the prior fiscal year.

The following schedule reflects the Department's Capital Assets Summary.

Maryland Department of Transportation
Capital Assets
(net of depreciation)
(amounts expressed in thousands)

Governmental Activities	June 30, 2015	June 30, 2014
Land	$ 2,591,842	$ 2,552,170
Buildings and improvements	1,475,937	1,356,568
Machinery and equipment	653,176	664,665
Infrastructure	9,196,813	9,195,993
Seagirt Assets	50,945	52,077
Construction in progress	3,443,268	2,884,825
Total	**$ 17,411,981**	**$ 16,706,298**

Additional information on the Department's capital assets can be found in note 8 on page 51 of this report.

Long-term debt
At the end of the current fiscal year the Department had total bonded debt outstanding of $2,020,250,000, and represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The following schedule reflects the Department's Outstanding Debt Summary.

Maryland Department of Transportation
Outstanding Debt
(amounts expressed in thousands)

Governmental Activities	June 30, 2015	June 30, 2014
Consolidated transportation bonds	**$ 2,020,250**	**$ 1,812,670**

The Department's consolidated transportation bonds outstanding debt increased by 11.5%. The issuance of $265,535,000 in new debt in Series 2015, the issuance of $259,715,000 in Series 2015 Refunding bonds, and the issuance of $136,000,000 in new debt in Series 2015 (Second Issue) combined with the continued scheduled debt service principal payments made during the year resulted in the increase in debt outstanding in fiscal year 2015. The Department maintains an "AAA" rating with Standard & Poor's Corporation, an "AA+" rating with Fitch Ratings and an "Aa1" rating with Moody's Investors Services, Inc., for its consolidated transportation bonds. As provided by law, the maximum outstanding aggregate amount of Consolidated Transportation Bonds that may be outstanding increased from $2,600,000,000 to $4,500,000,000 effective June 1, 2013 and thereafter. The increase is pursuant to legislation enacted by the 2013 General Assembly, which also increased transportation funding. The aggregate principal amount of those bonds that was allowed to be outstanding as of June 30, 2015 for the Department was $2,530,255,000, which is higher than the Department's outstanding transportation-related debt.

Additional information on the Department's long-term debt can be found in note 10 on page 53 of this report.

Capital leases. At the end of the current fiscal year the Department had capital leases outstanding of $628,650,000. The following schedule reflects the Department's Capital Leases Summary.

Maryland Department of Transportation
Capital Leases
(amounts expressed in thousands)

Governmental Activities	June 30, 2015	June 30, 2014
Capital leases	$ 628,650	$ 594,302

The Department's capital lease obligations have increased by $34,348,000, during the current fiscal year. This increase is attributable to issuance of a new bond, ongoing construction costs related to airport projects and continued scheduled capital lease payments at the various Department's port facilities, and transit facilities. The Department maintains an "AA+" rating with Standard & Poor's Corporation, an "Aa2" rating with Moody's Investors Services, Inc. and an "AA" with Fitch Ratings for Certificates of Participation which are included in capital lease obligations. Additional information on the Department's capital lease obligations can be found in note 12 on page 54 of this report.

Special Revenue Fund Budgetary Highlights
The Department's appropriations, between the original and final amended budget decreased by $47,572,582 for special funds and decreased by $21,791,300 for Federal funds during the current fiscal year. The decrease in special and federal fund appropriations was due to a mid-year budget evaluation analysis throughout the Department. The Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual can be found on page 75 of this report.

Economic Factors and Next Year's Budgets and Rates
Maryland's economic indices showed a modest positive direction for the State this past fiscal year. Employment growth for the State of Maryland was 1.5% for the first three quarters of this year compared to 0.9% growth in 2014. The State's personal income is continuing to rise with a growth of 1.5% through the second quarter of 2015. Nationally, personal income grew by 2.2% for the same period.

Maryland's economy continues to slowly recover from the economic downturn. Although the pace of recovery is not as robust as that experienced in other recent economic cycles, steady growth is forecasted for the next several years. The unemployment rate, which peaked at 7.6% in 2010, is expected to be 5.2% for 2015. Job growth continues to be in professional and business services as well as education and health services.

The federal government sector, normally a positive driver to Maryland's economy, represents the major downside risk to the rate of growth. Maryland's economy is heavily reliant on federal spending. The fiscal concerns associated with federal spending continue to constrain economic recovery. Until the federal government's direction becomes clear, the outlook will remain cautiously optimistic.

During the 2013 Session of the General Assembly, the Transportation Infrastructure Investment Act of 2013 was enacted to increase transportation funding by increasing motor fuel taxes and requiring the Maryland Transit Administration, beginning in 2015, to increase base fare prices. These changes became effective July 1, 2013.

During the current fiscal year, assigned fund balance for transportation programs decreased to $129,811,000, from $134,703,000 in the prior year primarily due to the realization of revenue from the prior year federal receivable, a slight increase in budgeted funds and reclassification of reserve for prepaid expenses in the amount of $1,044,000 (net of current receivable), $576,000, and $104,491,000, respectively.

Requests for Information

This Comprehensive Annual Financial Report is designed to provide a general overview of the Department's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Mr. David L. Fleming, Chief Financial Officer, Office of Finance, MDOT - Secretary's Office, 7201 Corporate Center Drive, Hanover, MD, 21076.

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MARYLAND DEPARTMENT OF TRANSPORTATION
Comprehensive Annual Financial Report

BASIC FINANCIAL STATEMENTS

MARYLAND DEPARTMENT OF TRANSPORTATION
Statement of Net Position
As of June 30, 2015
(amounts expressed in thousands)

		Total Governmental Activities
ASSETS:		
Cash and cash equivalents	$	310,851
Cash and cash equivalents - restricted		12,808
Taxes receivable, net		140,711
Intergovernmental receivables		214,145
Other accounts receivable		48,749
Due from other state agencies		150,101
Inventories		93,356
Prepaids		104,491
Capital assets not depreciated:		
Construction in progress		3,443,268
Land		2,591,842
Capital assets depreciated (net of depreciation):		
Buildings and improvements		1,475,937
Machinery and equipment		653,176
Infrastructure		9,196,813
Seagirt assets		50,945
Total assets		18,487,193
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amount for refunding bonds		24,397
Deferred amount for pensions		106,967
		131,364
LIABILITIES:		
Salaries payable		32,521
Accounts payable and other current liabilities		437,682
Accounts payable to political subdivisions		57,918
Due to other state agencies		3,565
Unearned revenue		148,262
Accrued interest payable		23,950
Noncurrent liabilities:		
Due within one year		262,674
Due in more than one year		4,495,571
Total liabilities		5,462,143
DEFERRED INFLOWS OF RESOURCES:		
Deferred concession arrangement receipts		50,945
Deferred amount for pensions		83,560
		134,505
NET POSITION:		
Net investment in capital assets		14,472,903
Unrestricted deficit		(1,450,994)
Total net position	$	13,021,909

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

MARYLAND DEPARTMENT OF TRANSPORTATION
Statement of Activities
For the Fiscal Year Ended June 30, 2015
(amounts expressed in thousands)

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Positon: Total Governmental Activities
Governmental activities:					
Secretary's Office	$ 624,378	$ 7,133	$ 7,967	$ 3,289	$ (605,989)
State Highway Administration	1,399,446	46,435	13,738	520,195	(819,078)
Port Administration	126,885	52,411	-	1,105	(73,369)
Motor Vehicle Administration	213,896	4	10,711	995	(202,186)
Transit Administration	937,286	142,363	59,046	184,355	(551,522)
Aviation Administration	337,596	339,958	776	31,907	35,045
Interest on long-term debt	69,902	-	-	-	(69,902)
Total governmental activities	3,709,389	588,304	92,238	741,846	(2,287,001)
General revenues:					
Motor vehicle taxes and fees					1,465,022
Motor fuel taxes and fees					918,483
Corporation income tax share					166,051
State sales tax					30,788
Unrestricted investment earnings					2,096
Other revenue					64,516
Total general revenues					2,646,956
Change in net position					359,955
Net position, July 1, 2014, as restated					12,661,954
Net position, June 30, 2015					$ 13,021,909

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

MARYLAND DEPARTMENT OF TRANSPORTATION
Balance Sheet
Governmental Funds
As of June 30, 2015
(amounts expressed in thousands)

	Special Revenue	Other Governmental Fund Debt Service	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	$ 310,851	$ -	$ 310,851
Cash and cash equivalents - restricted	12,808	-	12,808
Taxes receivable, net	140,711	-	140,711
Intergovernmental receivable	214,145	-	214,145
Other accounts receivable	48,749	-	48,749
Due from other state agencies	146,923	-	146,923
Inventories	93,356	-	93,356
Prepaids	104,491	-	104,491
Total assets	1,072,034	-	1,072,034
LIABILITIES & FUND BALANCES:			
Liabilities:			
Salaries payable	32,521	-	32,521
Accounts payable	437,682	-	437,682
Accounts payable to political subdivisions	57,918	-	57,918
Due to other state agencies	3,565	-	3,565
Unearned revenue	45,822	-	45,822
Total liabilities	577,508	-	577,508
DEFERRED INFLOW OF RESOURCES			
Unavailable revenue	138,261	-	138,261
FUND BALANCES:			
Nonspendable fund balance:			
Inventories	93,356	-	93,356
Prepaid items	104,491	-	104,491
Committed fund balance:		-	-
Encumbrances	27,930		
Assigned fund balance:			
Agency activities	677	-	677
Transportation programs	129,811	-	129,811
Total fund balances	356,265	-	328,335
Total liabilities, deferred inflows and fund balances	$ 1,072,034	$ -	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements.	17,411,981
Energy savings assets	3,178
Accrued interest payable on bonds and capital leases	(23,950)
Long-term liabilities not due and payable in the current period and, therefore, are not reported in the fund financial statements, includes the following:	
Unavailable revenue	138,261
Advance rental payment	(102,440)
Deferred amount on refunding bonds	24,397
Bonds payable	(2,020,250)
Capital leases	(628,650)
Pollution liability	(156,161)
MTA OPEB liability	(311,916)
Net pension liability	(1,261,241)
Premium on bonds not liquidated with current financial resources	(213,439)
Workers' compensation costs	(64,686)
Energy savings liability	(50,191)
Compensated absences	(51,711)
Deferred outflows and inflows related to pensions	23,407
Deferred concession receipts	(50,945)
Net position of governmental activities	$ 12,993,979

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

MARYLAND DEPARTMENT OF TRANSPORTATION
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015
(amounts expressed in thousands)

	Special Revenue	Other Governmental Fund – Debt Service	Total Governmental Funds
REVENUES:			
Taxes:			
Motor vehicle taxes and fees	$ 1,465,022	$ -	$ 1,465,022
Motor vehicle fuel taxes and fees	918,483	-	918,483
Revenue sharing of state corporation income tax	166,051	-	166,051
Revenue sharing of state sales tax	30,788	-	30,788
Federal reimbursements	833,040	-	833,040
Charges for services	460,668	-	460,668
Passenger facility charges	44,745	-	44,745
Customer facility charges	12,733	-	12,733
Special parking revenues	52,551	-	52,551
Investment earnings	2,090	6	2,096
Other	61,665	1,719	63,384
Total revenues	4,047,836	1,725	4,049,561
EXPENDITURES:			
Current:			
Department administration, operating, and maintenance expenditures:			
Secretary's Office	157,145	-	157,145
State Highway Administration	357,187	-	357,187
Port Administration	101,388	-	101,388
Motor Vehicle Administration	200,427	-	200,427
Transit Administration	744,199	-	744,199
Aviation Administration	232,975	-	232,975
Intergovernmental:			
Highway user revenue distributions and federal fund pass-thru to local subdivisions	253,401	-	253,401
Washington Metropolitan Area Transit Authority Grants	441,964	-	441,964
Distributions to other state agencies	19,926	-	19,926
Debt service:			
Principal repayment	-	152,415	152,415
Interest	-	79,989	79,989
Issuance expenditures	-	-	-
Capital outlay	1,746,878	-	1,746,878
Total expenditures	4,255,490	232,404	4,487,894
Excess of expenditures over revenues	(207,654)	(230,679)	(438,333)
OTHER FINANCING SOURCES (USES):			
Issuance of debt	401,535	-	401,535
Refunding of Transportation Bonds	259,715	-	259,715
Premium on bonds	91,557	-	91,557
Payments to Refunded bond escrow agent	(301,412)	(30,000)	(331,412)
Capital leases	40,000	-	40,000
Advanced lease payments	(34,267)	-	(34,267)
Debt service transfer	(248,348)	248,348	-
Total other financing sources and uses	208,780	218,348	427,128
Net change in fund balances	1,126	(12,331)	(11,205)
Fund balances, July 1, 2014	355,139	12,331	367,470
Fund balances, June 30, 2015	$ 356,265	$ -	$ 356,265

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

MARYLAND DEPARTMENT OF TRANSPORTATION
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015
(amounts expressed in thousands)

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds (page 39)		$ (11,205)
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 exceeded depreciation in the current period.		
Capital outlays	$ 1,746,878	
Loss on disposal of assets	(3,246)	
Depreciation expense	(1,037,949)	
		705,683
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Unavailable revenue	$ 18,651	
Amortization of advance rental payments	2,227	
		20,878
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net positon. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Net premium on bonds	$ (77,272)	
Principal repayment of bonds	453,670	
Debt Issued, transportation bonds	(661,250)	
Capital lease liability	(34,348)	
		(319,200)
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.		
Accrued interest	$ 6,561	
Compensated absences	(1,052)	
Energy savings liability	3,963	
Workers compensation	2,358	
State Net pension liability	59,553	
MTA Net pension liability	(50,219)	
MTA OPEB obligation	(44,852)	
Energy savings asset	(831)	
Other	15,720	
		(8,799)
Deferred financing inflows (outflows)		
Pension expense	$ (28,534)	
Amortization of assets	1,132	
		(27,402)
Change in net positon of governmental activities (page 37)		$ 359,955

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

MARYLAND DEPARTMENT OF TRANSPORTATION
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2015
(amounts expressed in thousands)

	Maryland Transit Administration Pension Plan Trust Fund	Agency Funds
ASSETS:		
Cash and cash equivalents	$ 932	$ 15,923
Investments, at fair value:		
Equity securities pool	84,858	-
Fixed income pool	47,067	-
Alternative investments pool	92,037	-
Real estate pool	9,990	-
Total investments	233,952	15,923
Contributions receivable	2,961	-
Total assets	237,845	15,923
LIABILITIES:		
Accounts payable	-	15,923
		$ -
NET POSITION:		
Held in trust for pension benefits	$ 237,845	

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

MARYLAND DEPARTMENT OF TRANSPORTATION
Statement of Change in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2015
(amounts expressed in thousands)

		Maryland Transit Administration Pension Plan Trust Fund
ADDITIONS:		
Contributions from employer		$ 38,361
Investment earnings:		
Interest income	$14,045	
Net depreciation in fair value of investments	(5,766)	
Net investment earnings		8,279
Total additions		46,640
DEDUCTIONS:		
Benefit payments		30,636
Administrative expenses		1,851
Total deductions		32,487
Change in net postion		14,153
Net positon, July 1, 2014		223,692
Net position, June 30, 2015		$ 237,845

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

MARYLAND DEPARTMENT OF TRANSPORTATION
Notes to the Financial Statements
For the Year Ended June 30, 2015

1. Summary of Significant Accounting Policies:

A. Reporting Entity:

The Maryland Department of Transportation (Department), a department of the State of Maryland, was established by statute in 1971. The Department is responsible for carrying out the Governor's policies in the area of transportation under statutory mandates, guidelines and constraints established by the State's General Assembly. The Department has the responsibility for most state-owned transportation facilities and programs, including planning, financing, construction, operation and maintenance of various modes of transportation and carrying out related licensing and administrative functions. The statutorily created transportation agencies included in the Department are the Maryland Aviation Administration (MAA), Maryland Port Administration (MPA), Motor Vehicle Administration (MVA), Maryland Transit Administration (MTA), State Highway Administration (SHA) and the Secretary's Office (TSO).

