Brevard County, Florida

Annual Investment Performance Review
Fiscal Year Ended September 30, 2008

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Table of Contents

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Market Review

After more than a year of increasing turbulence, the credit crunch reached crisis proportions during the third quarter and crashed down on the U.S. economy like a tidal wave, washing away hundreds of billions of dollars of asset value and causing the credit markets to seize up. In its continuing wake the U.S. economy experienced failures of several very significant financial institutions, continued declines in home values, near-frozen municipal borrowing markets, and rising unemployment.

Investors fled to the high ground and safety of U.S. Treasury securities, which pushed the yields on these securities, and their returns, into unchartered waters. For example, during the quarter, yields on some short-term U.S. Treasury bills fell below 0%, meaning that investors were willing to accept a negative return for peace of mind. On the whole, short- and intermediate-term U.S. Treasury yields fell sharply, producing exceptional returns for U.S. Treasury benchmark portfolios, while returns in other sectors were hampered by widening spreads.

In an attempt to navigate the floodwaters, the Federal Reserve injected hundreds of billions of dollars of liquidity into the markets. Even so, the effects of the added cash were limited, as lending among financial institutions remained nearly frozen. Investors increased their desire for safety, and continued their preference for U.S. Treasury securities over all other asset classes.

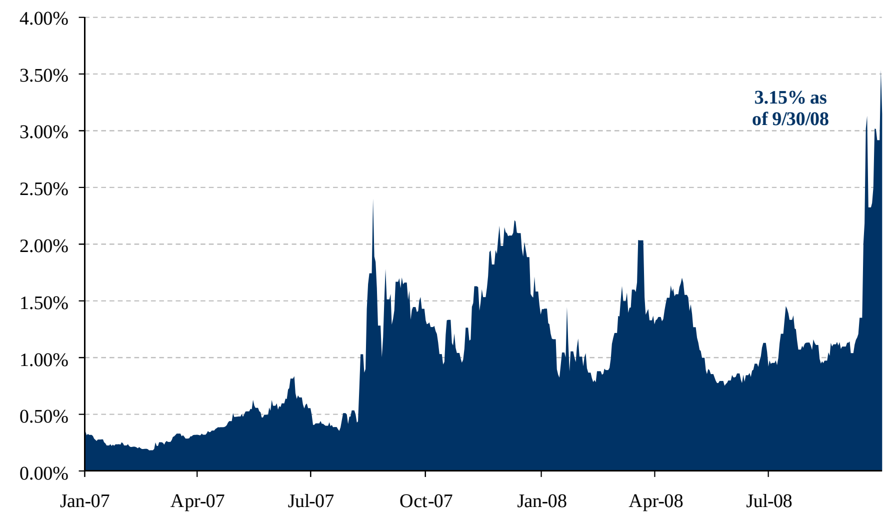
Yields and Returns

During the quarter, yields were volatile, cresting and falling with the release of each day's market news. For example, the two-year U.S. Treasury note reached a high of 2.74% and a low of 1.64%, a difference of approximately 1.09%. This is an especially large range given both the relatively low level of interest rates and the Federal Open Market Committee left the Fed funds target rate unchanged at 2.00%. By quarter end, the two-year U.S. Treasury yield was nearly 70 basis points (0.70%) lower than its close on June 30th.

Corporate securities took on the brunt of the credit storm, and yields on corporate securities were higher as banks stopped lending and corporations found trouble accessing capital. Even AAA rated firms like General Electric and Toyota experienced substantially higher borrowing costs. As many investors abandoned corporate holdings for the safety of U.S. Treasury securities, the yield spread between U.S. Treasuries and even the highest rated corporate holdings widened to historic levels.

One way to look at credit spreads is to compare the difference between short-term U.S. Treasury rates and short-term corporate borrowing rates. The chart below shows the ratio of Treasury bill to Eurodollar rates (the TED spread), which tracks the difference between the rates on the 3-month U.S. Treasury bill (considered a risk-free investment) and 3-month LIBOR (reflects short-term corporate borrowing yields). A rising or elevated TED spread indicates some combination of increased credit or default risk and a flight to quality in the markets, whereas a low TED spread shows improving credit conditions. During the quarter, the TED spread widened to an all-time high of 3.54%.

TED Spread
January 2007 – September 2008

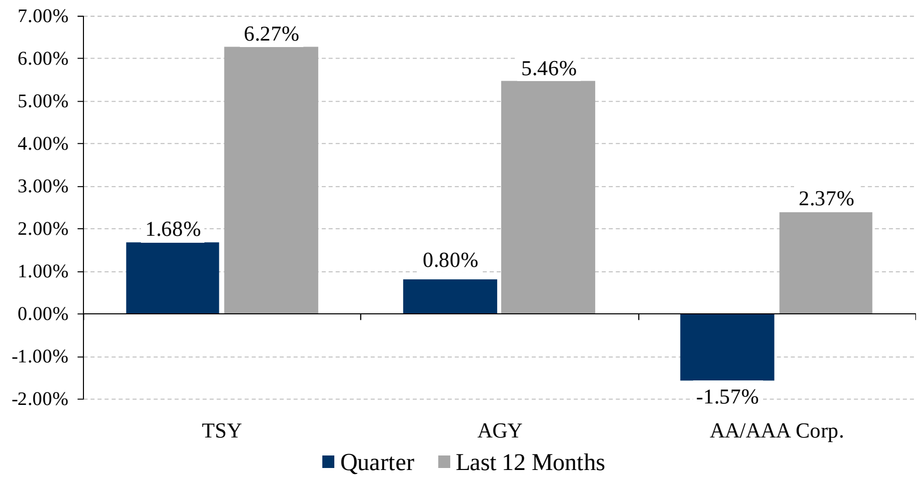


Source: Bloomberg

Widening spreads between U.S. Treasury and other fixed income securities rewarded holders of U.S. Treasuries by reducing the returns on non-Treasury sectors which usually out-perform comparable maturity Treasuries. For example, the spread between two-year Agencies and Treasuries widened from 65 basis points (0.65%) to 112 basis points (1.12%) by quarter end, three times the historic average of approximately 35 basis points (0.35%).

The chart below shows the returns for the Merrill Lynch 1-3 year U.S. Treasury, Federal Agency, and AA-AAA rated Corporate Indices over the past quarter and 12 months.

Merrill Lynch 1-3 Year Indices Duration Adjusted
Quarterly & Last 12 Months Returns as of September 30, 2008



Source: Merrill Lynch Indices provided by Bloomberg Financial Markets

In fact, during the quarter, U.S. Treasuries outperformed Federal Agencies and high-quality corporates by the largest margins since the late 1970s. U.S. Treasuries also outperformed Agencies and corporates in four out of the past five quarters, truly an unusual occurrence. Since the inception of the Merrill Lynch 1-3 year Agency and AA-AAA Corporate Indices in 1976, U.S. Treasuries outperformed Agencies and corporates in four out of five quarters only 6% and 2% of the time, respectively. Even in these rare occasions, as the tables at the top of the next column show, **at no time in the past 30+ years have Treasuries outperformed Agencies and corporates by such a large margin.**

U.S. Treasury Outperformance of AA-AAA Corporate Index in Four out of Five Consecutive Quarters (1-3 year Indices, since 1976)

Time Period	Outperformance
April 1984 to June 1985	0.68%
January 1986 to March 1987	-0.18%
July 2007 to September 2008	**4.10%**

U.S. Treasury Outperformance of Federal Agency Index in Four out of Five Consecutive Quarters (1-3 year Indices, since 1976)

Time Period	Outperformance
October 1977 to December 1978	0.25%
July 1980 to September 1981	0.61%
October 1980 to December 1981	0.80%
January 1981 to March 1982	0.53%
April 1981 to June 1982	0.74%
July 1996 to September 1997	0.03%
October 1996 to December 1997	0.04%
July 2007 to September 2008	**1.13%**

Source: Bloomberg

Historically, adding Federal Agency and high quality corporate notes to a portfolio enhances returns when compared to 100% U.S. Treasury portfolios. From the second quarter of 1976 to July 2007 (the beginning of the mortgage-induced market meltdown), the 1-3 year Merrill Lynch Federal Agency and the AA-AAA Corporate Indices outperformed the Merrill Lynch 1-3 year U.S. Treasury index by 20 and 57 basis points (0.20% and 0.57%), respectively, per annum.

