

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

balance by \$603,882, \$2,073, \$98,736 and \$25,547, respectively. The Redevelopment Debt Service Fund's fund balance was insufficient to cover the budgeted July 1, 2006 opening fund balance by \$247,996.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

At year end, the City's carrying amount of deposits was \$1,571,408 and the bank balance was \$2,579,066. All of the bank balance was covered by FDIC, SIPC, or collateralized by the Office of the State Treasurer / Nevada Collateral Pool.

The carrying amount of deposits for discretely presented component units was \$683,174 and the bank balance was \$702,838. All of the bank balance was covered by federal depository insurance or by collateral held by the component unit's agent in the component unit's name, with the exception of \$402,425 which was uninsured and uncollateralized.

The City has a formal investment policy to establish guidelines for the prudent investment of City funds. Funds of the City will be invested in compliance with the provisions of Nevada Revised Statutes, Chapters 355.167 through 355.200, and other applicable statutes. Allowable investments are described in Note 1.D.1.

At year end, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
U.S. Treasuries	\$21,695,583	\$ 3,271,347	\$14,192,413	\$4,231,823	\$ -
U.S. Agencies	29,190,193	6,735,031	19,948,611	2,026,642	479,909
Corporate Bonds	5,834,210	560,119	3,956,023	525,546	792,522
State of Nevada Local Government Investment Pool	<u>50,395,443</u>	<u>50,395,443</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$107,115,429</u>	<u>\$60,961,940</u>	<u>\$38,097,047</u>	<u>\$6,784,011</u>	<u>\$1,272,431</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the city's investment policy states that portfolio maturities must be structured to avoid the forced sale of securities in any but the most severe circumstances. To this end, portfolio management procedures will provide for the projection of a "minimum liquidity requirement" for the City's operating fund.

The following procedures will be applied:

- **Minimum Liquidity Requirement:** This is defined as the total cash flow needed to pay City obligations for a period of four weeks. All securities to be included in the "minimum liquidity requirement" must mature within 28 days.
- **Intermediate Market Investment:** That portion of City funds remaining after deletion of the "minimum liquidity requirement" may be invested in the intermediate market, defined herein as instruments maturing between zero and ten years.