The accompanying financial statements include the Department, which has no component units. The Maryland Transportation Authority (Authority) is a separate entity with separate fiscal operations and management, and accordingly, is excluded from *The Financial Reporting Entity* of the Department, since it does not qualify for inclusion under Governmental Accounting Standards Board (GASB) Statement No. 14, because it is not financially accountable to the Department.

B. Government-Wide and Fund Financial Statements:

The Department'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 government. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. The Department's governmental activities are supported primarily by taxes, intergovernmental revenues and charges for services. Fiduciary funds are excluded from the Department's government-wide and fund financial statements, as fiduciary assets are not available for the Department's use.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the fiduciary fund (MTA Pension Plan Trust Fund).

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

The government-wide financial statements and the fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized in the financial statements as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers 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 or obligation is incurred as a result of goods or services rendered, as under accrual accounting. However, under the modified accrual basis, debt service expenditures are recorded only when payment is due. Compensated absences, retirement and workers' compensation costs and claims, judgments and other liabilities not expected to be paid with current available resources are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Motor vehicle taxes, motor vehicle fuel taxes, charges for services, Federal reimbursements and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Department.

The Department collects and receives various types of motor vehicle taxes and fees. These taxes and fees consist primarily of a portion of the motor vehicle fuel taxes, motor vehicle titling taxes and motor vehicle registration fees. The Department accrues the June motor vehicle fuel taxes and titling taxes that are unremitted as of year-end as a receivable. These taxes are considered measurable and available since they represent June collections that are remitted to the Department in July and thereafter by merchants who collect these taxes. Expenditure-driven Federal grants are recognized as revenue when the qualifying expenditures have been incurred, all other grant requirements have been met and the reimbursement funding is available from the Federal government.

The Department reports the following major governmental fund:
Special Revenue Fund:
Transactions related to resources obtained, the uses of which are restricted for specific purposes, are accounted for in the special revenue fund. The special revenue fund accounts for resources used for operations (other than debt service and pension activities) of the Department, including construction and improvement of transportation facilities and mass transit operations. Fiscal resources 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. The Department’s unexpended balances as of year-end do not revert to the State’s general fund. In addition, the various categories of transportation bonds are serviced from the resources of the Department. The particular taxes and other designated revenues are dedicated to the payment of transportation bonds and constitute the sole sources to which holders of transportation bonds may legally look for repayment.

The Department reports the following non-major governmental fund:
Debt Service Fund:
Transactions related to the resources accumulated and payments made for principal and interest on long-term transportation debt of governmental funds are accounted for in the debt service fund.

Additionally, the Department reports the following fund types:
Pension Trust Fund:
The pension trust fund accounts for the activities of the MTA Pension Plan (the MTA Plan), which accumulates resources for pension benefit payments to qualified Maryland Transit Administration

employees. The pension trust fund accounts for plan assets at their fair value. Additional information regarding the MTA Pension Plan is included in Note 15. The accounts of the pension trust fund are maintained and reported using the accrual basis of accounting. Under this method, revenues are recorded in the fiduciary fund financial statements when earned, administrative expenses are recorded at the time the liabilities are incurred and pension benefits are recorded when paid.

Agency Fund:
The agency fund is custodial in nature and does not present the results of operations or have a measurement focus. The Department uses an agency fund to account for the receipt and disbursement of Federal grant proceeds collected by the Department for distribution to political subdivisions and the accumulation of and payment of funds for debt service issued under the alternative county transportation bond program. When both restricted and unrestricted resources are available for use, the Department's policy is to use unrestricted resources first and then restricted resources as they are needed.

D. Change in Accounting Principles and Restatement of Beginning Balances
GASB 68
Net position of governmental activities has been restated by negative $1,038,000, due to the implementation of GASB Statement No. 68 in recording the beginning net pension liability and the beginning deferred outflow of resources, contribution subsequent to the measurement date for all the defined benefit pension plans.

E. New Pronouncements:
The Department has adopted the provision of Governmental Accounting Standard Board (GASB Statement No. 68, entitled *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* As part of GASB 68 the Department is required to record its net funded pension liability.

GASB also issued Statement No. 69, entitled *Government Combinations and Disposals of Government Operation*, and GASB Statement No. 70, entitled Accounting and Financial Reporting for Nonexchange Financial Guarantees. Both statements were adopted this fiscal year but had no effect on these accompanying financial statements.

The, GASB has issued Statement No. 72, entitled *Fair Value Measurement and Application;* Statement No. 73, entitled, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68;* GASB Statement No. 74 entitled, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans;* GASB Statement No. 75, entitled, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions;* GASB Statement No. 76; entitled, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government; and* GASB Statement No. 77; entitled, *Tax Abatement Disclosures,* which will require adoption in the future, if applicable. These statements may or will have a material effect on the Department's financial statements once implemented.

The Department will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

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

A. All Funds:

1. Deposits and investments:

The Department's cash on hand, demand deposits and short-term investments maturing within 90 days from the date purchased are considered as cash and cash equivalents. The Department's investments are recorded at fair value and changes in fair value are recognized as revenue. The cash and cash equivalents and investments of the Pension Trust Fund are maintained by the State Retirement and Pension System of Maryland (System) on a pooled basis. The System, in accordance with Article 73B, Section 160 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 not more than 15% of the assets that are invested in common stocks may be invested in non-dividend paying common stock. The System's investments are commingled in three combined investment funds. Two investment funds consist principally of bonds and other fixed income investments, while the other investment fund consists principally of common stocks.

2. Receivables and payables:

Amounts due to the Department from various tax revenue sharing programs are recorded as taxes receivable, while amounts due to the Department from the Federal government are reported as intergovernmental receivables. Amounts representing balances due from the Authority and the State's General Fund are reported as due from other state agencies. Amounts representing balances due to the Authority and the State's General Fund are reported as due to other state agencies. Amounts representing balances due to political subdivisions are reported as accounts payable to political subdivisions.

3. 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 both government-wide and fund financial statements. In governmental fund type accounts, prepaid expenses are generally accounted for using the purchases method. Under the purchases method, prepaid expenses are treated as expenditures when purchased rather than accounted for as an asset.

4. Grants:

Revenues from Federal reimbursement type grants are recognized when the related expenditures are incurred and the revenues are both measurable and available. The government considers all grant revenues to be available if they are collected within 60 days of the current fiscal period.

5. Capital assets:

Capital assets, which include land, buildings and improvements, machinery and equipment, construction in progress and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Department 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. Cost on constructed assets includes materials, labor, design and any other costs directly related to putting the asset in use. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Capital Assets	Years
Buildings and improvements	5-50
Transit vehicles and equipment	10-25
Other vehicles	3-10
Office equipment	3-10
Computer equipment	3-10
Computer software	5-10
Infrastructure	10-50

6. Deferred outflows/inflows of resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or debt.

7. 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 State. All vacation pay is accrued when earned in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured as a result of employee resignations and/or retirements. Principally all full-time State 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 the Department's employees is accounted for in the government-wide financial statements.

8. Long-term obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts adjust the carrying value of the bonds and are amortized over the life of the bonds. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the period the debt is issued. 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. Issuance costs are reported as debt service expenditures.

9. Fund balance:

The Department's Balance Sheet for the reservation of fund balance includes the following categories: (1). Nonspendable fund balance (which includes inventory of supplies and prepaid items), (2). Restricted fund balance (like for debt service items), (3). Committed fund balance (like for encumbrances), and (4). Assigned fund balance (like for loans receivable, agency activities and other function related activities) for Special Revenue funds within the Department.

When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Department's policy to use committed resources first, then assigned, and then unassigned as they are needed.

The Department utilizes encumbrance accounting. Encumbrances, based on purchase orders or other contracts, have been classified based on the existing resources that will be used to liquidate them. Encumbrances not included in the restricted fund balance are included in the committed fund balance since these amounts do not lapse all year-end but are payable form remaining appropriations from the prior year. These amounts can only be used for specific purposes pursuant to constraints imposed by formal actions of the government's highest level of decision making authority through the budget process.

3. Reconciliation of Government-wide and Fund Financial Statements:

A. Explanation of the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund Balance Sheet includes reconciliation between fund balance – total governmental funds and total net position – total governmental activities as reported in the government-wide Statement of Net Position. The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes reconciliation between the net change in fund balance – total governmental funds and the change in net position of governmental activities as reported in the government-wide Statement of Activities. The statement of net position should report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The statement of net position presents formats that displays assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position, although a balance sheet format (assets plus deferred outflows of resources equals liabilities plus deferred inflows of resources, plus net position) may be used. Regardless of the format used, the statement of net position should report the residual amount as net position, rather than net assets, proprietary or fiduciary fund balance, or equity. Net position represents the difference between all other elements in a statement of financial position and should be displayed in three components—net investment in capital assets; restricted (distinguishing between major categories of restrictions); and unrestricted.

4. Deposits and Investments:

As of June 30, 2015, the Department had the following investments:

(amounts expressed in thousands)

Investment Type	Fair Value
Money Markets - Agency Funds	$ 15,923
Pooled investments - Pension Trust Fund	233,952
State Treasurer's pooled – Special Fund	310,851
Restricted investment– Special Fund	12,808
Total investments at fair value	$ 573,534

Interest rate risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Department's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Maryland State Treasurer (Treasurer) policy on all of the Department's investments. The Treasurer'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 will not directly invest in securities maturing more than five years from the date of purchase. The Department followed this policy for all of its investments.

Credit risk:
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Department's policy for reducing its exposure to credit risk is to comply with the Treasurer's policy, which requires that the Treasurer's investments in repurchase agreements be collateralized by U.S. Treasury and agency obligations. In addition, investments may be made directly in U.S. agency obligations. These agency obligations are rated Aa1 by Moody's and AAA by Standard and Poor's. State law also requires that money market mutual funds contain only U.S. Treasuries or agencies or repurchase agreements secured by U.S. Treasuries or agencies. The money market mutual funds are rated Aaa/AAA.

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. The Department's policy for reducing this risk of loss is to comply with the Treasurer's policy, which states the investment policy limits the amount of repurchase agreements to be invested with a particular institution to 30% of the portfolio. Other than that, there is no limit on the amount that may be invested in any one issuer.

Custodial credit risk - deposits and investments:
Custodial credit risk is the risk that, in the event of a bank failure, the Department's deposits may not be returned to it. 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 Department's name. The Department does not have a formal deposit policy for custodial credit risk, but follows the Treasurer's policy that states the Treasurer may deposit in a financial institution in the State any unexpended or surplus money in which the Treasurer has custody. As of June 30, 2015, none of the Department's bank balance was uninsured or uncollateralized; none was uninsured or collateralized with securities held by the pledging financial institution; and none were uninsured or collateralized with securities held by the pledging financial institution's trust department or fiscal agent, but not in the Department's name. The Treasurer (i.e., law, regulation or formal policy) defines the types of securities authorized as appropriate investments for the Department and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

As of June 30, 2015 the Department reported a total of $12,808,000 in *Cash and cash equivalents – restricted* on the Department's balance sheet. This amount consists of restricted cash for the construction retainages related to the SHA road projects.

The Treasurer authorizes the Department to invest in obligations of the U.S. Treasury including bills, notes, and bonds; obligations of U.S. agencies and instrumentalities; repurchase agreements secured by an U.S. Treasury agency; instrumentality obligations or bankers' acceptances guaranteed by a financial institution with the highest short-term debt rating by at least one nationally recognized statistical rating organization (NRSRO); commercial paper with the highest rating by at least one NRSRO; shares or certificates in a money market mutual fund as defined by the Treasurer; and Maryland local government pooled with short-term investments.

5. Receivables and Unearned Revenue:

The Department's receivables as of June 30, 2015 for the individual funds were as follows:

(amounts expressed in thousands)

Receivables	Special Revenue
Taxes receivable	$ 140,711
Intergovernmental receivable	214,145
Other accounts receivable	48,749
Due from other state agencies, net	146,923
Net total receivables	$ 550,528

The Department's Taxes receivable consist of receivables recorded at year-end for the Motor Vehicle Fuel Tax Division in the amount of $95,063,000 and the MVA's titling tax in the amount of $45,648,000. The Department's Intergovernmental receivables consist of receivables from the Federal government in the amount of $206,280,000 and from the local subdivisions in the amount of $7,865,000. The Department's other accounts receivable, of $48,749,000; consist of miscellaneous receivables recorded at fiscal year-end across the Department.

A balance of $40,929,000 is reported as Due from other state agencies in the Special Revenue Fund for the amount due from the State Comptroller's Revenue Administration Division for cash transfers not transferred to the Department as of June 30, 2015. Also included in Due from other state agencies is the amount $94,710,000, for the amount due from the Authority for Passenger Facility Charge (PFC), Customer Facility Charge (CFC) and special parking revenue collections; $6,163,000 is reported as Due from other state agencies in the Special Revenue Fund for the amount due from the Authority for the ICC project; $5,121,000 is reported as Due from other state agencies, which is due from the Maryland Department of Budget and Management (DBM) for the health benefits refund. Also included in Due from other state agencies on the Statement of Net Position is the amount for the Department's Energy Performance Contract (EPC) as of June 30, 2015, in the amount of $3,178,000.

