

COUNTY OF CAROLINE, VIRGINIA  
Notes To Financial Statements – (Continued)  
As Of June 30, 2006

**NOTE 2-DEPOSITS AND INVESTMENTS (Continued)**

deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

Investments: Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements and the State Treasurer’s Local Government Investment pool (LGIP).

Custodial Credit Risk (Investments): The County’s investment policy does not specifically address custodial credit risk.

Credit Risk of Debt Securities: The County’s investment policy allows for investments whose ratings are A-1 by Standard and Poor’s Corporation or P-1 by Moody’s Commercial Paper Record.

The County’s rated debt investments as of June 30, 2006 were rated by Standard and Poor’s and the ratings are presented below using the Standard and Poor’s rating scale:

Caroline County’s Rated Debt Investments’ Values

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>	
	<u>AAA</u>	<u>AAAm</u>
Local Government Investment Pool	\$ - -	\$ 2,204,563
Virginia State Non-Arbitrage Pool	-	1,358,457
Institutional US Treasury Securities Money Market Fund	-	14,269,953
US Treasury Obligations Repurchase Agreements – Underlying: US Agency Securities	-	497,698
	<u>6,640,259</u>	<u>-</u>
Total	<u>\$ 6,640,259</u>	<u>\$ 18,330,671</u>

Concentration of Credit Risk: The County’s investment policy does not specifically address concentration of credit risk.

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**Notes To Financial Statements – (Continued)**  
**As Of June 30, 2006**

**NOTE 2-DEPOSITS AND INVESTMENTS (Continued)**

The County had investments at June 30, 2006, with more than 5 percent of the total in Virginia State Non-Arbitrage Pool, Institutional US Treasury Securities Money Market Fund, and securities underlying the repurchase agreement with Union Bank and Trust Company. These investments represented 5.4%, 57.1%, and 26.6%, respectively, of total investments.

Interest Rate Risk: The County's investment policy does not specifically address interest rate risk.

Investment Type	Investment Maturities (in years)	
	Fair Value	Less Than One Year
Virginia State Non-Arbitrage Pool	\$ 1,358,457	\$ 1,358,457
Institutional US Treasury Securities Money Market Fund	14,269,953	14,269,953
US Treasury Obligations	497,698	497,698
Repurchase Agreements – Underlying: US Agency Securities	6,640,259	6,640,259
Total	<u>\$ 22,766,367</u>	<u>\$ 22,766,367</u>

External Investment Pools: The fair value of the positions in the external investment pools (Local Government Investment Pool and State Non-Arbitrage Pool) are the same as the value of the pool shares. As these pools are not SEC registered, regulatory oversight of the pools rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

**NOTE 3-AMOUNT OF ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS**

The County calculates allowances for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance for uncollectible property taxes amounted to \$613,338 and, in the Enterprise Funds, \$45,118 is the amount of the allowance for uncollectible utility service receivables at June 30, 2006.