

**CITY OF PEORIA, ARIZONA
COUNCIL COMMUNICATION**

cc: LOC
Amend No. _____

Date Prepared: August 11, 2008

Council Meeting Date: August 26, 2008

TO: Carl Swenson, City Manager
FROM: Brent D. Mattingly, Finance Director *BDM*
PREPARED BY: Deborah Card, Treasury Manager *DC*
SUBJECT: Investment Report for the Year Ended June 30, 2008

RECOMMENDATION:

That the Mayor and Council review and accept the Annual Investment Report for the Year Ended June 30, 2008.

SUMMARY:

The Finance Department has prepared an annual report to summarize the City's investment activity for the period from July 1, 2007 to June 30, 2008. The City's total investment portfolio earned an average yield of 3.39% for the 4th Quarter of FY 2008 and 4.48% for the fiscal year. This represents investment income of \$3,244,795 for the quarter and \$15,678,391 for the fiscal year. The weighted average maturity of 368 days for the total portfolio exceeded the Investment Policy parameter of 365 days by 3 days.

The average cash balance for the City's portfolio during the quarter was \$382,586,200 and the ending balance for the total investment portfolio was \$387,937,292 which represents all securities and money market funds except Vistancia Community Facilities District bond proceeds which are summarized under a separate report submitted to the Community Facilities District Board.

The annual report also provides comparative investment yields, portfolio composition, average maturity lengths, comparisons of market value and book value, and a brief summary of the economy. An Inventory Holdings Report, which itemizes each security in the City's investment portfolio by fund, security type, and cusip number has also been included as Attachment B.

CITY CLERK USE ONLY:

Consent Agenda
 Carry Over to Date: _____
 Approved
 Unfinished Business (Date heard previous: _____)
 New Business

ORD. # _____ RES. # _____
LCON# _____ LIC. # _____
Action Date: _____

ATTACHMENTS:

1. Annual Investment Report for Year Ended June 30, 2008
2. Inventory Holdings Report for Quarter Ended June 30, 2008

CITY OF PEORIA, ARIZONA



INVESTMENT PERFORMANCE REPORT

Quarterly Report

Period Ended

June 30, 2008

Brent D. Mattingly, Chief Financial Officer

Finance Department

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I. INTRODUCTION

This report reflects investment activity for the period of July 1, 2007 to June 30, 2008 for the City's investment management program. The City's Investment and Portfolio Policies, approved and adopted in January 1992 by the City Council, with revisions approved in June 2005, requires that the City's investment program meet the following criteria, listed in order of importance:

- Safety - *Investments shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio.*
- Liquidity - *The investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements.*
- Yield - *The investment portfolio shall be designed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, while taking into account the City's strict risk constraints.*

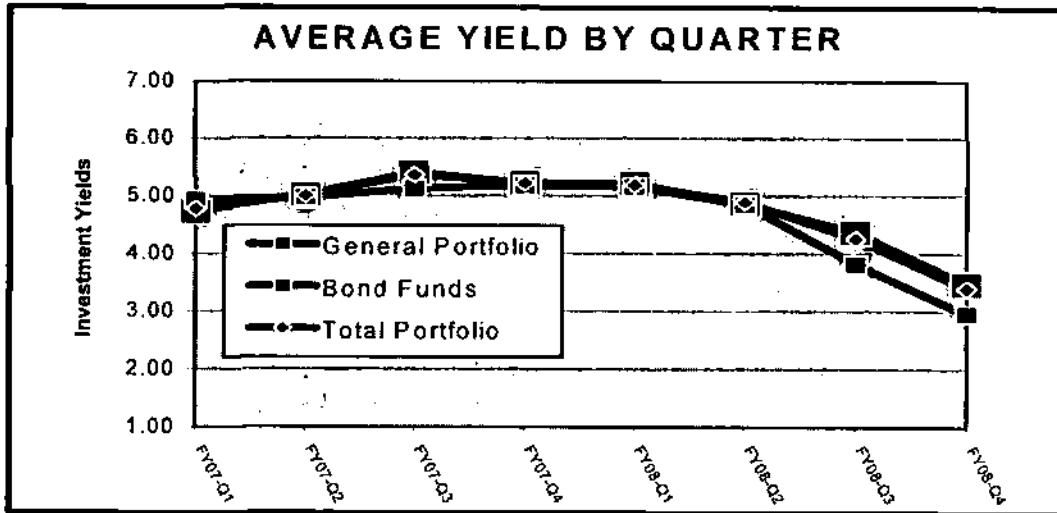
In keeping with these principles, the Finance Department continued to invest the City's funds only in allowable, safe securities and to structure the maturity of the investment portfolio to assure liquidity. Short-term needs (6 months or less) are being met by investments in overnight repurchase agreements, commercial paper, money market funds, and the State's Investment Pool. Funds not required to meet specific short-term needs are invested primarily in Treasury Notes and U.S. Government Agency Securities.

