ANNUAL INVESTMENT REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2008

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 earned $7,427,338 for an effective rate of return of 3.32% on an average daily balance of $224,028,095 in the fiscal year 2008. This year market interest rates decreased significantly. Accordingly, the County's portfolio participated in this market interest rate adjustment and saw a significant decrease with the average portfolio return for Fiscal Year 2008 decreasing from 5.36% to 3.32%.

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, 2008.

Table I

Investment Type	Book Value	Market Value	Unrealized/ Gain/Loss (current year)	Realized Gain/Loss	Interest	Total Income
Voyageur Asset Mgmt	64,911,085	64,096,822	(917,561)	195,804	3,107,458	2,385,701
Fl Municipal Investment Trust	10,000,000	9,939,999			-60,001	-60,001
Fl Local Govt Investment Trust	10,000,000	9,962,433			-37,567	-37,567
Treasury SPIA	0.00	0.00			386,401	386,401
FL Local Govt Inv Pool (SBA)	0.00	0.00			469,157	469,157
Money Market-US Govt	80,613,915	80,613,915			989,634	989,634
Money Market-Treasuries	0.00	0.00			270,158	270,158
CDs	20,000,000	20,000,000			1,512,697	1,512,697
Wachovia Cash	16,160,158	16,160,158			1,480,510	1,480,510
Portfolio Cash	1,813,376	1,813,376			30,648	30,648
Total Cash and Investments	203,498,534	202,586,703			8,149,095	7,427,338

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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 more frequent meetings. Meetings are noticed; open to the public and minutes of each meeting recorded. The IOC consists of the Clerk, the Assistant County Administrator 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.

Early in this fiscal year, on October 31, 2007, the SBA reported 3.4% of its assets had been downgraded below purchase guidelines. On November 9, 2007 the IOC voted to withdraw all County funds from the SBA due to concerns about the quality of the assets in the pool and a lack of clear communications from the SBA. The County received 100% of the principal of its investment, which amounted to approximately $90 million. At a special follow up meeting on December 12, 2007, upon reviewing the available information, the Committee voted to allocate assets formerly invested with SBA in CDs, money market mutual funds, and government investment pools.

As a result of the deteriorating market conditions throughout the past year, the Investment Oversight Committee recommended a complete review and update of County's Investment Policy. The portfolio has been managed within these guidelines and limitations of the Investment Oversight Committee recommendations and the Commission approved policy without exception.

Economy

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. The Fed lowered the target rate for overnight lending between banks to 2 percent from 5.25 percent through seven reductions that began in September 2007. The Fed paused this aggressive interest rate-cutting campaign in April 2008, to shield the economy from a collapsing housing market. The Fed resumed the reductions in October by reducing the rate half a percent on October 8 and another half percent on October 29 to a rate of 1 percent. It is anticipated that further cuts may be necessary, as policy makers try to avert a protracted economic recession. It is the lowest the federal funds rate has been since 2003, where it remained for a year. Before 2003, the federal funds rate had not been as low as 1 percent since 1958.

"Recent policy action, including today's rate reduction, coordinated interest rate cuts by central banks, extraordinary liquidity measures, and official steps to strengthen financial systems, should help over time improve credit conditions and promote a return to moderate economic growth," the Fed said in a statement released on October 29, 2008.

Investment Managers

The investment portfolio end of month balances ranged from $176 million to $252 million during the year, with higher balances during the winter as taxes are received from the Leon County Tax Collector. In November, the Clerk removed all investments from SBA which comprised about 60% of the portfolio. Initially, this cash was placed in CDs and money market funds. Later in the year, some of the money market assets were reallocated among the following government pools: Florida Treasury Special Purpose Investment Account, Florida Local Government Investment Trust (FLGIT) and the Florida Municipal Investment Trust (FMIvT). The external manager, Voyageur Asset Management, invested 30% of the portfolio in slightly longer term investments. The balance of the portfolio was invested pursuant to our banking relationship.

The County through an RFP selected Voyageur to manage a separately managed intermediate term fixed income portfolio. Currently, the dollars under management are approximately $65,000,000. 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 the target federal funds rates less 5 basis points. 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.

