

**4. Cash and Short-Term Investments and Investments:**

Substantially all cash and short-term investments of the governmental fund types and certain proprietary and fiduciary funds are maintained by the State Treasurer on a pooled basis. The State Treasurer's Office invests short-term funds on a daily basis. The investments consist of purchases of securities or repurchase agreements. Under the State Finance and Procurement Article of the Annotated Code of Maryland, Title 6, Subtitle 2, the State Treasurer may invest in the following:

- Any obligation for which the United States has pledged its faith and credit for the payment of principal and interest.
- Any obligation that a federal agency issues in accordance with an act of Congress.
- Repurchase agreements that any of these obligations secure.

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 banker 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, 1988 were entirely insured or collateralized with securities held by the State or its agent in the State's name.

At June 30, 1988 cash in the amount of \$10,188,000 was maintained with fiscal agents and represents funds transmitted to bond paying agents for which coupons have not been presented. These funds were entirely insured or collateralized with securities held by the State or its agent in the State's name.

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 aggregating \$1,368,362,000 (market value of collateral of \$1,386,357,000) and certificates of deposit aggregating \$2,292,000 at June 30, 1988, are reported as cash and short-term investments in governmental fund types. The collateral for the repurchase agreements is held by the State's agent in the State's name. The certificates of deposit are held by the State.

The investments at June 30, 1988 for the governmental fund types, expendable trust and agency funds are as follows (amounts expressed in thousands):

	Category			Carrying Value	Market Value
	1	2	3		
U.S. Treasury and agency obligations . . . .	\$219,335			\$219,335	\$221,816
Other . . . . .	4,565			4,565	4,560
	<u>\$223,900</u>			223,900	226,376
Deferred Compensation Plan . . . . .				288,676	288,676
Total . . . . .				<u>\$512,576</u>	<u>\$515,052</u>