

Nueces County

Quarterly Investment Report

for quarter ending 06/30/09

(Unaudited)

*Prepared by Nueces County
Auditors Office and County
Clerk Treasury Division
901 Leopard Rm. 304
Corpus Christi TX
78401*



Nueces County

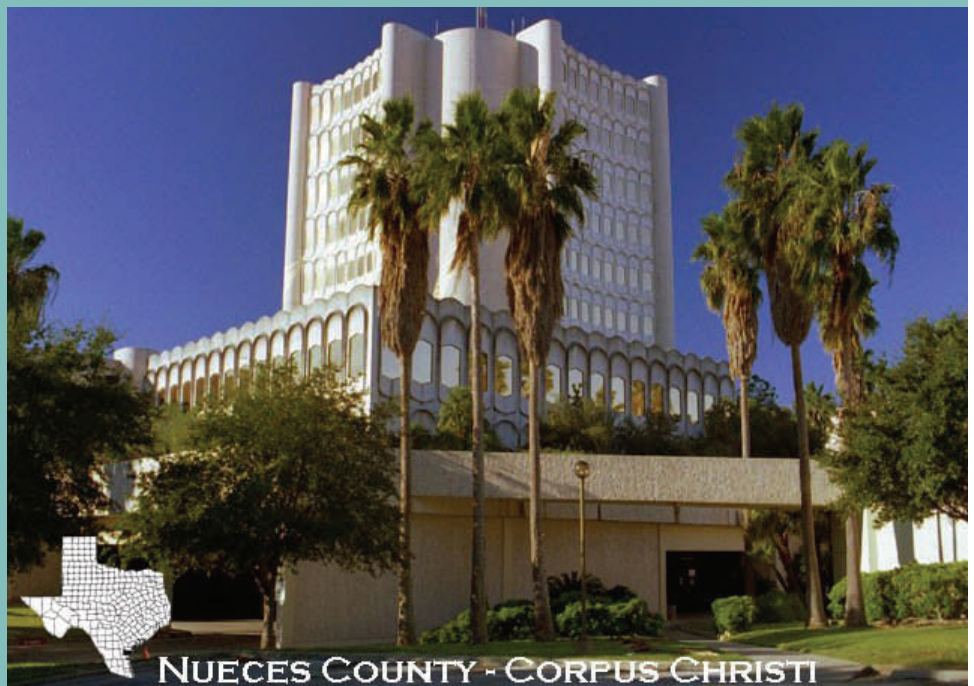
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Presented to Nueces County
Commissioners Court
in accordance with Government
Code 2256.023

Investment Report to Commissioners Court

As of June 30, 2009

Summary of Cash, Cash Equivalents and Investments

The total cash, cash equivalents, and investments as of 06/30/09 has a current value of \$87,891,271. As compared to last quarter, total balances have decreased by \$(13,216,709), down from \$101,107,980. Investments have been made in accordance with the requirements of the Nueces County Investment Policy and Government Code 2256. The investment committee is directed by the investment policy to meet certain requirements regarding investment strategy, earnings, diversity and liquidity. This report is presented in conformity with generally accepted accounting principles. The investment committee monitors investments for three portfolios: operating funds, capital projects funds, and debt service funds.

This report covers investment results on county wide treasury accounts only. Interest income on departmental accounts such as the tax office, sheriff, and district clerk checking accounts are not included in this report.

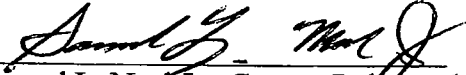
Following are some items to note:

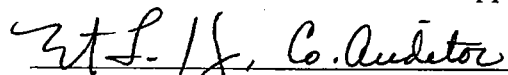
- The weighted average maturity of the operating portfolio is 149 days. The policy limits the weighted average to 364 days. Compared to last quarter the average maturity decreased by 33 days.
- A test for compliance with the investment policy indicates the county is in compliance with the maximum percentages allowed per investment types.
- All investments are in compliance with the Public Investment Act and Nueces County Investment Policy as to eligible investments.
- Quarterly earnings are \$206,607 which represents a decrease of \$(303,827) compared to the same quarter from last year. Compared to the preceding quarter, earnings are up by \$86,275. For year-to-date (nine-month period) as compared to same period in the preceding year, earnings are down by \$(786,880). **All of the lower earnings are attributed to unrealized gains from adjusting the investments to market value, followed by unrealized losses for the current period. Specifically, for the quarter ended 12/31/08 an adjustment was made for \$794,344 to increase the county's investment book values to equal market values. Followed by decreases of \$(226,257) in the previous quarter and \$(141,411) for the current quarter which reverses the mark-up made at 12/31/08. Please see Note 3 on page 7 for further details.**