Only after the safety and liquidity requirements are met does the Finance Department attempt to maximize earnings. For the Quarter and Year Ended June 30, 2008, the weighted average annualized yield on investments was as follows:

Table 1

AVERAGE ANNUALIZED INVESTMENT YIELD					
	FY 08 Q1	FY 08 Q2	FY 08 Q3	FY 08 Q4	Year Ended 6/30/08
General Portfolio	5.21	4.86	4.36	3.46	4.49
Bond Funds	5.15	5.12	3.82	2.95	4.46
Total Portfolio	5.19	4.89	4.25	3.39	4.48

Chart 1



The average annual yield of 4.48% represents a decrease of 0.60% from the total portfolio annualized yield of 5.08% for the Year Ended June 30, 2007.

The quarter's average yield of 3.39% for the total portfolio represents a decrease of .86% from the total portfolio annualized yield of 4.25% experienced for the Quarter Ended March 31, 2008.

II. TOTAL INVESTMENT PORTFOLIO STRUCTURE

The City's overall portfolio is identified by source and use of funds in accordance with the City's investment policy. The general operating funds are composed of all funds of the City with the exception of restricted capital project funds containing direct bond proceeds and escrow funds. The interest from the operating fund portfolio is allocated pro rata to the General Fund and other commingled funds making up the portfolio. Funds identified in this category are:

- General Fund
- Special Revenue Funds
- Enterprise Funds
- Internal Service Funds
- Debt Service Funds
- Trust and Agency Funds

Capital project funds are managed in unique portfolios identified by individual bond issue in order to fulfill all U.S. Government tax requirements and to simplify reporting and arbitrage calculations.

During the past quarter, the City's investment portfolio has been divided between general funds and several bond fund accounts. For purposes of this

performance report, however, the operating portfolio is reported as a whole and reference to performance and strategy are directed toward the portfolio in its entirety.

III. INVESTMENT POLICY COMPLIANCE

The City's Investment Policy, as approved by City Council, applies to all the financial assets and funds held by the City of Peoria. All investments follow the provisions established in that Policy.

IV. INVESTMENT PERFORMANCE

A. Portfolio Composition. It is the policy of the City to diversify its portfolio by security type and institution to minimize market volatility risk and credit risk. The Policy stipulates maximum investment levels by market sector to insure diversification. Diversification is further accomplished through the laddering of maturities, which mirror anticipated cash flows for the various funds. If not matched to specific cash flows, the funds are invested with a priority of liquidity and safety until specific cash flow needs are identified.

The table below illustrates the diversification structured into the portfolio composition with dollar amounts and percentages by investment type (market sector). The table shows the overall conservative nature of the portfolio and its diversified structure. The fluctuation in percentages between fiscal quarters represents a shifting of value between market sectors from the varying economic conditions throughout the year. The concentration on Treasury Notes and Agency Securities illustrates the portfolio's safety priority.

Table 2

TOTAL PORTFOLIO COMPOSITION (In Millions of Dollars)								
Security Type	FY 08 – Q1		FY 08 – Q2		FY 08 – Q3		FY 08 – Q4	
	Amt	%	Amt	%	Amt	%	Amt	%
Money Market*	5.9	1.7	15.6	4.6	58.1	16.4	91.7	23.7
Agency Securities	242.8	71.5	250.7	74.7	239.5	67.5	249.4	64.3
Treasury Bills	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Treasury Notes	42.0	12.4	21.5	6.4	9.9	2.8	5.0	1.3
Commercial Paper	46.8	13.8	45.5	13.6	45.7	12.8	38.9	10.0
Repurchase Agreements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
State Pool	1.9	0.6	2.3	0.7	1.8	0.5	2.9	0.7
TOTALS:	339.4	100.0	335.6	100.0	355.0	100.0	387.9	100.0

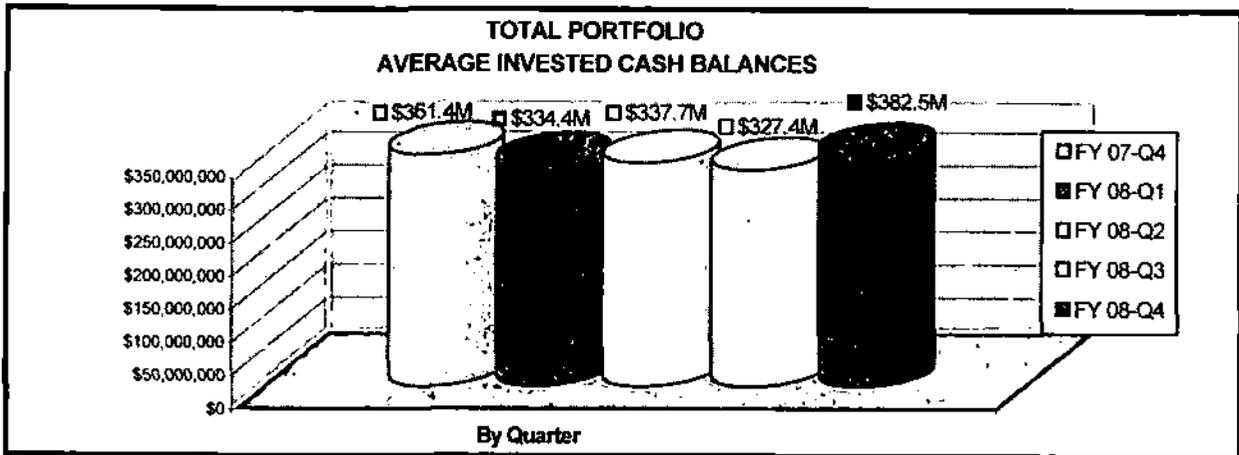
* includes cash and money market funds

B. Average Invested Cash Balances. The average investment cash balance of the overall portfolio for the Year Ended June 30, 2008 was \$343,475,263 as compared to \$320,413,489 for the Year Ended June 30, 2007.

