

Nueces County

Quarterly Investment Report

for quarter ending 03/31/09

(Unaudited)

*Prepared by Nueces County
Auditors Office and County
Clerk Treasury Division
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Presented to Nueces County
Commissioners Court
in accordance with Government
Code 2256.023

Investment Report to Commissioners Court

As of March 31, 2009

Summary of Cash, Cash Equivalents and Investments

The total cash, cash equivalents, and investments as of 03/31/09 has a current value of \$101,107,980. As compared to last quarter, total balances have increased by \$19,549,463, up from \$81,558,517. 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:

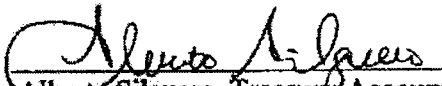
- The weighted average maturity of the operating portfolio is 182 days. The policy limits the weighted average to 364 days. Compared to last quarter the average maturity decreased by 54 days.
- A test for compliance with the investment policy indicates the county is in compliance with the maximum percentages 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 \$120,332 which represents a decrease of \$(707,474) compared to the same quarter from last year. Compared to the preceding quarter, earnings are down by \$1,047,740. For year-to-date (six-month period) as compared to same period in the preceding year, earnings are down by \$(482,963). **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. This current quarter reverses this adjustment by reducing book values by \$(226,257). 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


