

As a matter of policy, the State Treasurer does not invest in Federal Farm Credit or World Bank Securities and current Maryland law does not permit the State Treasurer to invest in commercial paper or bankers acceptances. A significant portion of the investments maintained by the State Treasurer consist of repurchase agreements. Collateral which must be at least 102% of the face value of the repurchase agreement, must be delivered to the custodian for the State Treasurer for safekeeping. Repurchase agreements are reported in the financial statements as cash and short-term investments.

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

- Category 1 Insured or registered, or 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.

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

The bank deposits of the governmental fund types, expendable trust and agency funds as of June 30, 1987, were entirely insured or collateralized with securities held by the State or its agent in the State's name.

At June 30, 1987 cash in the amount of \$7,948,000 was maintained with fiscal agents and represents funds transmitted to bond paying agents for which coupons have not been presented.

Investments of the Deferred Compensation Plan are stated at market value. All other investments are stated at cost, adjusted for amortization of premium and accretion of discounts. Repurchase agreements in governmental fund types aggregating \$888,648,000 (market value of collateral of \$909,410,000) at June 30, 1987, are reported as cash and short-term investments. The collateral for the repurchase agreements is held by the State's agent in the State's name.

The investments at June 30, 1987 (amounts expressed in thousands) for the governmental fund types, expendable trust and agency funds are as follows:

	Category			Carrying Value	Market Value
	1	2	3		
U.S. Treasury and Agency Obligations . . .	\$182,789			\$182,789	\$184,710
Certificates of Deposit	2,733			2,733	2,733
Other	3,561			3,561	3,561
	<u>\$189,083</u>			189,083	191,004
Deferred Compensation Plan				260,530	260,530
Total				\$449,613	\$451,534

B. Enterprise, Nonexpendable and Pension Trust Funds:

The bank deposits of the enterprise, nonexpendable and pension trust funds as of June 30, 1987 were entirely insured or collateralized with securities held by the fund or its agent in the fund's name.

Investments of the enterprise funds are stated at cost, 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 Economic 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., bankers acceptances, repurchase agreements, corporate debt securities and certificates of deposit with foreign or domestic banks. Repurchase agreements in enterprise funds aggregating \$523,332,000 (market value of collateral of \$517,831,000) at June 30, 1987 are reported as cash and short-term investments. The collateral for the repurchase agreements is held by the fund's agent in the fund's name.

The State Accident Fund (Fund), in accordance with Article 101, Section 80 of the Annotated Code of Maryland, is permitted to invest in those investments legal for insurance companies as authorized in Article 48A, Sections 97 through 107 of the Code. All investment purchases are authorized by the Fund's