ANNUAL INVESTMENT REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2007

PREPARED BY
BOB INZER
CLERK OF COURTS

LEON COUNTY, FLORIDA

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for the Year Ended September 30
Leon County, Florida

EXECUTIVE SUMMARY

The County's investment Portfolio continued to perform generally, as expected. The Commission approved Investment Policy provides for a very conservatively managed portfolio. Policy controls related to portfolio duration, credit quality, liquidity and instrument selection effectively eliminates both the upside and downside surprises with respect to investment returns. The portfolio is primarily managed externally using the State Board of Administration Local Government pool (the SBA) and Voyageur Asset Management for slightly longer term investments. The balance of the portfolio is invested pursuant to our banking relationship.

Interest Rate Environment

During the summer of fiscal year 2003, the Federal Funds rates fell to 1%, a 45-year low. Interest rates remained at this level through the summer of 2004. In an effort to stem increasing inflation pressures, the Federal Reserve began increasing interest rates. On June 29, 2006 the Fed raised short-term interest rates by a 25 basis points to 5.25%. The move marked the seventeenth tightening in 2 years as part of the Fed's goal of removing the accommodative monetary policy that has been in place since June 2003 (when Fed funds were 1%). During the first half of the 2007, economic growth was moderate but there was concern that the tightening of credit conditions might intensify the housing correction and restrain economic growth. On September 18, 2007, the Fed lowered its target for the federal funds rate 50 basis points to 4.75 %.

Again on October 31, 2007, the Federal Open Market Committee lowered its target for the federal funds rate 25 basis points to 4 1/2 percent. The FOMC issued the following statement "Economic growth was solid in the third quarter, and strains in financial markets have eased somewhat on balance. However, the pace of economic expansion will likely slow in the near term, partly reflecting the intensification of the housing correction. Today's action, combined with the policy action taken in September, should help forestall some of the adverse effects on the broader economy that might otherwise arise from the disruptions in financial markets and promote moderate growth over time."

Investment Oversight Committee

The Board of County Commissioners in their Investment Policy provides for an Investment Oversight Committee to work with the Clerk of the Court in the investment of the portfolio. The Committee meets quarterly unless interim issues require a more frequent meeting. Meetings are noticed, open to the public and minutes of each meeting recorded. The membership of the Committee is:

Stan Barnes, Chairman
Marvin Garland
John Lawrence
Alan Rosenzweig
Bob Inzer

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Investment Managers

During this past year, all funds in the portfolio were externally managed and the Clerk's office did not purchase any individual security. The largest manager in the portfolio was the State of Florida, State Board of Administration. The State created a commingled investment fund for local government units. The fund is not a registered fund, and is managed to a slightly longer duration than registered money market funds (Money market funds average duration is 20-45 days. SBA weighted average duration cannot exceed 90 days). The fund has assets of approximately $27 billion and 995 local government participants. It does not have a credit quality rating by any of the nationally recognized rating agencies (Moody's Investor Services, Standard and Poor's, etc.) but is generally considered to be of high quality.

The County through an RFP selected Voyageur to manage a separately managed intermediate term fixed income portfolio. Currently, the dollars under management are approximately $63,000,000. Intermediate fixed income portfolios have durations of 1.5-1.8 years. The established benchmark for Voyageur is the Merrill Lynch 1-3 year Government Index.

The Clerk established its banking relationships pursuant to a competitive selection process. Contained in the contract was an investment option that requires the bank to invest each night all excess funds at an indexed rate. This relationship also is a time saver for staff in that each night we are not required to move money into and out of the bank in order for funds to be invested.

Portfolio Return

The portfolio earned $11,083,976 for an effective rate of return of 5.36% on an average daily balance of $206,948,822 in the fiscal year 2007. This year market interest rates increased significantly. Accordingly, the County's portfolio participated in this market interest rate adjustment and saw a significant increase with the average portfolio return for Fiscal Year 2007 increasing from 4.5% to 5.36%.

Aggregate investment earnings increased in FY2007 by $1,758,828 over FY2006. This increase was attributable to higher interest rates. The portfolio's average daily balance invested decreased from $208,707,650 to $206,948,822.

Investment Policy

During this past year, the Investment Advisory Committee did not recommend any changes to the County's Investment Policy. The portfolio has been managed within the guidelines and limitations of the Commission approved policy without exception.