To put the recent Treasury rally into perspective, the highly unusual performance of the most recent five quarters caused the 1-3 year Treasury index to gain 5 and 18 basis points (0.05% and 0.18%) per annum against the return since inception of the 1-3 year Federal Agency and AA-AAA Corporate Indices, respectively. Since inception, the 1-3 year U.S. Treasury Index underperformed the Federal Agency and AA-AAA Corporate Index by 15 and 39 basis points (0.15% and 0.39%) as of September 30, 2008 compared to underperformance of 20 and 57 basis points (0.20% and 0.57%) as of June 30, 2007.

A Horizon Analysis: Expected Returns of Treasury and Agency Portfolios Going Forward

Total return consists of two components – (1) income return (interest earned) and (2) price return (change in market value). In recent quarters, U.S. Treasuries had a higher price return when compared to Federal Agencies, due to the spread widening. This significant price appreciation far outweighed any Agency income advantage, and has enabled Treasuries to outperform Agencies on a total return basis over this time period.

The yield spread between 2-year Federal Agencies and U.S. Treasuries ended the quarter at approximately 112 basis points (1.12%), over three times the historical 10-year average of approximately 35 basis points (0.35%). Going forward, this Treasury out-performance is likely to be reversed even if spreads remain elevated or widen further. The following chart suggests how Federal Agency securities may perform under different market scenarios versus U.S. Treasury securities over the next two quarters.

As shown in the analysis below, the extraordinary underperformance of Agency benchmarks should reverse itself and result in outperformance of portfolios that now hold Agency securities in coming quarters. Investors may anticipate Federal Agencies outperforming U.S. Treasury securities in the foreseeable future.

	Performance (Annualized)		
	TSY[1]	AGY[2]	Agency Over/Under
Past 6 months	0.75%	-0.02%	-0.77%
Forecast return over next 6 months if Spreads[3]			
Widen by 0.50%	1.88%	2.02%	0.14%
Widen by 0.25%	1.88%	2.52%	0.64%
Are Unchanged	1.88%	3.03%	1.15%
Narrow by 0.25%	1.88%	3.54%	1.66%
Narrow by 0.50%	1.88%	4.05%	2.17%
Narrow by 0.75%	1.88%	4.57%	2.68%

Source Data: Bloomberg

[1]*U.S. Treasury Security:*
Maturity: March 31, 2010; Coupon: 1.75%; Settlement Date: April 1, 2008; Yield at Settlement: 1.59%

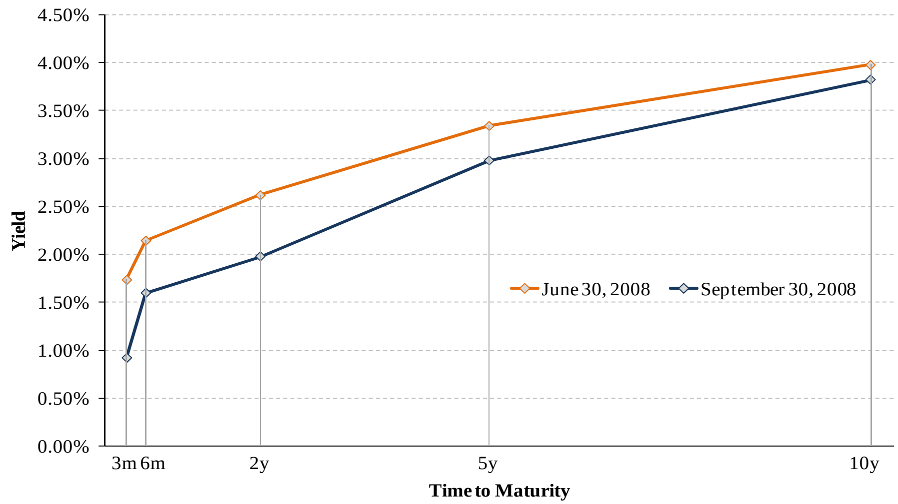
[2]*Federal Agency Security:*
Maturity: March 31, 2010; Coupon: 4.75%; Settlement Date: April 1, 2008; Yield at Settlement: 2.24%

[3]*Yield on U.S. Treasury security assumed to remain constant. Spread between U.S. Treasury and Agency investments assumed to change.*

Yield Curve

The chart below illustrates how, due to the sharp increase in the price of short and intermediate term Treasuries (see chart below), the yield curve steepened during the quarter. As investors placed their money in the safest and most-liquid securities available, short-term rates plummeted faster and farther than intermediate- and long-term rates.

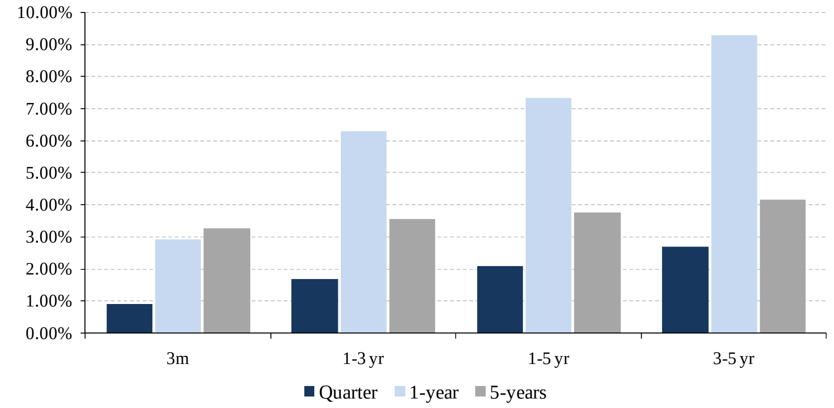
U.S. Treasury Yield Curve
June 30, 2008 vs. September 30, 2008



Source: Bloomberg

On an absolute basis, intermediate and long-term benchmark portfolios outperformed short-term benchmarks for the past quarter, one year, and five years, with the contribution of portfolio duration (long-term portfolios out-performing) in the past year also unusually strong.

Merrill Lynch U.S. Treasury Indices
Quarter vs. 12 Months vs. 5 Year Average Returns (as of September 30, 2008)



On a risk-adjusted basis, however, short-term portfolios performed well. In general, due to market value risk, long-term portfolios experience greater price volatility than short-term portfolios. To gauge a portfolio's risk-adjusted return, an investor should consider the portfolio's duration[4]. During the third quarter, based on return per unit of risk[5], short-term indices outperformed intermediate- and long-term indices by a large margin.

As the following table shows, for the quarter, the Merrill Lynch 3-month U.S. Treasury Bill Index (duration of 0.25 years) returned 3.53% per unit of duration while the Merrill Lynch 3-5 year U.S. Treasury Index (duration of 3.67 years) returned approximately 0.73% per unit of duration.

Merrill Lynch U.S. Treasury Index Return

	3m	6m	1-3yr	1-5yr	1-10yr	3-5yr
Quarterly	0.88%	0.99%	1.69%	2.06%	2.19%	2.68%
Per Unit of Risk	3.53%	1.98%	1.05%	0.85%	0.60%	0.73%
Last 12 Months	2.90%	4.03%	6.27%	7.33%	8.31%	9.29%
Per Unit of Risk	11.61%	8.06%	3.92%	3.02%	2.28%	2.53%

Source: Bloomberg

[4]*Duration is the average weighted life of the present value of portfolio cash flows.*

[5]*Return per unit of risk equals the periodic return divided by index duration.*

The Effect of the Credit Storm on Financial Institutions

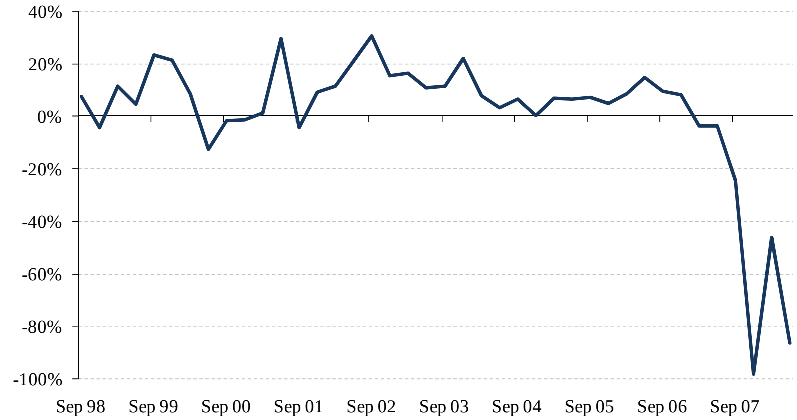
As the credit crunch intensified and crashed down on the U.S. economy, the financial storm battered and eventually washed away several financial institutions. Increased borrowing costs, lack of liquidity in the markets, highly-leveraged balance sheets, and short-selling brought down several banks and widely-recognized Wall Street firms.