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Table II

	FY 2004		FY 2005		FY 2006		FY2007		FY2008	
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	$65,412,933	1.23%	$66,163,038	1.48%	$62,211,926	4.04%	$61,658,332	5.45%	$65,036,872	3.58%
Florida Municipal Investment Trust									7,193,805	3.85%
Florida Local Gov Investment Trust									2,459,689	-1.10%
Florida Treasury SPIA									11,326,933	3.44%
State Board of Administration Pool	62,200,255	1.42%	93,492,220	2.72%	129,126,804	4.97%	124,690,276	5.41%	10,323,105	4.55%
Money Market- US Govt									42,899,867	2.31%
Money Market- Treasuries									8,764,604	2.69%
CDs									33,685,448	4.22%
Wachovia Cash Pool	19,192,379	0.88%	11,101,482	2.62%	15,280,203	4.80%	18,928,028	5.32%	42,020,212	3.55%
Portfolio Manager Cash(1)	494,022	0.10%	820,368	1.41%	2,088,717	4.55%	1,672,186	5.28%	317,569	3.27%
Bank of New York Repurchase Agreement	5,133,304	7.21%								
Total Daily Average	$152,432,893		$171,577,108		$208,707,650		$206,948,822		$224,028,104.00	
Rate of Return (Table I Income/ ave. daily bal.)		1.93%		2.6%		4.5%		5.36%		3.32%

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 Commissioners. On September 2, 2008 the Board adopted revisions to the Policy based on changes recommended by the Clerk following the Investment Committee's annual review. The major revisions were as follows:

- Shifted the focus of maintaining a core level of assets with Local Government Surplus Funds Trust Fund (SBA) to smaller allocations among several government operated pools.
- Changed the expected life at time of purchase of 10 years to a maximum of expected final maturity at the time of purchase to 6 years, and various other changes to the limits on security issues, issuers, and maturities.
- Specified guidelines for instances where holdings may drop below the minimum credit ratings specified in the policy.
- Reorganized and streamlined the Policy by removing repetitive language from various sections and combining into one section. For example, Authorized Instruments and Portfolio Composition were combined as Permissible Investments and two sections on Internal Control were combined as one section, and Investment Maturity and Liquidity was combined with Risk Diversification.

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 Assistant County Administrator 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.

Early in this fiscal year, on October 31, 2007 the SBA reported 3.4% of its assets had been downgraded below purchase guidelines. On November 9, 2007 the IOC voted to withdraw all County funds from the SBA due to concerns about the quality of the assets in the pool and a lack of clear communications from the SBA. The County received 100% of the principal of its investment, which amounted to approximately $90 million. At a special follow up meeting on December 12, 2007, upon reviewing the available information, the Committee voted to allocate assets formerly invested with SBA in CDs, money market mutual funds, government investment pools, and in the external investment manager portfolio.

At the January 28, 2008 meeting the Investment Oversight Committee noted that the Investment Policy was based on a core investment in SBA. The IOC recommended a complete update of County's Investment Policy due to the decision to reallocate County funds in other investments as well as to provide the flexibility to manage the portfolio in the volatile market environment. The portfolio has been managed within the guidelines and limitations of the Investment Oversight Committee recommendations and Commission approved policy without exception.

The IOC will establish portfolio benchmarks in order to judge the performance of the portfolio with respect to the market and other portfolios of similar size and limitations. The established benchmark for the external manager, Voyageur, is the Merrill Lynch 1-3 year Government Index and is composed of 100% Treasury and Agency securities. In response to the Chairman's request, during the July 2008 meeting Voyageur introduced a benchmark for the IOC that was tailored similar to the portfolio current style of investment. This additional benchmark was added to the monthly reports as of June 2008.

IV. INVESTMENT OBJECTIVES

The Policy states that the primary objectives of all investment activities for the County should be safety of principal, maintenance of adequate liquidity and finally, return maximization.

Safety of principal is the foremost investment objective. Investment transactions should seek to keep capital losses to a minimum, whether the result of security defaults or erosion of market value. This is best insured by establishing minimum acceptable credit ratings, limiting the portfolio's overall duration, setting maximum exposures by sector, defining appropriate levels of diversification and authorized transactions and limiting exceptions.

The second objective is the provision of sufficient **liquidity**. A portion of the County's overall portfolio should be maintained very liquid in order to meet operating, payroll and ongoing capital requirements. Maintaining a core level of assets with the government pools such as the Treasury Special Purpose Investment Account (SPIA) or other short-term entities is viewed as the best way of maintaining secure asset values with sound investment practices. The remainder of the overall portfolio should be managed in such a manner that funds can be liquidated in a reasonable amount of time, recognizing that there are other sources for day-to-day liquidity and that this portfolio is primarily available for income generation within the constraints of this policy.

