

# Nueces County Quarterly Investment Report June 30, 2013 (Unaudited)

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

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

### Investment Committee Members

Samuel L. Neal, Jr. - County Judge

Diana T. Barrera - County Clerk

Laura Jimenez - County Attorney

Steve Waterman - Director of Commissioners Court Admin

Kevin Kieschnick – Tax Assessor/Collector

Dale Atchley, CPA - County Auditor

### County Investment Officers

Alberto Silguero - Treasury Accountant

Fred Chavera - Revenue/Cash Manager

# Investment Report to Commissioners Court

As of June 30, 2013

Investments have been made in accordance with the requirements of the Nueces County Investment Policy and Government Code 2256. The investment committee is directed by the investment policy to meet certain requirements regarding investment strategy, earnings, diversity and liquidity. This report is presented in conformity with generally accepted accounting principles.

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

## **Summary of Cash, Cash Equivalents and Investments**

Total cash, cash equivalents, and investments as of June 30, 2013 have a current value of \$73,604,027. As compared to last quarter, total balances have decreased by \$(13,436,735) down from \$87,040,942. The reason for the decrease is due to the county having reached the peak of property tax collections and the expenses have now started to exceed revenues.

## **Compliance Measures**

- The weighted average maturity of the operating portfolio is 126 days and the county is in compliance with the investment policy. The policy limits the weighted average to 364 days. Compared to last quarter the average maturity increased by 10 days. The reason for the increase is because we have spent down our cash equivalents which caused the increase.
- As to portfolio diversity a test for compliance with the investment policy indicates the county is in compliance with the maximum percentages allowed per investment types. The largest investment type is in cash equivalents which is 74.25% and the remainder invested in US Agencies and brokered CDs which are 15.62% and 10.13%, respectively.
- All investments are in compliance with the Public Investment Act and the Nueces County Investment Policy.

## **Summary of Investment Results**

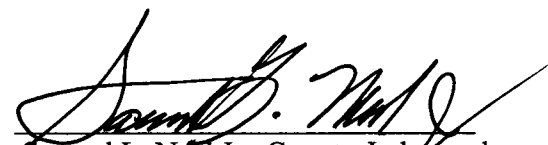
Investment earnings are calculated under Government Accounting Standards Board (GASB) Statement #31. GASB #31 mandates that changes in the fair market value of investments longer than 1 year should be reported as revenues in the financial statements. Due to the decline of the bond market after Fed Chairman's comments, the drop in market of the securities owned by Nueces County caused the total portfolio earnings/(loss) to decline substantially. Since our investment strategy has been to buy and hold until maturity, the loss in market value is reflected of the value of the portfolios as if they had been liquidated on June 30th, which has never been our strategy.

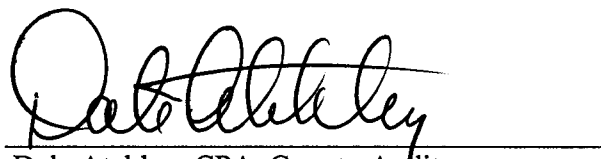
Current quarterly earnings are \$(1,869). Compared to the previous quarter ending March 31, 2013, earnings this quarter decreased by \$(39,804) down from \$37,935. The reason for the extreme decrease is due to bond market losses.

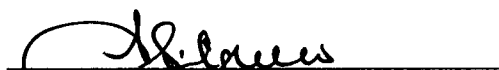
**Investment Strategy**

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

This report has been prepared jointly by the county auditor office and the county treasury division and in accordance with Government Code 2256.023. The investment committee approved this report on January 10, 2014, and herein presents to the Commissioners Court for final approval. Thank you.