September brought the most riveting chain of events in modern financial times. A day did not pass without major news affecting financial institutions, the economy, or both. The timeline at the bottom of this page highlights some of the major events that occurred during the month.

Problems in the housing market, including the devaluation of mortgage-related securities, continued to hamper FDIC-insured institutions. As the market for these securities went from weak to non-existent, the securities became increasingly difficult to price and nearly impossible to sell.

The chart at the top of the next column shows the deterioration in net income of FDIC-insured banking institutions. The 4th quarter of 2007 and the 2nd quarter of 2008 brought the lowest earnings for these institutions since the 4th quarter of 1991. In fact, out of approximately 8,000 FDIC-insured institutions, over 1,500 had negative net income for the 2nd quarter.

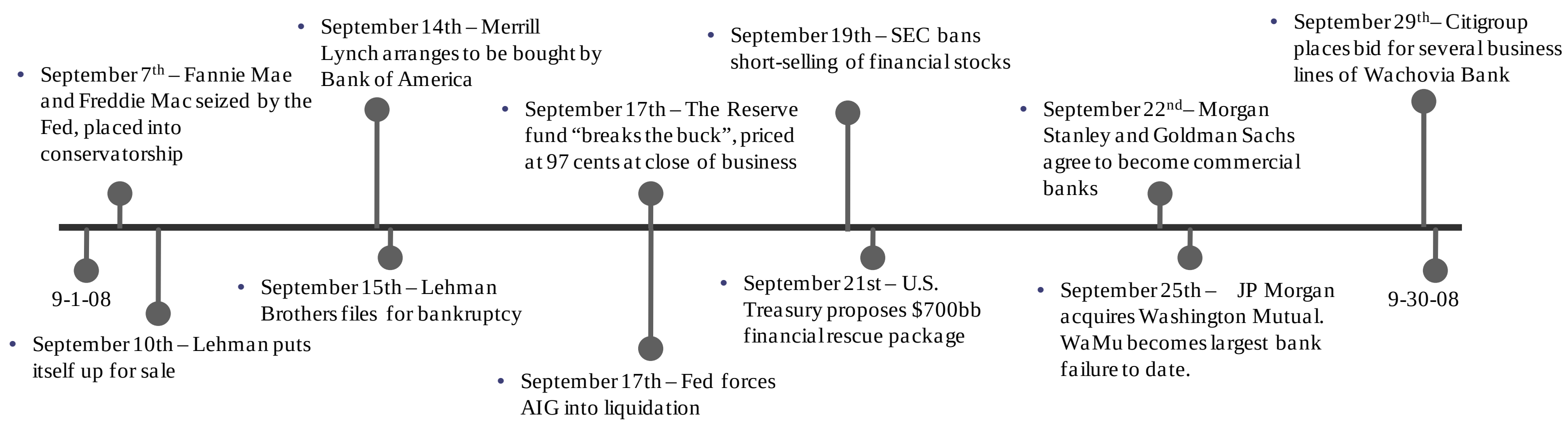
Net Income of FDIC Insured Institutions
Change Over Previous Year
September 1998 – June 2008



Source Data: FDIC

Year-to-date, 13 FDIC-insured institutions have failed; the majority (eight) failed during the 3rd quarter. The quarter began with the failure of IndyMac, at the time the largest U.S. bank failure in history. IndyMac only held this record for a brief time. In late September, the financial credit wave sank Washington Mutual, which then became the largest FDIC-insured institution to fail. The FDIC has placed 117 banks on its unpublished "watch list."

When the quarter ended, one thing was clear – the financial markets as we knew them had changed.



As shown in the timeline on the previous page, U.S. investment banks and insurance companies were not immune to the financial tidal wave. The credit market crisis reached global proportions.

In an effort to shore up the beleaguered financial sector and restore confidence in the markets, U.S. Treasury Secretary, Henry Paulson, presented a $700 billion dollar rescue plan to Congress in late September. The quarter ended without its passage, although the plan passed in early October, but market values in all major markets on September 30th reflected near hysteria.

Equity Markets Under Water

The past few quarters have been remarkably challenging for equity investors as well. During the 3rd quarter, equities continued to retreat from their highs reached less than one year ago. Year-over-year, as of September 30th the Dow Jones Industrial Average was down nearly 22%, while the S&P 500 lost nearly 30%.

The effects of financial instability spilled over to the general economy – what began on Wall Street is now hitting Main Street. After the House rejected the original bailout plan on September 29th, the equity markets continued their downward spiral, as the Dow Jones Industrial Average lost more than 6.98% (778 points for the day). On September 29th, it was estimated that Americans lost nearly $1 trillion in wealth, exceeding the original $700 billion rescue plan.

Consumers

The past months of treading through turbulent markets exhausted consumers and the global economy in general. Year-to-date, the U.S. economy did not produce a single month with positive job growth. Through September 30th, 764,000 jobs (nonfarm payrolls) were lost while the unemployment rate climbed to 6.10%, its highest level since September 2003, up from 5.00% to start the year.

Consumers' confidence in the economy has fallen to levels comparable to the worst points during the recessions of 1980, 1981-82, and 1990-91, and below the low points seen in the wake of the last recession during 2001. Economists anticipate consumer confidence will remain depressed as long as energy prices remain elevated and the housing and labor markets remain weak.

Low consumer confidence has affected retail sales, which experienced the lowest growth (year over year) since November 2002 as many consumers closed their wallets on non-essential items. Since consumer spending on goods and services supports two-thirds of the GDP, this pull-back is expected to hinder economic growth.

Inflation

On July 15th, Federal Reserve Chairman Ben Bernanke stated there are "significant downside risks to the outlook for growth … [and] upside risks to the inflation outlook have intensified." By quarter end, however, talk of inflation seemed irrelevant.

Early on, commodity prices experienced significant gains, with the Standard & Poor's Global Commodity Index reaching 10,898 points during the quarter, a rise of over 6,000 points from its average of approximately 4,800 over the past 10 years.

On July 3rd, oil reached an all-time high of nearly $148 per barrel. Consumers surely felt the brunt of this increase. In July 2007, it cost the average consumer $61 to fill up a 20-gallon gas tank. In contrast, by July 2008, filling up the same 20-gallon tank cost an average of $82, an increase of nearly 35%. The run-up in oil forced consumers to pinch costs elsewhere, including non-essentials. Some economists attributed the run-up in oil prices to a weak U.S. dollar, traders placing bets on oil futures contracts, global demand exceeding supply, and investors seeking safeguards against increasing inflation.

The credit market turmoil and growing economic weakness quickly overwhelmed any inflation concerns, as economists and market participants shifted their attention to the outlook for economic growth and market stability. Commodity and oil prices decreased significantly from their highs earlier in the quarter. For example, oil ended the quarter at $100 per barrel – a 29% decline from the start of the quarter.

Portfolio Strategy and Outlook

At quarter end, the market outlook remained murky. On October 3rd, to address the financial crisis, Congress passed the Troubled Asset Relief Program ("TARP"). Essentially a lifeline to the financial markets, TARP gives the U.S. Treasury additional tools to deal with the current economic situation. In addition to a rescue plan, to calm the uneasy waters, the markets also called for the Fed to reduce short-term rates. On October 8th, in an unscheduled meeting, the Federal Open Market Committee reduced the Fed funds target rate by 50 basis points (0.50%) to 1.50%. Fed funds futures contracts show that investors expect that the Fed to reduce rates further in the coming months.

With inflation moving to the back burner, and a lackluster outlook for economic growth, the Fed now has more room to lower short-term rates compared to the previous quarter. The effects of the rescue plan and reductions in the overnight rate did not immediately impact the choppy markets; it will take time for calm to return.