The Department's unearned revenue in connection with resources that have been received, but not yet earned was $148,262,000 as of June 30, 2015. The Department reported unearned revenue for customer prepayments of future airport services to be provided by the MAA in the amount of $2,650,000, $14,000 motor vehicle refunds by the MVA, $43,158,000 for revenues collected by the SHA for advanced contract payments and $102,440,000 for advanced rental payments related to MPA's service concession agreement.

As of June 30, 2015, the Department also reported unearned revenue in the governmental funds in the amount of $45,822,000 for unearned customer prepayments. Unavailable revenue was comprised of $94,710,000 for the balance in the MAA PFC's and CFC Improvement Funds and $43,551,000 related to federal receivables that were not collectable within the period available.

6. Interfund Transfers:

The interfund transfers for the Department for the year ended June 30, 2015, were as follows:

(amounts expressed in thousands)

Transfers In	Transfers Out	Amount
Debt service fund	Special revenue fund	**$ 248,348**

The purpose of this interfund transfer is to record the amount of revenue transferred from the special revenue fund to the debt service fund for debt service principal and interest payments. This transfer is reported on the Statement of Revenues, Expenditures and Changes in Fund Balances for the year ended June 30, 2015 as a Debt service transfer under Other Financing Sources (Uses).

7. **Due to Other State Agencies:**

The amount reported as Due to other state agencies within the Special Revenue Fund in the accompanying balance sheet is $3,565,000. This represents the amount due to the State's General Fund for motor vehicle fuel tax, hazmat program, auto safety and commercial vehicle enforcement which was not transferred as of June 30, 2015.

8. **Capital Assets:**

The Department's Capital assets activity by asset classification, including accumulated depreciation, for the year ended June 30, 2015, was as follows:

(amounts expressed in thousands)

Capital Assets - Governmental activities	Balance July 1, 2014	Increases	Decreases	Transfers In (Out)	Balance June 30, 2015
Capital Assets not depreciated:					
Land	$ 2,552,170	$ 9,105	$ (1,482)	$ 32,049	$ 2,591,842
Construction in progress	2,884,825	948,788	-	(390,345)	3,443,268
Total capital assets not depreciated	5,436,995	957,893	(1,482)	(358,296)	6,035,110
Capital assets depreciated:					
Building & improvements	2,600,749	34,202	(979)	168,137	2,802,109
Machinery & equipment	2,137,307	70,760	(28,404)	39,850	2,219,513
Infrastructure	21,307,084	684,023	(3,641)	150,309	22,137,775
Seagirt Assets	54,341	-	-	-	54,341
Total capital assets depreciated	26,099,481	788,985	(33,024)	358,296	27,213,738
Accumulated depreciation for:					
Building & improvements	(1,244,181)	(82,041)	50	-	(1,326,172)
Machinery & equipment	(1,472,642)	(121,381)	27,686	-	(1,566,337)
Infrastructure	(12,111,091)	(833,395)	3,524	-	(12,940,962)
Seagirt Assets	(2,264)	(1,132)	-	-	(3,396)
Total accumulated depreciation	(14,830,178)	(1,037,949)	31,260	-	(15,836,867)
Net capital assets after depreciation	11,269,303	(248,964)	(1,764)	358,296	11,376,871
Net total capital assets – governmental activities	$16,706,298	$ 708,929	$ (3,246)	$ -	$ 17,411,981

Depreciation expense on capital assets charged to the Department's modal administration/functions in the Statement of Activities as of June 30, 2015, was as follows:

(amounts expressed in thousands)

Depreciation Expense - Governmental Activities	
Secretary's Office	$ 5,197
State Highway Administration	788,858
Port Administration	24,666
Motor Vehicle Administration	13,469
Transit Administration	125,790
Aviation Administration	79,969
Total depreciation expense - governmental activities	$ 1,037,949

9. **Service Concession Arrangement:**

The Department implemented GASB Statement No. 60 'Accounting and Financial Reporting for Service Concession Arrangements' as of July 1, 2012. The Department has entered into a long-term lease with Ports America Corporation (PAC) to manage, operate and maintain the Dundalk Marine terminal. These agreements satisfy the criteria established to be considered service concession arrangements (SCAs). Under the terms of the ground lease, the Department transfers rights to PAC for a term of 50 years. After 50 years the Department has the option to buy PAC's equipment. 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, 2015, the Capital assets, net accumulated depreciation and deferred service concession arrangement receipts were $50,945,000.

10. Long-term Liabilities:

Changes in long-term liabilities:

The Department's long-term liability activity for the year ended June 30, 2015, was as follows:

(amounts expressed in thousands)

Governmental activities:	Beginning Balance July 1, 2014	Additions	Reductions	Ending Balance June 30, 2015	Due Within One Year
Transportation bonds*	$ 1,812,670	$ 661,250	$(453,670)	$ 2,020,250	$ 174,165
Capital leases*#	594,302	74,267	(39,919)	628,650	41,901
Pollution obligations	156,161	-	-	156,161	-
MTA OPEB obligations	267,064	44,852	-	311,916	-
State Employees' Plan Net pension liability	640,527	-	(59,553)	580,974	-
MTA Net pension liability	630,048	50,219	-	680,267	-
Premium on bonds*	136,167	91,557	(14,285)	213,439	23,782
Worker's compensation costs	67,044	12,954	(15,312)	64,686	10,392
EPC obligations*	54,154	-	(3,963)	50,191	4,094
Compensated absences	50,659	34,086	(33,034)	51,711	8,340
Total long-term liabilities – governmental activities	$ 4,408,796	$ 969,185	$(619,736)	$ 4,758,245	$ 262,674

Note: * These items are combined for the net related debt calculation on the Statement of Net Position section entitled Net Position – Net investment in capital assets. # Capital lease additions consist of the new lease, in the amount of $40,000,000, and were added to the monies held by the trustee for construction costs, in the amount of $34,267,000.

The Treasurer's Office negotiated financing for the EPC obligations in the amount of $54,154,000; certain agencies have a Maryland Energy Administration (MEA) State Agency Loan Program (SALP) loan totaling $5,151,000. The current portion that is due within one year is the principal due to the Treasurer's Office in the amount of $3,616,000 and the agencies SALP portion in the amount of $478,000; see footnote 17 for additional program details.

The Department's long-term liabilities, other than consolidated transportation bonds, are generally liquidated through the special revenue fund. The Department estimates there are no material liabilities for arbitrage rebates as of June 30, 2015.

11. Transportation bonds:

The Department issues Consolidated Transportation Bonds to provide funds for the acquisition and construction of major capital facilities. Consolidated Transportation Bonds are limited obligations issued by the 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. The aggregate principal amount of those bonds that were allowed to be outstanding as of June 30, 2015, was $2,530,255,000. The aggregate principal amount of Consolidated Transportation Bonds outstanding as of June 30, 2015, was $2,020,250,000. Consolidated Transportation Bonds are paid from the Debt Service Fund.

The Department's Transportation Bonds outstanding as of June 30, 2015, were as follows:

(amounts expressed in thousands)

	Interest Rates	Amount
Consolidated Transportation Bonds - due serially through 2030 – for state transportation activity	2.0-5.5%	$1,622,645
Consolidated Transportation Bonds, refunding – due serially through 2030 – for state transportation activity	5.0%	397,605
Total consolidated transportation bonds		$2,020,250

Principal and interest on 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 applicable 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 payment. Under the terms of authorizing bond resolutions, additional Consolidated Transportation Bonds may be issued provided, among other conditions, that (i) 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 (ii) 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.

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. Legislation was enacted during the 1993 session of the General Assembly that established an alternative county transportation bond program. This new legislation provides features similar to the previous program except that the county transportation debt will be the obligation of the participating counties rather than the Department. Unexpended bond proceeds in the amount of $3,680,000 and certain debt service sinking fund amounts aggregating $12,233,000 were invested in money market accounts as of June 30, 2015. These funds are reported as restricted cash and cash equivalent in the agency funds. The two amounts are restricted for project funds and county bond debt service respectively. $87,860,000 in County Transportation Revenue Bonds was outstanding on June 30, 2015.

On February 26, 2014 consolidated transportation bonds in the amount of $265,535,000 were issued by the Department with a premium of $35,526,000. These bonds are dated February 26, 2014 with maturities ranging from February 1, 2018 to February 1, 2030 at interest rates ranging from 2.8-5.0%. On June 18, 2015, consolidated transportation bonds in the amount of $136,000,000 were issued by the Department with a premium of $13,927,000. These bonds are dated June 18, 2015 with maturities ranging from June 1, 2018 to June 1, 2030 at interest rates ranging from 3.0% to 5.0%. Also on June 18, 2015 consolidated transportation refunding bonds in the amount of $259,715,000 were issued by the Department with a premium of $42,105,000. These bonds are dated June 18, 2015 with maturities ranging from February 15, 2016 to February 15, 2023 at an interest rate of 5.0%. The net proceeds of these refunding bonds were used to purchase open market securities and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the previously outstanding refunded bonds are considered to be defeased and liabilities for these bonds have been extinguished. The aggregate difference in debt and refunding debt is $58,815,000. The economic gain on the transaction is $21,119,000. As of June 30, 2015, the Department has $301,255,000 of defeased debt outstanding.

Annual debt service requirements to maturity for transportation bonds in future years are as follows:

(amounts expressed in thousands)

Years Ending June 30,	Consolidated Transportation Bonds-Principal	Consolidated Transportation Bonds-Interest	Total Transportation Bond Debt Service Requirements
2016	$ 174,165	$ 83,829	$ 257,994
2017	207,185	80,577	287,762
2018	221,710	70,617	292,327
2019	182,375	60,513	242,888
2020	152,340	51,883	204,223
2021-2025	715,920	151,901	867,821
2026-2030	366,555	35,198	401,753
Total	$ 2,020,250	$ 534,518	$ 2,554,768

12. <u>Operating and Capital Leases</u>:

Operating Leases:

The Department leases office space under various agreements that are accounted for as operating leases. Rent expense under these agreements was $3,514,000 for the year ended June 30, 2015.

The future minimum operating lease payments under these agreements as of June 30, 2015, were as follows:

(amounts expressed in thousands)

Years Ending June 30,	Operating Leases Future Minimum Payments
2016	$ 2,717,234
2017	2,615,280
2018	2,539,451
2019	2,463,623
2020	2,229,005
2021-2025	4,243,838
2025-2029	346,311
Total operating leases	$ 17,154,743

Capital Leases:

The Department has entered into several lease agreements for the financing of various transportation related projects. The Department has also entered into agreements with the Maryland Transportation Authority for the financing of various aviation projects. The Department has reported obligations under capital leases of $628,650,000, as of June 30, 2015. The Department's activity related to capital leases is included in the table in note 10.

The Department's capital lease obligations as of June 30, 2015, were as follows:

- $13,485,000 in obligations related to Project Certificates of Participation for the Maryland Aviation Administration Facilities, Series 2010 (refunding), issued on December 1, 2010, at annual interest rates ranging from 3.0-5.0%;
- $10,230,000 in obligations related to Project Certificates of Participation for the Maryland Transit Administration Project, Series 2010 (refunding), issued on December 1, 2010, at annual interest rates ranging from 3.0-5.0%;
- $2,500,000 in obligations related to Certificates of Participation for the BWI Marshall Airport Shuttle Bus Fleet Acquisition, Series 2004, issued on October 7, 2004, at annual interest rates ranging from 2.75-3.60%;
- $17,795,000 in obligations related to Certificates of Participation for the Maryland Port Administration Facility Project, Series 2006, issued on June 14, 2006, at annual interest rates ranging from 4.25-5.25%;
- $7,147,000 for the Authority's financing of the MPA's Masonville Automobile terminal at an annual interest rate of 5.5%;
- $167,420,000 for the Maryland Economic Development Corporation bond issuance for the Maryland Aviation Facilities, issued on April 3, 2003, at annual interest rates ranging from 4.5-5.5%;
- $16,690,000 for the Maryland Economic Development Corporation bond issuances for the financing of the Department's headquarters building, original bonds issued on June 27, 2002, refunding bonds issued May 25, 2010 at annual interest rates ranging from 3.0-4.5%;
- $147,654,000 on long-term obligations related to the financing of BWI Marshall Airport parking and roadway projects. Bonds associated with this agreement were issued by the Maryland Transportation Authority in the amount of $264,075,000 on March 5, 2002, and refunded on April 25, 2012, with annual interest rates ranging from 4.0-5.0%; the total liability is $159,860,000 (less monies the Authority's trustee is holding);
- $84,522,000 on long-term obligations related to the financing of BWI Marshall Airport Consolidated Rental Car Facility. Bonds associated with this agreement were issued by the Authority in the amount of $117,345,000 on June 18, 2002, at annual interest rates ranging from 2.74-6.65%; the total liability is $93,785,000;
- $43,458,000 minimum payments, for the financing of certain airport facilities project located at BWI Marshall Airport including construction of a connector hallway between Concourse B and C. Bonds were issued by Maryland Transportation Authority on April 25, 2012, in the amount of $50,905,000 at annual interest rates ranging from 4.0-5.0%. As of June 30, 2015, the total liability is $45,405,000 (less monies the Authority's trustee is holding);
- $108,111,000 on long-term obligations related to the financing of BWI Marshall Airport's runway safety and paving improvement projects. Bonds were issued by the Maryland Transportation Authority on December 13, 2012, in the amount of $92,070,000 fixed rate bonds with interest rates ranging from 2.0-4.0% and $43,400,000 of variable rate demand bonds. As of June 30, 2015, the interest rate on the variable rated bonds was .067%. Total liability is $124,440,000 (less monies the Authority's trustee is holding).

- $9,638,000 on long-term obligation related to the financing of BWI Marshall Airports construction of a connector hallway between Concourse C and D. Bonds were issued by the Maryland Transportation Authority on December 18, 2014 in the amount of $40,000,000 at annual interest rates were ranging from 3.0% to 5.0%. As of June 30, 2015 the total liability was $39,380,000 (less monies the Authority's Trustee is holding).

As bond proceeds are spent for construction, the Department's liability (or minimum payments) and related capital assets will increase, accordingly. Once construction is completed, the Construction in Progress asset will become a Building or Infrastructure asset.