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

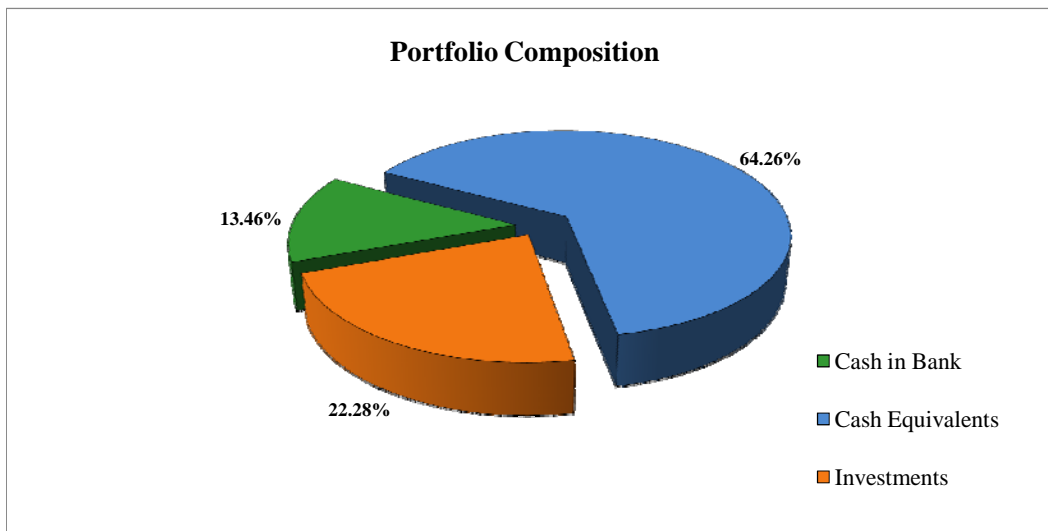
  
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Dale Atchley, CPA, County Auditor

  
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Alberto Silguero, Treasury Accountant

  
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Federico Chavera, Revenue/Cash Manager

**Cash, Cash Equivalents and Investments by Fund Group**  
**June 30, 2013**  
(Unaudited)

	Operating Funds		Capital Projects Funds		Debt Service Funds		Other Funds		All Fund Groups Total	
Cash in bank	\$ 5,641,349	13.34%	\$ 101,242	0.90%	\$ 26,300	0.41%	\$ 4,136,305	30.35%	\$ 9,905,196	13.46%
Cash equivalents:										
TEXPool LGP	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
TEXPool Prime	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
MBIA	29,668,834	70.17%	7,703,656	68.75%	4,752,524	73.22%	5,174,620	37.97%	47,299,634	64.26%
Sub-total cash equivalents	29,668,834	70.17%	7,703,656	68.75%	4,752,524	73.22%	5,174,620	37.97%	47,299,634	64.26%
Investments:										
Brokered CDs	2,689,278	6.36%	1,303,285	11.63%	655,915	10.11%	1,803,522	13.24%	6,452,000	8.77%
US Agencies	4,280,826	10.13%	2,097,661	18.72%	1,055,707	16.26%	2,513,003	18.44%	9,947,197	13.51%
Sub-total Investments	6,970,104	16.49%	3,400,946	30.35%	1,711,622	26.37%	4,316,525	31.68%	16,399,197	22.28%
<b>Total cash, cash equivalents &amp; investments</b>	<b>\$ 42,280,287</b>	<b>100.00%</b>	<b>\$ 11,205,844</b>	<b>100.00%</b>	<b>\$ 6,490,446</b>	<b>100.00%</b>	<b>\$ 13,627,450</b>	<b>100.00%</b>	<b>\$ 73,604,027</b>	<b>100.00%</b>



## Operating Funds and Other Funds Groups

Cash, Cash Equivalents and Investments by Fund - (Unaudited)

June 30, 2013

### Operating Funds:

	General Fund	Road Fund	Stadium/ Fairgrounds Fund
Cash	\$ 4,839,550	535,576	60,332
Cash Equivalents	24,542,121	360,715	3,244,412
Investments	<u>5,932,548</u>	<u>418,061</u>	<u>-</u>
Total	35,314,219	1,314,352	3,304,744
As of June 30, 2012	31,405,580	4,883,574	527,588
Increase (Decrease) from one year ago	\$ <u><u>3,908,639</u></u>	<u><u>(3,569,222)</u></u>	<u><u>2,777,156</u></u>

### Other Funds:

	Self Insurance Fund	Special Fund	Main Grant Fund
Cash	\$ 242,042	1,291,017	2,376,129
Cash Equivalents	1,399,027	3,775,593	-
Investments	<u>480,573</u>	<u>3,835,952</u>	<u>-</u>
Total	2,121,642	8,902,562	2,376,129
As of June 30, 2012	3,398,923	6,805,698	186,023
Increase (Decrease) from one year ago	\$ <u><u>(1,277,281)</u></u>	<u><u>2,096,864</u></u>	<u><u>2,190,106</u></u>

Law Library Fund	Airport Fund	Inland Parks Fund	Coastal Parks Fund	Total
39,378	(8,713)	38,452	136,774	\$ 5,641,349
145,304	71,720	693,053	611,509	29,668,834
<u>96,519</u>	<u>-</u>	<u>-</u>	<u>522,976</u>	<u>6,970,104</u>
281,201	63,007	731,505	1,271,259	42,280,287
291,799	55,185	683,209	824,827	38,671,762
<u><u>(10,598)</u></u>	<u><u>7,822</u></u>	<u><u>48,296</u></u>	<u><u>446,432</u></u>	<u><u>\$ 3,608,525</u></u>