The Investment Advisory Committee did adjust the asset allocation of the portfolio in recognition of the interest rate environment. Specifically, the Committee voted in May 2005 to instruct Voyageur (the County's intermediate fixed income manager) to begin shortening the average duration of the portfolio. This was accomplished by instructing them to reinvest certain maturity proceeds from Voyageur to the State Board of Administration and reinvesting other proceeds in duration neutral or shorter securities. As a result of this action the duration of the portfolio drifted in from 1.6 years in May of 2005 to 1.2 years as of September 30, 2006. This allowed the portfolio to reinvest proceeds as securities matured at higher interest rates on a more frequent basis. This contributed to Voyageur exceeding its benchmark performance measures for the 2005 and 2006 fiscal years.

At the fall Investment Advisory Committee meeting wherein the 2006 year end report was reviewed, the IOC voted to direct Voyageur to allow the portfolio to begin moving back to the benchmark duration. As of September 30, 2007, the duration of the portfolio was 1.68 and the benchmark duration was 1.63.

Section 218.415(15), Florida Statutes requires Leon County Clerk of Courts to provide an annual report to the Board of County Commissioners of the securities in the portfolio by investment type, book value, market value and income earned. This information included below in Table I is as of September 30, 2007.

Portfolio Performance

Following is a schedule of the various sub-portfolios' performance for this past year. This schedule provides information regarding the distribution of the portfolio, realized and unrealized gains or losses, and interest earnings.

Table I

Summary Table of Portfolio Performance as of September 30, 2007

Investment Type	Book Value	Market Value	Unrealized/ Gain/Loss (current year)	Realized Gain/Loss	Interest	Total Income
Voyageur Asset Mgmt	62,184,846	62,288,144	429,641	(83,072)	2,920,566	3,267,135
SBA	103,553,922	103,553,922			6,441,578	6,441,578
SBA (Landfill)	6,023,621	6,023,621			317,346	317,346
Money Market	737,812	737,812			88,006	88,006
Wachovia Cash Pool	14,280,386	14,280,386			969,911	969,911
Total Cash and Investments	186,780,887	186,883,885			10,737407	11,083,976

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Table II

Average Portfolio Balance and Return for the Year Ended September 30

	FY 2003		FY 2004		FY 2005		FY 2006		FY2007	
Investment Type	Average Daily Balance	Total Return	Average Daily Balance	Total Return	Average Daily Balance	Total Return	Average Daily Balance	Total Return	Average Daily Balance	Total Return
Voyageur Portfolio Manager Account (Fixed Income Securities)	$63,292,388	2.90%	$65,412,933	1.23%	$66,163,038	1.48%	$62,211,926	4.04%	$61,658,332	5.45%
State Board of Administration Pool	71,259,714	1.52%	62,200,255	1.42%	93,492,220	2.72%	129,126,804	4.97%	124,690,276	5.41%
Wachovia Cash Pool	24,232,873	1.48%	19,192,379	0.88%	11,101,482	2.62%	15,280,203	4.80%	18,928,028	5.32%
Portfolio Manager Cash Account (1)	548,884	0. 52%	494,022	0.10%	820,368	1.41%	2,088,717	4.55%	1,672,186	5.28%
Bank of New York Repurchase Agreement	5,133,304	7.21%	5,133,304	7.21%						
Totals	$164,467,163	2.506%	$152,432,893	1.933%	$171,577,108	2.6%	$208,707,650	4.5%	$206,948,822	5.36%

Note (1) The income for this account is included in the Total Return reported by Voyageur above.

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I. INVESTMENT POLICY

Section 218.415, Florida Statutes provides units of local government the ability to adopt a written investment plan to govern the investment of their investment portfolio. The Leon County Board of County Commissioners on September 17, 2002 adopted an investment policy. It provides for among other things, an annual report to be presented to the Board of County Commissions. The Florida Constitution provides that the Clerk of the Court will be responsible for the investment of County funds and this report is being submitted by the Clerk as provided by the Board's Investment Policy. All investment activity is conducted in accordance with written procedures and internal controls.