The average investment cash balance of the overall portfolio for the Quarter Ended June 30, 2008 was \$382,586,200 as compared to \$327,436,555 for the Quarter Ended March 31, 2008. The significant increase in the average cash balance from the 3rd to the 4th quarter is due to the addition of approximately \$47 million in bond proceeds at the beginning of the 4th quarter.

Fluctuations in the quarterly balances shown in the chart below represent normal cash flows throughout the fiscal year, the addition of new bond proceeds, investment of earned interest, and the spend down of existing bond proceeds for capital projects.

Chart 2



C. Investment Income. Total investment income for the Year Ended June 30, 2008 was \$15,678,391 which represents a slight increase of 0.18% from the \$15,650,517 for the Year Ended June 30, 2007.

Total investment income for the 4th Quarter of FY 08 was \$3,244,795 which represents a decrease of 14% from the \$3,780,883 earned in the 3rd Quarter of FY 08. The earnings decrease is primarily due to the reinvestment of funds in a lower interest rate environment during the quarter.

D. Comparative Investment Yields. Since the Investment Policy of the City restricts investment primarily to the U.S. fixed income and money markets, the portfolio performance is measured directly against these markets for comparison purposes. The maximum maturity of securities purchased for the portfolio is restricted to five (5) years. The weighted average maturity should not exceed 365 days. The actual weighted average maturity for the 4th Quarter of FY 08 was 368 days or 3 days over the policy target of 365 days. The average rates of comparable benchmarks are shown in the table below.

Table 3

COMPARATIVE ANNUALIZED INVESTMENT YIELDS					
	FY 07 Q4	FY 08 Q1	FY 08 Q2	FY 08 Q3	FY 08 Q4
City of Peoria (General Portfolio)	5.22	5.21	4.86	4.36	3.46
3 Month T-Bill	4.85	3.82	3.47	2.09	1.65
6 Month T-Bill	4.98	4.05	3.69	2.16	1.86
1 Year T-Bill	4.93	4.03	3.64	2.11	2.08
2 Year Treasury	4.80	3.97	3.48	2.04	2.40

E. Average Maturity of the Portfolio. For the Quarter June 30, 2008, the average maturity of the portfolio was 368 days as compared to 316 days on March 31, 2008. Matching maturities to known cash flows requires the maintenance of a somewhat short portfolio. This assures the City's liabilities can be met as they come due. Cash not needed to match immediate cash flow needs (within a nine month rolling horizon of liabilities) is normally extended somewhat to take advantage of higher yields. Longer maturities are used to capture yields at purchase and to capture capital gains during the period.

F. Comparison of Market Value and Book Value. The book value of the portfolio is captured on an amortized cost basis recognizing the City's position in the securities on a straight-line amortization of premiums and discounts. Book and market values do not include accrued interest on the securities. The market value reflects the *then current* market price at which these securities could be sold in the open market. A comparison of book and market reflects the changes in market rates as well as the performance of the portfolio against the market. Since the shortest portion of the portfolio is matched against anticipated cash flows, rate changes will more directly affect their relative gain/loss positions. A summary of market and book values for the total portfolio for the Quarter are shown below.

Beginning Book Value.....	\$355,090,366
Beginning Market Value.....	\$356,485,606
Ending Book Value.....	\$387,937,292
Ending Market Value.....	\$387,666,168

At quarter's end, the book value of the portfolio exceeded the market value of securities resulting in an overall unrealized loss in value of (\$271,124).

ECONOMIC REVIEW AS OF 6-30-08:

The second quarter of 2008 has seen an acceleration of the pace of the recessionary pressures experienced in the first quarter of this year. At the same time, we are also encountering an unprecedented rise in most inflationary indicators. This has put an end to the Federal Reserve's systematic easing of monetary policy leaving the Fed Funds target rate at 2%. There is also some discussion as to whether or not the Federal Open Market Committee (FOMC) will have to begin to take back some of those "easings" to forestall an inflationary spiral.

The housing market, which has been a drag on the economy for over a year, has not seen any sign of stabilization. Inventories of unsold properties continue to rise and prices are falling as "desperate" sellers and foreclosures continue to bring new pressure on prices. The valuation losses and tighter credit standards by banks have made it much harder to obtain financing and mortgage rates have risen steadily.