Maximizing yield on the portfolio is of least importance compared to the safety and liquidity objectives above. Return maximization is to be guided by the predefined and acceptable levels of risk as defined in this policy.

V. PORTFOLIO PERFORMANCE

The portfolio earned $7,427,338 for an effective rate of return of 3.32% on an average daily balance of $224,028,095 in the fiscal year 2008. 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 $11,083,976 for an effective rate of return of 5.36 % on an average daily balance of $206,948,822 in fiscal year 2008. The effective rate of return for fiscal year 2008 is lower than that for fiscal year 2007 because the targeted Federal funds rate was lower in fiscal year 2008 than that for fiscal year 2007.
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The Following is an Overall Market and Portfolio Specific Commentary Provided by the County's Investment Advisor Voyageur Asset Management, Inc.

Leon County's external investment portfolio underperformed its comparative benchmark, the Merrill Lynch 1-3 Year Government Index, for the fiscal year ending September 30, 2008. The portfolio produced a total return, net of fees, of 1.70% compared to the Index return of 3.57%, which includes no fee charges. This year's underperformance is predominantly the result of reduced liquidity in a number of high quality sectors held in the portfolio.

The investment philosophy utilized in the Leon County portfolio is based on a belief that a portfolio's earned income advantage will dominate market price changes as the major source of alpha over broad periods of time. However, Voyageur also fully understands that over shorter investment horizons such as the past year, market prices can and have become a key driver of performance.

Based on our investment philosophy, Voyageur has strategically invested the County's portfolio in a diversified manner, but away from non-government guaranteed sectors such as Treasury, Agencies and Agency MBS, which in many cases are outside of the comparable benchmark. Our heavy emphasis of non-government guaranteed sectors is combined with strong portfolio risk controls (diversification across sectors, issuers and issues as well as minimal duration deviations versus the benchmark) and a disciplined underwriting process carried out by our experienced team of professionals.

Over the past year, the County's portfolio has been invested in high quality, income-generating sectors of the market, which have historically rewarded investors over the long-term. However during the past year these spread sectors of the fixed income markets have experienced significant price dislocation through a lack of market sponsorship and the attendant liquidity that comes from active two-way trading. Both underwriting and trading desks at major Wall Street firms have been decimated as nearly 200 thousand employees have been laid off, many of them obviously from the structured product side. In addition to a lack of manpower, nearly all firms have been under capital constraints forcing them to allocate capital away from the trading function.

A flight to government guaranteed quality over the past year, particularly in the Treasury and agency sectors, vaulted the return of the County's benchmark as 100% of the benchmark is allocated to these sectors. Voyageur's allocation to government guaranteed sectors generally approximated 20% or less of the portfolio during this time. This broad underweight to government quality securities in the portfolio, despite being consistent with our investment philosophy, contributed significantly to the portfolio's underperformance of the past year.

Voyageur was supremely concerned during the first quarter of 2007 about the narrow income compensation (spreads) in the corporate credit market and held a modest 18% allocation to this sector for its income advantage. Voyageur also held an approximate 16% allocation to taxable municipals as a defensive substitute of holding corporate credit. These credit decisions over the past year have generally been positive performance contributors. One exception, which detracted from the general positive performance in the credit portion of the portfolio, was our allocation to regulated banks. While this segment of corporate credit historically has tended to offer one of the best relative risk-adjusted returns over the long term, it clearly has been under a substantial amount of duress during this credit cycle.

Consistent with past history and our own research, Voyageur reallocated the portfolio's underweighting of the government-guaranteed sector to high quality sectors within the structured product market (MBS, ABS and CMBS). Typically, an emphasis on prime secured financing structures has proven to enhance relative returns during downturns in economic activity. History shows that during the economic slowdown of 1997-98 and again in 2001-02 that high quality securitized assets performed far better than corporate credit. Little did we expect that the fallout from the sub-prime crisis would decimate the entire structured products market (residential/commercial mortgage and asset-backed transactions) in the way that it has currently. This, along with strained capital levels, has led many structured products trading desks to be dissolved, severely impacting the liquidity in these sectors and placing significant pressure on valuations of even the most generic securities in these markets. Particularly hard hit has been the portfolio's allocation to high quality, non-agency mortgage-backed securities and hybrid ARMS (adjustable-rate mortgages) as well as the modest allocation, completely orphaned by the trading community, to home equity asset-backed securities (ABS).