The future minimum capital lease obligations and the net value of these minimum lease payments as of June 30, 2015, were as follows:

(amounts expressed in thousands)

Years Ending June 30,	Amount	
2016	$ 69,535	
2017	68,156	
2018	66,590	
2019	66,510	
2020	66,512	
2021-2025	305,013	
2026-2030	223,482	
2031-2035	64,732	
Total minimum lease payments	930,530	
Less: amount representing interest	232,393	(a)
Less: funds held by bond trustee	69,487	(b)
Value of minimum lease payments	$ 628,650	

(a) The interest represents 37% of the total minimum lease principal payments due.
(b) The reduction shown in the amount of $69,487,000 are monies held by the bond trustee on behalf of the Maryland Transportation Authority to be used for construction and Debt service reserve fund expenditures.

The capital assets acquired through capital leases as of June 30, 2015 were as follows:

(amounts expressed in thousands)

Capital Asset		Amount
Construction in progress	$	169,374
Land and improvements		16,569
Buildings and improvements		1,006,288
Machinery and equipment		23,427
Infrastructure		288,187
Total acquired capital assets		1,503,845
Less: accumulated depreciation		450,129
Total capital assets – net	$	1,053,716

13. <u>Pollution Remediation Obligations</u>:

The Department has recognized a pollution remediation obligation on the Statement of Net Position for governmental activities. A pollution remediation obligation is an obligation to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, including pre-cleanup activities, cleanup activities, government oversight and enforcement, and post remediation monitoring. Obligating events that initiate the recognition of a pollution remediation liability include any of the following: (a) There is an imminent and substantial endangerment to the public; (b) The Department is in violation of a pollution prevention related permit or license; (c) The Department is identified as a responsible party or potentially responsible party by an environmental regulator; (d) The Department is named or has evidence that it will be named in a lawsuit to participate in pollution remediation; or (e) The Department voluntarily commences, or legally obligates itself to commence, cleanup activities, monitoring or operations and maintenance of pollution remediation efforts.

The pollution remediation obligation is an estimate and subject to change resulting from price increases or reductions, technology advances or from 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 are recognized as they become reasonably estimable. At a minimum, the liability is reviewed for sufficiency when various benchmarks occur and as remediation is implemented and monitored. The measurement of the liability is based on the current value of outlays to be incurred using the expected cash flow technique. This technique measures the sum of probability-weighted amounts in a range of possible potential outcomes – the estimated mean or average.

The Department's pollution remediation liability as of June 30, 2015, is estimated to be $156,161,000 for cleanup projects at the SHA, the MPA, the MTA and the MAA with no expected 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 contaminations by hazardous materials under Federal and State law. In these cases, either the Department has been named in a lawsuit by a State Regulator or the Department has legally obligated itself under the Environmental Article, Section 7-201, of the Annotated Code of Maryland. These cost estimates for the Department's pollution remediation, due to site contamination from hazardous materials, are based on engineering design estimates. The estimated long-term costs that the Department may be responsible for over the next 15 years include: various cleanup projects related to several MTA construction sites and projects related to cleanup of underground hazardous substances at one of the MPA's marine terminals. The MPA is only responsible for 23% of the total remediation costs. The Department did not incur any significant costs to reduce the liability or identify any new technology that would change the liability during the current fiscal year ended June 30, 2015.

14. Other Postemployment Benefits (OPEB):

State Employee and Retiree Health and Welfare Benefits Program of Maryland:

Plan Description:

The members of the Maryland State Retirement, Pension and Law Enforcement Officers' Systems and their dependents are provided postemployment health care benefits through the State Employee and Retiree Health and Welfare Benefits Program (OPEB Plan). The OPEB Plan is a single-employer defined benefit health care plan established by the State Personnel and Pensions Article, Section 2-501 through 2-516 of the Annotated Code of Maryland. The OPEB Plan is self-insured to provide medical, hospitalization, prescription drugs 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 DBM. In addition, the Secretary of DBM 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.

Effective June 1, 2004, the State of Maryland established the Postretirement Health Benefits Trust Fund (OPEB Trust) as a separate entity to receive appropriated funds and contributions which will be used to assist the OPEB Plan in financing the State's postretirement health insurance subsidy. The OPEB Trust is established in accordance with the State Personnel and Pensions Article, Section 34-101, of the Annotated Code of Maryland and is administered by the Board of Trustees for the State Retirement and Pension System. Financial statements of the OPEB Trust may be obtained from the Office of the Maryland Comptroller, Treasury Building, Annapolis, MD 21401. A separate valuation is not performed by the Department. The Department's only obligation to the OPEB Plan is its required annual contribution.

Funding Policy:
The contribution requirements of the OPEB Plan members and the State are established by the DBM Secretary. Each year the DBM Secretary recommends to the Maryland Governor the State's share of the costs of the OPEB Plan. Beginning in fiscal year 2008, Maryland State law requires DBM to transfer any subsidy received as a result of the Federal Medicare Prescription Drug Improvement Act of 2003 or a similar subsidy to the OPEB Trust to prefund the costs of retirees' health benefits. Also, funds may be separately appropriated in the State's budget to transfer to the OPEB Trust.

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 10 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. Based on current practice, the State subsidizes approximately 50-85% of retiree premiums to cover medical, dental, prescription and hospitalization costs, depending on the type of insurance plan. The OPEB Plan is a cost sharing plan with the State of Maryland and assesses a charge to retirees for post-employment health care benefits, which is based on health care insurance charges for current employees. The Department's share of these retirees' health insurance costs were $23,419,000 for the year ending June 30, 2015, and was included in the health care costs allocated to all participating employers.

The Schedule of MDOT's Employer Contributions for the OPEB Plan is as follows:

(amounts expressed in thousands)

Fiscal Year Ended June 30,	Annual Required Contribution	Annual Contribution Paid	Net OPEB Obligation	Percentage Contributed
2013	$ 28,981	$ 28,981	$ -	100.0 %
2014	21,798	21,798	-	100.0
2015	23,419	23,419	-	100.0

Maryland Transit Administration Pension Plan - OPEB:
Plan Description:
The members of the MTA Plan are provided post-employment health care benefits through the State Employee and Retiree Health Plan or the MTA Health Plan. The MTA currently funds retirees' health care cost on a pay-as-you-go basis. As retirees incur expenses, the MTA pays out funds based on the appropriate benefit structure. The MTA does not currently have a separate fund set aside to pay health care costs. The MTA provides health care coverage for nearly 1300 retirees. Retirees make the same contributions as active employees; however, Medicare contributions are handled separately.

Funding Policy:
The Department is required by law to provide funding each year to the OPEB Plan for the Department's share of the pay-as-you-go amount necessary to provide current benefits to retired employees and their dependents. The MTA healthcare benefits including Medical (PPO or HMO), prescription drug, dental and vision plans are provided to retirees meeting the following eligible criteria:

1. Age 65 with 5 years of service
2. Age 52 with 30 years of service
3. Age 55 with at least 30 years of service, including military and other qualifying service credits
4. Disabled with 5 years of service
5. Surviving spouse subsidized benefit for 3 years

Annual OPEB Costs and Net OPEB Obligation:
The Department's annual OPEB cost, related to the MTA Plan, is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of accounting principles generally accepted in the United States of America. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded liabilities over a period not to exceed 30 years.

The annual OPEB cost and net OPEB obligation for the MTA Plan as of June 30, 2015 was:

(amounts expressed in thousands)

Annual required contribution (ARC)	$	67,496
Interest on OPEB obligations		11,350
Adjustment to the OPEB cost		(20,089)
Annual OPEB cost		58,757
Contributions made in current fiscal year		(13,905)
Increase in OPEB obligation		44,852
Net OPEB obligation beginning of year		267,064
Net OPEB obligation end of fiscal year	$	311,916

The three-year historical trend information for the MTA Plan is as follows:

(amounts expressed in thousands)

Fiscal Year Ended June 30,	Annual OPEB Cost	Annual Contribution Paid	Net OPEB Obligation	Percentage Contributed
2013	$ 65,864	$ 14,147	$ 221,003	21.5 %
2014	64,444	18,383	267,064	28.5
2015	58,757	13,905	311,916	23.7

Funded Status and Funding Progress:
The funded status of the OPEB Plan for the MTA Plan is as follows:

(amounts expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Covered Payroll	Percentage of UAAL over Covered Payroll
6/30/2011	$ -	$527,679	$ 527,679	$147,474	357.8 %
6/30/2013	-	670,833	670,833	137,596	487.5
6/30/2015	-	607,063	607,063	137,427	441.7

Actuarial Methods and Assumptions:
An actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future.

A projection of benefits for financial reporting purposes are based on the substantive plan and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the efforts of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial method and significant assumptions listed below were used in the actuarial valuation of the OPEB Plan for the MTA Plan as of June 30, 2015, was as follows:

Actuarial Cost Method:	Entry age normal
Amortization Method:	Closed, level dollar
Amortization Period:	20 years (as of July 1, 2014)
Asset Valuation Method:	Market value of assets
Actuarial Assumptions:	
Discount Rate:	4.25%
Medical Trend:	7.70% in FY2015 decreasing to 4.5% over 11 years
Dental/Vision Trend:	4.5% per annum

15. <u>Retirement Systems and Pension Plans</u>:

State Retirement and Pension System of Maryland:

The Department contributes to the State Retirement and Pension System of Maryland (System), established by the State to provide pension benefits for State employees (other than employees covered by the MTA Plan described below) and employees of various participating political subdivisions or other entities within the State. The non-State entities that participate within the System receive separate actuarial valuations in order to determine their respective funding levels and actuarial liabilities. While the System is an agent multiple-employer public employee retirement system, the Department accounts for the plan as a cost sharing multiple-employer public employee retirement system as a separate valuation is not performed for the Department and the Department's only obligation to the plan is its required annual contributions. Retirement benefits are paid from the System's pooled assets rather than from assets relating to a particular plan participant.

Plan description:
Certain employees of the State are provided with pensions through the System. The State Personnel and Pensions Article of the Annotated Code of Maryland (the Article) grants the authority to establish and amend the benefit terms of the System to the System's Board of Trustees. The System issues a publicly available financial report that can be obtained at www.sra.state.md.us/Agency/Downloads/CAFR/.

Benefits provided:
A member of the System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance

equals 1/55 (1.81%) of the member's average final compensation (AFC), which is the member's highest three-year average final salary, multiplied by the number of years of accumulated creditable service. An individual who is a member of the System on or before June 30, 2011, is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of the System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

For most individuals who retired from the System on or before June 30, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.8% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. Beginning July 1, 2011, any new member of the System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the System.

Exceptions to these benefit formulas apply to members of the Employees' Pension System, who are employed by a participating governmental unit that does not provide the 1998 or 2006 enhanced pension benefits or the 2011 reformed pension benefits. The pension allowance for these members equals 0.8% of the member's AFC up to the social security integration level (SSIL), plus 1.5% of the member's AFC in excess of the SSIL, multiplied by the number of years of accumulated creditable service. For the purpose of computing pension allowances, the SSIL is the average of the social security wage bases for the past 35 calendar years ending with the year the retiree separated from service.

Early Service Retirement:
A member of the System may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for the System member is 30%.

An individual who is a member of either the System on or before June 30, 2011, may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of the System is 42%. An individual who becomes a member of the System on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the System is 30%.

Disability and Death Benefits:
Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

Contributions:
The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the System's Board. Employees are required to contribute 7% of their annual pay. The Department's contractually required contribution rate for the System for the year ended June 30, 2015, was approximately $52,723,000, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the System from the Department were approximately $52,723,000 for the year ended June 30, 2015.

As of June 30, 2015, the Department reported a liability of approximately $580,974,000 for its proportionate share of the Systems net pension liability. The Department's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Department's proportion of the Systems net pension liability was based on a projection of the Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating government units, actuarially determined. As of June 30, 2015, the Department's proportion for the System was 3.27%, which was substantially the same from its proportion measured as of June 30, 2014.

For the year ended June 30, 2015, the Board recognized pension expense for the System of approximately $1.0 million. As of June 30, 2015, the Department reported deferred outflows of resources and deferred inflows of resources related to System from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 8,404	$ -
Contribution after measurement date	83,560	-
Net difference between projected and actual earning on pension plan investments	-	63,591
Total	$ 91,964	$ 63,591

The amount reported as deferred outflows of resources related to System resulting from the Department's contributions subsequent to the measurement date was $83,560,000 and will be recognized as a reduction of the System net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to System will be recognized in pension expense as follows: Changes in assumptions: Fiscal years 2016-2019, $2,101 per year; Difference between projected and actual earnings on pension plan investments: Fiscal years 2016-2019, $15,898 per year.

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/.

The sensitivity of the Department's proportionate share of the net pension liability to changes in the discount rate:

The Department's proportionate share of the System's net pension liability calculated using the discount rate of 7.65% is $580,974,000. Additionally, the Department's proportionate share of the System's net pension liability if it were calculated using a discount rate that is 1-percentage-point lower (6.65%) is $836,311,000 or 1-percentage-point higher (8.65%) is $365,891,000.

Maryland Transit Administration Pension Plan:
Plan description:
The MTA Pension Plan (the Plan) is a single employer noncontributory plan that covers all MTA 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 Plan is part of the Department's financial reporting entity and is included in the Department's financial statements as a Pension Trust Fund. The Plan prepares separate audited Financial Statements, which can be obtained from the Plan, William Donald Schaefer Tower, 8 Saint Paul Street, Baltimore, Maryland 21202. The Plan is administered and funded in compliance with the collective bargaining agreements, which established the Plan.

As of June 30, 2015, the Department reported a liability of approximately $680,267,000 for its proportionate share of the Plan's net pension liability. The Department's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Department's proportion of the Plan net pension liability was based on a projection of the Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating government units, actuarially determined. As of June 30, 2015, the Department's proportion for the Plan was 25.12%, which was substantially the same from its proportion measured as of July 1, 2014.

For the year ended June 30, 2015, the Plan recognized pension expense for the Plan of approximately $59.7 million. As of June 30, 2015, the Department reported deferred outflows of resources and deferred inflows of resources related to System from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 16,818
Changes of Assumptions	45,840	-
Net difference between projected and actual earning on pension plan investments	-	3,151
Total	$ 45,840	$ 19,969

The amount reported as deferred outflows of resources related to the Plan resulting from the Department's contributions subsequent to the measurement date was $50,219,000 and will be recognized as a reduction of the Plan's net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in pension expense as follows: Changes in assumptions: Fiscal years 2016-2019, $7,640,000 per year; Difference between projected and actual earnings on pension plan investments: Fiscal years 2016-2019, ($2,803,000) per year.