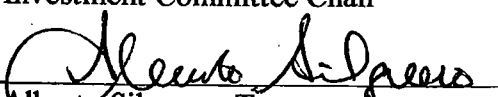
Investment Strategy

Only eligible investments, as defined by the Investment Policy may be used. Preservation and safety of principal is the number one consideration in selecting an investment instrument followed by the availability of funds (liquidity), diversification for further safeguarding of funds and laddering investments with varying maturity dates to correspond to the County's cash requirements. While maximizing return on investment is an objective of the county investment policy, safety is always the first consideration in selecting investments.

This report has been prepared jointly by the County Auditors Office and the County Treasury Division and in accordance with Government Code 2256.023 and is presented to the Investment Committee for approval.


Samuel L. Neal Jr., County Judge and
Investment Committee Chair

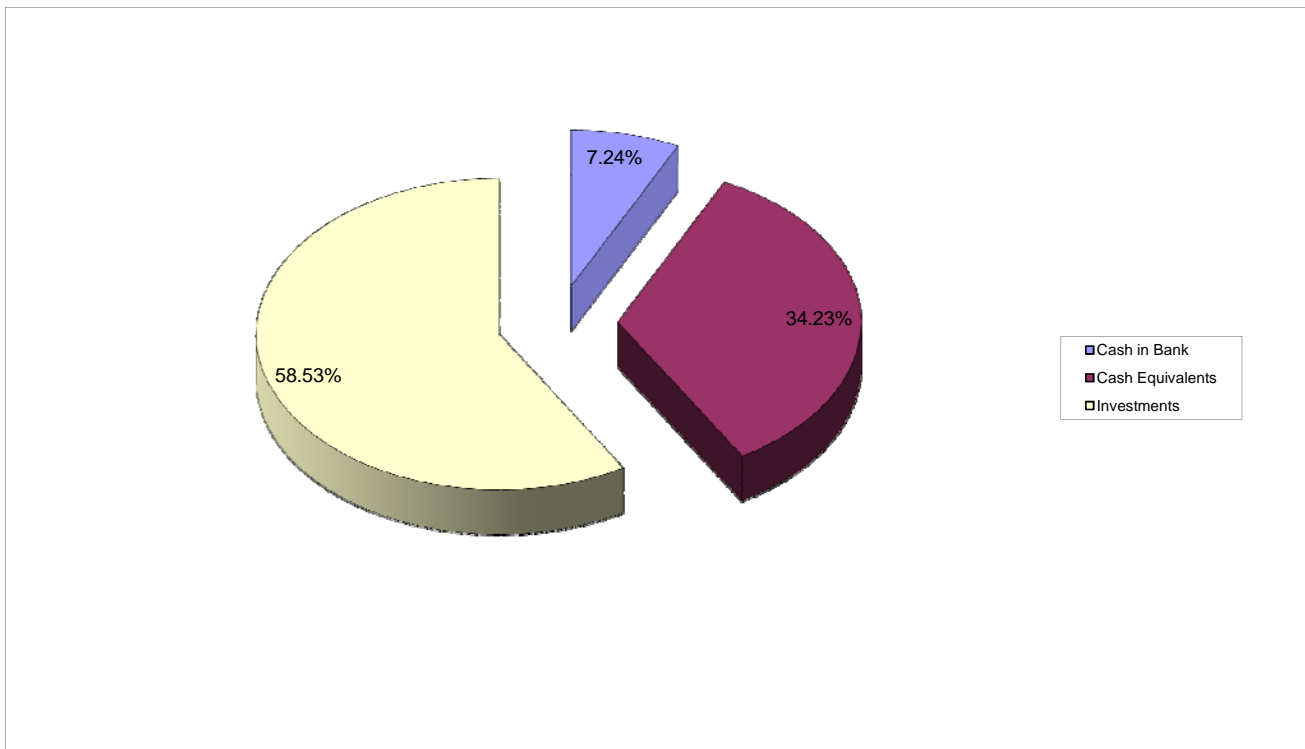

Margaret (Peggy) Hayes, CPA, County Auditor


Alberto Silguero, Treasury Accountant


Federico Chavera, Revenue/Cash Manager

Cash, Cash Equivalents and Investments by Portfolio as of June 30, 2009

	Operating Funds		Capital Projects Funds		Debt Service Funds		All Portfolios Total	
		%		%		%		%
Cash in bank	\$ 6,221,050	12.60%	\$ 118,527	0.36%	\$ 24,752	0.42%	\$ 6,364,329	7.24%
Cash equivalents:								
TEXPool LGP	8,330,174	16.87%	1,448,419	4.43%	795,694	13.62%	10,574,287	12.03%
TEXPool Prime	5,124,621	10.38%	133,678	0.41%	1,938,752	33.18%	7,197,051	8.19%
MBIA	10,248,401	20.75%	-	0.00%	2,058,482	35.23%	12,306,883	14.01%
Sub-total cash equivalents	23,703,196	48.00%	1,582,097	4.84%	4,792,928	82.03%	30,078,221	34.23%
Sub-total cash and cash equivalents	29,924,246		1,700,624		4,817,680		36,442,550	
Investments	19,459,866	39.40%	30,963,016	94.80%	1,025,839	17.55%	51,448,721	58.53%
Total cash, cash equivalents & investments	\$ 49,384,112	100.00%	\$ 32,663,640	100.00%	\$ 5,843,519	100.00%	\$ 87,891,271	100.00%



Operating Funds Portfolio

