

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 State Treasurer's custodian for safekeeping. Investments maturing within 90 days of purchase are reported 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, 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.

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, such as the Deferred Compensation Plan, annuity contracts, and mutual funds, which by their nature are not required to be categorized.

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

The bank deposits of the governmental fund types, expendable trust and agency funds at June 30, 1992, were entirely insured or collateralized with securities held by the State or its agent in the State's name.

At June 30, 1992, cash in the amount of \$2,350,000 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 premiums and accretion of discounts. Repurchase agreements aggregating \$754,924,000 (market value of collateral of \$825,852,000) and certificates of deposit aggregating \$7,137,000 (market value of \$7,137,000) at June 30, 1992, are reported as cash and short-term investments in governmental fund types. Also reported as cash and short-term investments is \$18,078,000 of unexpended bond proceeds invested in tax-exempt money market trusts. The collateral for the repurchase agreements is held by the State's agent in the State's name. The certificates of deposit are covered by federal depository insurance.

The investments at June 30, 1992, 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	\$559,124			\$ 559,124	\$ 681,963
Other	17,722			17,722	19,053
	<u>\$576,846</u>			<u>576,846</u>	<u>701,016</u>
Deferred Compensation Plan				469,612	469,612
Total				<u>\$1,046,458</u>	<u>\$1,170,628</u>

At June 30, 1992, investments of the Deferred Compensation Plan included approximately \$13,700,000 in a guaranteed investment contract with Executive Life Insurance Company (Executive Life). Executive Life was placed in conservatorship by the California Insurance Commissioner. The Deferred Compensation Board believes there is a substantial possibility that Executive Life will not pay cost plus contractually accrued interest on this investment. Such a failure will require adjustments to participant balances and the financial statements of the Deferred Compensation Plan. At June 30, 1992, no such adjustment has been made as the amount of the adjustment, if any, has not been determined.

B. Enterprise and Pension Trust Funds:

The bank deposits of the enterprise funds at June 30, 1992, were entirely insured or collateralized with securities held by the fund or their agents in the fund's name.

The Pension Trust Fund's (Fund) cash deposits (including cash equivalents) are also categorized to give an indication of the level of risk assumed at year-end. Category 1 includes deposits that are insured or collateralized with securities held by the Fund's custodian in the name of the Fund. Category 2 includes deposits which are