Energy, food and other commodity prices have moved in the opposite direction as the housing market and the prices for these products has gone far beyond the scope of being driven by demand. With the U.S. equities markets under pressure from lower earnings, commodity market speculation has become an accepted practice. This has pushed prices for crude oil and grains to record levels as concerns over geopolitical issues (for oil) and weather (for crops) make for a perfect storm for speculators.

It is the most recent spike in wholesale prices that has gotten the attention of the FOMC and their rhetoric has been pointed and direct. They are concerned that businesses will be forced to raise prices all the way along the chain of production from raw materials to the consumer which would be the basis for an inflationary wage/price spiral. The last time that happened was during the 1970's and the end result was double digit interest rates and a multi-year recession that took us over a decade to fully recover from.

At this point, the only thing we have seen (or heard) from the FOMC is concern about future conditions. At the same time, current conditions may weaken enough that any thoughts of tightening monetary policy will disappear.

While we are seeing statistical reports of rising inflation, the truth is the energy/commodity price spike is more like an income tax surcharge and is regressive to growth. Disposable income at the household level has been declining for over a year. The recent tax stimulus "rebate" put approximately \$150 Billion in the hands of consumers, but anecdotal evidence from retailers show those funds are not being used to buy flat screen TV's or even clothing but rather are being used for purchases of gasoline and food. Once the spending of these payments is finished, there will probably be another gap downwards in retail sales and discretionary spending.

There is also growing weakness in the labor market. We have seen negative job creation each month for the first half of the year and there is little to indicate any growth in jobs over the near term.

All things considered, the FOMC is caught squarely in the middle of two diverging economic paths. It is most likely they will remain right there, neither tightening or easing, for quite some time until they can see down which road the economy is headed on.

SUMMARY DATA

Table 4

PORTFOLIO COMPOSITION General Funds				
Security Type	FY 08 – Q1 Ending 9/30/07	FY 08 – Q2 Ending 12/31/07	FY 08 – Q3 Ending 3/31/08	FY 08 – Q4 Ending 6/30/08
Money Market*	\$3,403,468	\$14,698,957	\$8,583,019	\$90,968,608
Agency Securities	\$192,162,820	\$213,805,586	\$217,362,127	\$212,875,466
Treasury Notes	\$42,030,843	\$21,491,453	\$9,949,847	\$4,981,397
Treasury Bills	\$0	\$0	\$0	\$0
Commercial Paper	\$44,886,593	\$43,434,031	\$45,716,873	\$22,913,593
Repurchase Agreements	\$0	\$0	\$0	\$0
State Pool	\$1,942,497	\$2,382,129	\$1,809,177	\$2,952,982
Totals:	\$284,426,221	\$295,812,156	\$283,421,043	\$334,692,047
Avg Yield	5.21	4.86	4.36	3.54
Avg Maturity (Years)	0.66	0.82	1.10	1.09
State Pool Yield	4.74	3.97	2.01	2.11

* includes cash and money market funds

Table 5

PORTFOLIO COMPOSITION G.O. Bonds 2003				
Security Type	FY 08 – Q1 Ending 9/30/07	FY 08 – Q2 Ending 12/31/07	FY 08 – Q3 Ending 3/31/08	FY 08 – Q4 Ending 6/30/08
Money Market	\$618,715	\$4,591	\$4,487	\$0
Agency Securities	\$0	\$0	\$0	\$0
Treasury Notes	\$0	\$0	\$0	\$0
Treasury Bills	\$0	\$0	\$0	\$0
Commercial Paper	\$0	\$0	\$0	\$0
Repurchase Agreements	\$0	\$0	\$0	\$0
Totals:	\$618,715	\$4,591	\$4,487	\$0
Avg Yield	4.91	4.71	3.38	0.00
Avg Maturity (Years)	0.01	0.01	0.01	0.00

Table 6

PORTFOLIO COMPOSITION				
G.O. Bonds 2007				
Security Type	FY 08 – Q1 Ending 9/30/07	FY 08 – Q2 Ending 12/31/07	FY 08 – Q3 Ending 3/31/08	FY 08 – Q4 Ending 6/30/08
Money Market	\$358,902	\$877,344	\$2,276,967	\$421,449
Agency Securities	\$49,593,381	\$36,974,753	\$22,103,182	\$0
Treasury Notes	\$0	\$0	\$0	\$0
Treasury Bills	\$0	\$0	\$0	\$0
Commercial Paper	\$1,950,160	\$1,975,920	\$0	\$13,010,720
Repurchase Agreements	\$0	\$0	\$0	\$0
Totals:	\$51,902,443	\$39,828,017	\$24,380,149	\$13,432,170
Avg Yield	5.15	5.12	5.05	3.30
Avg Maturity (Years)	0.41	0.24	0.07	0.18