II. INVESTMENT OVERSIGHT COMMITTEE

The Investment Oversight Committee (IOC) was established by the Leon County Clerk of Courts (Clerk) to formulate investment strategies, provide short-range direction and monitor the performance and structure of the County's portfolio. The IOC consists of the Clerk, the Director of OMB and three qualified individuals with financial or investment expertise who are independent of employment and business relationships with Leon County. They are Stan Barnes, Managing Partner, Allen Mooney & Barnes Investment Advisors, LLC, Marvin M. Garland, COO for FCUL Service Group and CFO of the Florida Credit Union League & Affiliates, and Mr. John Lawrence, PhD, retired Public Administrator.

III. ACTIVITIES OF THE INVESTMENT OVERSIGHT COMMITTEE

The Investment Oversight Committee (IOC) scheduled periodic meetings to discuss issues relating to the investments of the County.

During this past year, the Investment Advisory Committee did not recommend any changes in the County's Investment Policy. The portfolio has been managed within the guidelines and limitations of the Commission approved policy without exception.

Previously, the Investment Advisory Committee adjusted the asset allocation of the portfolio in recognition of the interest rate environment. Specifically, the Committee voted in May 2005 to instruct Voyageur (the County's intermediate fixed income manager) to begin shortening the average duration of the portfolio. This was accomplished by instructing them to reinvest certain maturity proceeds from Voyageur to the State Board of Administration and reinvesting other proceeds in duration neutral or shorter securities. As a result of this action the duration of the portfolio drifted in from 1.6 years in May of 2005 to 1.2 years as of September 30, 2006. This allowed the portfolio to reinvest proceeds as securities matured at higher interest rates on a more frequent basis. This contributed to Voyageur exceeding its benchmark performance measures for 2005 and 2006.

At the fall Investment Advisory Committee meeting wherein the 2006 year end report was reviewed, the IOC voted to direct Voyageur to allow the portfolio to begin moving back to the benchmark duration.

During the March 26, 2007, meeting the Committee reviewed Voyageur's performance over the past 5 years and noted that Voyageur had outperformed the performance criteria in every period except the 3rd quarter of 2006. Accordingly, the Committee voted to recommend to the Board of County Commissioners move forward negotiating the extension of the contract with Voyageur for a period of 3 years with the option for two one year renewals.

IV. INVESTMENT OBJECTIVES

The Policy describes three specific objectives to be applied in managing the County's investments. The primary objective is **safety** of the County's funds. Safe investments are those that ensure minimum credit risk, the risk that the principal will not be repaid. Safe investments are also those that carry minimum market risk, the risk that the principal value will not decrease over the life of the investment. This objective also considers methods to **control risks and diversify** the portfolio by security types, maturities and financial institutions.

The second objective is the provision of sufficient **liquidity**. The County's funds are invested so that the County can meet its expenditures of operating, payroll, and capital needs when they become due. Liquidity is also the ability to sell an investment when necessary, with minimal delay and minimal loss of principal. The portfolio's investments are held to maturity, when possible, to avoid selling the investment prior to maturity and risking a capital loss.

Maximizing yield on the portfolio is the County's third investment objective. This objective is only sought after the County has met its first two investment objectives.

V. PORTFOLIO PERFORMANCE

The portfolio earned $11,083,976 for an effective rate of return of 5.36% on an average daily balance of $206,948,822 in the fiscal year 2007. Acceptable portfolio performance is the result of balancing the rewards of investing, or the income earned, with the risks associated with those investments. Factors influencing the portfolio's performance are the types of permitted investments and allowable maturities, liquidity requirements, overall interest rate environment, cash flows, and the investment manager's performance.

For comparison, the portfolio earned $9,452,388 for an effective rate of return of 4.5 % on an average daily balance of $208,707,650 in fiscal year 2006. The effective rate of return for fiscal year 2007 is higher than that for fiscal year 2006 because the targeted Federal funds rate was higher in fiscal year 2007 than that for fiscal year 2006.

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<u>The Following is an Overall Market and Portfolio Specific Commentary Provided by the County's Investment Advisor Voyageur Asset Management, Inc.</u>

Leon County's investment portfolio underperformed its comparative benchmark, the Merrill Lynch 1-3 Year Government Index, for the fiscal year ending September 30, 2007. The portfolio produced a total return, net of fees, of 5.45% compared to the Index return of 5.77%, which includes no fee charges. This year's underperformance follows two strong years in which the portfolio outperformed its comparative benchmark by 22 and 40 basis points, net of fees, respectively. On an annualized 3-year rolling return basis, the portfolio has outperformed the Index by 10 basis points, net of fees, returning 3.64%.