The sensitivity of the Department's proportionate share of the net pension liability to changes in the discount rate:

The Plan's net pension liability calculated using the discount rate of 4.75% is $680,267,000. Additionally, the Department's proportionate share of the System's net pension liability if it were calculated using a discount rate that is 1-percentage-point lower (3.75%) is $802,198,000 or 1-percentage-point higher (5.75%) is $578,210,000.

The Plan and the reports can be found on the MDOT website at the following link: http://www.mdot.maryland.gov/newMDOT/Finance/Index.html

16. Risk Management and Insurance:

Workers' Compensation:

The Department is self-insured for workers' compensation liabilities. The Department's workers' compensation self-insured 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, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred workers' compensation losses to be settled by fixed or reasonably determined payments over a long period of time are reported at their present value using a 4% discount rate. The workers' compensation costs are based upon separately determined actuarial valuations for the fiscal year ended June 30, 2015.

The Department's workers' compensation self-insurance program is administered by the Injured Worker's Insurance Fund under a contract which requires that the Department pay premiums based upon loss experience plus a proportionate share of administrative costs. In the event of termination of the contract, the Department is obligated for any premium deficiency at the time of termination. The Department's accrued workers' compensation costs, as of June 30, 2015, were $64,686,000.

The activity related to accrued workers' compensation costs is included in the table in note 10. Changes in the balances for the Department's workers' compensation liability during the past two fiscal years are as follows:

(amounts expressed in thousands)

	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Unpaid claims, beginning of fiscal year	$ 67,044	$ 63,913
Incurred claims and changes in estimates	12,954	18,893
Claim payments	(15,312)	(15,762)
Total unpaid claims, end of fiscal year	$ 64,686	$ 67,044

Insurance:

The operations of the MAA, MPA and MTA are covered by commercial liability insurance policies and many claims are handled by the Department's insurance carriers. The MAA's two facilities, Baltimore Washington International Thurgood Marshall Airport and Martin State Airport, are covered by an airport owners and operators general liability insurance policy providing coverage per occurrence up to $750,000,000 for bodily injury and property damage. This policy contains the war, hi-jacking and other perils endorsement for $100,000,000 due to the events of September 11, 2001.

The MPA's liability insurance policies, including excess liability policies, provide insurance up to $150,000,000 per occurrence for its port operations. These policies cover liability for both injury and property damage.

The MTA operations are covered by $495,000,000 in excess liability insurance over and above the MTA's $5,000,000 self-insurance retention. For CSX and Amtrak commuter service, the MTA has purchased insurance to cover its contractual obligations. The insurance provides coverage for excess liability claims of $5,000,000 to $495,000,000; claims under $5,000,000 are self-insured by the MTA. However, to comply with the provisions of the operating agreement with CSX, the MTA has entered into a $5,000,000 standby letter of credit against which CSX may draw in the event claims exceed, in the aggregate for an occurrence, the amount of $250,000. No claims were made against the letter of credit during the current fiscal year. In addition, the excess liability policies provide punitive damages liability coverage and Federal Employee Liability Act coverage to CSX arising from commuter rail operations for claims ranging from $5,000,000 to $495,000,000.

The amount of any settlements, within the Department, did not exceed the insurance coverage in each of the past three fiscal years. For those areas not covered by purchased insurance, the State Treasurer has a program of self-insurance for tort claims. By statute, bodily injury, personal injury or property damages are limited to claims of $200,000 per claimant under the established self-insurance program.

17. Energy Performance Contract (EPC):

The Department of General Services (DGS) implemented an Energy Performance Contract program for the Department in fiscal year 2011, with a goal to reduce Maryland's energy consumption through energy efficiency projects. The Treasurer's Office secured the financing required to fund the construction of the improvements. The savings resulting from the projects are used to offset the costs of the services.

The SHA, MTA, MAA and the MPA participated in the EPC. MPA is the only remaining administration in construction and should be fully completed in fiscal year 2015. The assets related the project for the fiscal year ended June 30, 2015, are included on the Department's Statement of Net Position in the amount of $47,013,000 and due from EPC Assets for $3,178,000. As of June 30, 2015, the total amount due in long-term liability for EPC obligations is $50,191,000.

18. Commitments:

As noted in Note 2, encumbrance accounting is used to account for outstanding commitments for open purchase orders and unfulfilled contracts in governmental funds. Amounts related to encumbrances are reported in the special revenue fund in the amount of $27,930,000 as of June 30, 2015.

The Department has active construction commitments outstanding as of June 30, 2015 of approximately $3,753,816,000, principally for construction of highway, port, motor vehicle, aviation and transit projects. Approximately 29.71% of future expenditures, related to these commitments of the Department, are expected to be reimbursed from proceeds of approved Federal grants when the actual costs are incurred. The remaining balance will be funded by other financial resources of the Department, including the issuance of long-term debt.

As of June 30, 2015, the Department's commitments with contractors were as follows:

(amounts expressed in thousands)

Construction projects	Spent-to-date	Remaining commitment
Highway construction	$1,866,662	$2,301,310
Port construction	568,457	335,312
Motor vehicle construction	15,775	171,174
Transit construction	466,921	395,364
Aviation construction	584,496	550,656
Total projects	$3,502,311	$3,753,816

19. <u>Related Party Transactions</u>:

Various State of Maryland agencies provide services for the Department for which they are reimbursed from the Department. During fiscal year 2015, such reimbursements are reflected as Distributions to other state agencies in the Special Revenue Fund.

20. <u>Federal Revenue</u>:

Federal revenue consists principally of grants from the Federal Transit Administration for rail and bus projects for the Baltimore region and from the Federal Highway Administration in connection with highway construction projects. In addition, the Department receives Federal grants to aid in planning, design and construction of transportation facilities and to support the mass transit operations. 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 Department. As of June 30, 2015, the Department estimates that no material liabilities will result from such audits.

21. <u>Passenger Facility Charges (PFC)</u>:

The Aviation Safety and Capacity Expansion Act of 1990 (the "1990 Safety Act"), enacted by the United States Congress ("Congress"), allows a public agency to impose an airport Passenger Facility Charge for enplaned passengers. The proceeds of such PFCs are to be used to finance eligible airport-related construction projects, as approved by the Federal Aviation Administration (the "FAA"). The MAA received FAA approval in July 1992 to collect PFCs for four projects.

The Aviation Investment and Reform Act for the 21st Century, enacted by Congress in April of 2000, together with the 1990 Safety Act, increased the maximum per passenger PFC allowed to be charged by qualifying airports from $3.00 to $4.50. In June 2002, the MAA received FAA approval to increase its collection level to $4.50 to support PFC approved projects in the MAA's capital program. The FAA further allows the MAA to impose and use PFCs for the payment of debt service for bonds used to fund PFC approved projects (see note 12 Operating and Capital Leases). PFC collections not needed for debt service are used for PFC approved paygo projects.

The MAA received FAA approval in July 1992 to collect PFCs for four projects. The MAA amended its PFC program in April 1994 to increase the total to six projects. The FAA approved additional applications for PFC eligible projects in June 2006, July 2007, February 2008, September 2010, March 2012, September 2012, and October 2014.

22. **Rent Revenue:**

The Department leases terminal space at various marine terminals (including the Seagirt Marine Terminal), airport facilities and office space in the World Trade Center Building, Baltimore, Maryland, pursuant to various operating leases. The Department's total minimum future rental revenues totaled $624,575,000 as of June 30, 2015 and 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 revenues collected included in operations were approximately $170,067,000 for the year ended June 30, 2015. Assets of the Department under lessor operating lease agreements, totaling $554,666,000 are included in the Capital assets, net of accumulated depreciation in the amount of $707,440,000 on the Statement of Net Position.

Minimum future rental revenues for the Department are as follows:

(amounts expressed in thousands)

Year Ending June 30,		Operating Leases Minimum Future Rental Revenues
2016	$	132,540
2017		125,711
2018		121,162
2019		118,825
2020		30,588
2021-2025		89,666
2026-2030		6,083
Total	$	624,575

23. **Net Position/Fund Balance:**

The unrestricted deficit for the governmental activities on the government-wide statement of net position is $1,450,994,000.

Nonspendable fund balance is reported for a portion of the Special Revenue Fund balance in the amount of $93,356,000 that is for inventories of supplies, while the amount of $104,491,000 is recorded for prepaid items as of June 30, 2015.

The commitment of fund balance requires formal action by a government's highest level of decision-making authority. The assignment of fund balance is based on an authorization policy established by the governing body pursuant to which that authorization is given. Committed fund balance is reported for the Department's encumbrance balance in the amount of $27,930,000, as of June 30, 2015.

Assigned fund balance is reported in the amount of $677,000 as of June 30, 2015 and represents non-budgeted agency activities. The amount that represents the balance in the Department's Transportation Trust Fund for future transportation programs is $129,811,000 as of June 30, 2015.

24. **Contingent Liabilities:**

The Department is party to various legal proceedings, many of which occur in the normal course of the Department's operations, including actions commenced and claims asserted for alleged property damage, personal injury, breach of contract, discrimination or other alleged violations of law. These legal proceedings are not, in the opinion of the Office of the Attorney General of the State, likely to have a material adverse impact on the Department's financial position as of June 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

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MARYLAND DEPARTMENT OF TRANSPORTATION
Required Supplementary Information
Schedule of Funding Progress
Maryland Transit Administration OPEB Plan
(amounts expressed in thousands)

Actuarial Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability- Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio (percent)	Covered Payroll	Unfunded Actuarial Accrued Liability as Percentage of Covered Payroll
2011	$ -	527,679	527,679	-	147,474	357.81
2013	-	670,833	670,833	-	137,596	487.54
2015	-	607,063	607,063	-	137,427	441.73

MARYLAND DEPARTMENT OF TRANSPORTATION
Required Supplementary Information
Schedule of Employer Contributions
Maryland Transit Administration OPEB Plan
(amounts expressed in thousands)

Year Ended June 30,	Annual Required Contribution	Annual Contribution Paid	Percentage of Required Contributions
2009	$ 43,900	$ 10,100	23.0 %
2010	45,500	10,900	24.0
2011	51,268	14,230	27.8
2012	55,852	15,103	27.0
2013	65,864	14,147	21.5
2014	64,444	18,383	28.5
2015	58,757	13,905	23.7

MARYLAND DEPARTMENT OF TRANSPORTATION
Required Supplementary Information
Changes in the Net Pension Liability and Related Ratios
Maryland Transit Administration Pension Plan
(amounts expressed in thousands)

	Fiscal Year Ended June 30									
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Total Pension Liability:										
Service Cost									$ 19,438	$ 24,718
Interest				Information not available for earlier than FY2013					43,472	39,236
Difference between expected and actual experience									4,025	(19,621)
Changes of assumptions									38,643	53,480
Benefit payments, including refunds of member contributions									(32,598)	(30,636)
Net change in total pension liability									$ 72,980	$ 67,177
Total pension liability - beginning									768,371	841,351
Total pension liability - ending (a)									$841,351	$908,528
Plan fiduciary net position:										
Contributions - employer									$ 39,749	$ 35,400
Contributions - member									-	-
Net investment income									15,783	14,045
Benefit payments, including refunds of member contributions									(32,598)	(30,636)
Administrative expense									(1,587)	(1,851)
Net change in plan fiduciary net position									$ 21,347	$ 16,958
Plan fiduciary net position - beginning									189,957	211,304
Plan fiduciary net position - ending (b)									$211,304	$228,262
Net pension liability - ending (a)-(b)									$630,047	$680,266
Plan fiduciary net position as a percentage of the total pension liability									25.11%	25.12%
Cover-employee payroll									$135,545	$137,680
Net pension liability as a percentage of covered-employee payroll									464.82%	494.09%
Expected average remaining service years of all participants									7	7

Source: Bolton Partners, Maryland Transit Administration Pension Plan, GASB68 Actuaruial Information Report.
(1) Information for FY2013 and earlier is not available
(2) FY15 reflects a reduction to the effective discount rate from 5.24% to 4.75%

MARYLAND DEPARTMENT OF TRANSPORTATION
Required Supplementary Information
Schedule of Employer Contributions
Maryland Transit Administration Pension Plan
(amounts expressed in thousands)

	Fiscal Year Ended June 30									
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Actuarially determined contribution									$ 39,749	$ 40,807
Contribution in relation to the actuarially determined contribution		Information not available for earlier than FY2013							39,749	35,400
Contribution deficiency (excess)									$ -	$ 5,407
Cover-employee payroll (1)									$135,545	$137,680
Contribution as a percentage of covered employee payroll									29.33%	25.71%

Notes to Schedule:

Valuation date

Acuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the year immediately following the fiscal year. Acturial valu

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Level Dollar Entry Age Normal
Amortization method	Level Payments (Closed)
Remaining amortization period	Remining payments range from 5 to 25 years
Asset valuation method	5-year smoothed market
Inflation	3.5 percent
Salary increases	Rates very by participant service
Investment rate of return	7.60 percent, net of pension plan investment and administrative expenses, including inflation
Retirement age	Rates vary by participant age
Mortaility	RP-2000 tables for males (two-year setback) and females. The RP-2000 Disabled Retiree table is used for disabled memb

Source: Bolton Partners, Maryland Transit Administration Pension Plan, GASB68 Actuaruial Information Report.

(1) Information for FY2013 and earlier is not available

MARYLAND DEPARTMENT OF TRANSPORTATION
Required Supplementary Information
Changes in the Net Pension Liability and Related Ratios
Maryland State Retirement Pension Plan
(amounts expressed in thousands)

	Fiscal Year Ended June 30
	2015
Proportion of the Maryland State Retirement System Net Pension	3.46%
Proportionate share of the State net pension liability (asset)	580,974
Total	$580,974
Cover-employee payroll	$372,296
Net pension liability as a percentage of covered-employee payroll	64.08%
Plan fiduciary net position as a percentage of the total pension	71.87%

This schedule is presented to illustrate the requirement to show information for 10 years. However, information prior to June 30, 2015 is not available.

MARYLAND DEPARTMENT OF TRANSPORTATION
Required Supplementary Information
Schedule of Employer Contributions
Maryland State Retirement Pension Plan
(amounts expressed in thousands)

	Fiscal Year Ended June 30
	2015
Actuarially determined contribution	$ 52,723
Contribution in relation to the actuarially determined contribution	(52,723)
Contribution deficiency (excess)	$ -
Cover-employee payroll	$ 372,296
Contribution as a percentage of covered employee payroll	14.16%

This schedule is presented to illustrate the requirement to show information for 10 years. However, information prior to June 30, 2015 is not available.