The County has held over the past year approximately 4% of the portfolio in floating-rate home equity and second lien ABS. The prices of these ABS transactions have performed particularly poorly due to a combination of non-existent market liquidity and downgrades to most of the monoline insurance companies that provided additional insurance to these deals. Some of these insurance providers have now been downgraded to junk levels, taking the ratings of the wrapped securities with them. Despite the extreme uncertainty of the value of the monoline insurance related to these transactions, the ABS holdings in the portfolio continue to pay principal at par. The market prices of these securities, by which performance is measured, continue to remain substantially below our assessment of their stressed intrinsic values. Simply put, current market values do not reflect the real economic value expected to be attained from holding these securities.

The portfolio's modest allocations to both the Treasury, government-guaranteed and agency mortgage-backed securities provided positive return contributions from a security selection standpoint, but this was basically all offset by sector allocation. In essence, there was only minimal return attribution from these sectors.

Despite having invested in high quality structured product markets that have seen liquidity severely reduced, Voyageur has navigated around many of the issues of the past year. The money funds managed by Voyageur as well as Leon County's assets under our management have avoided all of the issues that have plagued most of the larger fund complexes. Voyageur has owned for other clients minimal subprime issues, no troubled ABCP, CDOs, or SIVs, nor have we owned a variety of corporate issuers that have failed. Our disciplined approach to investing in only the highest quality assets that pass our internal research standards has served us well and will prove extremely beneficial into the future.

The current environment is the most challenging bond market investors have faced in modern economic history. Securities valuations across the corporate, municipal, non-agency mortgage and asset-backed markets have collapsed. This makes measuring short-term performance problematic, given the fact that street bids exhibit severe dislocations from general market quotations. Many securities are being priced well below the intrinsic values of the assets to which they are linked. We are seeking to seize this opportunity. Our investment philosophy of building strong, high quality, income-advantaged portfolios has not been altered by current events. Therefore, we look upon current market conditions as a rare point in time when we can be patient with our current holdings, while prudently adding new investments in strong corporate and mortgage-related structures at distressed prices. Through this approach we will be adding to our portfolio's yield, retaining a high average credit quality, picking up exceptional assets at distressed prices, and positioning our portfolios for strong future performance as monetary and fiscal policy begin repairing the market.

We remain confident that the portfolio is well-positioned for long-term results. Our whole-loan and home equity collateral is of above-average quality as we believe we have invested in deals with strong underwriting and good quality borrower characteristics. The wholesale downgrading of the monoline insurance industry has also contributed to significant price erosion of the structured product holdings in Leon County's portfolio. The monoline insurers continue to pay timely claims, while making modest headway at reducing their various mortgage exposures and ultimately stabilizing their credit metrics. We fully believe that the combination of good underlying collateral and the attached monoline insurance will support these transactions to final payment. Rather than reducing risk in the current market, we strongly believe that now is the time to increase our spread sector weightings. As we have discussed, we continue to actively look to add to our risk positions in both corporate and structured product debt at prevailing market levels.

A turn in the market in favor of spread product and away from government guaranteed sectors still remains illusive. Voyageur's perception is that the markets are beginning to show periods of stabilization, but nothing consistent as of yet. We expect that during the remainder of 2008 and most of 2009 spreads will remain volatile, but have a tendency toward increasing periods of stabilization as the markets continue to mend. While risks are very real and still emerging, we believe there is a generational opportunity for large excess returns within the fixed income market the likes of which we have not evidenced in modern economic history.

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 0.5 years 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/ WAL Limit
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
CDs	30%, 10% any one issuer	2-Year, 1-Year Avg
Agencies	100%, 20% any one issuer	5-Year
Instrumentalities	45%, 15% any one issuer	5-Year
Corporate Debt	25%, 3% any one issuer	5-Year
Municipal Obligations	35%, 3% any one issuer	5-Year
Mortgage Backed Securities	35%, 5% any one issuer	5-Year WAL
Asset Backed Securities	5%, 1.5% any one issuer	5-Year WAL
Commercial Mortgage Backed Securities	8% , 3% any one issuer	5-Year WAL
Treasuries	100%	10-Year
SPIA, FLGIT or FMIT	15% each	NA

SBA	50%	NA
Money Markets	100%	NA

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

The LGIP 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 a LGIP pool participant, investors own a share of the pool, not the underlying securities. 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). Rule 2a-7 is the rule that permits money market funds to use amortized cost to maintain a constant NAV of $1.00 per share, provided that such funds meet certain conditions. Accordingly the account balance is considered the fair value of the investment. As of November 12, 2007, the County had withdrawn all investments from the LGIP.