Cash, Cash Equivalents and Investments by Each Fund
as of June 30, 2009

		Self Insurance Fund	General Fund	Road Fund	Special Revenue Fund	Stadium/ Fairgrounds Fund
Cash	\$	761,400	3,937,845	431,246	1,282,194	124,471
Cash equivalents		3,200,350	15,998,206	630,668	2,674,726	372,178
Investments		<u>-</u>	<u>11,300,206</u>	<u>4,010,871</u>	<u>3,552,118</u>	<u>-</u>
Total	\$	<u><u>3,961,750</u></u>	<u><u>31,236,257</u></u>	<u><u>5,072,785</u></u>	<u><u>7,509,038</u></u>	<u><u>496,649</u></u>
* June 30, 2008	\$	3,676,882	28,284,326	5,912,411	7,111,366	(15,281)
Increase (Decrease)	\$	<u><u>284,868</u></u>	<u><u>2,951,931</u></u>	<u><u>(839,626)</u></u>	<u><u>397,672</u></u>	<u><u>511,930</u></u>

* June 30, 2008 balances are being restated to include the payroll fund, the expense clearing account, and the jury fund.

Law Library Fund	Airport Fund	Inland Parks Fund	Island Parks Fund	Main Grant Fund	TJPC Grant Fund	Total
55,237	22,357	1,542	115,485	(841,230)	330,503	\$ 6,221,050
243,049	123,443	406,134	54,442	-	-	23,703,196
<u>-</u>	<u>-</u>	<u>-</u>	<u>596,671</u>	<u>-</u>	<u>-</u>	<u>19,459,866</u>
<u>298,286</u>	<u>145,800</u>	<u>407,676</u>	<u>766,598</u>	<u>(841,230)</u>	<u>330,503</u>	<u>\$ 49,384,112</u>
308,711	137,620	659,931	1,462,786	(541,664)	531,874	\$ 47,528,962
<u>(10,425)</u>	<u>8,180</u>	<u>(252,255)</u>	<u>(696,188)</u>	<u>(299,566)</u>	<u>(201,371)</u>	<u>\$ 1,855,150</u>

Portfolio Diversity
Test of Compliance with Investment Policy
All Portfolios as of 06/30/09

	Current Value	%	Investment Policy Maximum
Cash equivalents	\$ 30,078,221	36.89%	85.00%
Certificates of deposit	6,000,000	7.36%	75.00%
US Agencies	15,162,791	18.60%	75.00%
US Treasury Note	<u>30,285,930</u>	<u>37.15%</u>	75.00%
Total cash equivalents and investments (excludes cash in bank)	<u>\$ 81,526,942</u>	<u>100.00%</u>	

Portfolio Liquidity
Test of Compliance with Investment Policy
Weighted Average Days to Maturity
Operating Portfolio Only as of 06/30/09