Because of the steep yield curve and outlook for economic weakness in the coming months, PFMAM will target portfolio durations that are neutral to benchmarks. Given the lack of liquidity and pricing inequities in the credit markets, we will continue to underweight corporate securities in portfolios where they are permitted. With Agency/Treasury spreads at extraordinary levels, and given the government's explicit commitment to back Fannie Mae and Freddie Mac, we expect to continue to over-weight Federal Agencies in portfolios.

Going forward, we expect the markets to settle and spreads to narrow; at that time, we would look to increase holdings in select corporate and other less liquid securities such as taxable municipal and mortgage-backed securities, where appropriate. In the meantime, the yield benefit of Federal Agencies will provide an extraordinary boost to current income relative to U.S. Treasury securities.

Total Portfolio Balances and Interest Earnings

Balances **Fund Name**	**Book Value** **as of September 30, 2008**	Book Value as of September 30, 2007	Percent Change From FY 2008 - 2007
General Fund	**$43,797,349.00**	$50,010,231.00	-12.42%
Special Revenue	**233,177,541.00**	228,212,855.00	2.18%
Debt Service	**13,532,696.00**	12,053,719.00	12.27%
Capital Projects	**97,025,087.00**	173,643,013.00	-44.12%
Enterprise	**96,051,676.00**	103,656,161.00	-7.34%
Internal Service	**46,704,236.00**	44,813,772.00	4.22%
Total	**$530,288,585.00**	$612,389,751.00	-13.41%

Interest Earnings **Fund Name**	**Interest Earned** **Fiscal Year 2008**	Interest Earned Fiscal Year 2007	Percent Change From FY 2008 - 2007
General Fund	**$2,626,180.00**	$4,095,330.00	-35.87%
Special Revenue	**10,601,890.00**	12,303,489.00	-13.83%
Debt Service	**985,195.00**	1,145,403.00	-13.99%
Capital Projects	**5,401,589.00**	7,838,618.00	-31.09%
Enterprise	**4,427,009.00**	6,158,476.00	-28.12%
Internal Service	**1,855,568.00**	2,082,378.00	-10.89%
Total	**$25,897,431.00**	$33,623,694.00	-22.98%

County Total Portfolio	**Book Value** **as of September 30, 2008**	**Market Value** **as of September 30, 2008**
Short Term and Bond Portfolio[1]	**$340,728,913.97**	**$337,745,704.29**
Long Term Portfolio	**192,177,231.55**	**193,777,551.06**
Total	**$532,906,145.52**	**$531,523,255.35**

Notes:

1. Includes the GIC Balance of $57,367,142.48.

Short Term and Bond Portfolio Yields

Yields[1,2] **Security Type**	**Yield on Cost as of September 30, 2008**	Yield on Cost as of September 30, 2007
Florida State Board of Administration	**2.43%**	5.77%
SunTrust Public Now Account	**1.85%**	5.13%
Morgan Stanley Government Fund	**2.18%**	N/A
Morgan Stanley Treasury Fund	**1.33%**	N/A
Federated Treasury Fund	**1.49%**	N/A
U.S. Treasury Note	**1.80%**	N/A
Federal Farm Credit Bureau	**N/A**	N/A
Federal Home Loan Bank	**2.64%**	4.84%
Federal Home Loan Mortgage Corp.	**2.09%**	4.99%
Federal National Mortgage Association	**2.12%**	4.61%
Guaranteed Investment Contract	**4.70%**	4.70%
Total Average Yield[2]	**2.43%**	5.47%

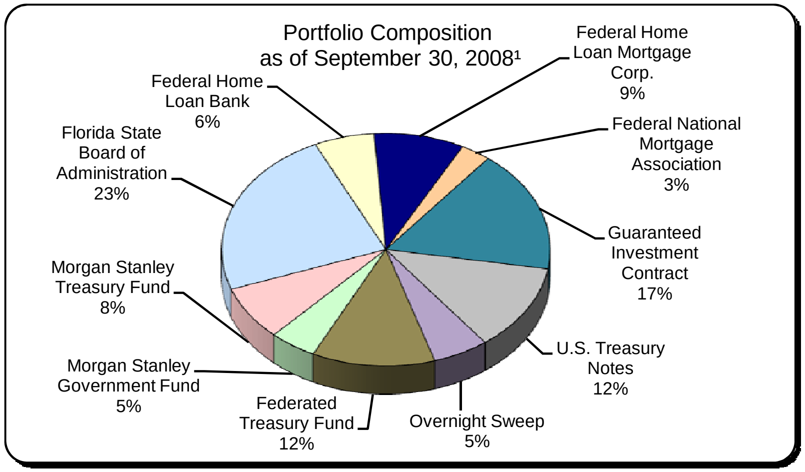
Benchmarks	**September 30, 2008**	September 30, 2007
S&P Rated GIP Index Government 30 Day Yield[3]	**2.41%**	5.19%

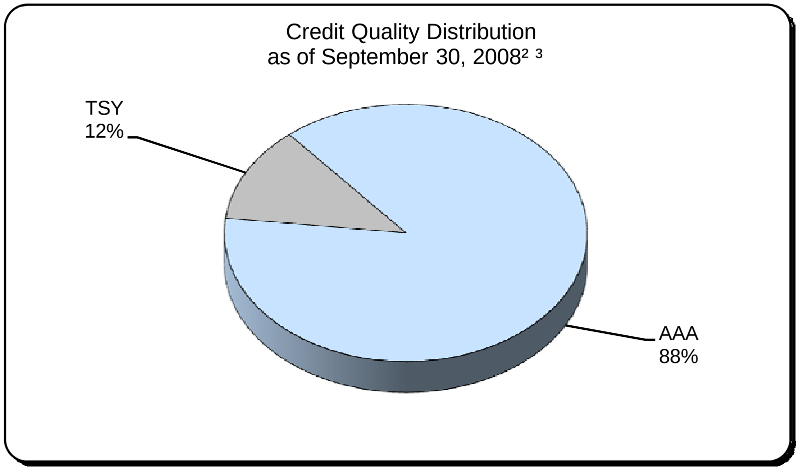
Notes:

1. Yields are presented as "yield on cost" pursuant to the County's Investment Policy Performance Section for short-term securities and compared to the benchmark which is the SBA.
2. Yield on cost is a dollar weighted yield.
3. Monthly yield, gross of fees. Source Standard & Poor's Financial Institutions Ratings.

Short Term and Bond Portfolio Composition (Market Value)

Security Type[1]	Balance as of September 30, 2008	Percent of Portfolio	Balance as of September 30, 2007	Percent of Portfolio
Florida State Board of Administration	**$79,308,610.11**	**23.48%**	$288,145,172.37	67.16%
Federal Farm Credit Bureau	**0.00**	**0.00%**	0.00	0.00%
Federal Home Loan Bank	**20,005,650.00**	**5.92%**	14,772,516.00	3.44%
Federal Home Loan Mortgage Corp.	**29,971,900.00**	**8.87%**	29,399,915.00	6.85%
Federal National Mortgage Association	**9,998,833.67**	**2.96%**	10,927,840.00	2.55%
Guaranteed Investment Contract	**57,367,142.48**	**16.99%**	60,768,632.47	14.16%
U.S. Treasury Note	**40,650,800.00**	**12.04%**	0.00	0.00%
SunTrust Public Now Account	**18,518,731.30**	**5.48%**	25,000,000.00	5.83%
Morgan Stanley Government Fund	**15,626,531.47**	**4.63%**	0.00	0.00%
Morgan Stanley Treasury Fund	**25,441,412.12**	**7.53%**	0.00	0.00%
Federated Treasury Fund	**40,856,093.14**	**12.10%**	0.00	0.00%
Totals	**$337,745,704.29**	**100.00%**	$429,014,075.84	100.00%





Notes:

1. Investment balances are market values as of September 30, 2008.
2. Credit rating of securities held in portfolio, inclusive of money market fund/SBA.
3. A rating of "TSY" indicates the security is an obligation of, or explicitly guaranteed by the U. S. Government.