At the beginning of this fiscal year, on October 31st, the SBA reported 3.4% of LGIP assets had been downgraded below purchase guidelines. On November 29th, the trustees of the SBA froze the pool after $13 billion, more than one-third of total assets, had been withdrawn over a two-week period. The SBA portfolio included approximately $2 billion in assets with exposure to the subprime mortgage crisis. The SBA re-opened on December 6th with two funds: Fund A, 86% of total assets, was comprised of higher-quality securities and Fund B, 14% of total assets, was comprised of the more risky assets. Participants were permitted to withdraw the higher of $2 million or 15% of their investments from Fund A. Withdrawals in excess these limits were charged a 2% penalty. Increases to withdrawal limits will occur as more liquidity becomes available. Detailed audits and investigations were followed by significant legislative changes for the operation of the pool. One of the changes included seeking a rating from Standard and Poor's for the pool. The current rating for LGIP is AAAm by Standard and Poors.

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 bonds, debentures or notes issued or guaranteed by United States Government agencies, provided such obligations are backed by the full faith and credit of the United States Government. Such securities are limited to the following: Small Business Administration, United States Department of Agriculture, United States Export-Import Bank, direct obligations or fully guaranteed certificates of beneficial ownership, Farms Home Administration, Federal Financing Bank, Federal Housing Administration Debentures, General Services Administration Participation Certificates, United States Maritime Administration Guaranteed, Title XI Financing, New Communities Debentures, United States Government guaranteed debentures, U. S. Public Housing Notes and Bonds, U.S. Government guaranteed public housing notes and bonds, U. S. Department of Housing and Urban Development 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 any one agency and an aggregate of up to 100%.

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, debentures or notes issued or guaranteed by United States Government sponsored agencies (Federal Instrumentalities) which are non-full faith and credit agencies limited to the following: Federal Farm Credit Bank (FFCB), Federal Home Loan Bank or its district banks (FHLB), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) including participation certificates, Tennessee Valley Authority (TVA). 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. Non-Negotiable Interest Bearing Time Certificates of Deposit

Investments may be made in non-negotiable interest-bearing time certificates of deposit or savings accounts in banks organized under the laws of this state and/or in national banks organized under the laws of the United States and doing business and situated in this state, provided that any such deposits are secured by the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes and provided that the bank is not listed with any recognized credit watch information service. A maximum of 30% of the portfolio may be invested in non-negotiable interest bearing time certificates of deposit or savings accounts.

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 Clerk'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 bankers' acceptance 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 bankers' acceptances which are inventory based and issued by a bank, which has at the time of purchase, an unsecured, uninsured and un-guaranteed obligation rating of at least "Prime-1" and "A" by Moody's and "A-1" and "A" by Standard & Poor's. 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)

Investments may be made in notes or bonds issued by governmental entities or territorial boundaries of the United States, provided that such instrument is rated A or better by at least one NRSRO.

J. Constant Net Asset Value Money Market Mutual Funds

Money markets are pools of securities providing income and liquidity. The Policy enables the Clerk to invest in SEC qualified constant net asset value fixed income money market mutual funds rated AAAm or AAAg comprised of only those investment instruments as authorized in this Section XIV, Portfolio Composition, provided that such funds do not allow derivatives. The average maturity of the underlying investments may not exceed one year. A maximum of 100% of the portfolio may be invested in money markets.

K. The Florida Local Government Investment Trust Government Fund (FLGIT)

The FLGIT is a local government investment pool created by the Florida Association of Court Clerks and Clerk, 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. Investments in this pool are limited to a maximum of 15% of the portfolio.

L. First Municipal Investment Trust (FMIT).

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. The 1 to 3 Year High Quality Bond Fund is designed to provide an investment pool alternative to those Members that have excess funds and that have an investment horizon greater than that of money market instruments. The investment objective is: 1) to preserve capital; 2) achieve a total rate of return that exceeds the return of T-Bills by 1% per year over rolling three-year periods; and 3) exceed the return of the Merrill Lynch One-to Three-year Government Index over three-year periods. The Portfolio will generally invest in securities with greater potential returns and risk than those offered by money market type instruments. Due to the fact that the Portfolio will be investing in securities with an average maturity of approximately two years, increases in interest rates will cause declines in the net asset value of the Portfolio. Therefore, the Portfolio may be an inappropriate investment for funds required to meet short-term needs. The portfolio is managed by Atlanta Capital Management and maintains a AAA rating from Fitch. Investments in this pool are limited to a maximum of 15% of the portfolio.