Alberto Silguero, Treasury Accountant

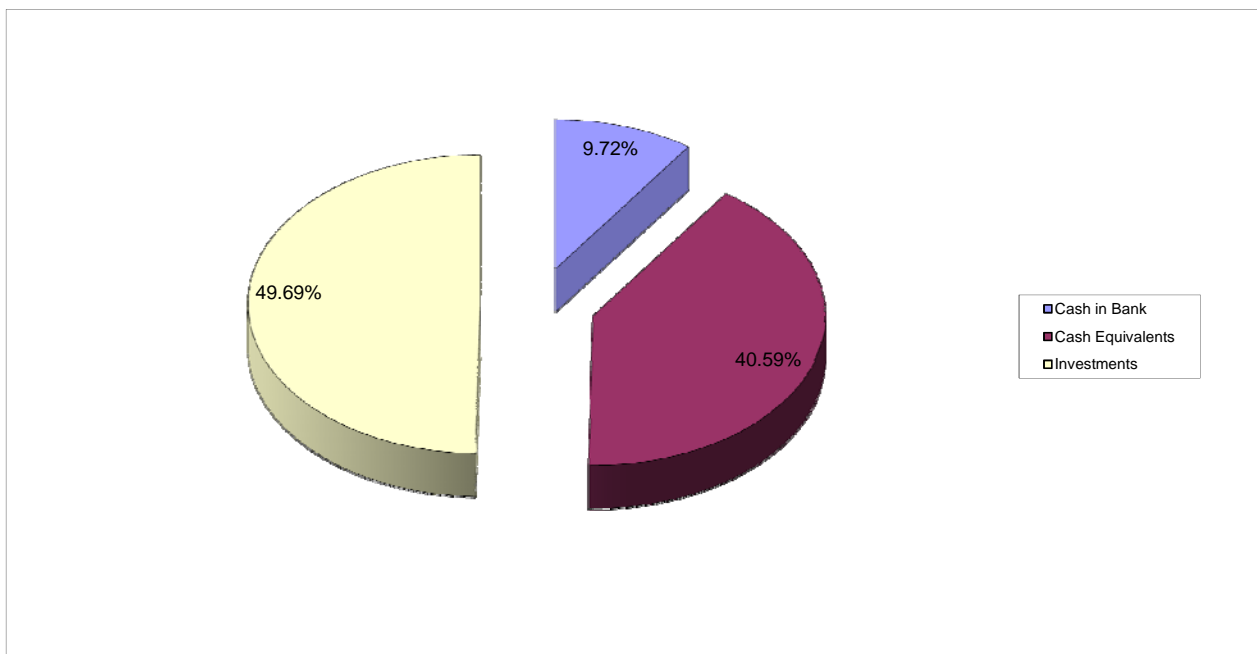

Margaret (Peggy) Hayes, CPA, County Auditor


Federico Chavera, Revenue/Cash Manager



Cash, Cash Equivalents and Investments by Portfolio as of March 31, 2009

	Operating Funds	%	Capital Projects Funds	%	Debt Service Funds	%	All Portfolios Total	%
Cash in bank	\$ 8,800,787	14.28%	\$ 1,389,840	4.08%	\$ (360,049)	-6.58%	\$ 9,830,578	9.72%
Cash equivalents:								
TEXPool LGP	13,917,069	22.59%	1,497,675	4.40%	831,404	15.20%	16,246,148	16.07%
TEXPool Prime	5,102,253	8.28%	-	0.00%	1,905,619	34.83%	7,007,872	6.93%
MBIA	15,714,916	25.51%	-	0.00%	2,062,396	37.70%	17,777,312	17.59%
Sub-total cash equivalents	34,734,238	56.38%	1,497,675	4.40%	4,799,419	87.73%	41,031,332	40.59%
Sub-total cash and cash equivalents	43,535,025		2,887,515		4,439,370		50,861,910	
Investments:								
Certificates of deposit	6,000,000	9.74%	-	0.00%	-	0.00%	6,000,000	5.93%
US Agencies	10,144,969	16.47%	2,530,469	7.44%	1,031,562	18.85%	13,707,000	13.56%
US Treasury Note	1,933,758	3.13%	28,605,312	84.08%			30,539,070	30.20%
Sub-total investments	18,078,727	29.34%	31,135,781	91.52%	1,031,562	18.85%	50,246,070	49.69%
Total cash, cash equivalents & investments	\$ 61,613,752	100.00%	\$ 34,023,296	100.00%	\$ 5,470,932	100.00%	\$ 101,107,980	100.00%



Operating Funds Portfolio

Cash, Cash Equivalents and Investments by Each Fund
as of March 31, 2009

	Self Insurance Fund	General Fund	Road Fund	Special Revenue Fund	Stadium/ Fairgrounds Fund
Cash	\$ 1,551,415	6,929,257	(723,822)	1,040,314	140,258
Cash equivalents	2,884,082	24,265,118	1,141,573	4,176,681	480,194
Investments	<u>-</u>	<u>11,215,133</u>	<u>4,791,656</u>	<u>2,071,938</u>	<u>-</u>
Total	<u>\$ 4,435,497</u>	<u>42,409,508</u>	<u>5,209,407</u>	<u>7,288,933</u>	<u>620,452</u>
* Mar 31, 2008	\$ 5,034,296	38,684,413	6,256,253	6,899,429	327,055
** Reverse presentation journal entries	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Mar 31, 2008 adjusted	<u>5,034,296</u>	<u>38,684,413</u>	<u>6,256,253</u>	<u>6,899,429</u>	<u>327,055</u>
Increase (Decrease)	<u>\$ (598,799)</u>	<u>3,725,095</u>	<u>(1,046,846)</u>	<u>389,504</u>	<u>293,397</u>

* March 31, 2008 balances are being restated to include the payroll fund, the expense clearing account, and the jury fund.

** This adjustment was made for formal financial statement presentations only and should be reversed for this comparison.
The offset to this adjustment is the capital projects fund.

Law Library Fund	Airport Fund	Inland Parks Fund	Island Parks Fund	Main Grant Fund	TJPC Grant Fund	Total
47,536	18,829	19,734	100,781	(969,958)	646,443	\$ 8,800,787
261,250	129,826	711,806	683,708	-	-	34,734,238
-	-	-	-	-	-	18,078,727
<u>308,786</u>	<u>148,655</u>	<u>731,540</u>	<u>784,489</u>	<u>(969,958)</u>	<u>646,443</u>	<u>\$ 61,613,752</u>
304,673	153,730	978,996	882,667	768,362	536,861	\$ 60,826,735
-	-	-	-	(1,177,763)	-	(1,177,763)
<u>304,673</u>	<u>153,730</u>	<u>978,996</u>	<u>882,667</u>	<u>(409,401)</u>	<u>536,861</u>	<u>59,648,972</u>
<u>4,113</u>	<u>(5,075)</u>	<u>(247,456)</u>	<u>(98,178)</u>	<u>(560,557)</u>	<u>109,582</u>	<u>\$ 1,964,780</u>