The overwhelming driver of performance during the previous year was the liquidity crisis that seized the markets during the final quarter of the fiscal year. Concern about the credit quality of subprime mortgages first impacted the financial markets in February. In subsequent months, those markets recovered as the credit problems seemed limited to the asset-backed security (ABS) market. Early in August, however, subprime lending reappeared as investors grew anxious about the exposure of asset-backed commercial paper (ABCP) conduits to these lower quality mortgages. The concerns of the ABCP market then spread to the banking sector as some of the largest global liquidity providers to ABCP conduits are banks.

During the liquidity crisis, a flight-to-quality developed as investors demanded Treasury securities and shunned all other fixed income sectors. The benchmark, which is entirely composed of Treasury/Agency securities, saw strong performance due to investor demand for only government-guaranteed securities. Due to our style of owning non-Treasury holdings for the long-term income advantage, the portfolio's returns compared to the benchmark came under pressure during the final quarter of the fiscal year. Despite holding a portfolio of high quality securities, bids for anything other than Treasuries weakened and all non-Treasury securities lagged the price returns of the Treasury sector. In fact, despite weak performance in the final quarter of the fiscal year, the portfolio was ahead of its benchmark over the first three quarters of the fiscal year by 24 basis points, net of fees.

Leon County's portfolio holdings are high quality and broadly diversified. Our conservative posture in the structured product sectors finally proved helpful during this period of uncertainty and over time as the market stabilizes and investors begin to feel comfortable with risk again, demand should return for the high quality spread sector assets currently held. In fact, some semblance of normalcy has already begun to develop as spreads for certain high quality securities have already started to narrow. Over time, the portfolio's strong levels of income, as evidenced by its significant option adjusted spread and nominal yield advantage, should eventually offset some of the recent underperformance. We also expect to see some narrowing of credit spreads, over time, as investors move back into medium grade spread product.

The impact that the near-term performance of the financial markets and the attendant liquidity crisis had on the economy is very hard to forecast. The economy entered the second half of 2007 with substantial forward momentum, which does not seem to have been materially marred by the recent liquidity crisis. It does appear that the Fed's reasonably prompt, accommodative stance was enough to improve credit market operations and thus continues to support a view of a moderate economic expansion looking into the future. No doubt growth will most likely be slower than second quarter GDP of 3.8%, but we expect that future growth will not approach recessionary levels.

Going forward, we expect economic growth to be similar to that experienced prior to the credit squeeze of 2.0 to 2.5% with inflation within the Fed's targeted range of 1- 2%. This gives the Fed wide latitude to cut interest rates based on upcoming trends in growth. However, it should be kept in mind that significant interest rate cuts by the Fed could lead us back again to the place that caused the current issues.

Fixed income market conditions have improved dramatically since the liquidity crisis of early August. Markets are closer to functioning like they did during the early part of this year. While we do not expect liquidity for risk assets to return to pre-crisis levels, we believe the recent stability will continue for the remainder of the year and spreads will grind tighter. While expecting continued market stability, we also believe that some degree of caution is still warranted. We think that the leverage that existed in the system and was the real culprit behind the market seizure has not been reduced materially.

Recently, as market stability has returned, we have begun looking more aggressively for opportunities across collateral structures, especially given the significant widening of all securities in this universe. This widening occurred across all mortgage sub sectors, regardless of underlying credit metrics or collateral performance. Attractive opportunities currently exist to selectively add additional income to portfolios based on strong research of the underlying collateral. We will continue to opportunistically add well-researched issues to the portfolio that provide wider compensation levels than is justified based on transaction specifics.

We remain committed to our income strategy of owning high quality, non-Treasury securities for their income advantage, while broadly diversifying holdings by issuer and sector. Systemic risks modestly impacted this strategy during the past year, despite owning assets with good credit and structural metrics. Eventually, good quality assets, like those owned in the Portfolio will be recognized for the superior value that they represent.

