

A significant portion of the investments maintained by the State Treasurer consists of repurchase agreements. Collateral must be at least 102% of the book value of the repurchase agreements and must be delivered to the State Treasurer's custodian for safekeeping. Investments maturing within 90 days of purchase are reported at amortized cost 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, with 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 and real estate, which by their nature are not subject to risk categorization. The State's pooled investments include the Deferred Compensation Plan, annuity and guaranteed investment contracts, mutual funds, short-term investments and mortgages.

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

The bank deposits of the governmental fund types, expendable trust and agency funds of the Primary Government as of June 30, 1997, were insured or collateralized by securities held by the State or its agent in the State's name.

As of June 30, 1997, cash in the amount of \$5,217,000 was maintained with fiscal agents and represents resources transmitted to bond paying agents for which coupons have not been presented. This cash was invested in mutual funds that invest only in U.S. Treasury and agency obligations.

Reported as cash and cash equivalents are repurchase agreements aggregating \$1,378,938,000 (fair value of collateral of \$1,398,527,000) and FHLMC Discount Notes totaling \$59,201,000 (fair value of \$59,456,000). The collateral for the repurchase agreements is held by the State's agent in the State's name. Reported as cash and cash equivalents are money market accounts totaling \$39,173,000.

Investments are stated at fair value which is based on quoted market prices. The investments as of June 30, 1997, for the governmental fund types, expendable trust and agency funds of the Primary Government are categorized as follows (amounts expressed in thousands).

	Category			Fair Value
	1	2	3	
Repurchase agreements	\$ 209,418			\$ 209,418
U. S. Treasury and agency obligations	1,214,363			1,214,363
Bonds	2,807			2,807
Other	5,584			5,584
	<u>\$1,432,172</u>			<u>1,432,172</u>
Deferred compensation plan				836,485
Maryland local government investment fund				440,127
Total				<u>\$2,708,784</u>

B. Primary Government — Enterprise and Pension Trust Funds:

The bank deposits of the enterprise funds of the Primary Government as of June 30, 1997, were entirely insured or collateralized with securities held by the funds or their agents in the funds' names.

As of June 30, 1997, cash and cash equivalents of the Pension Trust Funds' totaled \$1,052,525,000 which represented \$32,809,000 in cash deposits and \$1,019,716,000 of cash equivalents. These cash equivalents, which are investments with original maturities of less than 90 days, consisted of \$418,955,000 of commercial paper, \$10,357,000 of repurchase agreements and \$590,404,000 in global pooled short-term funds, which are carried at market. All of the cash equivalents are categorized as category 1 for investment purposes. Of the \$32,809,000 carrying value of deposits as of June 30, 1997, the bank balance of \$21,200,000 was uninsured and uncollateralized.

Cash and cash equivalents of the Enterprise Funds as of June 30, 1997, was \$163,703,000, most of which was pooled by the State. Investments of the enterprise funds are stated at fair value which is based on quoted market prices, adjusted for amortization of premiums and accretion of discounts. The investment policies for all enterprise