TJJD Grant Fund	Total
227,117	\$ 4,136,305
-	5,174,620
<u>-</u>	<u>4,316,525</u>
227,117	13,627,450
305,031	10,695,675
<u><u>(77,914)</u></u>	<u><u>\$ 2,931,775</u></u>

### Portfolio Diversity

Test of Compliance with Investment Policy  
All Fund Groups as of June 30, 2013  
(Unaudited)

	Current Value	%	Investment Policy Maximum
Cash equivalents	\$ 47,299,634	74.25%	85.00%
Brokered CDs	6,452,000	10.13%	75.00%
US Agencies	9,947,197	15.62%	75.00%
US Treasury Note	<u>-</u>	<u>0.00%</u>	75.00%
Total cash equivalents and investments (excludes cash in bank)	<u>\$ 63,698,831</u>	<u>100.00%</u>	

### Portfolio Liquidity

Test of Compliance with Investment Policy  
Weighted Average Days to Maturity  
Operating Funds Group as of June 30, 2013  
(Unaudited)

	Fair Value	Weighted Average Days to Maturity	Investment Policy Maximum
Cash equivalents	\$ 29,668,834	1	
Brokered CDs	2,689,278	536	
US Agencies	<u>4,280,826</u>	<u>727</u>	
Total cash equivalents and investments-operating fund group only (excludes cash in bank)	<u>\$ 36,638,938</u>	<u>126</u>	<u>364</u>



**Statement of Changes in Investments**

as of June 30, 2013

(Unaudited)

	Beginning Balance 03/31/13	Additions	(Subtractions)	Amortization (Premium) Discount	Market Adjustments	Ending Balance 06/30/13
Brokered CDs	\$ 6,452,000	-	-	-	-	6,452,000
US agencies	14,257,282	-	(4,235,000)	(6,851)	(68,234)	9,947,197
<b>Total</b>	<b>\$ 20,709,282</b>	<b>-</b>	<b>(4,235,000)</b>	<b>(6,851)</b>	<b>(68,234)</b>	<b>16,399,197</b>

**Comprehensive Interest Earnings for All Fund Groups Compared to  
Same Period Prior Year (Note1)**

(Unaudited)

	Quarterly Comparison			Year-to-Date Comparison		
	04/01/12 06/30/12	04/01/13 06/30/13	Increase/ (Decrease)	10/01/11 06/30/12	10/01/12 06/30/13	Increase/ (Decrease)
Operating fund group	\$ 44,229	3,811	(40,418)	83,251	42,980	(40,271)
Capital Projects fund group	12,164	(1,938)	(14,102)	24,629	15,926	(8,703)
Debt service fund group	7,297	(477)	(7,774)	15,975	5,883	(10,092)
Other funds group	12,843	(3,265)	(16,108)	29,754	13,656	(16,098)
<b>Total</b>	<b>\$ 76,533</b>	<b>(1,869)</b>	<b>(78,402)</b>	<b>153,609</b>	<b>78,445</b>	<b>(75,164)</b>