VI. PERMITTED INVESTMENTS AND ALLOWABLE MATURITIES

Table 1 summarizes the permitted investments, composition limits and maximum allowable maturities. The County's available funds are invested according to Leon County Investment Policy Section XIV, which authorizes the County to invest in specific permitted investment types. The permitted investments are restricted by the Policy in their composition limits and maximum allowable maturities. The portfolio was in compliance with all policy limits. The Policy permits maturities of the operating portfolio establishing a range of 60 days to 10 years. The actual portfolio will have a range of 60 days to 2.5 years, with an average duration of 1.5 years. Table 1 gives a brief description of each investment type. It is generally regarded that the following investment types are safe investments and meet the Policy's first objective: safety.

Table 1 – Permitted Investments

Investment Type	Composition Limit	Maximum Maturity
SBA	NONE	NA
Treasuries	100%	Ten Years
Agencies	45%, 15% any one issuer	Five Years
Instrumentalities	45%, 15% any one issuer	Ten Years
CDs & Savings Accounts	20%, 10% any one issuer	One Year
Repurchase Agreements	15%, 5% any one issuer	60 Days
Bankers' Acceptances	15%, 5% any one issuer	270 Days
Commercial Paper	20%, 5% any one issuer	270 Days, avg. 90 days
Municipal Obligations	10%	Three Years
Money Markets	25%	NA
FLGIT and/or FMIT	15% combined	NA
SPIA	18%	NA

A. Florida Local Government Surplus Funds Trust Fund Investment Pool (SBA)

The SBA is administered and invested by the Florida State Board of Administration for the purpose of pooling investment funds of local governments in an investment portfolio of money market instruments that provide liquidity while preserving capital. As of October 1, 1997, the SBA had converted to a "2a-7 like" investment pool (SEC Rule 2a-7 of the Investment Company Act of 1940). Some of the pertinent investment constraints of a "2a-7 like" pool include weighted average maturities limited to 90 days, maximum maturities for government securities limited to 762 days, money market instruments limited to 397 days, and top tier credit ratings. At September 30, 2006, the SBA was invested in Commercial Paper at 38 percent and Medium Term and Floating Variable Rate instruments at 49 percent. The remaining portion of the portfolio was invested in US Treasuries and Federal Agency obligations. At September 30, 2007 the allocation of assets is listed in Table 2 below. This investment pool is subject to some market risk. However, since it operates as a "2a-7 like" pool, interest rate risk (the risk that interest rate fluctuations might impair the portfolio's profitability or viability) is minimal. The average yield for SBA for the year ended September 30, 2006 was 4.97% and for September 30, 2007 was 5.41%.

Table 2 - SBA Security Distribution at Investment Type	September 30, 2007
US Agency Variable Rate Callable	.02%
Certificate of Deposit Variable Rate Extendable	.70%
Certificate of Deposit Variable Rate	7.28%
Commercial Paper-Discounted	29.45%
Liquidity Notes - Discounted	6.41%
Corporate Variable Rate Extendable	17.35%
Corporate Variable Rate	16.11%
Commercial Paper Floating Rate	2.39%
Commercial Paper Variable	14.23%
Bank Note Variable Rate	0.18%
Liquidity Notes Variable Rate	4.98%

B. U.S. Treasury Securities (Treasuries)

The securities comprising Treasuries are direct obligations of the U.S. Government. The securities are designated by maturity. Treasury Bills have maturities of one year or less, Treasury Notes have maturities of two to ten years, and Treasury Bonds have maturities of more than ten years. The longer maturities share some market risk in that their prices may be more volatile due to interest rate fluctuations. Treasury yields are typically lower than yields of other U.S. Government securities. The investment policy allows the County to invest up to 100% of the portfolio in these investments.

C. Federal Agency Securities (Agencies)

Agencies are securities issued by agencies of, and are guaranteed directly by, the U.S. Government. The Policy limits Agency investments to direct obligations or guaranteed certificates of the Export-Import Bank, certificates of beneficial ownership of the Farmers Home Administration, discount notes of the Federal

Financing Bank, Federal Housing Administration debentures, General Services Administration participation certificates, Maritime Administration guaranteed Title XI financing, guaranteed Public Housing notes and bonds, and HUD project notes and local authority bonds. Agencies are typically longer term and not frequently traded, creating some liquidity risk. Agency yields are generally greater than Treasury yields of similar maturities. A maximum of 20% of the portfolio may be invested in agencies.

