



# QUARTERLY INVESTMENT REPORT

Houston Independent School District  
As of September 30, 2007

# HOUSTON INDEPENDENT SCHOOL DISTRICT

HATTIE MAE WHITE EDUCATION/SUPPORT CENTER

4400 WEST 18<sup>th</sup> STREET, HOUSTON, TEXAS 77092

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**Melinda Garrett**

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**Kenneth Huewitt**

CONTROLLER

**Rick Fairman**

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# FOREWORD

- Under the Public Funds Investment Act (PFIA), governmental units are required to have Board approved investment policies, investment portfolios limited to only those investments specifically authorized by law, and quarterly reports submitted to the governing body which disclose both the book and market values of investments held.
- The Houston Independent School District is in compliance with the PFIA. All investments purchased meet the three basic tenets included in the District's investment policy in descending order of priority – investment safety, liquidity, and yield.
- The day-to-day management of the District's cash and investment position is the responsibility of the Chief Financial Officer, the Controller, and the Treasurer, who have all been designated by the Board as the District's investment officers.

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# COMPLIANCE CERTIFICATION

We hereby certify that the Quarterly Investment Report represents the investment position of the District as of September 30, 2007 and that all investments were purchased in compliance with the Board-approved Cash Management and Investment Policy.

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Melinda Garrett  
Chief Financial Officer

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Kenneth Huewitt  
Controller

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Rick Fairman  
Treasurer

# Quarterly Compliance Review

## As of September 30, 2007

<b>Houston ISD Compliance Summary</b>		
<b>Category</b>	<b>Compliant</b>	<b>Comments</b>
Cash Management & Investment Policy	Yes	Approved by Board of Education as revised on 06/30/2007
Distribution to Brokers/Financial Entities	Yes	Distribution for fiscal year = 30
Returned acknowledgements	Yes	Signed affidavits on file = 20
Investment Officers & Administrators	Yes	Approved by Board of Education 12/14/2006.
Training	Yes	Treasurer, Controller, and CFO completed 10 hours during the fiscal years ended 2005-2006 and 2006-2007.
Eligibility, gifts & contributions	Yes	Annual contracts and reports maintained by Human Resources
Investments	Yes	As authorized by Public Funds Investment Act and Cash Management & Investment Policy
Standard of care	Yes	Objectives of investment consistently exceeded or met
Collateral pledges	Yes	Minimum of 110% maintained
Ratings	Yes	As required by Public Funds Investment Act and Cash Management & Investment Policy
Internal Management Reports	Yes	Quarterly Investment Reports approved and retained by Board of Education



# INVESTMENT PRIORITIES

- Houston Independent School District investments are guided by three priorities in declining order of priority:
  - **Safety** Insuring the return of principle invested, credit risk is minimized by investing in highly rated investment as defined in the District's investment policy and the Public Funds Investment Act.  
  
Monitoring safety factors includes limiting exposure to concentration of credit risk, interest rate risk, and event risk.
  - **Liquidity** Insuring that funds are available when needed for expenditures.
  - **Yield** Attaining a reasonable rate of return in order to further District goals while not taking speculative risks.

## CURRENT INVESTMENT VEHICLES

### U.S. Agency Securities

U.S. Agency securities are purchased directly by the District from investment brokerage firms registered to do business with the District. These securities are issued in the District's name, cleared through the Federal Reserve Bank system, and held in safekeeping by JPMorgan Chase Bank, NA.

### Certificates of Deposit (CDs)

Certificate of deposit are negotiable certificates in denominations of \$10,000 or more. They are issued by commercial banks against funds deposited for specified periods and earn specified rates of interest.

### Lone Star Investment Pool (LSIP)

The LSIP is a public funds investment pool administered by the Texas Association of School Boards with investment advisory services by Standish Mellon and American Beacon Advisors.

### TexPool

TexPool is a public fund investment pool administered by the State Comptroller's Office and managed by Lehman Brothers and Federated Investors.

### TexSTAR

TexSTAR is a public fund investment pool administered by First Southwest Asset Management, Inc. and JPMorgan Fleming Asset Management (USA), Inc.