Short Term and Bond Portfolio Holdings and Yields[1] as of September 30, 2008

Security Description	Coupon	CUSIP	Purchase Date	Maturity Date	Par Value	Book Amount	Market Value	Yield on Cost[2]
State Board of Administration - Fund A					$75,088,178.82	$75,088,178.82	$73,586,415.24	2.43%
State Board of Administration - Fund B					7,167,215.82	7,167,215.82	5,722,194.87	n/a
SunTrust Public Now Account					18,518,731.30	18,518,731.30	18,518,731.30	1.85%
Morgan Stanley Government Fund					15,626,531.47	15,626,531.47	15,626,531.47	2.18%
Morgan Stanley Treasury Fund					25,441,412.12	25,441,412.12	25,441,412.12	1.33%
Federated Treasury Fund					40,856,093.14	40,856,093.14	40,856,093.14	1.49%
US Treasury Note	4.63%	912828GY0	9/29/2008	7/31/2009	10,000,000.00	10,240,625.00	10,227,300.00	1.71%
US Treasury Note	4.75%	912828GB0	5/29/2008	12/31/2008	10,000,000.00	10,166,406.25	10,093,000.00	1.89%
US Treasury Note	4.88%	912828GE4	5/29/2008	1/31/2009	10,000,000.00	10,199,218.75	10,126,600.00	1.88%
US Treasury Note	4.88%	912828GT1	9/29/2008	5/31/2009	10,000,000.00	10,209,375.00	10,203,900.00	1.71%
Federal Home Loan Bank	0.00%	313384T41	6/18/2008	12/15/2008	10,000,000.00	9,871,000.00	9,946,250.00	2.61%
Federal Home Loan Bank	5.25%	3133XLRX3	6/19/2008	1/16/2009	10,000,000.00	10,147,300.80	10,059,400.00	2.66%
Federal Home Loan Mortgage Corporation	4.90%	3128X4ST9	3/28/2008	11/3/2008	10,000,000.00	10,165,116.35	10,014,300.00	2.10%
Federal Home Loan Mortgage Corporation	0.00%	313396Q97	3/28/2008	11/26/2008	10,000,000.00	9,863,650.00	9,968,578.00	2.08%
Federal Home Loan Mortgage Corporation	0.00%	313396L43	4/23/2008	10/20/2008	10,000,000.00	9,896,000.00	9,989,022.00	2.10%
Federal National Mortgage Association	0.00%	313588J30	4/23/2008	10/3/2008	10,000,000.00	9,904,916.67	9,998,833.67	2.12%
Total					**$282,698,162.67**	**$283,361,771.49**	**$280,378,561.81**	**1.97%**

Guaranteed Investment Contracts for Bond Proceeds

Security Description	Coupon	CUSIP	Purchase Date	Maturity Date	Par Value	Book Amount	Market Value	Yield on Cost
Guaranteed Investment Contract				2/1/10	59,553,619.76	57,367,142.48	57,367,142.48	4.70%
Total					**$59,553,619.76**	**$57,367,142.48**	**$57,367,142.48**	**4.70%**

Total Holdings[1]

Grand Total					**$342,251,782.43**	**$340,728,913.97**	**$337,745,704.29**	**2.43%**

Notes:

1. Yields are presented as "Yield on Cost" pursuant to the County's Investment Policy Performance Section for short-term securities and compared to the benchmark which is the SBA.
2. Yield on Cost is a dollar weighted yield.

Executive Summary

CURRENT STRATEGY

- PFM's strategy has been to actively trade duration in this volatile marketplace. By buying when rates increase and selling into rallies, we have been able to take advantage of volatility and capture gains on sales. The County's portfolio realized $518,332 of trading gains during the third quarter.

- PFM minimized credit risk by holding a small set of credits among the biggest and most financially sound industrial and financial companies in the world. These are the most capable of weathering the current economic slowdown, such as General Electric ("GE"), Bank of America, Citigroup, and Wal-Mart. We further minimized pricing risk by keeping maturities of these securities short. The longest maturing corporate note in the County's portfolio is the General Electric; this will mature in October 09.

- The County's portfolio maintained a high level of exposure to the Federal Agencies which are now, per the Federal Reserve chairman Ben Bernanke, "Effectively Guaranteed" and as such remain safe investments for the County. We have recently seen an unprecedented rally in U.S. Treasuries which was caused by weakening economic prospects combined with flight to quality caused by the bankruptcy of Lehman Brothers, the federal takeover of AIG, and the contested purchase of Wachovia by Wells Fargo, among others. A large portion of the portfolio's underperformance during the quarter was caused by the underperformance of the Agency sector relative to Treasuries. It should be noted that prices rose dramatically as well for the agency portion of the portfolio. As of quarter end, there were over $1 Million of unrealized gains in the agency portion of the portfolio. The price gains were just not as dramatic as those for Treasuries. The price appreciation proves that the market still places a high value on the securities and the government guarantees.

- The County's portfolio maintained a modest exposure to callable agencies as they provide additional yield, while too high of an exposure would make duration management difficult in the currently volatile environment.

- PFM complied with the County's investment committee request to hold no mortgage backed securities and in addition has held none of the troubled credits in the news today, such as; Bear Stearns, Lehman Brothers, AIG, or Washington Mutual and never purchased any of the risky products that collapsed at the beginning of the crisis, such as asset backed notes, asset backed commercial paper, structured investment vehicles, or sub-prime or Alt-A (near prime) mortgage backed securities.

FUTURE STRATEGY

- PFM is not concerned with rates rising significantly any time soon as inflation fears have faded with the economy slowing down, while we will not generally take duration long to the benchmark we will continue to manage actively within a range of approximately 85% to 100% of the benchmark duration, until conditions change.

- The County's portfolio will continue to maintain a high exposure to agencies, possibly extending maturities as the yield curve steepens to capture additional yield, as we are confident that the Agencies, as Federally guaranteed instruments, are a safe investment for the County and with their high yield relative to Treasuries are positioned to provide significant outperformance versus the benchmark in upcoming quarters.

- PFM will consider adding additional callable agencies after the Federal Reserve ends its campaign of rate cuts and rates stabilize.

- PFM will evaluate the forthcoming issuance of Federally insured AAA debt written by the big 9 national banks for notes up to 3 years maturity which may be a safe alternative for reentry into the corporate marketplace.

Short Term and Long Term Portfolios Annual Review Fact Sheet

Ending Balance as of September 30, 2008	
Short Term Portfolio Market Value[1]	$ 337,745,704.29
Long Term Portfolio Market Value	193,777,551.06
Total All Assets	$ 531,523,255.35

Interest Earnings	Last 12 Months
Total Portfolio Interest Earnings for Fiscal Year 2007/2008	$25,897,431.00

Additional Annual Returns in Dollars[2]	Last 12 Months
Total Return	
Long Term Portfolio	$11,171,245.46
Merrill Lynch 1-3 Year Treasury Index	12,485,509.63
Additional Returns over Benchmark	($1,314,264.17)

Long Term Portfolio Performance	Last 12 Months
Total Return	
Long Term Portfolio	5.61%
Merrill Lynch 1-3 Year Treasury Index	6.27%
Performance over the Benchmark	-0.66%
Yield on Cost	
Long Term Portfolio	4.04%
Florida SBA	3.07%
Performance over the Benchmark	0.98%

Average Annual Duration[3]	Last 12 Months
Long Term Portfolio	1.55 Years
Merrill Lynch 1-3 Year Treasury Index	1.62 Years

Short Term Portfolio Performance	Last 12 Months
Yield on Cost	
Short Term Portfolio	3.15%
Florida SBA	3.07%
Performance over the Benchmark	0.09%

Weighted Average Maturity	Last 12 Months
Short Term Portfolio	113 Days
Florida SBA Fund A	9 Days
Florida SBA Fund B	9.36 Years

Summary

1. The Portfolio's average duration of 1.55 years for the Fiscal Year Ended September 30, 2008 is 96.05% of the Benchmark's average duration for the year.
2. The Portfolio's average since inception duration of 1.51 years for the Fiscal Year Ended September 30, 2008 is 91.75% of the Benchmark's average duration since inception.
3. As of September 30, 2008, the County's Portfolio is in compliance with the Investment Policy.
4. The County's Assets are comprised of U.S. Treasuries (18.99%), Federal Agency Securitas (36.92%), Corporate Notes (3.95%), Money Market Funds (36.07%%) and Cash (4.07%).

Notes:

1. The Short Term Portfolio is managed by the County.
2. Based on the Average Annual Balance. Long Term Portfolio Average Balance of: $199,130,935.13.
3. Based on the Quarter-End Averages for the Fiscal Year.