D. Federal Agency Securities (Instrumentalities)

Instrumentalities are also securities issued by agencies, which are sponsored by the U.S. Government. The Policy allows purchases of bonds, notes or debentures of the issuing agencies including Federal Farm Credit Banks, Federal Home Loan Bank or its district banks, Federal National Mortgage Corporation, and the Student Loan Marketing Association. Instrumentalities vary in maturities. Yields on Instrumentalities are typically greater than Treasury yields of similar maturities. The Policy further restricts investments in any one agency to 15% of the portfolio and an aggregate of 45% of the portfolio.

E. Certificates of Deposit and Savings Accounts (CD's/Savings)

The Comptroller may invest in nonnegotiable, interest bearing certificates of deposit and savings accounts in state or national banks located in Florida, and having their deposits secured by Chapter 280, Florida Statutes, known as the Florida Security for Public Deposits Act. The Policy provides that the issuing bank may not be listed with any nationally known credit watch organization. There is some liquidity risk in that this investment type is subject to penalties for early withdrawal. The Policy further restricts investments in any one bank to 10% of the portfolio with an aggregate limit of 20%.

F. Repurchase Agreements (Repos)

A repurchase agreement is a financial transaction in which Leon County exchanges cash for ownership of specific securities with a simultaneous agreement to sell back the securities. Overnight repos mature in one day. Other repos are written to mature in specific multi-day periods and are known as term repurchase agreements. Other repos are written as open transactions with indefinite terms subject to liquidation by either party. Yields tend to run close to the federal funds rate. The Policy calls for the specific securities to be only those Treasuries or Instrumentalities allowed by the Policy with maturities. The collateral held pursuant to a repurchase agreement shall have a maturity under five years and having a market value of 102% during the term. Leon County will enter into a repo transaction only with qualified financial institutions, which have executed a Master Repurchase Agreement with the Comptroller's Office. The Policy further restricts transactions with any one financial institution to 5% of the portfolio, except for one-business day repos, with a maximum of 15%.

G. Bankers' Acceptances (BAs)

Bankers' Acceptances are generally bearer form securities comprised of underlying letters of credit used to finance international trade. A BA is created from a letter of credit issued by an importer's bank to pay a foreign exporter for goods expected to be received. The exporter will normally present this letter of credit to its bank for a discounted payment. The exporter's bank then presents the letter of credit to an U.S. correspondent bank for payment at which time it is marked "Accepted". Upon acceptance, the BA becomes an irrevocable and unconditional obligation of the accepting bank and it is also an obligation of the importer and any endorser thereof. BAs typically have maturities of 180 days or less. Yields are generally greater than Treasuries and Instrumentalities of similar maturity. The Policy requires BAs to be inventory-based, issued by a domestic bank, rated Prime-1 and A by Moody's Investors Service and A-1 and A by Standard & Poor's, and ranked in the top fifty U.S. banks by the American Banker's yearly report. The Policy further restricts the investment with any one financial institution to 5% of the portfolio and an aggregate of 15% of the portfolio.

H. Commercial Paper (CP)

Commercial paper is unsecured short-term debt issued primarily by corporations to finance receivables and other short-term needs. CP has a maximum maturity of 270 days or less. Yields are typically greater than Treasuries and Instrumentalities of similar maturity. The Policy requires the issuer to be rated Prime-1 by Moody's Investor's Service and A-1 by Standard & Poor's, and, if backed by a letter of credit, the credit provider must be ranked in the top fifty U.S. banks by the American Banker's yearly report. The Policy further restricts the investment with any one financial institution to 5% of the portfolio and an aggregate of 20% of the portfolio.

I. Municipal Obligations (Munis)

For situations necessary to comply with arbitrage regulations, the Clerk may invest in taxable and tax-exempt debt and general obligation and revenue bonds issued by states and local governments. Long-term debt must be rated at least AAAm or AAAg.

J. Fixed Income Money Market Mutual Funds (Money Markets)

Money markets are pools of securities providing income and liquidity. The Policy enables the Comptroller to invest in SEC qualified fixed income money markets with underlying investments only in Treasuries, Instrumentalities, Repos, Munis, CP and BAs. The average maturity of the underlying investments may not exceed one year. A maximum of 25% of the portfolio may be invested in money markets, but when combined with the SBA may not exceed 50% of the portfolio. The Policy further restricts the investment with any one fund to 3% of the portfolio.