	Fair Value	Weighted Average Days to Maturity	Investment Policy Maximum
Cash equivalents	\$ 23,703,196	1	
Certificates of deposit	2,269,429	161	
US Agencies	5,735,145	867	
US Treasury Note	<u>11,455,292</u>	<u>92</u>	
Total cash equivalents and investments-operating portfolio only (excludes cash in bank)	<u>\$ 43,163,062</u>	<u>149</u>	<u>364</u>

Statement of Changes in Investments

	Beginning Balance 4/1/09	Additions	(Deletions)	Amortization (Premium) Discount	Market Value Adjustments	Ending Balance 6/30/09
Certificates of deposit	\$ 6,000,000	-	-	-	-	6,000,000
US agencies	13,707,000	5,000,000	(3,500,000)	379	(44,588)	15,162,791
US T-Note	30,539,070	-	-	(156,317)	(96,823)	30,285,930
Total	\$ 50,246,070	5,000,000	(3,500,000)	(155,938)	(141,411)	51,448,721

Comprehensive Interest Earnings for All Portfolios Compared to
Same Period Prior Year (Note 1)

	Quarterly Comparison			Year-to-Date Comparison		
	4/1/08 06/30/08 (Note 2)	4/1/09 6/30/09 (Note 3)	Increase/ (Decrease)	10/01/07- 6/30/08 (Note 2)	10/01/08- 6/30/09	Increase/ (Decrease)
Operating portfolio	\$ 276,663	93,097	(183,566)	1,205,127	732,778	(472,349)
Capital Projects portfolio	202,282	104,047	(98,235)	955,498	680,487	(275,011)
Debt service portfolio	31,489	9,463	(22,026)	121,275	81,755	(39,520)
Total	\$ 510,434	206,607	(303,827)	2,281,900	1,495,020	(786,880)

Note 1: Comprehensive interest earnings include: coupon interest rates, amortization of discounts and premiums paid at the time of purchase, accrued interest, and adjustments to market value.

Note 2: The 04/01/08 to 06/30/08 and the 10/01/07 to 06/30/08 interest balances are being restated and decreased by \$62,755, and \$229,392, respectively, to exclude key code 4601, departmental interest earned and all the adjustment for market value marking in order to present a more accurate comparison.

Note 3: Interest earnings include an unrealized loss of \$(141,411) due to marking down the book value of investments to market value at 06/30/09. Excluding the adjustment to market value, the investment earnings would be \$348,018, which would be \$(162,416) less than 3rd quarter ending 06/30/08.

Listing of All Investments

Description, Coupon CUSIP Structure	Purchase Date	Yield	Maturity Date	Par Amount	FMV 3/31/2009	Additions (Deletions)	Market Value Adjustments & Amortization	FMV 6/30/2009
CD 3.15% 100300 18 Mths	1/31/2008	3.15	7/29/2009	2,000,000	2,000,000	0	0	2,000,000
FHLMC 3.375% 3134A4UQ5 Non-callable	4/14/2008	2.06	4/15/2009	3,500,000	3,503,281	(3,500,000)	(3,281)	0
US T-NOTE 4.00% 912828HD5 369 days	9/26/2008	1.89	9/30/2009	30,000,000	30,539,070		(253,140)	30,285,930
FHLB 3.75% 3133XRY46 Non-callable	9/26/2008	3.74	9/9/2011	2,400,000	2,511,000		9,000	2,520,000
FHLB 4.00% 3133XRX88 Non-callable	9/26/2008	4.05	9/6/2013	1,200,000	1,279,500		(16,500)	1,263,000
FHLB 3.375% 3133XSCT3 Non-callable	9/26/2008	3.41	10/20/2010	2,400,000	2,475,750		3,750	2,479,500
FHLB 3.25% 3133XSEH7 Non-callable	10/1/2008	3.27	10/1/2009	2,500,000	2,530,469		(11,719)	2,518,750
CD 1.65% 7426794819 365 days	2/12/2009	1.65	2/12/2010	4,000,000	4,000,000			4,000,000
FNMA 3.25% 3136F97K3 Once Only Call	2/18/2009	3.25	2/18/2014	1,400,000	1,407,000		(5,250)	1,401,750
FHLB 1.125% 3133XTJR8 Non-callable	4/22/2009	1.125	10/22/2010	2,000,000	0	2,000,000	7,500	2,007,500
FNMA 2.15% 3136FHLG8 Non-callable	4/29/2009	2.150	10/29/2012	1,500,000	0	1,500,000	(2,344)	1,497,656
FHLMC 2.75% 3128X8XW7 Once Only Call	4/28/2009	2.750	4/28/2014	1,500,000	0	1,500,000	(25,365)	1,474,635
Total/Average		2.71		\$54,400,000	\$50,246,070	\$1,500,000	(\$297,349)	\$51,448,721