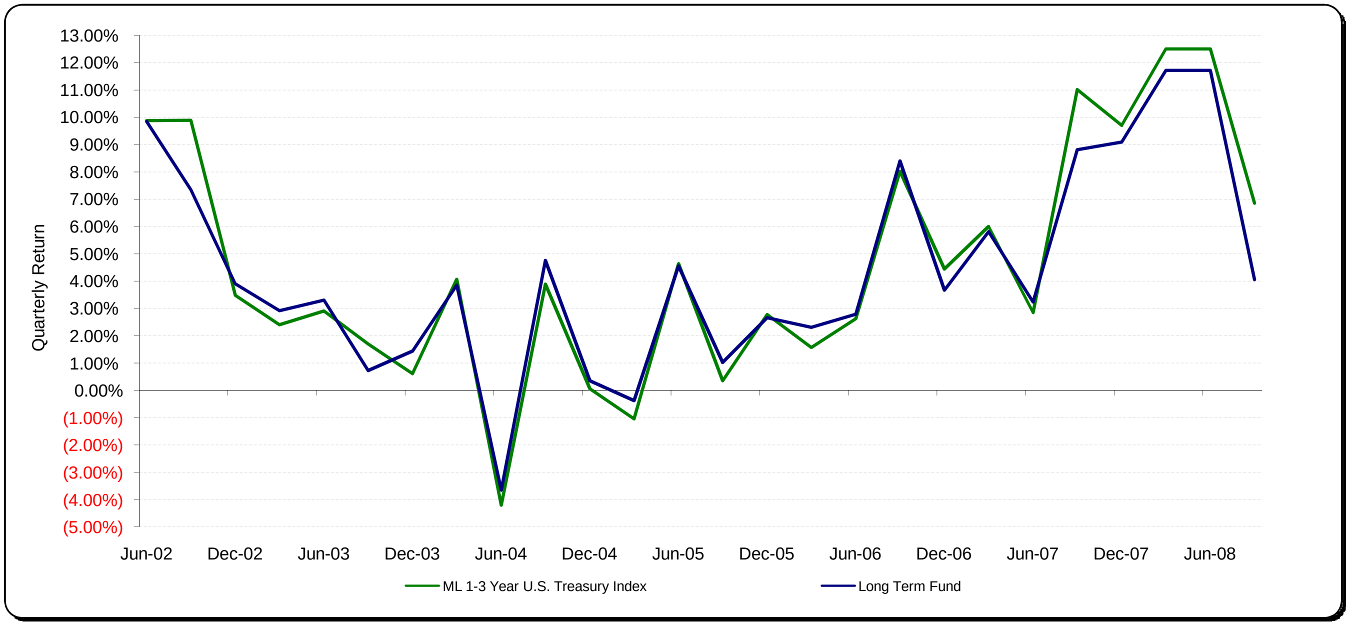
Long Term Fund Portfolio Yields - Since Inception History Versus Benchmarks[1]

Account Name	Total Return Since Inception on March 31, 2002	Total Return Last 12 Months
Long Term Fund	**3.85%**	**5.61%**
ML 1-3 Year U.S. Treasury Index	3.87%	6.27%
Benefit Yield over Benchmark	**-0.02%**	**-0.66%**

Since Inception Earnings Over the Benchmark **($245,924.77)**

Account Name	Total Return Since Inception on March 31, 2002	Total Return Last 12 Months
Long Term Fund	**3.85%**	**5.61%**
State Board of Administration (SBA)[2]	3.03%	3.07%
Benefit Yield over SBA	**0.82%**	**2.54%**

Since Inception Earnings Over the SBA **$8,361,442.29**



Notes:

1. Annualized Quarterly Returns Since Inception.
2. SBA - Florida State Board of Administration is an overnight liquidity investment pool for local governments.

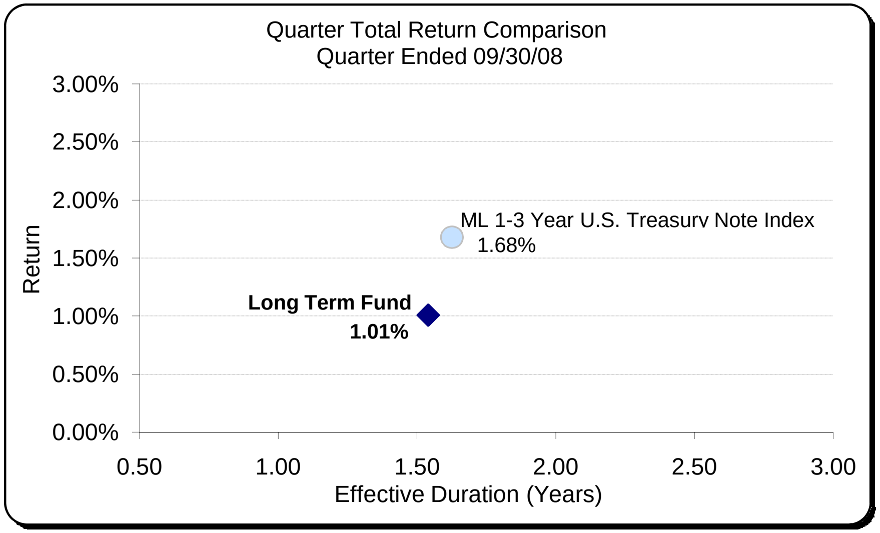
Long Term Fund Portfolio Performance

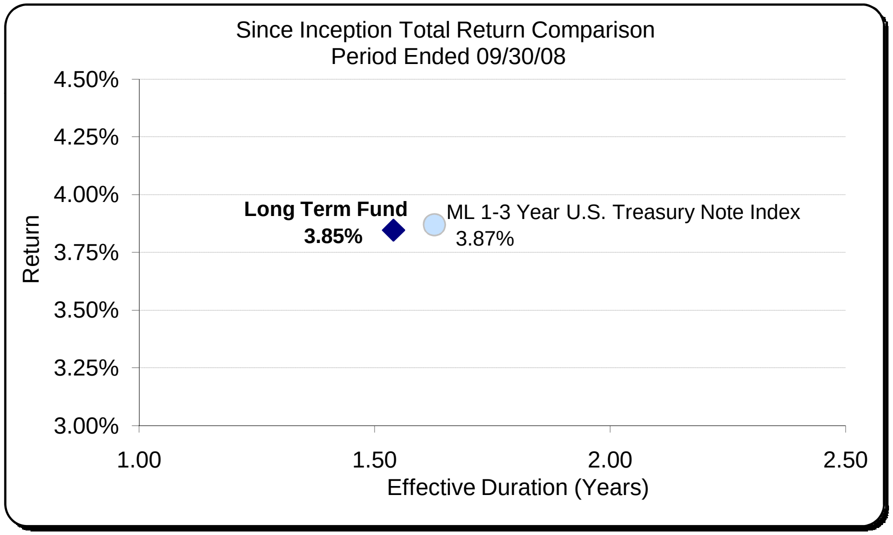
Total Portfolio Value[1,2]	September 30, 2008	September 30, 2007
Market Value	**$193,777,551.06**	$188,778,272.71
Amortized Cost	**$192,177,231.55**	$187,913,689.67

Total Return[1,2,3,4,5,6,7,8]	Quarterly Return September 30, 2008	Annualized Quarter	Last 12 Months	Last 24 Months	Since Inception 3/31/2002
Long Term Fund	**1.01%**	**4.06%**	**5.61%**	**5.60%**	**3.85%**
Merrill Lynch 1-3 Year U.S. Treasury Note Index	1.68%	6.85%	6.27%	6.03%	3.87%

Effective Duration (Years)[4]	September 30, 2008	September 30, 2007
Long Term Fund	**1.54**	**1.56**
ML 1-3 Year U.S. Treasury Note Index	1.63	1.64
Portfolio Duration % of Benchmark Duration	95%	96%

Yields	September 30, 2008	September 30, 2007
Yield at Market	**3.23%**	4.67%
Yield at Cost	**3.63%**	4.90%