K. The Florida Local Government Investment Trust Government Fund (FLGIT) or the First Municipal Investment Trust (FMIT).

The FLGIT is a local government investment pool created by the Florida Association of Court Clerks and Comptroller, and the Florida Association of County's for the purpose of providing public entities with an investment program that focuses on longer term securities with the highest credit ratings. The effective maturity of the underlying investments is five years or less. At year end, the FLGIT was invested in money markets, Treasury Notes, asset-backed securities, and Federal agency obligations. This investment type is subject to some market risk due to fluctuating prices and liquidity risk due to advance redemption notification requirements. However, it has a professional investment advisor and an investment advisory board, and provides diversity in the Fund's portfolio. The FLGIT maintains a credit rating of AAA by Standard & Poor's. The FMIT is a similar investment pool operated by the Florida League of Cities. Its rating, investment parameters and liquidity generally mirror those of the FLGIT.

L. Special Purpose Investment Trust (SPIA)

Effective July 1, 2004, Section 17.61(1), Florida Statutes was amended to permit organizations created by the Florida Constitution to participate in the existing State Treasury Investment Pool "Special Purpose Investment Account (SPIA)." Historically, SPIA participants have received higher earnings reflecting the higher risk associated with the longer maturities and lower credit quality. The Board of County Commissioners approved revisions to the County's Investment Policy effective January 11, 2005, to permit up to 15% of the County portfolio to be invested with the Treasury Special Purpose Investment Account (SPIA). The financial details and disclosures for the Treasury Investment Pool are made in Note 2 to the State of Florida Comprehensive Annual Financial Report (CAFR).

VII. LIQUIDITY REQUIREMENTS

The second objective in managing the County's investments is the provision of sufficient liquidity. On a regular basis, the County's receipts and disbursements are analyzed to determine trends in cash inflow and outflow. Cash inflows are invested immediately upon receipt and become part of the portfolio. The portfolio provides cash for weekly payment of operating and capital expenditures, biweekly payment of payroll expenditures, and semiannual debt service payments. Debt service payments are funded through sinking funds held by the County.

VIII. INVESTMENT OPERATIONS

Investing activities are conducted by the investment advisor and qualified professionals in the Clerk's Office in accordance with Florida Statutes, County Ordinances, and written policies and procedures. Monthly reports of investment activity and positions are prepared and distributed to management of the Clerk's Office, management of the BCC and the Investment Oversight Committee. Regular meetings of the IOC are held to monitor the portfolio, evaluate investment performance and discuss investment strategies.

The investment advisor and Clerk staff use sophisticated techniques in carrying out its investment activities including the use of electronic bank and trust account systems; electronic funds transfer; on-line, real-time monitoring of U.S. securities markets; and electronic trading. Bank account balances, cash requirements, investment positions and trust account activity are determined daily. Current conditions and evaluations of national economic activity are considered in making asset allocation decisions.

A. Portfolio Balances

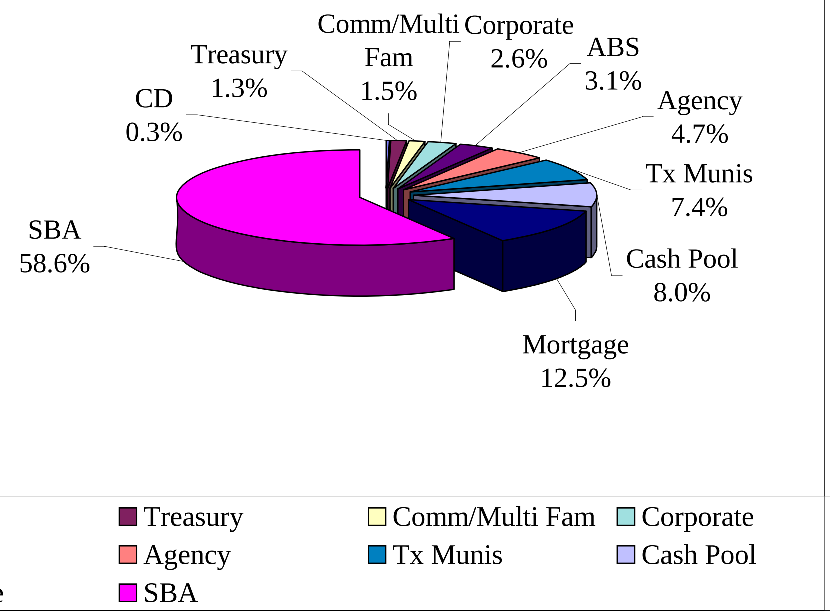
The portfolio's ending balance for fiscal year 2007 was $186,883,885 while the ending balance for fiscal year 2006 was $188,999,580, a decrease of $2,115,695. The decrease in year-end balances from fiscal year 2006 to 2007 is attributable to several factors including increased expenditures for capital outlay projects.