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





## Listing of All Brokered CDs and Ladder Placement - June 30, 2013 (Unaudited)

CUSIP	FDIC Cert#	Bank Issuing CD	Coupon	Yield	Duration in Yrs from Purchase	Days To MTY	Purchase Date	Maturity Date /Called Date	Purchase Price at Par
332135EQ1	5452	FIRST NATIONAL BANK OMAHA	0.500%	0.500000%	1.2548	99	07/06/12	10/07/13	248,000
037830GS9	16068	APPLE BK FOR SVGS NY PRIMARY	0.400%	0.400000%	2.0000	250	03/07/12	03/07/14	248,000
05568PV79	35141	BMW BK NORTH AMER SALT LAKE CITY UT	0.650%	0.650000%	2.0027	253	03/09/12	03/10/14	248,000
892094CE1	34717	TOWN BANK WI	0.500%	0.500000%	2.0000	271	03/28/12	03/28/14	248,000
662326BS5	33935	NORTH SHORE COMM BK & TR IL	0.500%	0.500000%	2.0000	271	03/28/12	03/28/14	248,000
531554BS1	34073	LIBERTYVILLE BANK & TRUST IL	0.500%	0.500000%	2.0000	271	03/28/12	03/28/14	248,000
509685EM1	27589	LAKE FOREST BANK & TRUST IL	0.500%	0.500000%	2.0000	271	03/28/12	03/28/14	248,000
229253CQ0	34681	CRYSTAL LAKE BK & TR IL	0.500%	0.500000%	2.0000	271	03/28/12	03/28/14	248,000
446438NZ2	6560	HUNTINGTON NATIONAL BANK COLUMBUS OH	0.500%	0.500000%	2.0027	323	05/18/12	05/19/14	248,000
17669WDW2	419	CITIZENS STATE BANK OK	0.500%	0.500000%	2.0055	386	07/19/12	07/21/14	248,000
91979NAR6	9396	VAL NATL BK WAYNE	0.600%	0.600000%	2.0027	393	07/27/12	07/28/14	248,000
84603M2L9		SOVEREIGN BANK	0.750%	0.750000%	2.0000	425	08/29/12	08/29/14	248,000
16116PGU9	23137	CHARTER BANK EAU CLAIRE WI	0.500%	0.500000%	2.5041	432	03/05/12	09/05/14	248,000
940637FF3	23623	WASHINGTON TRUST CO OF WESTERLY RI	0.500%	0.500000%	2.5041	443	03/16/12	09/16/14	248,000
687377CQ2	713	ORRSTOWN BK SHIPPENSBURG PA	0.500%	0.500000%	2.5068	449	03/21/12	09/22/14	248,000
57116AEC8	5867	MARLIN BUSINESS BANK	0.550%	0.550000%	2.4986	516	05/30/12	11/28/14	248,000
786580ZQ6	26876	SAFRA NATIONAL BANK NEW YORK NY	0.650%	0.650000%	3.0055	603	02/22/12	02/23/15	248,000
2546704B5	5649	DISCOVER BK GREENWOOD DEL	0.900%	0.900000%	3.0055	603	02/22/12	02/23/15	248,000
02005QYZ0	57803	ALLY BANK MIDVALLEY UT	0.950%	0.950000%	3.0027	603	02/23/12	02/23/15	248,000
53700PCV6	34934	LITTLE BK INC KINGSTON NC	0.500%	0.500000%	3.0027	604	02/24/12	02/24/15	248,000
38143AKX2	33124	GOLDMAN SACHS BK USA NY	0.950%	0.950000%	3.0055	610	02/29/12	03/02/15	248,000
175144CB8	6531	CITIZENS NATIONAL BK BLUFFTON OH	0.550%	0.550000%	3.0000	610	03/02/12	03/02/15	248,000
80928EHZ6		SCOTIABANK DE PUERTO RICO	0.700%	0.700000%	3.0055	792	08/29/12	08/31/15	248,000
17284AS66	35575	CIT BANK SALT LAKE CITY UT	1.150%	1.150000%	4.0027	1,058	05/23/12	05/23/16	248,000
63969AAU8		NEBRASKA STATE B T	0.850%	0.850000%	5.0027	1,549	09/26/12	09/26/17	250,000
12325EFN7		BUSINESS BK OF ST LOUIS	0.950%	0.950000%	5.0027	1,551	09/28/12	09/28/17	250,000
<b>Weighted Averages †</b>				<b>0.638624%</b>	<b>2.6291</b>	<b>536</b>	<b>Totals</b>		<b>6,452,000</b>

† Weighted Averages are based on investment holdings as of the last day of the quarter using actual days remaining to maturity and are calculated based on Yields, Duration, Days to Maturity, Purchase Prices, and Total Purchase Price .



## Portfolio Holdings by Fund

June 30, 2013  
(Unaudited)

**Operating Funds Groups:**

General Fund	\$ 5,932,548		36.17%
Road & Bridge Fund	418,061		2.55%
Stadium & Fairgrounds Fund	-		0.00%
Law Library Fund	96,519		0.59%
Airport Fund	-		0.00%
Inland Parks Fund	-		0.00%
Coastal Parks Fund	522,976		3.19%

