

B. Enterprise, Nonexpendable and Pension Trust Funds:

The bank deposits of the enterprise, nonexpendable and pension trust funds as of June 30, 1988 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 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., bankers acceptances, repurchase agreements, corporate debt securities and certificates of deposit with foreign or domestic banks. Repurchase agreements aggregating \$552,866,000 (market value of collateral of \$553,710,000) and certificates of deposit aggregating \$17,494,000 at June 30, 1988 are reported as cash and short-term investments in enterprise funds. The certificates of deposit and collateral for the repurchase agreements are 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 which are 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 commissioners. Money market investments with an aggregate cost of \$81,348,000 (which approximates market) at June 30, 1988, are reported as cash and short-term investments. The Fund had significant investments in repurchase agreements during fiscal year 1988, however, due to fluctuations in cash flow, the Fund did not have any repurchase agreements at June 30, 1988. Other investments of the Fund, which include U. S. Treasury notes, and corporate bonds and stocks, are stated at their market value of \$283,112,000 (amortized cost - \$279,022,000) at June 30, 1988. Realized gains and losses from the sale of investments are credited or charged to income. Changes in unrealized market appreciation or depreciation are credited or charged to fund equity. Unrealized market appreciation or depreciation is reflected as a reservation of fund equity.

The Pension Trust Fund, in accordance with Article 73 B, Section 161 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 Maryland State Retirement and Pension Systems. 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 stocks. The pension trust fund'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. Investments of the pension trust fund are stated at cost, adjusted for amortization of premiums and accretion of discounts.

The investments at June 30, 1988 for the enterprise, nonexpendable and pension trust funds are as follows (amounts expressed in thousands):

	Category			Carrying Value	Market Value
	1	2	3		
U. S. Treasury and agency obligations . . .	\$ 351,552	\$107,590		\$ 459,142	\$ 470,930
Commercial Paper and money market . . .	509,357			509,357	509,562
Corporate debt securities	5,241,278	126,665		5,367,943	5,593,554
Corporate equity securities	2,037,941	48,857		2,086,798	2,626,012
Annuity contracts	24,940			24,940	24,940
Other	331,700			331,700	336,440
	<u>\$8,496,768</u>	<u>\$283,112</u>		<u>\$8,779,880</u>	<u>\$9,561,438</u>

C. Higher Education Fund:

The bank deposits of the Higher Education Fund (Fund) as of June 30, 1988 were entirely insured or collateralized with securities held by the fund or its agent in the fund's name with the exception of approximately \$1,841,000.

Investment funds established by higher education institutions relate principally to endowment and trust accounts required by debt instruments. In general, endowment funds can be invested in debt and equity securities and trust accounts can be invested only in debt securities. These investments include U. S. Treasury and agency obligations, certificates of deposit, commercial paper, repurchase agreements, bankers acceptances and money market funds.