B. Portfolio Composition

As of September 30, 2007, the portfolio was fully invested in permitted investments within allowable composition limits. The portfolio was managed in compliance with the Policy which requires the portfolio to be diversified by investment type.

This year Voyageur invested in a certificate of deposit for half a million or 0.35% of the portfolio. The portfolio also included Treasuries totaling $2.4 million or 1.4% of the portfolio. Commercial and Multifamily mortgages were in the amount of $ 2.7 million or 1.6%. Corporate investments included $4.8 million or 2.8%. Voyageur invested in asset backed securities totaling $5.7 million or 3.3%. The investment in Agencies totaled $8.87 million and this represents 5.1% of the portfolio. Investments in Taxable Munis totaled $13.8 million or 8%. Mortgage backed obligations were in the amount of $23.4 million or 13.5% of the portfolio. The remaining funds included $109.5 million invested in SBA representing 63.5%, and cash pools totaling 15 million or 8%.

Table 3
September 30, 2007 Portfolio Composition



C. Portfolio Maturities-

Table 4 – Average Term by Investment Type		
Investment Type	FY 2007	FY 2006
Agencies	949 days	234 days
Treasuries	1818 days	544 days
Mortgages	1230 days	796 days
Cml/Multi	748 days	821 days
Corporates	412 days	212 days
ABS	694 days	62 days
Taxable Munis	489 days	540 days
CD	624 days	
SBA	34 days	32 days

Portfolio management was also accomplished in compliance with the Policy that requires ensuring sufficient liquidity as well as diversity in maturities. The County's contributions to the SBA pool may be returned the same business day for requests made prior to 11 AM and the following business day for requests made after 11 AM. Shown in Table 3 are the average terms of each investment type acquired in fiscal years 2007 and 2006. Average term is the average number of days from purchase to maturity of the investment. Average terms greater than one year represent investments of non-current funds, including the non-current operating portfolio, and investments of bond proceeds and debt service reserve funds. The Voyageur managed portfolio was invested for a weighted average term of 899 days in fiscal year 2007, as compared with a weighted average term of 510 days in fiscal year 2006.

D. Earnings and Yields

The dollar amount of earnings is used in historical and budgetary comparisons, and in cashflow analysis. The portfolio earned $11,083,976 on its invested principal in fiscal year 2007. For comparison, the portfolio earned $9,452,388 on its invested principal in fiscal year 2006. Actual earnings exceeded budget in fiscal year 2006 by $7,383,468 and in fiscal year 2007 by $7,337,239 as shown in the following Table 5.

Table 5 - Budget and Actual Income

	FY 2007	FY 2006
Actual	$11,083,976	$9,452,388
Budget	3,746,737	2,068,920
Variance	$7,337,239	$7,383,468

IX. CONCLUSION

In conclusion, the results outlined in the Annual Investment Report are as follows:

- The investment portfolio is in full compliance with the Investment Policy.
- Overall portfolio risk has been reduced through improved asset quality.
- Total portfolio return was above that of last fiscal year due to rising interest rates.

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The Investment Oversight Committee made recommendations to:

- At the fall Investment Advisory Committee meeting wherein the 2006 year end report was reviewed, the IOC voted to direct Voyageur to allow the portfolio to begin moving back to the benchmark duration.
- During the March 26, 2007, meeting the Committee recommended that the Board of County Commissioners renew the contract based on Voyageur's performance over the past 5 years.

Presented by:

______________________________	______________________________
Stan Barnes, Chairman	Bob Inzer, Clerk of the Circuit Courts
Investment Oversight Committee	Leon County, Florida