

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. 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. Investments maturing within 90 days of purchase 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, 1989 were entirely insured or collateralized with securities held by the State or its agent in the State's name.

At June 30, 1989 cash in the amount of \$3,004,000 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 \$1,086,387,000 (market value of collateral of \$1,179,149,000), bankers acceptances aggregating \$39,163,000 (market value of \$39,163,000) and certificates of deposit aggregating \$2,717,000 at June 30, 1989, are reported as cash and short-term investments in governmental fund types. Also reported as cash and short-term investments in the special revenue fund is \$12,269,000 of unexpended bond proceeds invested in a tax-exempt money market trust. 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, 1989 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	\$ 754,776			\$ 754,776	\$ 823,569
Repurchase agreements	249,415			249,415	245,728
Other	11,128			11,128	11,239
	<u>\$1,015,319</u>			<u>1,015,319</u>	<u>1,080,536</u>
Deferred Compensation Plan				329,101	329,101
Total				<u>\$1,344,420</u>	<u>\$1,409,637</u>

B. Enterprise and Pension Trust Funds:

The bank deposits of the enterprise and pension trust funds as of June 30, 1989 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 \$377,788,000 (market value of collateral of \$376,146,000), U.S. Treasury and agency obligations aggregating \$1,088,000 (market value of \$1,098,000) and certificates of deposit aggregating \$19,714,000 at June 30, 1989 are reported as cash and short-term investments in enterprise funds. The certificates of deposit, U. S. Treasury and agency obligations and collateral for the repurchase agreements are held by the fund's agent in the fund's name.