Table 7

PORTFOLIO COMPOSITION				
I.D. No. 0601 Bonds (Park West)				
Security Type	FY 08 – Q1 Ending 9/30/07	FY 08 – Q2 Ending 12/31/07	FY 08 – Q3 Ending 3/31/08	FY 08 – Q4 Ending 6/30/08
Money Market	\$1,503,025	\$11,412	\$11,376	\$0
Agency Securities	\$998,858	\$0	\$0	\$0
Treasury Notes	\$0	\$0	\$0	\$0
Treasury Bills	\$0	\$0	\$0	\$0
Commercial Paper	\$0	\$0	\$0	\$0
Repurchase Agreements	\$0	\$0	\$0	\$0
Totals:	\$2,501,883	\$11,412	\$11,376	\$0
Avg Yield	5.21	4.71	3.38	0.00
Avg Maturity (Years)	0.08	0.01	0.01	0.00

Table 8

PORTFOLIO COMPOSITION				
MDA Transportation Sales Tax Revenue Bonds, Series 2008				
Security Type	FY 08 – Q1 Ending 9/30/07	FY 08 – Q2 Ending 12/31/07	FY 08 – Q3* Ending 3/31/08	FY 08 – Q4 Ending 6/30/08
Money Market	\$0	\$0	\$47,273,310	\$333,699
Agency Securities	\$0	\$0	\$0	\$36,489,448
Treasury Notes	\$0	\$0	\$0	\$0
Treasury Bills	\$0	\$0	\$0	\$0
Commercial Paper	\$0	\$0	\$0	\$2,989,929
Repurchase Agreements	\$0	\$0	\$0	\$0
Totals:	\$0	\$0	\$47,273,310	\$39,813,076
Avg Yield	0.00	0.00	3.17	2.83
Avg Maturity (Years)	0.00	0.00	0.01	0.78

* Issued in March 2008

City of Peoria - FSAM and Patterson Combined
DETAIL OF SECURITY HOLDINGS
As of June 30, 2008

