

A significant portion of the investments maintained by the State Treasurer consists of repurchase agreements. Collateral must exceed the book value of the repurchase agreements and must be delivered to the State Treasurer's custodian for safekeeping. Investments maturing within 90 days of purchase are reported at amortized cost in the financial statements as cash and cash equivalents.

Investments are classified as to credit risk by the three categories described below.

- Category 1 Insured or registered, with securities held by the State or its agent in the State's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the State's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the State's name.

All of the State's investments held at year-end are subject to classification of credit risk except for those investments where the State owns units of a whole rather than specific securities and real estate, which by their nature are not subject to risk categorization. Included in the State's investments are the Deferred Compensation Plan, the Maryland Local Government Investment Pool, annuity and guaranteed investment contracts, mutual funds and mortgages.

A. Primary Government — Governmental Fund Types, Expendable Trust and Agency Funds:

The bank deposits of the governmental fund types, expendable trust and agency funds of the Primary Government as of June 30, 1998, were insured or collateralized by securities held by the State or its agent in the State's name.

As of June 30, 1998, cash in the amount of \$5,343,000 was maintained with fiscal agents and represents resources transmitted to bond paying agents for which coupons have not been presented. This cash was invested in mutual funds that invest only in U.S. Treasury and agency obligations.

Reported as cash and cash equivalents are repurchase agreements aggregating \$1,745,801,000 (fair value of collateral of \$1,776,231,000) and a FHLMC Discount Note totaling \$52,000 (fair value of \$52,000). The collateral for the repurchase agreements is held by the State's agent in the State's name. Reported as cash and cash equivalents are money market mutual fund accounts totaling \$158,202,000.

Investments are stated at fair value which is based on quoted market prices. The investments as of June 30, 1998, for the governmental fund types, expendable trust and agency funds of the Primary Government are categorized as follows (amounts expressed in thousands).

	Category			Fair Value
	1	2	3	
U. S. Treasury and agency obligations.....	\$1,507,139			\$1,507,139
Bonds.....	835			835
Other.....	5,841			5,841
	<u>\$1,513,815</u>			<u>1,513,815</u>
Deferred compensation plan.....				1,150,658
Maryland local government investment pool.....				587,967
Total.....				<u>\$3,252,440</u>

B. Primary Government — Enterprise and Pension Trust Funds:

The bank deposits of the enterprise funds of the Primary Government as of June 30, 1998, were entirely insured or collateralized with securities held by the funds or their agents in the funds' names.

Cash and cash equivalents of the Enterprise Funds as of June 30, 1998, was \$191,732,000 which represented \$1,210,000 in cash deposits insured by Federal depository and \$12,068,000 in cash collateralized by securities held in trustee bank accounts in the funds' name and \$178,454,000 which was pooled by the State. 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 corporations, political subdivisions of the U.S., banker's acceptances, repurchase agreements, corporate debt securities and certificates of deposit with