<b>Sub-total Operating Funds</b>	\$ 6,970,104	<b>\$ 6,970,104</b>	42.50%
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<b>Debt Service Fund</b>		<b>1,711,622</b>	10.44%
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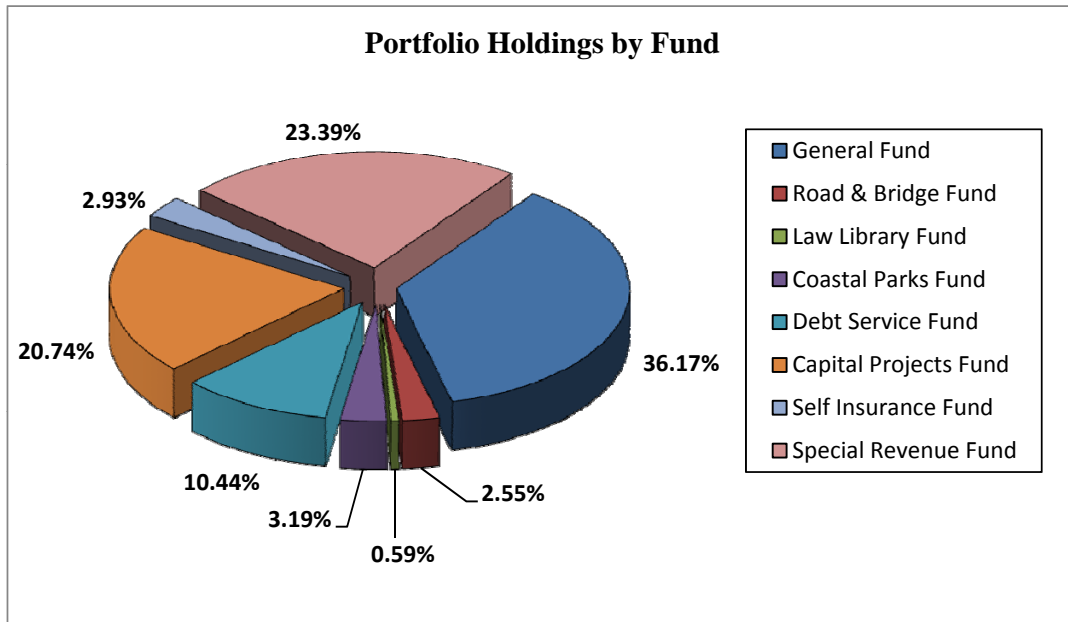
<b>Capital Projects Fund</b>		<b>3,400,946</b>	20.74%
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**Other Funds Groups:**

Self Insurance Fund	480,573		2.93%
Special Revenue Fund	3,835,952		23.39%

<b>Sub-total Other Funds</b>	4,316,525	<b>4,316,525</b>	26.32%
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<b>Total Holdings at Current Market Value</b>		<b>\$ 16,399,197</b>	100.00%
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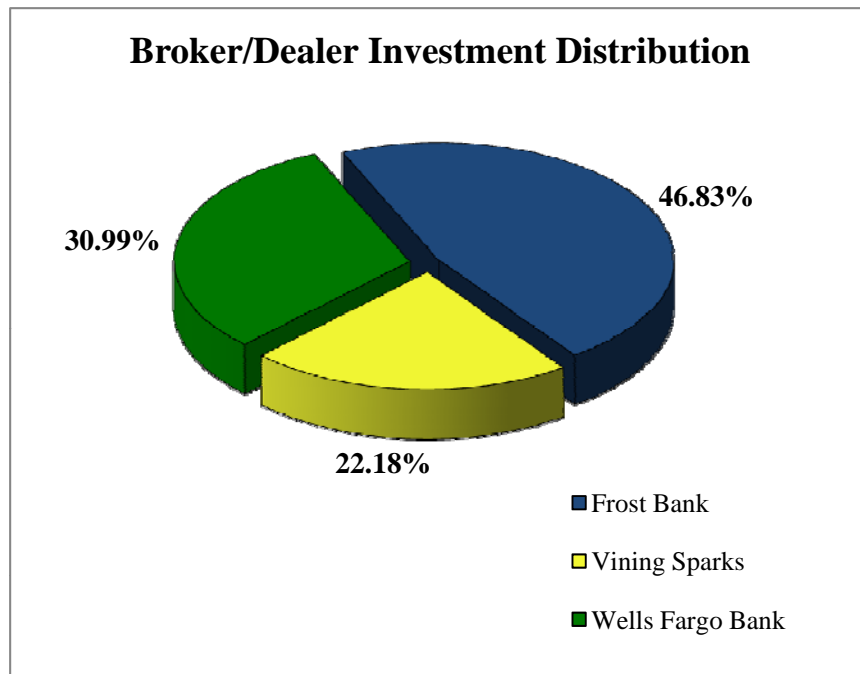