Security Description	Security CUSIP	Coupon	Settlement Date	Maturity Date	Next Call Date	Par Value	Purchase Price	Purchase Cost	Book Value	Market Price	Market Value	Accrued Interest	Days to Maturity	Days to Next Call	Yield to Maturity
FSAM															
FSAM - General Fund															
JPMorgan Chase Bank MMF	jpmorgan	2.300				24,877,031.10	100.000	24,877,031.10	24,877,031.10	100.000	24,877,031.10	-	1		2.300
FNMA	31358MF32	5.000	3/18/2007	7/25/2008		8,537,000.00	99.981	8,536,231.67	8,536,962.93	100.156	8,550,339.06	184,988.33	25		5.002
FNMA Disc Note	31358BZV0	0.000	11/28/2007	7/25/2008		10,000,000.00	97.300	9,730,000.00	9,973,000.00	99.890	9,988,000.00	-	25		4.220
Toyota Motor Credit	89233GHE9	0.000	5/16/2008	8/14/2008		5,000,000.00	99.400	4,970,000.00	4,985,333.33	99.702	4,985,125.00	-	45		2.448
American Express Credit CP	02581RHM8	0.000	5/23/2008	8/21/2008		5,000,000.00	99.407	4,970,375.00	4,983,212.50	99.627	4,981,365.00	-	52		2.417
FHLMC	3128XSS33	4.875	12/8/2007	8/12/2008		5,000,000.00	100.535	5,028,750.00	5,006,949.29	100.445	5,022,245.00	73,802.08	74		4.150
U.S. T-Note	91282BK5	3.125	5/31/2007	8/15/2008		5,000,000.00	97.872	4,883,593.75	4,981,398.76	100.250	5,012,500.00	45,855.98	77		5.006
FNMA Disc Note	31358BP33	0.000	5/23/2008	11/12/2008		5,000,000.00	98.950	4,947,499.31	4,959,334.73	99.800	4,954,000.00	-	135		2.239
FHLB	3133X1XC6	3.625	6/6/2008	11/14/2008		5,000,000.00	100.541	5,027,050.00	5,022,849.89	100.375	5,018,750.00	23,663.19	137		2.374
GE Capital Services CP	36859RLK9	0.000	5/16/2008	11/19/2008		5,000,000.00	98.680	4,932,991.67	4,948,475.00	98.915	4,945,765.00	-	142		2.651
FHLB	3133XNEB2	4.125	12/7/2007	11/28/2008		5,000,000.00	100.091	5,004,560.00	5,001,911.78	100.584	5,029,687.50	18,908.25	151		4.028
FHLB	3133XLJL8	5.250	2/15/2008	12/24/2008		7,000,000.00	102.308	7,161,568.00	7,090,880.98	101.187	7,083,126.00	7,145.83	177		2.511
FHLB	3133XLRX3	5.250	4/4/2008	1/18/2009		1,450,000.00	102.256	1,482,712.00	1,472,681.84	101.281	1,468,578.12	34,890.62	200		2.322
FFCB	31331TUE9	3.350	10/31/2007	2/28/2009		7,000,000.00	98.760	6,913,200.00	6,957,041.98	100.344	7,024,082.50	81,423.61	241		4.314
FNMA	3136F8M22	4.300	4/4/2008	3/9/2009		2,500,000.00	101.815	2,545,375.00	2,533,596.24	101.000	2,525,000.00	33,444.44	252		2.316
FHLB	3133X4ZC8	3.000	5/23/2008	4/15/2009		5,990,000.00	100.441	6,016,415.90	6,013,265.38	100.125	5,997,487.50	37,936.67	289		2.497
FHLMC	3137EAAE9	5.250	4/4/2008	5/21/2009		6,000,000.00	103.257	6,195,420.00	6,153,688.61	102.062	6,123,750.00	35,000.00	325		2.312
FHLMC	3137EAAE9	5.250	4/10/2008	5/21/2009		2,920,000.00	103.266	3,015,367.20	2,996,115.79	102.062	2,980,225.00	17,033.33	325		2.262
FFCB	31331YU99	2.750	6/5/2008	6/5/2009		5,000,000.00	100.000	5,000,000.00	5,000,000.00	99.875	4,993,750.00	9,930.56	340		2.750
FNMA	31359MZE6	4.570	8/15/2008	8/15/2009		5,000,000.00	102.048	5,102,400.00	5,087,996.27	101.582	5,078,125.00	10,155.56	350		2.684
FFCB	31331XH47	5.250	5/20/2008	8/3/2009		2,907,000.00	103.189	2,999,704.23	2,990,846.53	102.500	2,979,875.00	62,742.75	399		2.538
FNMA	31398AFF4	5.300	12/19/2007	8/8/2009	8/8/2008	5,000,000.00	100.600	5,030,000.00	5,004,675.32	100.219	5,010,937.50	106,736.11	402	37	4.906
FNMA	31398AGS5	5.100	3/4/2008	9/10/2009	9/10/2008	5,000,000.00	101.218	5,080,885.00	5,022,751.76	100.406	5,020,312.50	78,625.00	437	72	4.262
FNMA	31398AHQ8	4.710	10/24/2007	10/22/2009	10/22/2008	2,500,000.00	100.128	2,509,200.00	2,500,993.41	100.625	2,515,625.00	22,568.75	479	114	4.642
FHLMC	3128X6UY4	4.250	4/8/2008	12/11/2009	12/11/2008	5,000,000.00	101.136	5,056,800.00	5,037,483.40	100.722	5,038,095.00	11,805.56	529	164	3.543
FHLB	3133XJPB8	5.250	3/3/2008	1/22/2010	7/22/2008	2,850,000.00	100.953	2,877,160.50	2,854,045.18	100.156	2,854,453.12	66,084.37	571	22	4.713
FHLMC	3128X6K54	3.250	2/1/2008	1/29/2010	7/29/2008	8,000,000.00	100.000	8,000,000.00	8,000,000.00	99.997	7,999,728.00	109,777.78	578	29	3.250
FNMA	31398ABT8	5.080	12/5/2007	5/14/2010	5/14/2009	4,510,000.00	101.430	4,574,493.00	4,548,933.29	101.908	4,595,971.87	29,911.32	683	318	4.454
FNMA	31398ABT8	5.080	5/7/2008	5/14/2010	5/14/2009	5,000,000.00	102.494	5,124,680.00	5,106,239.60	101.906	5,095,312.50	33,161.11	683	318	3.785
FHLMC	3128X7JK8	3.500	5/21/2008	5/21/2010	8/21/2008	4,000,000.00	100.000	4,000,000.00	4,000,000.00	100.125	4,005,020.00	15,555.56	690	52	3.500
FNMA	31398ARK0	3.250	5/21/2008	5/21/2010	5/21/2009	4,000,000.00	100.000	4,000,000.00	4,000,000.00	99.625	3,985,000.00	14,444.44	690	325	3.250
FHLMC	3128X6PE9	5.050	3/3/2008	10/15/2010	10/15/2008	5,900,000.00	101.393	5,982,187.00	5,938,547.88	100.613	5,936,161.10	62,900.56	837	107	4.478
FHLMC	3128X6SW2	3.500	3/10/2008	12/10/2010	12/10/2008	5,000,000.00	100.330	5,016,500.00	5,009,720.00	100.078	5,003,925.00	53,968.33	893	163	3.375
FHLB	3133XHQF2	5.375	2/14/2008	11/28/2011	11/28/2008	7,000,000.00	101.950	7,136,500.00	7,071,993.75	100.937	7,065,625.00	34,489.58	1246	151	4.804
FHLB	3133XJUD8	5.500	5/31/2007	2/9/2012	2/9/2009	5,000,000.00	100.000	5,000,000.00	5,000,000.00	101.469	5,073,437.50	108,472.22	1318	224	5.494
		5.483				197,941,031.10	100.395	198,700,666.33	198,668,036.28	100.447	198,814,189.87	1,426,389.89	348		3.437
GO Bonds - Series 2007 A															
JPMorgan Chase Bank MMF	jpmorgan	2.300				421,449.78	100.000	421,449.78	421,449.78	100.000	421,449.78	-	1		2.300
American Express Credit CP	02581RGA5	0.000	5/8/2008	7/10/2008		4,000,000.00	99.578	3,983,130.00	3,997,590.00	99.941	3,997,632.00	-	10		2.454
Toyota Motor Credit	89233GH68	0.000	5/8/2008	8/5/2008		4,000,000.00	99.382	3,975,700.00	3,990,280.00	99.788	3,990,708.00	-	37		2.478
FHLB	3133X1XC6	3.625	6/6/2008	11/14/2008		5,000,000.00	100.541	5,027,050.00	5,022,849.89	100.375	5,018,750.00	23,663.19	137		2.374
		1.428				13,421,449.78	99.696	13,407,329.78	13,432,169.47	100.064	13,428,539.78	23,663.19	86		2.427