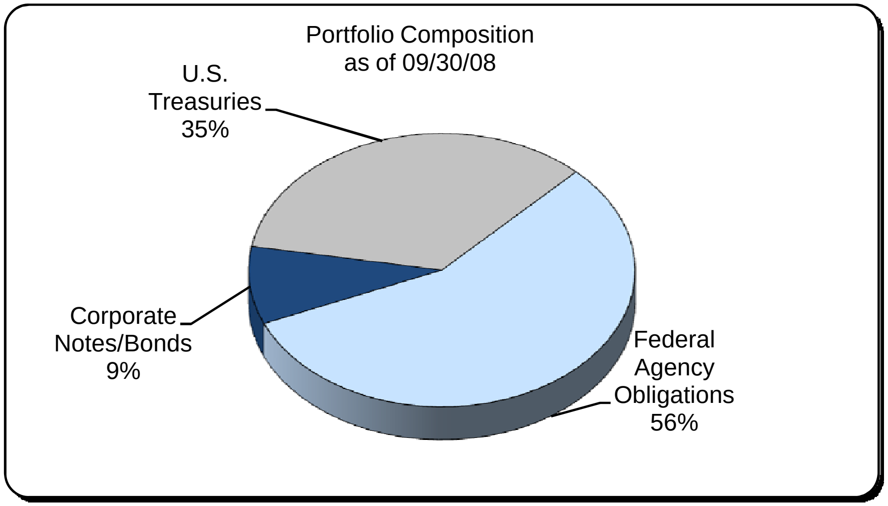


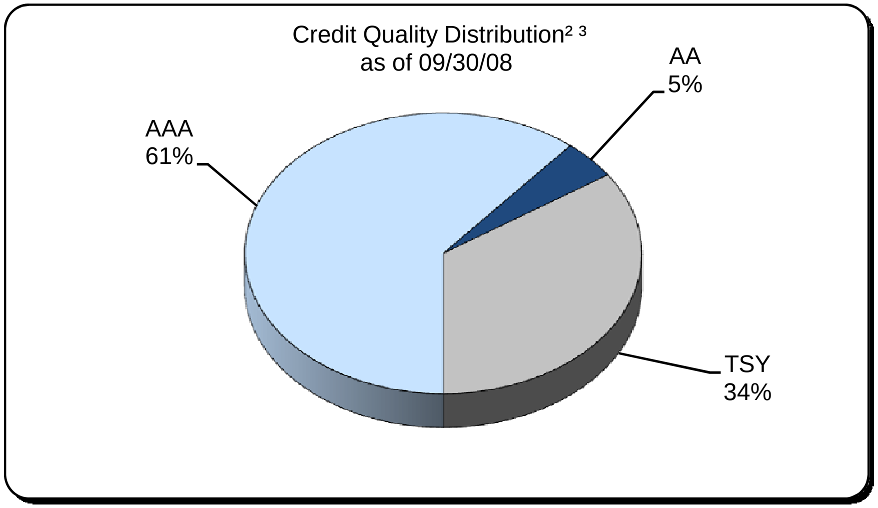
Notes:

1. In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balances.
2. End of quarter trade-date market values of portfolio holdings, including accrued interest.
3. Performance on trade date basis, gross (i.e., before fees), is in accordance with The CFA Institute's Global Investment Performance Standards (GIPS).
4. Merrill Lynch Indices provided by Bloomberg Financial Markets.
5. Quarterly returns are presented on both an unannualized and annualized basis. The annualized return assumes the quarterly return is compounded at the same rate for four quarters and is presented for reference only. The actual annual return will be the result of chaining the most recent four quarterly returns.
6. Excludes money market fund/cash in performance and duration computations.
7. Returns presented for 12 months or longer are presented on an annual basis.
8. Past performance is not indicative of future results.

Long Term Fund Portfolio Composition and Credit Quality Characteristics

Security Type[1]	September 30, 2008	% of Portfolio	September 30, 2007	% of Portfolio
U.S. Treasuries	**$66,760,010.76**	**34.5%**	$29,709,723.98	15.7%
Federal Agencies	**109,236,154.40**	**56.4%**	113,594,218.18	60.2%
Commercial Paper	**0.00**	**0.0%**	0.00	0.0%
Certificates of Deposit	**0.00**	**0.0%**	0.00	0.0%
Bankers Acceptances	**0.00**	**0.0%**	0.00	0.0%
Repurchase Agreements	**0.00**	**0.0%**	0.00	0.0%
Municipal Obligations	**0.00**	**0.0%**	0.00	0.0%
Corporate Notes/Bonds	**17,781,385.90**	**9.2%**	27,384,799.48	14.5%
Mortgage Backed	**0.00**	**0.0%**	18,089,531.07	9.6%
Money Market Fund/Cash	**0.00**	**0.0%**	0.00	0.0%
Totals	**$193,777,551.06**	**100.0%**	$188,778,272.71	100.0%



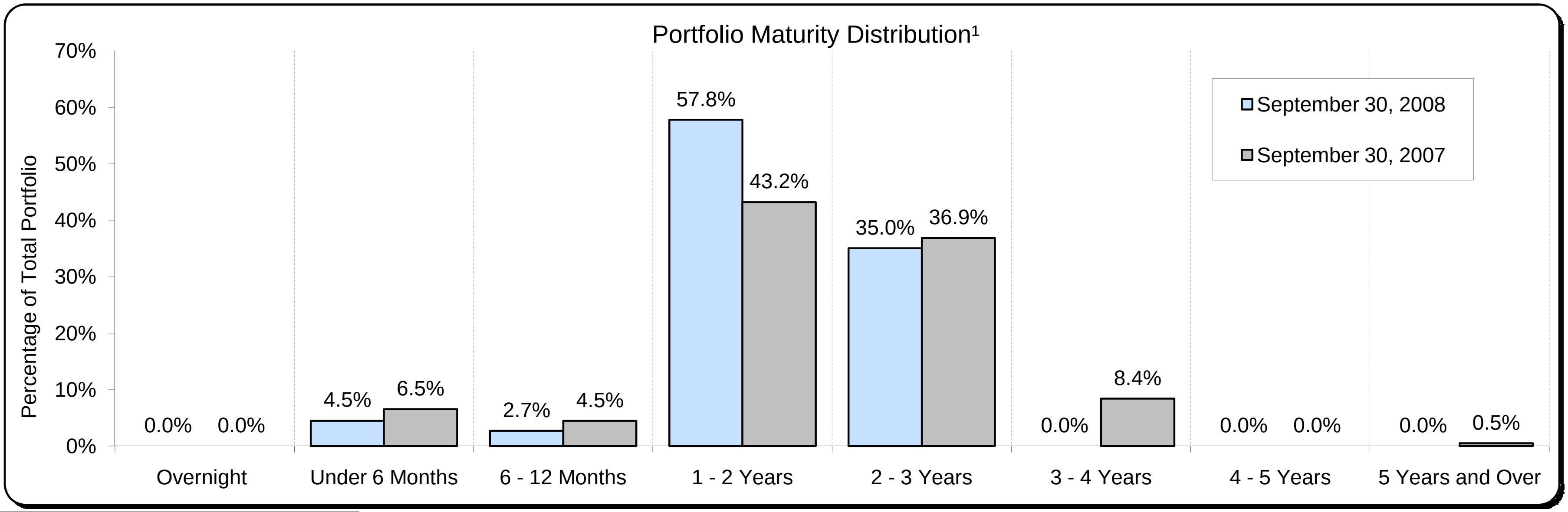


Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Credit rating of securities held in portfolio, exclusive of money market fund/LGIP.
3. A rating of "TSY" indicates the security is an obligation of, or explicitly guaranteed by the U. S. Government.