Index:
 FHLB-Federal Home Loan Bank
 FHLMC-Federal Home Loan Mortgage Corporation
 CD-Certificates of Deposit with Frost Bank and Wells Fargo Bank
 FNMA- Fannie Mae Note

Portfolio Holdings by Fund

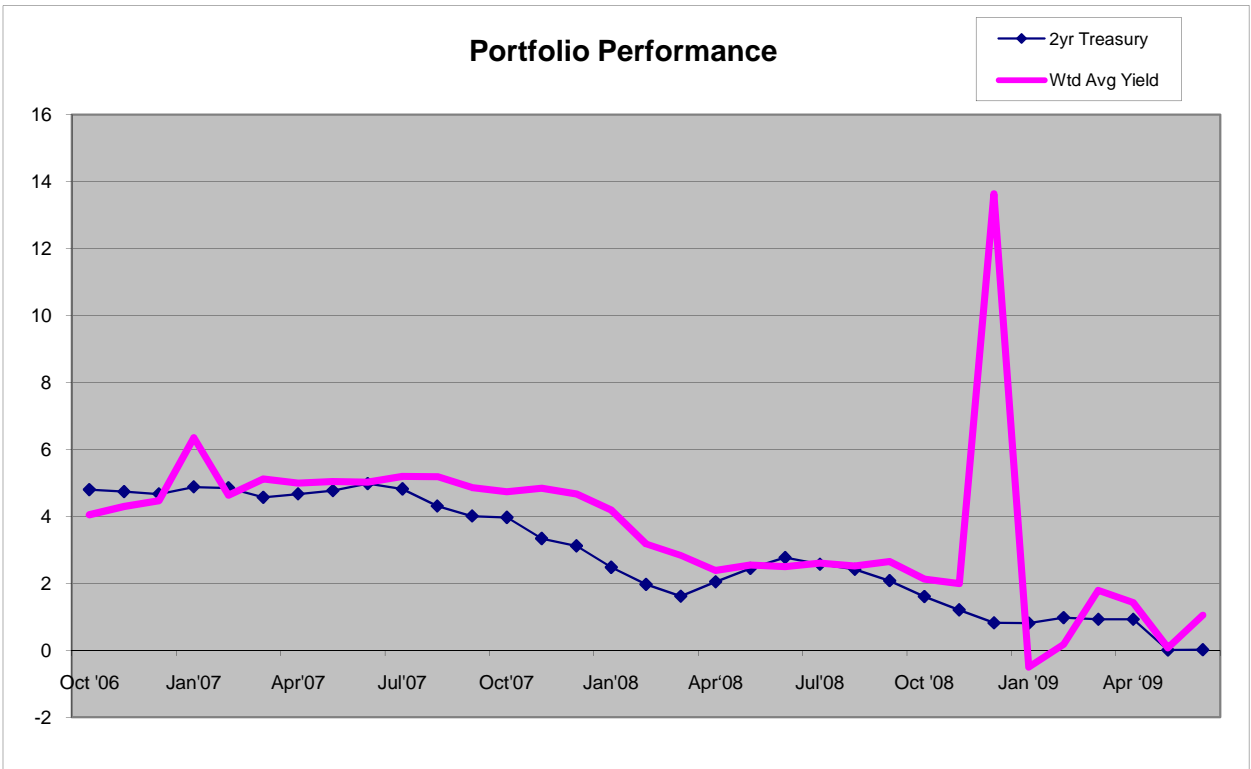
Self Insurance Fund	\$0	0.00%
General Fund	11,300,206	21.96%
Road & Bridge Fund	4,010,871	7.80%
Special Revenues Fund	3,552,118	6.90%
Stadium & Fairgrounds Fund	-	0.00%
Law Library Fund	-	0.00%
Airport Fund	-	0.00%
Inland Parks Fund	-	0.00%
Island Parks Fund	596,671	1.16%
Main Grant Fund	-	0.00%
TJPC Grant Fund	-	0.00%
Sub-total Operating Funds	\$19,459,866	37.82%
Debt Service Fund	1,025,839	2.00%
Sub-total Debt Service Funds	\$1,025,839	2.00%
Capital Projects Fund	30,963,016	60.18%
Sub-total Cap Projects Funds	\$30,963,016	60.18%
Total	\$51,448,721	100.00%