MARYLAND DEPARTMENT OF TRANSPORTATION
Required Supplementary Information
Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015
(amounts expressed in thousands)

	Special Fund				Federal Fund			
	Budgeted Amounts			Variance with Final Budget - Positive	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual Amounts	(Negative)	Original	Final	Actual Amounts	(Negative)
REVENUES:								
Taxes:								
Motor vehicle taxes and fees	$ 1,520,481	$ 1,445,316	$ 1,462,643	$ 17,327	$ -	$ -	$ -	$ -
Motor vehicle fuel taxes and fees	916,746	877,394	923,593	46,199	-	-	-	-
Revenue sharing of state corporate income tax	167,251	163,970	166,051	2,081	-	-	-	-
Revenue sharing of state sales tax	33,101	31,500	30,788	(712)	-	-	-	-
Federal reimbursements	-	-	-	-	940,996	919,204	831,689	(87,515)
Charges for services	425,204	417,475	460,566	43,091	-	-	-	-
Investment earnings	1,000	1,000	2,090	1,090	-	-	-	-
Other	22,100	27,300	47,307	20,007	-	-	-	-
Total revenues	3,085,883	2,963,955	3,093,038	129,083	940,996	919,204	831,689	(87,515)
EXPENDITURES and ENCUMBRANCES:								
Current:								
General government:								
The Secretary's Office	584,562	598,495	555,739	42,756	52,184	23,157	11,256	11,901
State Highway Administration	1,127,222	1,124,217	1,131,846	(7,629)	518,821	599,091	531,552	67,539
Maryland Port Administration	195,939	142,676	135,774	6,902	5,750	3,354	1,105	2,249
Motor Vehicle Administration	209,661	214,843	202,976	11,867	13,314	15,292	11,693	3,599
Maryland Transit Administration	1,022,295	958,025	958,214	(189)	327,118	243,401	243,401	-
Maryland Aviation Administration	261,679	284,060	278,859	5,201	23,809	34,909	32,682	2,227
Total general government	3,401,358	3,322,316	3,263,408	58,908	940,996	919,204	831,689	87,515
Total expenditures and encumbrances	3,401,358	3,322,316	3,263,408	58,908	940,996	919,204	831,689	87,515
Excess of revenues over expenditures	(315,475)	(358,361)	(170,370)	187,991	-	-	-	-
OTHER FINANCIAL SOURCES (USES):								
Proceeds from Bonds	740,000	490,000	401,535	88,465	-	-	-	-
Transfers in (out)	(212,169)	(211,666)	(216,767)	(5,101)	-	-	-	-
Total other financing sources and uses	527,831	278,334	184,768	83,364	-	-	-	-
Net change in fund balances	212,356	(80,027)	14,398	271,355				
Fund balances, July 1, 2014	385,093	137,677	371,768					
Fund balances, June 30, 2015	$597,449	$57,650	$386,166	$271,355	$ -	$ -	$ -	$ -

MARYLAND DEPARTMENT OF TRANSPORTATION
Notes to the Required Supplementary Information
For the Year Ended June 30, 2015

1. Stewardship, Compliance and Accountability:

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 Special Revenue Fund, which includes the transportation activities of the Department, shared taxes and payments of debt service on transportation bonds. The budgetary Federal fund revenue and expenditures are included in the GAAP Special Revenue Fund as federal revenues and expenditures by function. An annual budget is also prepared for the Federal funds, which accounts for all Departmental grants from the Federal government.

Each year the Department prepares its annual budget and submits it to the Governor. The Governor then presents the State's annual budget (including the Department's) to the General Assembly in accordance with Constitutional requirements. The General Assembly is required to then enact a balanced budget for the next fiscal year.

The GAAP Special Revenue Fund includes both budgetary special and federal funds.

Special fund:
The Special fund includes all transportation activities of the Department and shared taxes with the political subdivisions.

Federal fund:
The Federal fund accounts for substantially all grants from the Federal government.

Budgetary fund equities and other accounts:
The Department's legal level of budgetary control is exercised at the agency appropriation (program) and fund level (legislative spending authority level). Encumbrances and expenditures cannot exceed appropriated amounts. Appropriation transfers between or within departments and any supplemental appropriations require both executive and legislative branch approvals. Unencumbered and unexpended appropriations lapse at fiscal year-end and become available for appropriation in the subsequent year. Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent fiscal year.

All Departmental budgetary expenditures for special and federal funds are made pursuant to appropriations in the annual budget, as amended from time to time. The Department may, with the Governor's approval, amend the appropriations by modal administration within the budgetary special and federal funds. Additionally, appropriations for programs funded in whole or in part from special or federal funds may permit expenditures in excess of the original special or federal fund appropriation to the extent that actual revenues exceed original budget estimates and such additional expenditures are approved by the Governor. Unexpended appropriations from special and federal funds may be carried over to the following year to the extent of (a) available resources and (b) encumbrances which are approved by the Department of Budget and Management. The Department did not receive any general fund appropriations in fiscal year 2015.

The Department's original and amended budget adopted by the General Assembly for special and federal funds is presented in the Required Supplementary Information - Special Revenue Funds - Schedule of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual -- For the Year Ended June 30, 2015 on page 75 of this report. The Department's budgetary fund structure and basis of budgeting, which is the modified accrual basis with certain exceptions, differs from that utilized to present financial statements in conformity with generally accepted accounting principles (GAAP). The budgetary system's principal departures from the modified accrual basis are the classification of the Department's budgetary funds and the timing of recognition of certain revenues and expenditures. The GAAP special revenue fund is an aggregate of the special and federal budgetary funds.

A summary of the effects of the fund structure differences and exceptions to the modified accrual basis of accounting, as of June 30, 2015, is provided in the Reconciliation of the Budgetary Special Fund, Fund Balance to the GAAP Special Revenue Fund, and Fund Balance in the Notes to the Required Supplementary Information section (see below).

MARYLAND DEPARTMENT OF TRANSPORTATION
Reconciliation of the Budgetary Special Fund, Fund Balance
to the GAAP Special Revenue Fund, Fund Balance
June 30, 2015
(amounts expressed in thousands)

Classification of budgetary fund equities and other accounts into governmental funds' fund structure:	***Special Revenue Fund***
Special fund-fund balance (page 75)	$ 386,166
Non-budgeted funds-fund balance	677
Total budgetary fund balance reclassified to GAAP fund structure	386,843
Accounting principle and timing differences :	
Assets recognized in governmental funds financial statements not recognized for budgetary purposes:	
Taxes receivable	3,069
Inventories	93,356
Due from other state funds	5,121
Liabilities recognized in governmental funds financial statements not recognized for budgetary purposes:	
Other Accounts Payable	1,834
Deferred inflows of resources	(138,261)
Accrued Liabilities	4,303
Financial statement governmental funds' fund balance, June 30, 2015	$ 356,265

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SUPPLEMENTARY INFORMATION

MARYLAND DEPARTMENT OF TRANSPORTATION
Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2015
(amounts expressed in thousands)

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
ASSETS:				
Cash and cash equivalents	$ 31,612	$12,240	$27,929	$ 15,923
Total assets	$ 31,612	$ 12,240	$27,929	$ 15,923
LIABILITIES:				
Accounts payable and accrued liabilities	$ 31,612	$ -	$15,689	$ 15,923
Total liabilities	$ 31,612	$ -	$15,689	$ 15,923

STATISTICAL SECTION

MARYLAND DEPARTMENT OF TRANSPORTATION
STATISTICAL SECTION
JUNE 30, 2015

This part of the Maryland Department of Transportation's comprehensive annual financial report represents detailed information as a context for understanding what the information in the financial statements, not disclosures and required supplementary information says about the Department's overall financial health.

Table of Contents	**Pages**

MARYLAND DEPARTMENT OF TRANSPORTATION
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Governmental activities:										
Net Investment in capital assets	$ 12,552,326	$ 13,047,662	$ 13,391,594	$ 13,349,027	$ 13,171,279	$ 13,068,635	$ 13,360,456	$ 13,819,782	$ 14,063,378	$ 14,472,903
Restricted	4,939	4,898	2,768	9,694	3,783	-	-	-	-	-
Unrestricted (deficit)	278,586	188,470	2,833	(62,463)	(201,647)	(205,960)	(278,008)	(324,664)	(363,200)	(1,450,994)
Total governmental activities net assets	$ 12,835,851	$ 13,241,030	$ 13,397,195	$ 13,296,258	$ 12,973,415	$ 12,862,675	$ 13,082,448	$ 13,495,118	$ 13,700,178	$ 13,021,909
Primary government:										
Net Investment in capital assets	$ 12,552,326	$ 13,047,662	$ 13,391,594	$ 13,349,027	$ 13,171,279	$ 13,068,635	$ 13,360,456	$ 13,819,782	$ 14,063,378	$ 14,472,903
Restricted	4,939	4,898	2,768	9,694	3,783	-	-	-	-	-
Unrestricted (deficit)	278,586	188,470	2,833	(62,463)	(201,647)	(205,960)	(278,008)	(324,664)	(363,200)	(1,450,994)
Total primary government net position	$ 12,835,851	$ 13,241,030	$ 13,397,195	$ 13,296,258	$ 12,973,415	$ 12,862,675	$ 13,082,448	$ 13,495,118	$ 13,700,178	$ 13,021,909

Source: Maryland Department of Transportation Comprehensive Annual Financial Report for fiscal years 2006-2015.

MARYLAND DEPARTMENT OF TRANSPORTATION
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year Ended June 30,									
Governmental activities:	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Expenses:										
Secretary's office	$ 347,219	$ 376,217	$ 406,315	$ 419,588	$ 459,933	$ 483,410	$ 498,029	$ 515,638	$ 570,596	$ 624,378
State highway administration	1,334,407	1,399,649	1,422,063	1,437,996	1,410,556	1,593,278	1,359,177	1,186,116	1,436,114	1,399,446
Port administration	159,358	187,187	152,107	189,603	186,516	107,521	115,211	87,445	99,996	126,885
Motor vehicle administration	143,531	155,700	161,796	176,300	165,933	178,529	182,839	195,803	207,342	213,896
Transit administration	528,918	617,442	683,821	782,548	818,465	1,056,590	864,702	888,137	886,966	937,286
Aviation administration	239,601	287,604	284,488	274,906	272,455	252,723	275,051	308,202	354,180	337,596
Interest on long-term debt	68,998	72,137	74,441	97,683	101,481	92,996	144,725	110,984	122,894	69,902
Total governmental activities expenses	2,822,032	3,095,936	3,185,031	3,378,624	3,415,339	3,765,047	3,439,734	3,292,325	3,678,088	3,709,389
Program Revenues:										
Charges for services:										
Secretary's office	7,496	23,467	(27,914)	2,291	9,447	27,503	5,336	5,630	3,262	7,133
State highway administration	28,927	35,035	48,491	51,983	40,399	44,071	38,495	59,284	40,586	46,435
Port administration	91,836	94,544	96,981	93,618	69,781	48,667	52,846	50,298	54,099	52,411
Motor vehicle administration	(917)	(133)	(236)	-	-	-	4	4	4	4
Transit administration	110,136	122,913	117,869	117,556	125,057	143,456	146,093	138,339	139,769	142,363
Aviation administration	215,091	236,401	244,579	241,083	282,646	291,535	297,935	418,588	328,094	339,958
Operating grants and contributions	70,827	72,597	79,228	93,729	90,762	90,732	92,739	72,397	90,574	92,238
Capital grants and contributions	789,619	710,163	667,219	668,442	714,144	709,029	830,922	779,557	800,019	741,846
Total governmental activities program revenues	1,313,015	1,294,987	1,226,217	1,268,702	1,332,236	1,354,993	1,464,370	1,524,097	1,456,407	1,422,388
Net (expense) revenue governmental activities	(1,509,017)	(1,800,949)	(1,958,814)	(2,109,922)	(2,083,103)	(2,410,054)	(1,975,364)	(1,768,228)	(2,221,681)	(2,287,001)
General Revenues and Other Changes in Net Assets:										
Taxes:										
Motor vehicle taxes	1,237,199	1,241,538	1,178,609	1,058,759	1,082,559	1,166,398	1,259,743	1,332,143	1,389,066	1,465,022
Motor fuel taxes	746,240	740,791	741,851	728,385	714,210	747,171	728,410	740,428	807,739	918,483
Corporation income tax share	202,755	185,557	167,102	150,554	153,275	156,758	180,653	76,746	162,609	166,051
State sales tax share	26,527	27,689	23,659	223,084	223,582	227,981	23,581	25,462	48,653	30,788
Unrestricted investment earnings	8,487	10,553	3,758	4,029	404	1,006	2,750	764	2,156	2,096
Other revenue	-	-	-	-	-	-	-	7,235	16,518	64,516
Loss on disposal of capital assets	-	-	-	-	(413,770)	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total governmental activities general revenues:	2,221,208	2,206,128	2,114,979	2,164,811	1,760,260	2,299,314	2,195,137	2,182,778	2,426,741	2,646,956
Change in Net Position:										
Governmental activities	712,191	405,179	156,165	54,889	(322,843)	(110,740)	219,773	414,550	205,060	359,955
Total primary government	$ 712,191	$ 405,179	$ 156,165	$ 54,889	$ (322,843)	$ (110,740)	$ 219,773	$ 414,550	$ 205,060	$ 359,955

Source: Maryland Department of Transportation Comprehensive Annual Financial Report for fiscal years 2006-2015.

MARYLAND DEPARTMENT OF TRANSPORTATION

Governmental Activities Tax Revenues by Source

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

Fiscal Year Ended June 30,	Motor Vehicle Tax	Motor Fuel Tax	Corporation Income Tax	State Sales Tax (1)	Total
2006	$ 1,237,199	$ 746,240	$ 202,755	$ 26,527	$ 2,212,721
2007	1,241,538	740,791	185,557	27,689	2,195,575
2008	1,178,609	741,851	167,102	23,659	2,111,221
2009	1,058,759	728,385	150,554	223,084	2,160,782
2010	1,082,559	714,210	153,275	223,582	2,173,626
2011	1,166,398	747,171	156,758	227,981	2,298,308
2012	1,259,743	728,410	180,653	23,581	2,192,387
2013	1,332,143	740,428	76,746	25,462	2,174,779
2014	1,389,066	807,739	162,609	48,653	2,408,067
2015	1,465,022	918,483	166,051	30,788	2,580,344

Source: Maryland Department of Transportation Annual Financial Report for fiscal years 2006-2015.