Portfolio Diversity
 Test of Compliance with Investment Policy
All Portfolios as of 03/31/09

	Current Value	%	Investment Policy Maximum
Cash equivalents	\$ 41,031,332	44.95%	85.00%
Certificates of deposit	6,000,000	6.57%	75.00%
US Agencies	13,707,000	15.02%	75.00%
US Treasury Note	<u>30,539,070</u>	<u>33.46%</u>	75.00%
Total cash equivalents and investments (excludes cash in bank)	<u>\$ 91,277,402</u>	<u>100.00%</u>	

Portfolio Liquidity
 Test of Compliance with Investment Policy
 Weighted Average Days to Maturity
Operating Portfolio Only as of 03/31/09

	Fair Value	Weighted Average Days to Maturity	Investment Policy Maximum
Cash equivalents	\$ 34,734,238	1	
Certificates of deposit	6,000,000	252	
US Agencies	10,144,969	761	
US Treasury Note	<u>1,933,758</u>	<u>183</u>	
Total cash equivalents and investments-operating portfolio only (excludes cash in bank)	<u>\$ 52,812,965</u>	<u>182</u>	<u>364</u>

Statement of Changes in Investments

	Beginning Balance 1/1/09	Additions (Deletions)	Amortization (Premium) Discount	Market Value Adjustments	Ending Balance 3/31/09
Operating Portfolio					
Certificates of deposit	\$ 6,000,000	-	-		6,000,000
US agencies	8,820,000	1,400,000	(11,161)	(63,870)	10,144,969
US T-Note	1,952,085		(9,858)	(8,469)	1,933,758
Capital Projects portfolio					
Certificates of deposit	-	-	-	-	-
US agencies	2,550,781		109	(20,422)	2,530,468
US T-Note	28,876,425		(146,454)	(124,659)	28,605,312
Debt service portfolio					
Certificates of deposit	-	-	-	-	-
US agencies	1,040,313	-	87	(8,837)	1,031,563
US T-Note	-	-	-	-	-
Total	\$ <u>49,239,604</u>	<u>1,400,000</u>	<u>(167,277)</u>	<u>(226,257)</u>	<u>50,246,070</u>

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

	Quarterly Comparison			Year-to-Date Comparison		
	1/1/08 03/31/08 (Note 2)	1/1/09 3/31/09 (Note 3)	Increase/ (Decrease)	10/01/07- 3/31/08 (Note 2)	10/01/08- 3/31/09	Increase/ (Decrease)
Operating portfolio	\$ 463,348	97,373	(365,975)	928,364	639,672	(288,692)
Capital Projects portfolio	317,886	13,963	(303,923)	753,216	576,440	(176,776)
Debt service portfolio	46,572	8,996	(37,576)	89,786	72,291	(17,495)
Total	\$ <u>827,806</u>	<u>120,332</u>	<u>(707,474)</u>	<u>1,771,366</u>	<u>1,288,403</u>	<u>(482,963)</u>

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 01/01/08 to 03/31/08 and the 10/01/07 to 03/31/08 interest balances are being restated and decreased by \$46,347, and \$131,812, respectively, to exclude key code 4601, departmental interest earned, in order to present a more accurate comparison.

Note 3: Interest earnings include an unrealized loss of \$(226,257) due to marking down the book value of investments to market value at 03/31/09. Excluding the adjustment to market value, the investment earnings would be \$346,589, which would be \$(481,217) less than 2nd quarter ending 03/31/08.