Investments Performance Compared to Two-Year Treasury

	* 2yr Treasury	Weighted Average Yield		* 2yr Treasury	Weighted Average Yield
Oct '06	4.80%	4.05%	Mar '08	1.62%	2.98%
Nov '06	4.74%	4.10%	Apr '08	2.05%	2.14%
Dec '06	4.67%	4.30%	May '08	2.45%	2.34%
Jan '07	4.88%	6.11%	Jun '08	2.77%	2.30%
Feb '07	4.85%	4.45%	Jul '08	2.57%	2.36%
Mar '07	4.57%	4.98%	Aug '08	2.42%	2.31%
Apr '07	4.67%	4.91%	Sep '08	2.08%	2.26%
May '07	4.77%	4.89%	Oct '08	1.61%	2.13%
Jun '07	4.98%	4.85%	Nov '08	1.21%	1.99%
Jul '07	4.82%	5.08%	Dec '08	0.82%	13.64%
Aug '07	4.31%	5.06%	Jan '09	0.81%	-0.50%
Sep '07	4.01%	4.78%	Feb '09	0.98%	0.18%
Oct '07	3.97%	4.55%	Mar '09	0.93%	1.78%
Nov '07	3.34%	4.50%	Apr '09	0.93%	1.43%
Dec '07	3.12%	4.39%	May '09	0.93%	0.07%
Jan '08	2.48%	3.99%	Jun '09	1.81%	1.05%
Feb '08	1.97%	3.26%			

* Market yield on U.S. Treasury at two year constant maturity, quoted on daily investment basis.

Source: www.federalreserve.gov



Comparison of Interest Rates

	TexPool Average Monthly Rates	TexPool Prime Prime Average Monthly Rates	MBIA Average Monthly Rates	Depository (Note 1) Bank Rates
October '06	5.2800%	5.3128%	5.22%	3.50%
November '06	5.2800%	5.3058%	5.30%	3.50%
December '06	5.2900%	5.3164%	5.30%	3.50%
January '07	5.2718%	5.3024%	5.29%	3.50%
February '07	5.2802%	5.3112%	5.33%	3.50%
March '07	5.2933%	5.3242%	5.30%	3.50%
April '07	5.2738%	5.3036%	5.31%	3.50%
May '07	5.2568%	5.2650%	5.28%	3.50%
June '07	5.2884%	5.3169%	5.31%	3.50%
July '07	5.2760%	5.3061%	5.28%	3.50%
August '07	5.2473%	5.2972%	5.40%	3.50%
September '07	5.1330%	5.1984%	5.45%	3.50%
October '07	4.9280%	4.9660%	5.11%	3.69%
November '07	4.7144%	4.7621%	4.91%	3.60%
December '07	4.5565%	4.7573%	4.83%	3.12%
January '08	4.2460%	4.4056%	4.33%	2.74%
February '08	3.4374%	3.4828%	3.58%	2.56%
March '08	2.9723%	3.1231%	3.12%	1.87%
April '08	2.4471%	2.6994%	2.74%	1.08%
May '08	2.2812%	2.5055%	2.53%	0.97%
June '08	2.2635%	2.4939%	2.48%	1.38%
July '08	2.2460%	2.4811%	2.47%	1.54%
August '08	2.2878%	2.4458%	2.48%	1.36%
September '08	2.4068%	2.5629%	2.44%	1.42%
October '08	1.9981%	2.1033%	2.05%	1.08%
November '08	1.8490%	1.8396%	1.67%	0.47%
December '08	1.5229%	1.5931%	1.48%	0.01%
January '09	0.9529%	1.2098%	0.96%	0.01%
February '09	0.6690%	0.9941%	0.71%	0.01%
March '09	0.5788%	0.7730%	0.62%	0.01%
April '09	0.4762%	0.6767%	0.56%	0.01%
May '09	0.4326%	0.6153%	0.48%	0.01%
June '09	0.3939%	0.5250%	0.40%	0.01%

Note 1: The interest rate paid on demand deposits for the current month is based on the previous month's weighted average of the 13-week T-Bill auction rate less 35 basis points.