M. 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.

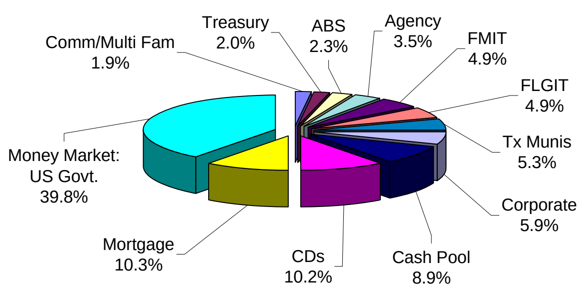
A. Portfolio Balances

The portfolio's ending balance for fiscal year 2008 was $202,586,703 while the ending balance for fiscal year 2007 was $186,883,885, an increase of $15,702,818. The increase in year-end balances from fiscal year 2007 to 2008 is attributable to several factors including decreased expenditures for capital outlay projects.

B. Portfolio Composition

As of September 30, 2008, 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.

Table 2
September 30, 2008 Portfolio Composition



B. Portfolio Maturities

Portfolio management was also accomplished in compliance with the Policy that requires ensuring sufficient liquidity as well as diversity in maturities. Shown in Table 4 are the average terms of each investment type acquired in fiscal years 2008 and 2007. 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 944 days in fiscal year 2008, as compared with a weighted average term of 899 days in fiscal year 2007.

Table 3 – Average Term by Investment Type

Investment Type	FY 2008	FY 2007
Mortgages	1442 days	1230 days
Treasuries	1285 days	1818 days
Cml/Multi	1234 days	748 days
Corporates	964 days	412 days
ABS	704 days	694 days
CD	240 days	624 days
Agencies	402 days	949 days
Taxable Munis	376 days	489 days

Fl Local Govt Inv Pool (SBA)	34 days	34 days
Florida Municipal Inv. Trust	NA	
Fl Local Govt. Inv. Trust	NA	
Fl. Special Purpose Inv. Acct	NA	
Evergreen Money Market	NA	

D. Earnings and Yields

The portfolio earned $7,427,338 for an effective rate of return of 3.32% on an average daily balance of $224,028,095 in the fiscal year 2008. This year market interest rates decreased significantly. Accordingly, the County's portfolio participated in this market interest rate adjustment and saw a significant decrease with the average portfolio return for Fiscal Year 2008 decreasing from 5.36% to 3.32%.

The dollar amount of earnings is used in historical and budgetary comparisons, and in cash flow analysis. The portfolio earned $7,427,338 on its invested principal in fiscal year 2008. For comparison, the portfolio earned $11,083,976 on its invested principal in fiscal year 2007. Actual earnings exceeded budget in fiscal year 2007 by $7,337,239 and in fiscal year 2008 by $3,367,303 as shown in the following Table 4.

Table 4 - Budget and Actual Income

	FY 2008	FY 2007
Actual	$7,427,338	$11,083,976
Budget	4,060,035	3,746,737
Variance	$3,367,303	$7,337,239

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.
- Total portfolio return was below that of last fiscal year due to falling interest rates.
- Notwithstanding the highly volatile economic environment, there was no significant loss of principal for the $202,586,703 portfolio.

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for the Year Ended September 30
Leon County, Florida

The Investment Oversight Committee made recommendations to:

- On November 9, 2007 the IOC voted to withdraw all County funds from the SBA Local Government Investment Pool due to concerns about the quality of the assets in the pool and a lack of clear communications from the SBA.

- At the January 28, 2008 meeting the Investment Oversight Committee noted that the Investment Policy was based on a core investment in SBA. The IOC recommended a complete update of County's Investment Policy due to the decision to reallocate County funds in other investments as well as to provide the flexibility to manage the portfolio in the volatile market environment.

- In response to the Chairman's request, during the July 2008 meeting Voyageur introduced a benchmark for the IOC that was tailored similar to the portfolio current style of investment. This new benchmark is now included in the monthly reports alongside the Merrill Lynch 1-3 year Government Index.

- On August 22, 2008 the IOC voted to accept revisions to the Leon County Investment Policy and to forward to the Board of County Commissioners for final adoption.

- On September 2, 2008 the Board adopted revisions to the Policy based on changes recommended by the Clerk following the Investment Committee's annual review.

Presented by:

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