City of Peoria - FSAM and Patterson Combined
DETAIL OF SECURITY HOLDINGS
As of June 30, 2008

Security Description	Security CUSIP	Coupon	Settlement Date	Maturity Date	Next Call Date	Par Value	Purchase Price	Purchase Cost	Book Value	Market Price	Market Value	Accrued Interest	Days to Maturity	Days to Next Call	Yield to Maturity
MDA Series 2008 Transportation Bonds															
JPMorgan Chase Bank MMF	jpmorgan	2.300				333,899.92	100.000	333,899.92	333,899.92	100.000	333,899.92	-	1		2.300
American Express Credit CP	02581RHM6	0.000	5/23/2008	8/21/2008		3,000,000.00	99.407	2,989,927.50	2,989,927.50	99.827	2,988,819.00	-	52		2.417
FHLB	3133XQNL2	2.280	4/17/2008	10/17/2008		4,000,000.00	100.000	4,000,000.00	4,000,000.00	99.908	3,996,250.00	18,582.22	109		2.280
FHLB	3133X1XC6	3.625	4/24/2008	11/14/2008		5,000,000.00	100.747	5,037,350.00	5,024,900.00	100.375	5,018,750.00	23,663.19	137		2.283
FHLB	3133MMYQ0	6.750	4/24/2008	2/13/2009		3,000,000.00	102.709	3,081,285.00	3,082,548.12	101.781	3,053,437.50	65,166.67	228		2.319
FHLB	3133XQVZ2	2.520	4/28/2008	4/28/2008		5,000,000.00	100.000	5,000,000.00	5,000,000.00	99.718	4,988,937.50	22,050.00	302		2.520
FHLMC	3137EAAE9	5.250	4/4/2008	5/21/2008		6,000,000.00	103.257	6,195,420.00	6,153,889.81	102.062	6,123,750.00	35,000.00	325		2.312
FNMA	31359MZE6	4.570	5/5/2008	8/15/2008		3,150,000.00	102.058	3,214,827.00	3,205,708.34	101.562	3,199,218.75	6,398.00	350		2.675
FHLB	3133XLLG6	5.400	4/8/2008	7/23/2008	7/23/2008	5,000,000.00	100.824	5,041,225.00	5,008,556.13	100.156	5,007,812.50	118,500.00	388	23	4.728
FHLMC	3126X6UV4	4.250	4/24/2008	12/11/2009	12/11/2008	5,000,000.00	100.955	5,048,250.00	5,034,046.54	100.722	5,036,095.00	11,805.56	529	164	3.633
		3.859				39,483,699.92	101.153	39,934,281.92	39,813,078.16	100.667	39,743,770.17	301,165.84	282		2.638
PATTERSON															
Patterson - Main Account															
JPMorgan Chase Bank Cash	cash2	0.000				21,886,895.83	100.000	21,886,895.83	21,886,895.83	100.000	21,886,895.83	0.00	1		0.000
JPMorgan Chase Bank MMF	jpmorgan	0.023				44,204,681.11	100.000	44,204,681.11	44,204,681.11	100.000	44,204,681.11	0.00	1		2.300
FHLB	3133XQV73	0.026	04/30/08	04/30/09	10/30/08	3,000,000.00	100.000	3,000,000.00	3,000,000.00	99.781	2,993,437.50	13,343.75	304	122	2.625
FHLMC	3128X7KX1	0.026	04/24/08	07/17/09	07/17/08	3,000,000.00	99.800	2,994,000.00	2,994,907.91	99.622	2,988,666.00	15,725.00	382	17	2.718
FHLB	3133XQP29	0.025	04/21/08	10/21/08	10/21/08	3,000,000.00	100.000	3,000,000.00	3,000,000.00	99.408	2,982,187.50	14,583.33	478	113	2.500
FHLMC	3128X7FG4	0.030	04/23/08	04/23/10	07/23/08	3,000,000.00	99.989	2,999,062.50	2,999,151.11	98.649	2,959,479.00	17,000.00	662	23	3.016
FHLB	3133XQNC2	0.030	04/23/08	04/23/10	10/23/08	3,000,000.00	100.000	3,000,000.00	3,000,000.00	99.687	2,990,625.00	17,000.00	662	115	3.000
FNMA	3138F82F1	0.031	04/24/08	08/12/10	02/12/09	3,000,000.00	99.850	2,995,500.00	2,995,884.33	99.656	2,989,687.50	36,197.92	773	227	3.192
FHLB	3133XQ4Y5	0.033	03/03/08	09/03/10	09/03/08	3,000,000.00	100.000	3,000,000.00	3,000,000.00	99.812	2,994,375.00	31,958.33	795	65	3.250