(1) July 1, 2008 thru June 30, 2011 the Department received additional Sales Tax Revenue due to the increase of 1 percent on the State Sales Tax.

MARYLAND DEPARTMENT OF TRANSPORTATION

Maryland's Ten Largest Employers

Calendar Years

(Employer Listed Alphabetically)

2015-2014	2014-2013
Exelon	Giant Food Stores
Giant Food	Helix Health System Inc
Godard Space Flight Ctr	Johns Hopkins Hospital
H&R Block	Johns Hopkins Univeristy
Johns Hopkins University	Safeway
McDonald's	Target
Northrop Grumman Corporation	Home Depot
Target	Northrop Grumman Corporation
University of Maryland Medical System	University of Maryland Medical System
Walmart Associates	Walmart Associates

Source: Department of Labor, Licensing and Regulation: Office of Labor Market Analysis and Information - Major Employer List - March 2015
http://www.dllr.state.md.us/lmi/emplists/maryland.shtml

MARYLAND DEPARTMENT OF TRANSPORTATION

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year Ended June 30,									
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Special revenue fund										
Nonspendable	$ 126,182	$ 136,723	$ 152,788	$ 158,650	$ 171,094	$ 182,156	$ 181,093	$ 183,355	$ 192,871	$ 197,847
Committed	37,025	25,170	23,931	861	-	12,442	8,182	11,499	26,989	-
Assigned	219,980	165,144	(26,468)	169,307	164,628	137,050	37,905	108,879	135,279	677
Total special revenue fund	$ 383,187	$ 327,037	$ 150,251	$ 328,818	$ 335,722	$ 331,648	$ 227,180	$ 303,733	$ 355,139	$ 198,524
All other governmental funds										
Restricted	$ 4,696	$ 2,381	$ -	$ 7,033	$ 1,126	$ -	$ -	$ 5,056	$ 12,331	$ -
Total all other governmental funds	$ 4,696	$ 2,381	$ -	$ 7,033	$ 1,126	$ -	$ -	$ 5,056	$ 12,331	$ -

Source: Maryland Department of Transportation Comprehensive Annual Financial Report for fiscal years 2006-2015.

MARYLAND DEPARTMENT OF TRANSPORTATION
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year Ended June 30,									
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Revenues:										
Motor vehicle taxes and fees	$ 1,983,439	$ 1,982,329	$ 1,920,460	$ 1,787,144	$ 1,796,769	$ 1,913,569	$ 1,988,153	$ 2,072,571	$ 2,196,805	$ 2,383,505
Revenue sharing of state taxes	229,282	213,246	190,761	373,638	376,857	384,739	204,234	102,208	211,262	196,839
Federal reimbursements	860,446	782,760	746,447	762,171	804,906	799,761	850,631	868,121	902,719	833,040
Charges for services	372,626	407,386	376,563	399,271	419,691	431,261	439,785	579,850	452,406	460,668
Passenger facility charges and interest	37,017	42,171	45,609	40,824	44,054	45,066	46,648	48,534	43,919	44,745
Customer facility charges (2)	33,576	28,392	31,932	23,176	45,467	48,970	13,446	12,902	12,613	12,733
Special parking revenues (2)	-	-	-	-	-	-	38,603	28,630	54,649	52,551
Investment earnings	8,487	10,553	3,758	4,029	404	1,006	2,750	764	2,156	2,096
Other	9,354	34,278	25,666	13,260	18,118	34,734	3,481	6,103	14,255	63,384
Total revenues	3,534,227	3,501,115	3,341,196	3,403,513	3,506,266	3,659,106	3,587,731	3,719,684	3,890,784	4,049,561
Expenditures:										
Department administration, operating and maintenance expenditures	1,175,711	1,254,313	1,305,618	1,358,247	1,447,811	1,239,600	1,422,847	1,408,232	1,841,195	1,793,321
Highway user revenues and federal funds	583,090	615,458	582,335	515,722	255,164	297,145	263,981	252,574	244,448	253,401
WMATA Grants	237,948	236,158	273,001	285,309	296,522	340,852	386,648	396,094	404,995	441,964
Distributions to other state agencies (1)	78,554	75,607	87,100	59,980	401,930	481,244	343,946	127,957	23,000	19,926
Debt service	142,060	119,316	121,390	142,359	150,954	158,662	174,215	180,308	208,236	232,404
Capital outlays	1,432,833	1,369,805	1,400,238	1,261,036	1,232,890	1,182,164	1,231,241	1,491,360	1,471,040	1,746,878
Total expenditures	3,650,196	3,670,657	3,769,682	3,622,653	3,785,271	3,699,667	3,822,878	3,856,525	4,192,914	4,487,894
Excess (deficiency) of revenues	(115,969)	(169,542)	(428,486)	(219,140)	(279,005)	(40,561)	(235,147)	(136,841)	(302,130)	(438,333)
Other financing sources (uses):										
Capital leases	49,399	6,285	-	2,098	-	1,021	-	29,127	2,519	5,733
Other long-term liability	5,320	2,411	102	-	-	-	-	-	-	-
Other capital financing sources	-	-	-	-	-	34,340	-	-	-	-
Proceeds from bonds	103,814	102,381	249,217	402,642	140,002	-	323,967	189,323	325,000	661,250
Sale of future revenue rights	-	-	-	-	140,000	-	-	-	-	(331,412)
Payment to escrow agents	-	-	-	-	-	-	(193,288)	-	33,292	91,557
Transfers to the General Fund (1)	(23)	-	-	-	-	-	-	-	-	-
Net other sources (uses) of financial resources	158,510	111,077	249,319	404,740	280,002	35,361	130,679	218,450	360,811	427,128
Excess (deficiency) of revenues over expenditures and net other sources (uses) of financial resources	42,541	(58,465)	(179,167)	185,600	997	(5,200)	(104,468)	81,609	58,681	(11,205)
Fund balance, July 1	345,342	387,883	329,418	150,251	335,851	336,848	331,648	227,180	308,789	367,470
Fund balance, June 30	$ 387,883	$ 329,418	$ 150,251	$ 335,851	$ 336,848	$ 331,648	$ 227,180	$ 308,789	$ 367,470	$ 356,265

Source: Maryland Department of Transportation Comprehensive Annual Financial Report for fiscal years 2006-2015.

(1) Transfers to the general fund and Maryland Transportation Authority have been reclassified to expenditures in fiscal years 2002, 2004 and 2005.

(2) Customer facility charges and special parking revenues split starting in fiscal years 2012.

MARYLAND DEPARTMENT OF TRANSPORTATION
Transportation Trust Fund
Gasoline and Motor Vehicle Revenue Account
Last Ten Fiscal Years
(amounts expressed in thousands)

(unaudited)

	Fiscal Year Ended June 30,									
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Revenues:										
Motor vehicle fuel tax and fees (7)	$ 757,959	$ 755,733	$ 755,176	$ 736,105	$ 721,295	$ 752,319	$ 733,563	$ 745,556	$ 812,915	$ 923,593
Motor vehicle titling tax (3)	719,207	703,815	649,657	514,155	543,411	594,938	632,356	684,655	740,835	795,510
Licensing and registration	360,981	372,498	354,967	354,982	350,098	360,514	357,247	362,324	367,305	376,513
Corporation income tax (6)	202,755	185,557	167,102	151,304	154,025	157,993	180,653	76,746	162,609	166,051
Sales and use tax on rental vehicles	26,527	27,689	23,659	21,498	22,201	24,362	23,581	25,462	30,311	30,788
Total revenues	2,067,429	2,045,292	1,950,561	1,778,044	1,791,030	1,890,126	1,927,400	1,894,743	2,113,975	2,292,455
Deductions:										
1% portion -- Motor vehicle titling tax (3)	(143,841)	(140,763)	(129,931)	(171,385)	(181,137)	(198,313)	(210,786)	(228,218)	(246,945)	(265,170)
Other to the Trust Fund (7)	(7,348)	(8,214)	(7,526)	(6,178)	(6,615)	(6,859)	(6,797)	(9,040)	(121,401)	(180,913)
Other	(45,907)	(46,688)	(47,337)	(44,407)	(45,744)	(45,585)	(57,413)	(51,500)	(52,617)	(57,881)
Total deductions	(197,096)	(195,665)	(184,794)	(221,970)	(233,496)	(250,757)	(274,996)	(288,758)	(420,963)	(503,964)
Net Highway User Revenue	$ 1,870,333	$ 1,849,627	$ 1,765,767	$ 1,556,074	$ 1,557,534	$ 1,639,369	$ 1,652,404	$ 1,605,985	$ 1,693,012	$ 1,788,491
Allocations (Highway User Revenue): (4)										
Share to the Department	$ 1,309,233	$ 1,294,739	$ 1,236,037	$ 1,089,252	$ 1,090,274	$ 1,122,968	$ 1,278,618	$ 1,445,386	$ 1,530,483	$ 1,616,796
Share to the General Fund (5)	-	-	-	-	-	-	40,000	-	-	-
Share to counties and municipalities	293,184	328,309	313,564	279,232	29,593	9,836	23,134	30,514	32,167	33,981
Share to Baltimore City	219,416	226,579	216,166	187,590	133,948	129,510	123,930	130,085	130,362	137,714
Local Share to the General Fund (1) (2)	48,500	-	-	-	303,719	377,055	186,722	-	-	-
Total allocations	$ 1,870,333	$ 1,849,627	$ 1,765,767	$ 1,556,074	$ 1,557,534	$ 1,639,369	$ 1,652,404	$ 1,605,985	$ 1,693,012	$ 1,788,491

Source: Maryland Department of Transportation, The Secretary's Office, Office of Finance.

(1) The 2005 Session of the Maryland General Assembly approved legislation (HB 147) providing for the transfer of $48,500,000 from the Local Government's share of Highway User Revenues to the State General Fund in FY2006.

(2) The 2007 Special Session of the Maryland General Assembly approved legislation to increase the State's Sales Tax and the Vehicle Excise Tax (Titling) from 5% to 6%, effective Jan. 1, 2008. In addition, the percentage of Titling Tax to GMVRA was changed from 80% to 66 and 2/3%, effective July1, 2008.

(3) The 2010 Session of the Maryland General Assembly approved legislation (SB141) changing the allocation of Highway User Revenues. Effective July 1, 2009, the allocation is 70% to the Department, 19.5% to the General Fund, 8.6% to Baltimore City, 1.5% to the Counties, and .4% to the Municipalities. Effective July 1, 2010, the allocation is 68.5% to the Department, 23% to the General Fund, 7.9% to Baltimore City, .5% to the Counties, and .1% to the Municipalities. Pursuant to legislation enacted by the General Assembly at its 2011 Session (HB72), effective July 1, 2011, the allocation is 79.8% to the Department, 11.3% to the General Fund, 7.5% to Baltimore City, .8% to Counties, and .6% to municipalities. Effective July 1, 2012 the allocation is 90% to the Department, 8.1% to Baltimore City, 1.5% to Counties, and .4% to municipalities. Effective July 1, 2013 the allocation is 90.4% to the Department, 7.7% to Baltimore City, 1.5% to Counties, and .4% to municipalities.

(4) The 2011 Session of the Maryland General Assembly approved legislation (HB 72) requiring the transfer from the Transportation Trust Fund of $40,000,000 of the Department's share of Highway User Revenues to the Revenue Stabilization Account in fiscal year 2012.

(5) The 2011 Session of the Maryland General Assembly approved legislation (HB 72) that changed the allocation of corporate income tax revenue to the Department from 24% to 17.2%. However, effective July 1, 2012 the Department will receive 9.5%; from July 1, 2013 through June 30, 2016 the Department will receive 19.5%.

(6) The 2013 Session of the Maryland General Assembly approved legislation (HB 1515) that increases the motor fuel tax rate based on growth of the Consumer Price Index and applies a sales and use tax equivalent to the price of motor fuel. Effective July 1, 2013, the motor fuel tax rate was increased by 3.1 cents per gallon for sales and use tax equivalent and 0.4 cents per gallon for CPI. Revenue from these sources is not part of the GMVRA but is retained 100% by the Department.

MARYLAND DEPARTMENT OF TRANSPORTATION
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	$ 1,333,475	$ 1,248,750	$ 1,497,060	$ 1,620,850	$ 1,830,010	$ 1,791,840	$ 1,888,995	$ 1,913,290	$ 2,292,670	$ 2,530,255
Net debt applicable to limit	1,078,475	1,108,692	1,266,434	1,574,902	1,643,884	1,561,840	1,562,630	1,618,290	1,812,670	2,020,250
Total legal debt margin	$ 255,000	$ 140,058	$ 230,626	$ 45,948	$ 186,126	$ 230,000	$ 326,365	$ 295,000	$ 480,000	$ 510,005
Net debt applicable to the limit as a percentage of debt limit	80.88%	88.78%	84.59%	97.17%	89.83%	87.16%	82.72%	84.58%	79.06%	79.84%

Legal Debt Margin Calculation for Fiscal Year 2015

Debt limit (1)	$ 2,530,255
Debt applicable to limit:	
Special revenue bonds	2,020,250
Total net debt applicable to limit	2,020,250
Legal debt margin	$ 510,005

Source: Maryland Department of Transportation Comprehensive Annual Financial Report for fiscal years 2006-2015.

(1) The Maryland Department of Transportation's legal debt limit is established by the Maryland General Assembly on a annual basis.

MARYLAND DEPARTMENT OF TRANSPORTATION

Ratio of Annual Debt Service Expenditures For Consolidated Transportation Bonded Debt to Total General Governmental Expenditures

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year Ended June 30,	Principal	Interest	Total Debt Service	Total Noncapital Governmental Expenditures	Ratio of Debt Service to Noncapital Expenditures (percent)
2006	$ 92,280	$ 49,780	$ 142,060	$ 2,217,363	6.41 %
2007	68,290	51,026	119,316	2,300,852	5.19
2008	68,990	52,400	121,390	2,369,444	5.12
2009	71,325	71,031	142,356	2,361,617	6.03
2010	77,595	73,359	150,954	2,552,381	5.91
2011	83,170	75,492	158,662	2,517,503	6.30
2012	102,845	71,370	174,215	2,489,880	7.00
2013	109,340	70,968	180,308	2,365,165	7.62
2014	130,620	76,614	207,234	2,721,874	7.61
2015	232,404	-	232,404	2,741,016	8.48

Source: Maryland Department of Transportation Annual Financial Report for fiscal years 2006-2015.