**Distribution of Investments by  
Dealer/Broker/Financial Institutions**

June 30, 2013

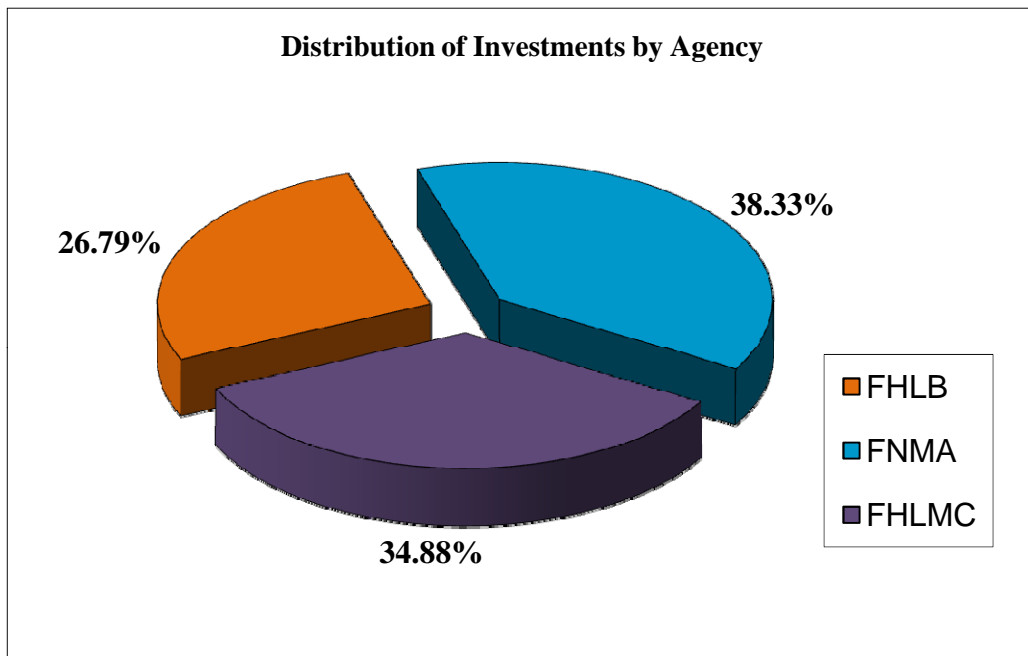
(Unaudited)

	Fair Market Value	Distribution %
Frost Bank	\$ 4,658,766	46.83%
Vining Sparks	2,206,232	22.18%
Wells Fargo Bank	3,082,200	30.99%
Total	<u>\$ 9,947,197</u>	<u>100.00%</u>



**Distribution of Investments by  
U. S Agencies Issuers  
June 30, 2013  
(Unaudited)**

Agency		Fair Market Value	Distribution %
Fed Home Loan Bank	FHLB	\$ 2,664,607	26.79%
Fannie Mae	FNMA	3,812,494	38.33%
Fed Home Loan Freddie Mac	FHLMC	3,470,096	34.88%
		<u>\$ 9,947,197</u>	<u>100.00%</u>







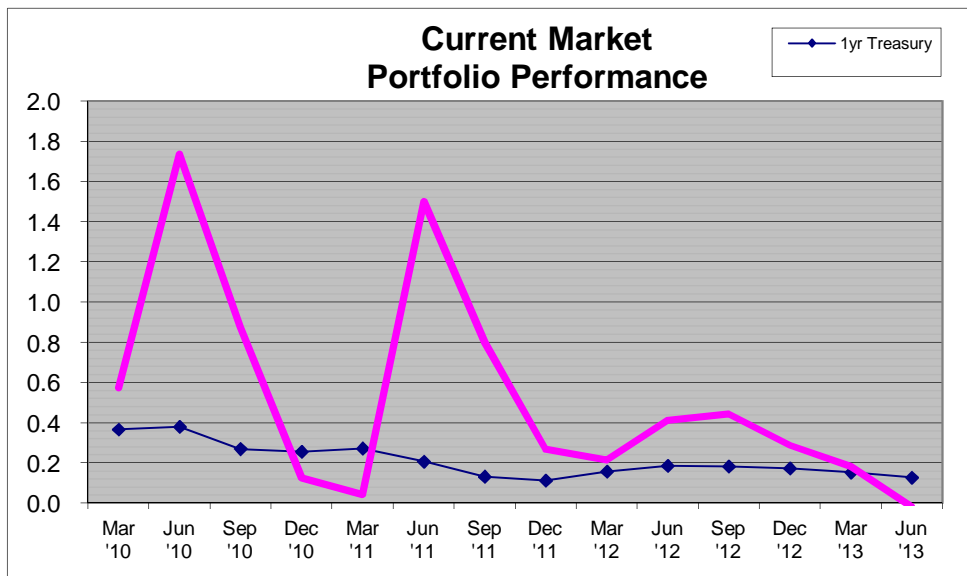
# Investments Performance Compared to One-Year Treasury