Listing of All Investments

Description, Coupon CUSIP Structure	Purchase Date	Yield	Maturity Date	Par Amount	FMV 12/31/2008	Additions (Deletions)	Market Value Adjustments & Amortization	FMV 3/31/2009
CD 3.15% 100200 365 days	1/31/2008	3.15	1/30/2009	4,000,000	4,000,000	(4,000,000)		0
CD 3.15% 100300 18 Mths	1/31/2008	3.15	7/29/2009	2,000,000	2,000,000	0		2,000,000
FHLMC 3.375% 3134A4UQ5 Non-callable	4/14/2008	2.06	4/15/2009	3,500,000	3,528,437	0	(25,156)	3,503,281
US T-NOTE 4.00% 912828HD5 369 days	9/26/2008	1.89	9/30/2009	30,000,000	30,828,510	0	(289,440)	30,539,070
FHLB 3.75% 3133XRY46 Non-callable	9/26/2008	3.74	9/9/2011	2,400,000	2,549,250	0	(38,250)	2,511,000
FHLB 4.00% 3133XR88 Non-callable	9/26/2008	4.05	9/6/2013	1,200,000	1,285,875	0	(6,375)	1,279,500
FHLB 3.375% 3133XSCT3 Non-callable	9/26/2008	3.41	10/20/2010	2,400,000	2,496,751	0	(21,001)	2,475,750
FHLB 3.25% 3133XSEH7 Non-callable	10/1/2008	3.27	10/1/2009	2,500,000	2,550,781		(20,312)	2,530,469
CD 1.65% 7426794819 365 days	2/12/2009	1.65	2/12/2010	4,000,000	0	4,000,000		4,000,000
FNMA 3.25% 3136F97K3 Once Only Call	2/18/2009	3.25	2/18/2014	1,400,000	0	1,400,000	7,000	1,407,000
Total/Average		2.20		\$53,400,000	\$49,239,604	\$1,400,000	(\$393,534)	\$50,246,070

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

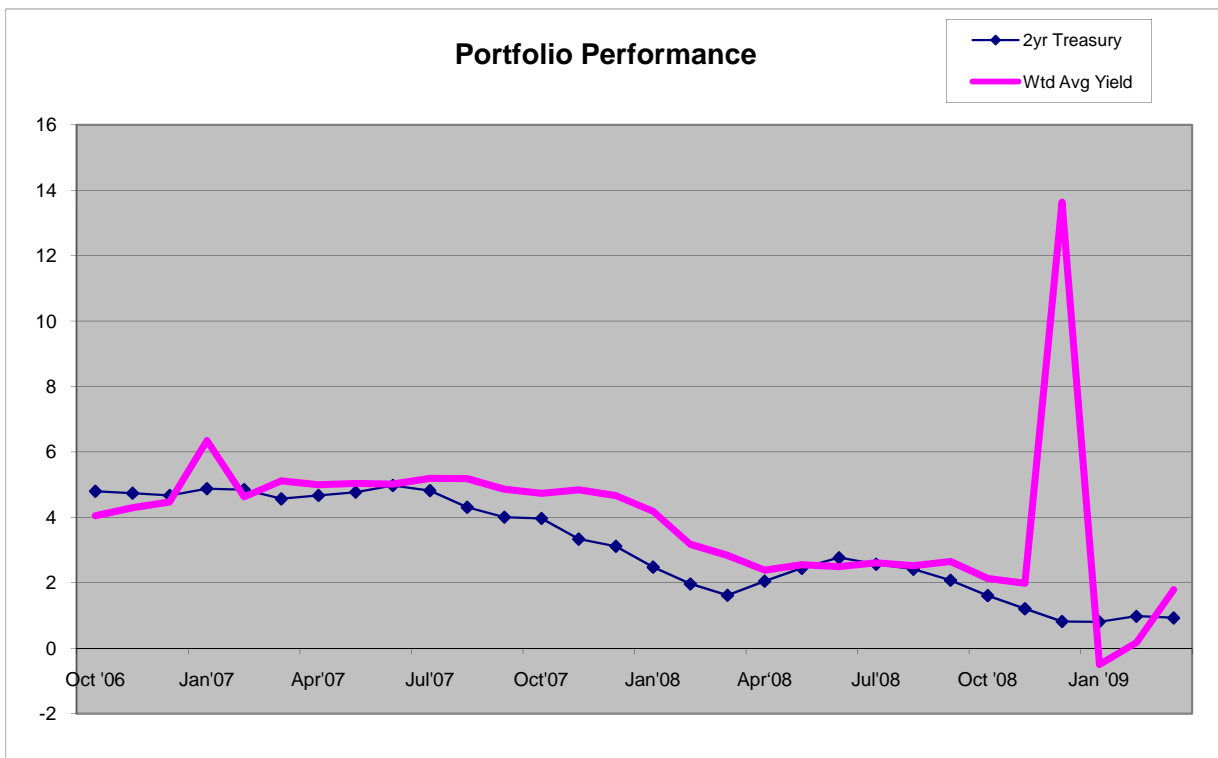
Self Insurance Fund	\$0	0.00%
General Fund	11,215,133	22.32%
Road & Bridge Fund	4,791,656	9.54%
Special Revenues Fund	2,071,938	4.12%
Stadium & Fairgrounds Fund	0	0.00%
Law Library Fund	0	0.00%
Airport Fund	0	0.00%
Inland Parks Fund	0	0.00%
Island Parks Fund	0	0.00%
Trust & Agency Fund	0	0.00%
Sub-total Operating Funds	18,078,727	35.98%
Debt Service Fund	1,031,562	2.05%
Sub-total Debt Service Funds	\$1,031,562	2.05%
Capital Projects Fund	31,135,781	61.97%
Sub-total Cap Projects Funds	31,135,781	61.97%
Total	\$50,246,070	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%	Jan '08	2.48%	3.99%
Nov '06	4.74%	4.10%	Feb '08	1.97%	3.26%
Dec '06	4.67%	4.30%	Mar '08	1.62%	2.98%
Jan '07	4.88%	6.11%	Apr '08	2.05%	2.14%
Feb '07	4.85%	4.45%	May '08	2.45%	2.34%
Mar '07	4.57%	4.98%	Jun '08	2.77%	2.30%
Apr '07	4.67%	4.91%	Jul '08	2.57%	2.36%
May '07	4.77%	4.89%	Aug '08	2.42%	2.31%
Jun '07	4.98%	4.85%	Sep '08	2.08%	2.26%
Jul '07	4.82%	5.08%	Oct '08	1.61%	2.13%
Aug '07	4.31%	5.06%	Nov '08	1.21%	1.99%
Sep '07	4.01%	4.78%	Dec '08	0.82%	13.64%
Oct '07	3.97%	4.55%	Jan '09	0.81%	-0.50%
Nov '07	3.34%	4.50%	Feb '09	0.98%	0.18%
Dec '07	3.12%	4.39%	Mar '09	0.93%	1.78%