MARYLAND DEPARTMENT OF TRANSPORTATION

Ratio of Outstanding Debt by Type

Last Ten Fiscal Years

(amounts expressed in thousands)

Year Ended June 30,	Special Revenue Bonds	Capital Leases	Other Long-term Liability (2)	Governmental Activities Debt	Total Personal Income (1)	Percentage of Personal Income
2006	$ 1,079,340	$ 348,470	$ 404,318	1,832,128	$ 245,063,048	0.75 %
2007	1,111,050	343,379	391,029	1,845,458	261,066,893	0.71
2008	1,268,815	331,703	373,319	1,973,837	272,901,349	0.72
2009	1,582,605	673,836	-	2,256,441	283,052,530	0.80
2010	1,645,010	641,252	-	2,286,262	282,152,796	0.81
2011	1,561,840	604,662	-	2,166,502	289,653,105	0.75
2012	1,562,630	562,656	-	2,125,286	306,001,368	0.69
2013	1,618,290	591,783	-	2,210,073	316,681,620	0.70
2014	1,812,670	594,302	-	2,406,972	321,688,894	0.75
2015	2,020,250	628,650	-	2,648,900	329,559,645	0.80

Source: Maryland Department of Transportation Comprehensive Annual Financial Report for fiscal years 2006-2015.

(1) US Department of Commerce, Bureau of Economic Analysis. Data for all years based on revised statistics of state personal income released on September 30, 2014. All estimates of state personal income are subject to BEA's flexible annual revison schedule.

http://lwd.dol.state.nj.us/labor/lpa/industry/incpov/tpi.htm

(2) Other long-term liability items were reclassified as capital leases in fiscal year 2009.

MARYLAND DEPARTMENT OF TRANSPORTATION
Transportation Trust Fund
Taxes Pledged to Bonds and Net Revenues as Defined for Purposes of the Bond Coverage Test
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year Ended June 30									
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Revenues:										
Taxes pledged to bonds: (6)										
Corporation income tax (GMVRA) (5)	$ 141,929	$ 129,890	$ 116,971	$ 105,388	$ 107,293	$ 107,379	$ 143,370	$ 68,503	$ 146,113	$ 148,949
Fuel tax (7)	513,033	510,735	510,630	500,114	489,004	500,801	567,431	651,196	723,249	827,830
Titling tax (2)	546,597	534,899	493,739	411,324	434,729	470,001	547,198	639,011	693,422	744,597
Sales and use tax (3)	20,161	21,044	17,981	217,924	213,254	221,842	19,770	23,425	27,983	28,424
Total taxes pledged to bonds	1,221,720	1,196,568	1,139,321	1,234,750	1,244,280	1,300,023	1,277,769	1,382,135	1,590,767	1,749,800
Fees:										
Motor vehicle licenses and registrations (6)	236,661	244,472	231,379	231,773	227,954	229,748	256,350	298,071	305,525	310,385
Other	154,957	166,142	172,703	186,961	187,455	209,909	259,211	274,823	280,989	293,315
General fund share of fees (4)	-	-	-	-	-	-	(40,000)	-	-	-
Total taxes and fees	1,613,338	1,607,182	1,543,403	1,653,484	1,659,689	1,739,680	1,753,330	1,955,029	2,177,281	2,353,500
Operating revenues:										
Maryland Port Administration	91,027	94,499	96,880	93,635	69,222	49,156	57,302	49,030	52,841	49,759
Maryland Transit Administration	110,136	123,122	117,869	117,557	125,057	133,494	136,194	138,400	139,821	142,414
Maryland Aviation Administration	139,579	151,620	180,254	181,580	194,308	207,897	208,560	219,757	217,290	222,117
Total operating revenues	340,742	369,241	395,003	392,772	388,587	390,547	402,056	407,187	409,952	414,290
Other (1)	87,640	39,836	4	(3,666)	(3,600)	60,458	40,015	30,808	29,139	47,307
Investment income	8,211	10,574	3,683	3,996	394	1,004	2,750	758	2,154	2,090
Total revenues	2,049,931	2,026,833	1,942,093	2,046,586	2,045,070	2,191,689	2,198,151	2,393,782	2,618,526	2,817,187
Expenditures:										
Administration, operation and maintenance expenditures:										
The Secretary's Office	64,528	66,439	69,693	67,649	71,811	70,650	71,382	72,256	76,142	75,339
Washington Metro Transit Grants-in-Aid	167,041	170,961	193,026	210,394	215,736	228,594	256,722	263,690	268,340	284,844
State Highway Administration	204,764	236,245	240,192	240,742	296,445	253,615	226,926	251,994	326,560	301,488
Motor Vehicle Administration	133,666	140,436	145,838	148,106	146,316	157,344	161,329	171,344	184,698	194,887
Maryland Port Administration	95,423	98,718	104,887	97,901	68,237	44,454	41,612	42,157	45,504	47,867
Maryland Transit Administration	470,453	505,916	556,602	591,720	610,284	621,917	646,795	665,844	751,801	767,009
Maryland Aviation Administration	166,707	178,157	178,072	170,453	173,749	170,765	167,415	171,122	189,740	188,090
Total admin, operation and maintenance expd.	1,302,582	1,396,872	1,488,310	1,526,965	1,582,578	1,547,339	1,572,181	1,638,407	1,842,785	1,859,524
Less Federal funds:										
The Secretary's Office	(5,103)	(6,004)	(7,901)	(7,271)	(9,001)	(8,027)	(8,237)	(9,291)	(9,089)	(7,967)
State Highway Administration-Hwy Safety	(14,908)	(14,077)	(15,928)	(19,595)	(16,925)	(17,175)	(21,218)	(13,338)	(10,844)	(11,357)
Md. Transit-Planning and program devlpmt.	(50,376)	(52,077)	(54,392)	(65,894)	(63,775)	(64,496)	(62,430)	(42,028)	(60,631)	(59,046)
Motor Vehicle Administration	(161)	(90)	(351)	(313)	(404)	(379)	(150)	(7,090)	(9,348)	(10,697)
Maryland Aviation Administration	(280)	(350)	(656)	(656)	(656)	(656)	(702)	(650)	(655)	(776)
Total Federal funds	(70,828)	(72,598)	(79,228)	(93,729)	(90,761)	(90,733)	(92,737)	(72,397)	(90,567)	(89,843)
Total expenditures	1,231,754	1,324,274	1,409,082	1,433,236	1,491,817	1,456,606	1,479,444	1,566,010	1,752,218	1,769,681
Net revenues	$ 818,177	$ 702,559	$ 533,011	$ 613,350	$ 553,253	$ 735,083	$ 718,707	$ 827,772	$ 866,308	$ 1,047,506
Maximum annual principal and interest	$ 121,412	$ 129,550	$ 153,661	$ 197,281	$ 210,714	$ 210,714	$ 219,765	$ 237,394	$ 270,527	$ 292,327
Ratio of taxes pledged to principal and interest	10.06	9.24	7.41	6.26	5.91	6.17	5.81	5.82	5.88	5.99
Ratio of net revenues to principal and interest	6.74	5.42	3.47	3.11	2.63	3.49	3.27	3.49	3.20	3.58

Source: Maryland Department of Transportation, The Secretary's Office, Office of Finance.

(1) Fiscal year 2007 was the last year for the transfer of $43M from Maryland Transportation Authority to the Transportation Trust Fund.

(2) The 2007 Special Session of the Maryland General Assembly approved legislation to increase the State's Sales Tax and the Vehicle Excise Tax (Titling) from 5% to 6%, effective Jan. 1, 2008. In addition, effective July 1, 2008, the percentage of Titling Tax retained by the Changes to the allocation of Highway User Revenues approved during the 2010 and 2011 Sessions of the Maryland General Assembly resulted in the following percentages of Titling Tax retained by the Department: FY 2010 80%; FY2011 79%; FY 2012 86.53%; FY 2013 93.336%; and FY 2014 93.6%.

(3) The 2007 Special Session of the Maryland General Assembly approved legislation to allocate 6.5% of the State's Sales and Use Tax (after distribution of the State's sales tax on short-term rental vehicles) to the Department effective July 1, 2008.The distribution was reduced to 5.3% during the 2008 Session of the Maryland General Assembly. This distribution ended July 1, 2011.

(4) The 2011 Session of the Maryland General Assembly approved legislation (HB 72) requiring the transfer from the Transportation Trust Fund of $40,000,000 of the Department's share of Highway User Revenues to the Revenue Stabilization Account in fiscal year 2012.

(5) The 2011 Session of the Maryland General Assembly approved legislation (HB 72) that changed the allocation of corporate income tax revenue to the Department from 24% to 17.2%. However, effective July 1, 2012 the Department received 9.5%; from July 1, 2013 through June 30, 2016 the Department will receive 19.5%.

(6) As a result of changes to the Highway User Revenues allocations approved during the 2010 and 2011 sessions of the Maryland General Assembly, the Department received the following distribution of Highway User Revenues: FY 2010 70%; FY 2011 68.5%; FY 2012 79.8%; FY 2013 90%, FY 2014 90.4%.

(7) The 2013 Session of the Maryland General Assembly approved legislation (HB 1515) that increases the motor fuel tax rate based on growth of the Consumer Price Index and applies a sales and use tax equivalent to the price of motor fuel. Effective July 1, 2013, the motor fuel tax rate was increased by 3.1 cents per gallon for sales and use tax equivalent and 0.4 cents per gallon for CPI. Revenue from these sources is not part of the GMVRA but is retained 100% by the Department.

MARYLAND DEPARTMENT OF TRANSPORTATION
Schedule of Miscellaneous Statistics
Last Ten Fiscal Years
(unaudited)

	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
State Highway Administration:										
Miles of State Highway (1)	5,134	5,140	5,140	5,138	5,143	5,145	5,266	5,145	5,155	5,152
Motor Vehicle Administration:										
Motor Vehicle Titles Issued	1,202,561	1,166,195	1,096,692	930,858	939,209	994,235	995,247	1,018,200	1,001,118	1,049,969
Motor Vehicle Registration Transactions	3,600,359	3,580,933	3,378,435	3,345,546	3,336,752	4,100,604	3,889,667	4,044,217	4,106,227	4,259,000
Motor Vehicle Fuel - Gallons Sold	3,197,252,545	3,238,848,801	3,223,523,234	3,139,151,697	2,862,255,721	3,178,835,403	3,149,605,108	3,250,923,911	3,211,359,630	3,852,704,463
Maryland Port Administration:										
Port of Baltimore (2):										
Export Commerce (2,000 lbs.)	8,365,476	11,291,633	15,052,545	10,216,952	17,596,350	23,852,386	23,757,853	19,396,664	16,766,120	N/A
Import Commerce (2,000 lbs.)	22,254,906	19,490,995	17,965,267	12,145,939	15,243,578	13,991,505	12,929,929	10,878,770	12,761,578	N/A
Total Foreign Commerce (2,000 lbs.)	30,620,470	30,782,628	33,017,812	22,362,891	32,839,928	37,843,891	36,687,782	30,274,105	29,510,199	N/A
General Cargo (2,000 lbs.) (included above)	9,239,964	8,893,780	8,905,872	7,155,595	8,373,255	9,126,585	9,557,401	9,939,751	10,230,365	N/A
Maryland Aviation Administration:										
Passenger Traffic	20,360,376	20,643,685	21,321,252	20,103,443	21,313,033	22,488,838	22,611,988	22,530,342	22,238,226	22,761,893
Commercial Air Carrier Operations	266,928	267,517	260,970	243,453	247,391	258,639	256,992	245,367	232,609	224,246
Total Aircraft Operations	304,648	303,721	290,945	266,273	272,997	277,435	273,966	263,360	251,305	243,255
Maryland Transit Administration (3):										
Buses (4)	840	840	895	895	869	828	903	929	964	1,008
Route Miles	2,657	1,809	2,146	2,111	2,088	2,364	2,088	2,136	2,222	2,222
Vehicle Miles (7)	23,877,900	23,448,056	23,873,643	24,703,842	24,248,825	23,016,156	20,823,391	24,973,730	24,003,000	20,487,566
Trips	71,624,670	72,611,252	75,575,573	79,239,334	78,188,577	72,520,531	73,627,843	73,404,275	75,780,350	79,035,332
Subway Cars	100	100	100	100	100	100	100	98	98	98
Route Miles	15	15	15	15	15	15	15	15	15	15
Car Miles	4,681,521	4,735,303	5,193,972	5,285,406	4,480,709	4,706,797	4,764,148	5,103,781	5,072,282	5,010,750
Trips	12,918,530	13,225,843	13,955,325	13,566,823	1,363,903	14,002,609	15,199,117	15,208,352	14,632,401	13,900,813
Light Rail Cars (5)	53	53	53	53	53	53	53	53	53	53
Route Miles	29	29	29	29	29	29	29	29	29	29
Car Miles	2,053,813	2,797,732	2,789,820	2,780,098	3,179,325	3,169,421	3,257,117	3,254,629	3,106,134	2,961,645
Trips	5,401,327	7,121,516	7,962,979	8,712,179	8,076,249	8,752,463	8,796,346	9,371,791	8,105,752	7,657,256
MARC Commuter Rail Cars	165	157	153	157	157	177	177	177	177	177
Number of Trains Daily	85	85	89	83	87	110	100	93	142	106
Number of Stations Served (6)	42	42	42	42	42	42	42	41	42	42
Car Miles (7)	4,997,902	5,030,652	5,124,244	5,706,147	5,651,786	5,270,162	5,821,508	6,924,056	5,863,504	6,268,474
Trips	7,274,737	7,505,226	7,897,602	8,081,155	8,095,577	8,232,729	8,532,214	9,030,039	8,979,468	9,245,588
Number of MDOT State Employees (8)	6,523	6,518	6,572	6,638	6,463	6,007	5,963	5,885	8,387	8,485

Source: Maryland Department of Transportation modal administrations.

(1) As of January 1.

(2) Calendar year basis.

(3) Data is estimated for FY 2006 and may have also been restated in prior fiscal years.

(4) Bus service statistics have been restated to include transportation provided by contractual bus companies.

(5) Service initiated in May, 1992; service extended to Hunt Valley in September, 1997, and to BWI Airport in December, 1997.

(6) Service initiated to Frederick and Monocacy on December 17, 2001.

(7) Vehicle and car miles have been restated to accurately reflect the revenue service miles.

(8) 2006-2013 does not include union employees.

MARYLAND DEPARTMENT OF TRANSPORTATION
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James F. Ports, Deputy Secretary
Dennis R. Schrader, Deputy Secretary

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