June 30, 2013  
(Unaudited)

Quarter Ended	County Qrtly Avg Yield	Projected Annual County Yield	* 1yr Treasury
Jun '09	0.216%	0.867%	0.520%
Sep '09	0.281%	1.124%	0.447%
Dec '09	0.167%	0.667%	0.350%
Mar '10	0.144%	0.575%	0.367%
Jun '10	0.434%	1.735%	0.380%
Sep '10	0.219%	0.876%	0.270%
Dec '10	0.032%	0.126%	0.256%
Mar '11	0.011%	0.043%	0.273%
Jun '11	0.374%	1.500%	0.207%
Sep '11	0.200%	0.800%	0.133%
Dec '11	0.067%	0.270%	0.113%
Mar '12	0.054%	0.215%	0.157%
Jun '12	0.103%	0.413%	0.187%
Sep '12	0.119%	0.443%	0.183%
Dec '12	0.072%	0.288%	0.173%
Mar '13	0.045%	0.181%	0.153%
Jun '13	0.005%	-0.018%	0.127%

\* An average of the three months for the quarter presented of the market yields on 1-year U.S. Treasury constant maturity (CMT), quoted on investment basis.

Source: [www.federalreserve.gov](http://www.federalreserve.gov)



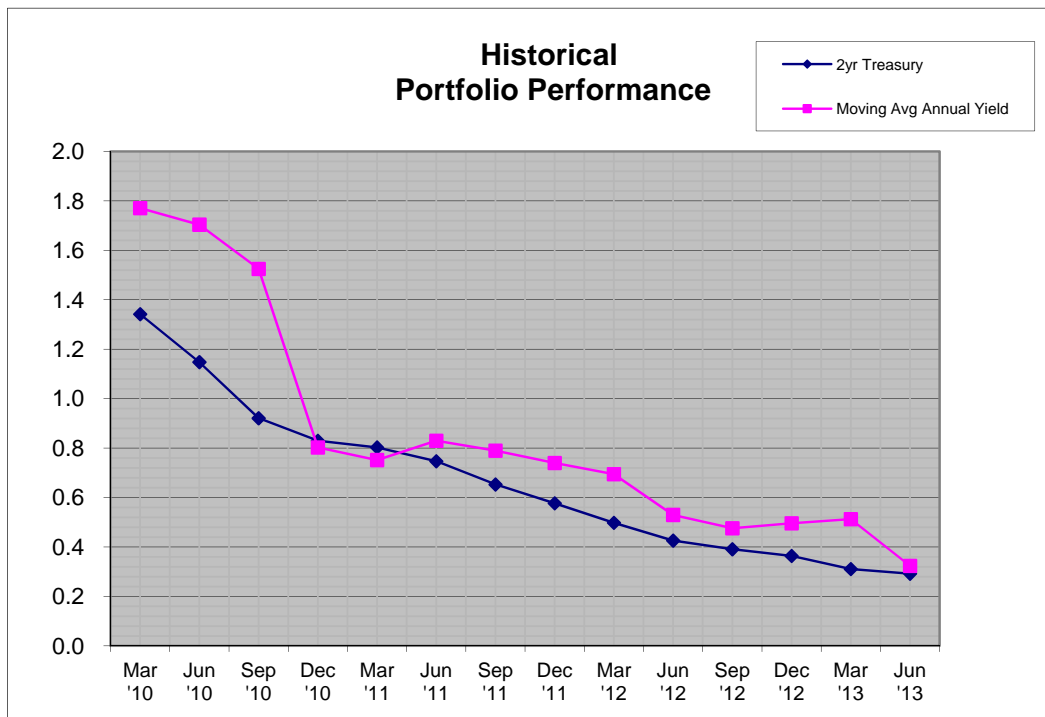
# Investments Performance Compared to Two-Year Treasury

June 30, 2013  
(Unaudited)

Quarter Ended	County Two Year Moving Avg Annual Yield	* 2 yr Treasury (CMT)
Mar '10	1.771%	1.342%
Jun '10	1.704%	1.148%
Sep '10	1.525%	0.921%
Dec '10	0.803%	0.830%
Mar '11	0.752%	0.803%
Jun '11	0.830%	0.747%
Sep '11	0.790%	0.653%
Dec '11	0.740%	0.577%
Mar '12	0.695%	0.498%
Jun '12	0.530%	0.426%
Sep '12	0.476%	0.391%
Dec '12	0.496%	0.364%
Mar '13	0.513%	0.311%
Jun '13	0.324%	0.292%

\* 2-year treasury rates are adjusted to a 24 month quarterly average yield. Twenty-four month moving average based on the 2-year CMT that changes monthly.

