

B. Investments—Governmental Fund Types:

Investments are stated at fair value which is based on quoted market prices. The investments as of June 30, 1999, for the governmental fund types of the Primary Government are categorized as follows (amounts expressed in thousands).

	Category			Fair Value
	1	2	3	
U. S. Treasury and agency obligations	\$1,093,314			\$1,093,314
Bonds	835			835
Other	115			115
	<u>\$1,094,264</u>			<u>1,094,264</u>
Maryland local government investment pool				86,902
				<u>\$1,181,166</u>



C. Investments—Enterprise:

Investments of the enterprise funds are stated at fair value which is based on quoted market prices, adjusted for amortization of premiums and accretion of discounts. The investment policies for all enterprise funds, with the exception of the Community Development Administration, are the same as those of the State Treasurer. The Community Development Administration, an agency of the Department of Housing and Community Development, is authorized to invest in obligations of the U.S. Treasury, U.S. Government agencies and corporation, political subdivisions of the U.S., banker's acceptances, repurchase agreements, corporate debt securities and certificates of deposit with foreign or domestic banks. The U.S. Treasury and agency obligations and collateral for the repurchase agreements are held by the enterprise fund's agent in the enterprise fund's name.

The investments as of June 30, 1999, for the enterprise fund of the Primary Government are as follows (amounts expressed in thousands).

	1	2	3	Fair Value
U. S. Treasury and agency obligations	\$943,993			\$943,993
Repurchase agreements	425,563			425,563
Corporate equity securities	24,804			24,804
	<u>\$1,394,360</u>			<u>1,394,360</u>
Items not subject to classification:				
Annuities and guaranteed investment contract				25,325
Total				<u>\$1,419,685</u>

Under Section 2-603 of the State's Finance and Procurement Article, the State lends U.S. Government securities held by the Lottery to broker-dealers and other entities (borrowers). The State's custodial banks manage the securities lending program and receive U.S. Government and agency securities as collateral. The collateral will be returned for the same securities in the future. The collateral securities cannot be pledged or sold by the State unless the borrower defaults. Collateral securities are initially pledged at greater than the market value of the securities lent and additional collateral has to be provided by the next business day if the aggregate value of the collateral falls to less than 100 percent of the market value of the securities lent.

The bank is obligated to indemnify the State against liability for any suits, actions, or claims of any character arising from or relating to the performance of the bank under the contract, except for liability caused by acts or omissions of the State.

The State did not experience any losses on their securities lending transactions for the year ended June 30, 1999. As of year end, there were no securities on loan.

D. Investments—Fiduciary Funds:

The Maryland Local Government Investment Pool may invest in any instrument in which the State Treasurer may invest. Permissible instruments are established under the State Finance and Procurement Article of the Annotated Code of Maryland, Title 6, Subtitle 2. Investments of the plan are stated at fair value.

The Pension Trust Funds (Funds), in accordance with State Personnel and Pensions Article Section 21-123 of the Annotated Code of Maryland, are permitted to make investments subject to the terms, conditions, limitations, and restrictions imposed by the Board of Trustees of the State Retirement and Pension Systems of Maryland. The law further provides that no more than 25% of the assets that are invested in common stocks may be invested in