Long Term Fund Portfolio Maturity Distribution

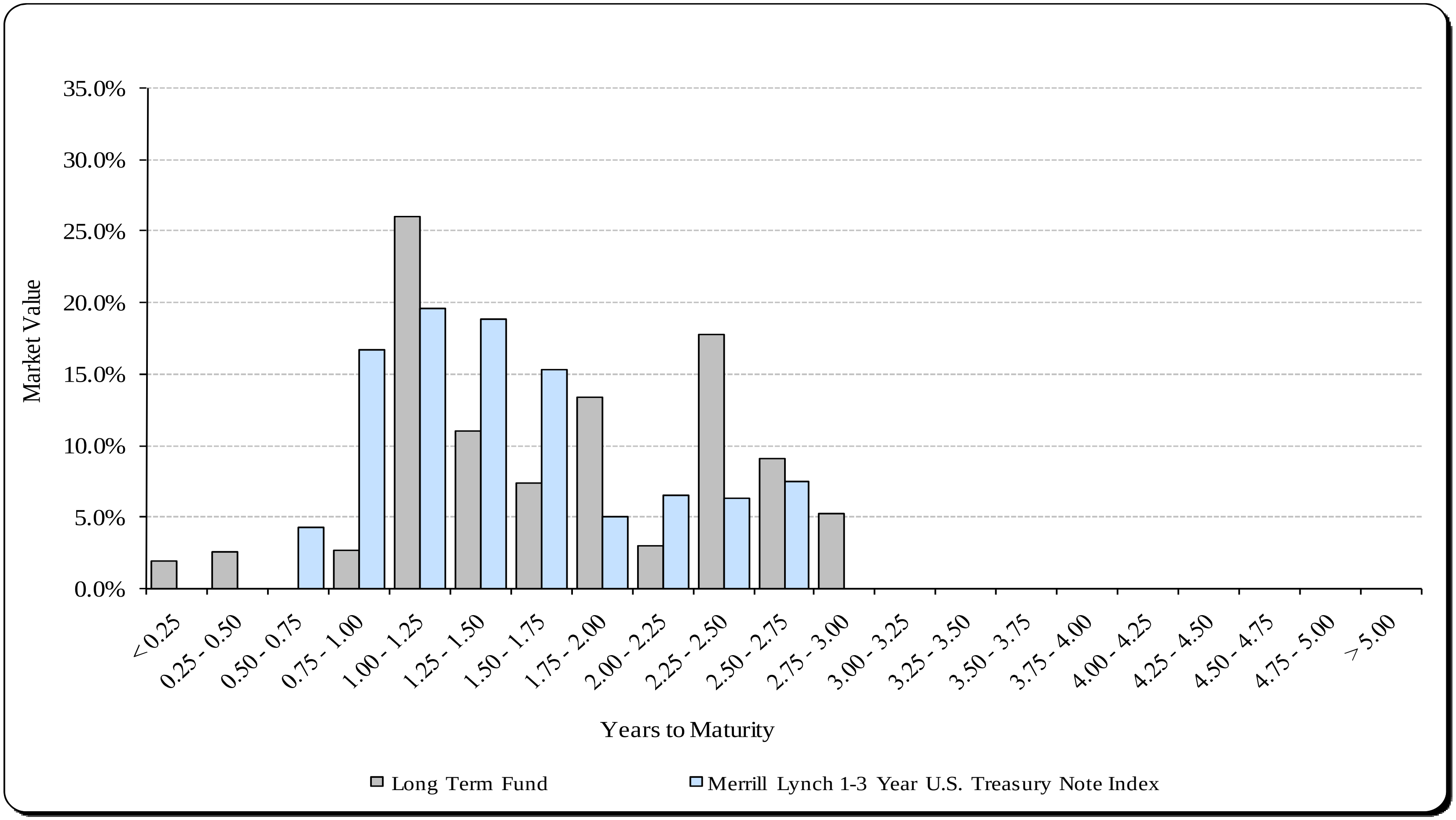
Maturity Distribution[1]	September 30, 2008	September 30, 2007
Overnight (Money Market Fund)	**$0.00**	$0.00
Under 6 Months	**8,697,673.90**	12,331,996.13
6 - 12 Months	**5,203,977.83**	8,439,134.27
1 - 2 Years	**111,975,631.27**	81,611,366.87
2 - 3 Years	**67,900,268.06**	69,590,609.23
3 - 4 Years	**0.00**	15,852,539.42
4 - 5 Years	**0.00**	0.00
5 Years and Over	**0.00**	952,626.79
Totals	**$193,777,551.06**	$188,778,272.71



Notes:

1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

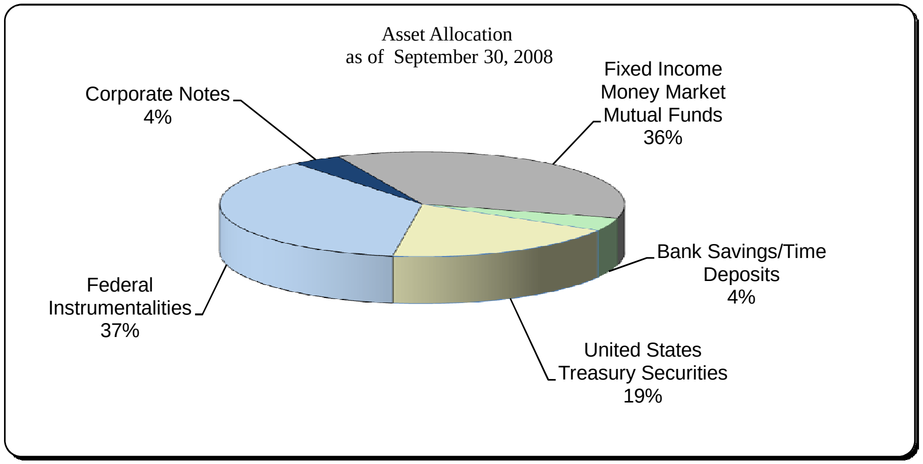
Long Term Fund Maturity Distribution versus the Benchmark[1]



Notes:

1. Due to the nature of the security, Mortgage-Backed Securities are represented based on their average life maturity rather than their final maturity.

Security Type[1]	September 30, 2008	Notes	Permitted by Policy
United States Treasury Securities	18.99%		**100%**
United States Government Agency Securities	0.00%		**50%**
Federal Instrumentalities	36.92%	2	**100%**
Certificates of Deposit	0.00%		**10%**
Repurchase Agreements	0.00%		**20%**
Commercial Paper	0.00%		**25%**
Corporate Notes	3.95%		**15%**
Mortgage-Backed Securities	0.00%	2	**25%**
Bankers' Acceptances	0.00%		**25%**
State and/or Local Government Debt (GO)	0.00%		**25%**
State and/or Local Government Debt (Revenue)	0.00%		**10%**
Fixed Income Money Market Mutual Funds	36.07%	3	**40%**
Bank Savings/Time Deposits	4.07%	3	**100%**



Individual Issuer Breakdown	September 30, 2008	Notes	Permitted by Policy
Government National Mortgage Association (GNMA)	0.00%		**10%**
US Export-Import Bank (Ex-Im)	0.00%		**10%**
Farmers Home Administration (FMHA)	0.00%		**10%**
Federal Financing Bank	0.00%		**10%**
Federal Housing Administration (FHA)	0.00%		**10%**
General Services Administration	0.00%		**10%**
New Communities Act Debentures	0.00%		**10%**
US Public Housing Notes & Bonds	0.00%		**10%**
US Dept. of Housing and Urban Development	0.00%		**10%**
Federal Farm Credit Bank (FFCB)	2.07%		**25%**
Federal Home Loan Bank (FHLB)	7.22%		**25%**
Federal National Mortgage Association (FNMA)	12.62%		**25%**
Federal Home Loan Mortgage Corporation (FHLMC)	15.02%		**25%**
Student Loan Marketing Association (SLMA)	0.00%		**0%**

Individual Issuer Breakdown	September 30, 2008	Notes	Permitted by Policy
CD - A	0.00%		**10%**
CD - B	0.00%		**10%**
Fully collateralized Repo - A	0.00%		**10%**
Fully collateralized Repo - B	0.00%		**10%**
CP A	0.00%		**5%**
CP B	0.00%		**5%**
CP C	0.00%		**5%**
Citigroup	0.83%		**5%**
Bank of America	1.10%		**5%**
General Electric	2.02%		**5%**
Corporate Note D	0.00%		**5%**
BA Bank A	0.00%		**5%**
BA Bank B	0.00%		**5%**
Municipal Notes/Bonds	0.00%		**10%**
SunTrust Public Now Bank Account	4.07%	3	**100%**
Morgan Stanley Government Money Market Fund	3.43%	3	**10%**
Morgan Stanley Treasury Money Market Fund	5.59%	3	**10%**
Federated Treasury Money Market Fund	8.98%	3	**10%**
Florida SBA LGIP	18.07%	3,4	**10%**

Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. The combined total of Federal Instrumentalities and Mortgage Backed Securities can not be more than 100%. The combined total as of September 30, 2008 is 36.92%.
3. Fixed Income Money Market Funds are managed by the County.
4. The SBA is still illiquid.