Source: [www.federalreserve.gov](http://www.federalreserve.gov)



## Comparison of Interest Rates on Liquid Investments

June 30, 2013

(Unaudited)

	TexPool Average Monthly Rates	TexPool Prime Average Monthly Rates	MBIA Average Monthly Rates	Money Market Funds (Note2)	Depository (Note 1) Bank Rates
April '09	0.4762%	0.6767%	0.56%	-	0.01%
May '09	0.4326%	0.6153%	0.48%	-	0.01%
June '09	0.3939%	0.5250%	0.40%	-	0.01%
July '09	0.3384%	0.4580%	0.38%	-	0.01%
August '09	0.3380%	0.4354%	0.35%	-	0.01%
September '09	0.2822%	0.3641%	0.32%	-	0.01%
October '09	0.2095%	0.2835%	0.30%	0.45%	0.01%
November '09	0.2112%	0.2609%	0.28%	0.45%	0.01%
December '09	0.2090%	0.2395%	0.24%	0.35%	0.01%
January '10	0.1630%	0.1912%	0.21%	0.35%	0.01%
February '10	0.1512%	0.1814%	0.23%	0.35%	0.01%
March '10	0.1577%	0.1886%	0.23%	0.30%	0.01%
April '10	0.1662%	0.1970%	0.22%	0.30%	0.01%
May '10	0.1935%	0.2237%	0.23%	0.30%	0.01%
June '10	0.2078%	0.2794%	0.26%	0.30%	0.01%
July '10	0.2259%	0.3253%	0.29%	0.30%	0.01%
August '10	0.2279%	0.3221%	0.30%	0.30%	0.01%
September '10	0.2165%	0.2745%	0.29%	0.30%	0.01%
October '10	0.2036%	0.2396%	0.26%	0.30%	0.01%
November '10	0.1917%	0.2225%	0.25%	0.30%	0.01%
December '10	0.1677%	0.2012%	0.24%	0.25%	0.01%
January '11	0.1587%	0.2032%	0.22%	0.25%	0.01%
February '11	0.1470%	0.1895%	0.18%	0.25%	0.01%
March '11	0.1461%	0.1842%	0.17%	0.25%	0.01%
April '11	0.1122%	0.1554%	0.17%	0.25%	0.01%
May '11	0.0838%	0.1369%	0.16%	0.25%	0.01%
June '11	0.0793%	0.1272%	0.16%	0.10%	0.01%
July '11	0.0665%	0.0901%	0.14%	0.10%	0.01%
August '11	0.0851%	0.1044%	0.14%	0.10%	0.01%
September '11	0.0929%	0.1102%	0.14%	0.10%	0.01%
October '11	0.0839%	0.1036%	0.14%	0.10%	0.01%
November '11	0.1080%	0.1297%	0.15%	0.10%	0.01%
December '11	0.0810%	0.1125%	0.20%	0.10%	0.01%
January '12	0.0875%	0.1249%	0.21%	0.10%	0.01%
February '12	0.0903%	0.1347%	0.25%	0.10%	0.01%
March '12	0.1150%	0.1597%	0.24%	0.10%	0.01%
April '12	0.1110%	0.1387%	0.25%	0.10%	0.01%
May '12	0.1246%	0.1455%	0.26%		0.01%
June '12	0.1395%	0.1663%	0.26%		0.01%
July '12	0.1316%	0.1596%	0.24%		0.01%
August '12	0.1313%	0.1593%	0.24%		0.01%
September '12	0.1572%	0.1821%	0.23%		0.01%
October '12	0.1657%	0.1864%	0.21%		0.01%
November '12	0.1564%	0.1766%	0.19%		0.01%
December '12	0.1506%	0.1701%	0.21%		0.01%
January '13	0.0986%	0.1219%	0.18%		0.01%
February '13	0.0935%	0.1180%	0.17%		0.01%
March '13	0.1047%	0.1354%	0.17%		0.01%
April '13	0.1022%	0.1264%	0.16%		0.01%
May '13	0.0715%	0.1032%	0.16%		0.01%
June '13	0.0531%	0.0878%	0.16%		0.01%

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

Note2: The money market account was opened in October of 2009. This rate varies depending on account balances. Higher balances receive a lower rate. For informational purposes, the lower rate is displayed here. Beginning June 2011 the interest rate was lowered to 0.10%.