* 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	5.28%	5.31%	5.22%	3.50%
November '06	5.28%	5.31%	5.30%	3.50%
December '06	5.29%	5.32%	5.30%	3.50%
January '07	5.27%	5.30%	5.29%	3.50%
February '07	5.28%	5.31%	5.33%	3.50%
March '07	5.29%	5.32%	5.30%	3.50%
April '07	5.27%	5.30%	5.31%	3.50%
May '07	5.26%	5.27%	5.28%	3.50%
June '07	5.29%	5.32%	5.31%	3.50%
July '07	5.28%	5.31%	5.28%	3.50%
August '07	5.25%	5.30%	5.40%	3.50%
September '07	5.13%	5.20%	5.45%	3.50%
October '07	4.93%	4.97%	5.11%	3.69%
November '07	4.71%	4.76%	4.91%	3.60%
December '07	4.56%	4.76%	4.83%	3.12%
January '08	4.25%	4.41%	4.33%	2.74%
February '08	3.44%	3.48%	3.58%	2.56%
March '08	2.97%	3.12%	3.12%	1.87%
April '08	2.45%	2.70%	2.74%	1.08%
May '08	2.28%	2.51%	2.53%	0.97%
June '08	2.26%	2.49%	2.48%	1.38%
July '08	2.25%	2.48%	2.47%	1.54%
August '08	2.29%	2.45%	2.48%	1.36%
September '08	2.41%	2.56%	2.44%	1.42%
October '08	2.00%	2.10%	2.05%	1.08%
November '08	1.85%	1.84%	1.67%	0.47%
December '08	1.52%	1.59%	1.48%	0.01%
January '09	0.95%	1.21%	0.96%	0.01%
February '09	0.67%	0.99%	0.71%	0.01%
March '09	0.58%	0.77%	0.62%	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.