FHLB	3133XQLJ7	0.031	04/07/08	01/07/11	10/07/08	3,000,000.00	100.000	3,000,000.00	3,000,000.00	98.094	2,942,812.50	21,420.00	921	99	3.081
FHLMC	3128XBUE5	0.033	03/03/08	02/11/11	08/11/08	3,000,000.00	99.980	2,999,400.00	2,999,487.14	99.657	2,990,013.00	38,733.33	956	42	3.327
FNMA Step-up	3138F86G5	0.030	05/21/08	03/04/11	09/04/08	3,000,000.00	99.960	2,998,800.00	2,998,848.35	99.781	2,993,437.50	29,250.00	977	66	4.066
FHLMC	3128X67L4	0.035	03/25/08	03/25/11	09/25/08	2,000,000.00	100.000	2,000,000.00	2,000,000.00	98.886	1,977,728.00	18,666.67	998	87	3.500
FHLB	3133XQF72	0.030	03/25/08	03/25/11	09/25/08	5,000,000.00	100.000	5,000,000.00	5,000,000.00	99.625	4,981,250.00	40,000.00	998	87	3.000
FNMA	31388APP1	0.032	04/03/08	04/01/11	04/01/09	3,000,000.00	99.795	2,993,850.00	2,994,350.76	99.031	2,970,937.50	23,625.00	1,005	275	3.222
FNMA Step-up	3138F9GM9	0.030	04/14/08	04/14/11	07/14/08	2,000,000.00	100.500	2,000,000.00	2,000,000.00	99.531	1,990,625.00	12,833.33	1,018	14	3.612
FHLB	3133XQPM8	0.034	04/21/08	04/21/11	10/21/08	3,000,000.00	99.975	2,999,250.00	2,999,298.83	99.344	2,980,312.50	19,687.50	1,025	113	3.384
FNMA Step-up	3138F9JH7	0.028	04/21/08	04/21/11	07/21/08	3,000,000.00	100.000	3,000,000.00	3,000,000.00	99.375	2,981,250.00	16,041.67	1,025	21	3.405
FHLB	3133XQTF9	0.033	04/29/08	04/29/11	10/29/08	3,000,000.00	100.000	3,000,000.00	3,000,000.00	99.156	2,974,687.50	17,050.00	1,033	121	3.300
FHLMC	3128X7MN1	0.035	05/05/08	05/05/11	11/05/08	3,000,000.00	100.000	3,000,000.00	3,000,000.00	99.753	2,992,598.00	18,333.33	1,039	128	3.500
FHLMC	3128X7SC9	0.030	05/22/08	05/20/11	11/20/08	1,000,000.00	100.000	1,000,000.00	1,000,000.00	99.536	995,364.00	3,418.67	1,054	143	3.000
FHLMC	3128X7VV3	0.033	06/03/08	06/03/11	09/03/08	2,000,000.00	99.875	1,997,500.00	1,997,583.93	99.767	1,995,334.00	5,055.58	1,068	65	3.294
FNMA Step-up	3138F9UM3	0.031	06/18/08	06/18/11	09/18/08	3,000,000.00	100.000	3,000,000.00	3,000,000.00	99.781	2,993,437.50	3,906.25	1,081	78	4.348
FHLMC	3128X7NK6	0.035	05/15/08	11/15/11	08/15/08	3,000,000.00	100.000	3,000,000.00	3,000,000.00	99.797	2,993,919.00	13,416.67	1,233	46	3.500
FHLMC	3128X7WQ3	0.035	06/05/08	12/05/11	09/05/08	2,000,000.00	100.000	2,000,000.00	2,000,000.00	100.022	2,000,448.00	5,055.56	1,253	67	3.500
FHLB Step-up	3133XQK76	0.035	04/09/08	04/09/13	07/09/08	2,000,000.00	100.000	2,000,000.00	2,000,000.00	99.125	1,982,500.00	15,944.44	1,744	9	4.120
						133,081,578.94		133,068,938.44	133,071,029.18		132,726,686.44	446,244.31	461		2.419
State Pool Account									2,962,982.00		2,952,982.00				
Grand Total						383,937,757.74		385,111,211.47	387,937,282.01		387,666,168.26	2,196,483.03	368		2.966

LEGEND
FHLMC - Federal Home Loan Mortgage Corporation (Freddie Mac)
FMCAL - Federal Home Loan Mortgage Corporation (Freddie Mac) Callable Security
FNMA - Federal National Mortgage Association (Fannie Mae)
FNDN - Federal National Mortgage Association (Fannie Mae) Discount Note
FHLB - Federal Home Loan Bank
FHCAL - Federal Home Loan Bank Callable Security
FFCB - Federal Farm Credit Bank
FFCAL - Federal Farm Credit Bank Callable Security
T-Note - U.S. Treasury Note
CP - Commercial Paper
MMF - Money Market Fund (JP Morgan Chase)