# SAFETY

## ALLOWABLE INVESTMENTS

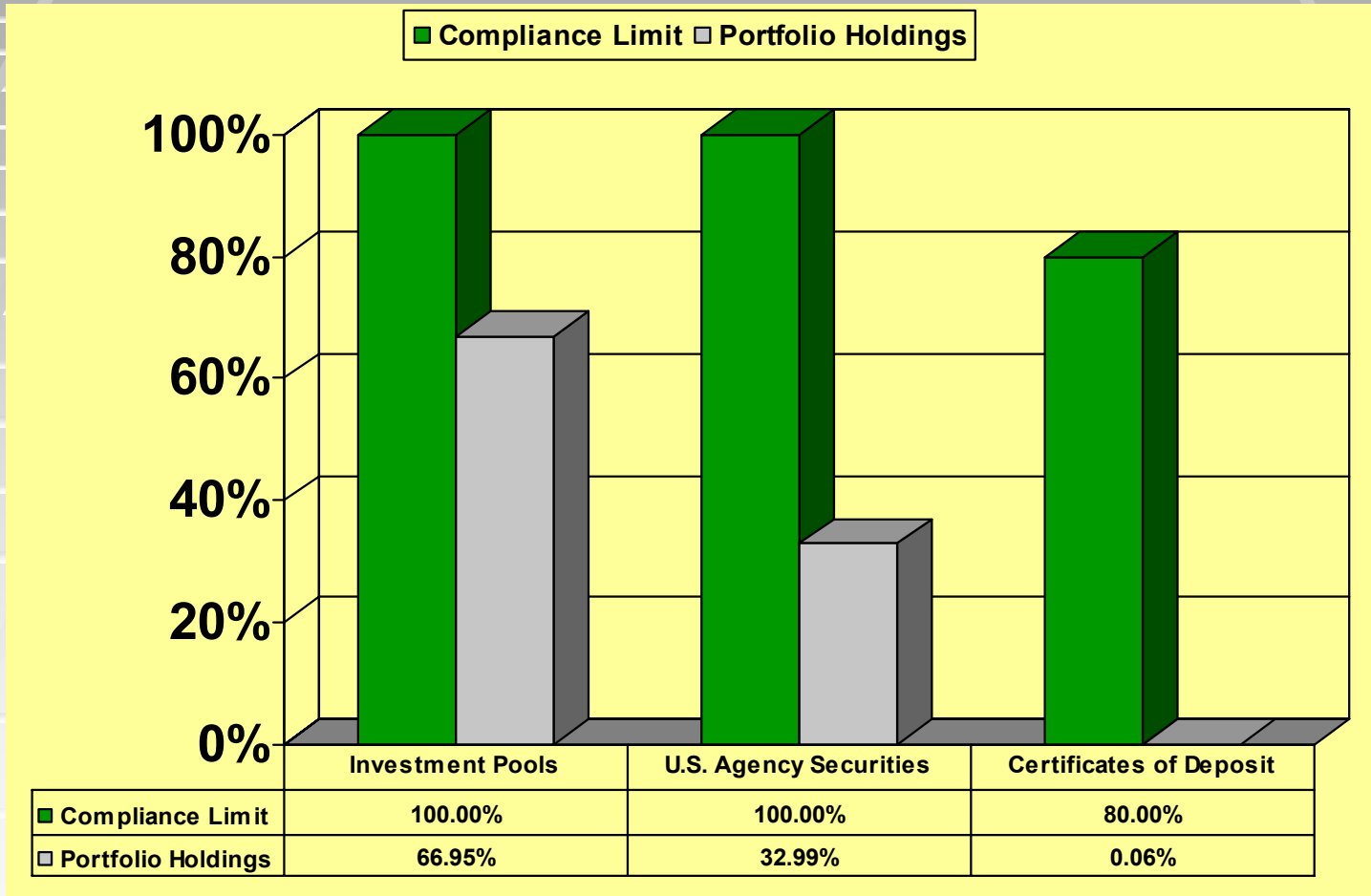
In order to minimize credit risk the District has defined the types of allowable investments in the Cash Management and Investment Policy. The District has additionally placed limits on the percentage of Investment types and issuers in order to reduce concentration of credit risk.

<u>INVESTMENT TYPE</u>	<u>DISTRICT LIMIT</u>	<u>ISSUER LIMIT</u>
U.S. Government Securities	100%	100%
Investment Pools *	100%	40%
U.S. Agency Securities	80%	40%
Certificates of Deposit	50%	10%
Commercial Paper	30%	5%
Municipal Securities	20%	5%
Money Market Mutual Funds	15%	5%
Mutual Funds	15%	5%
Repurchase Agreements	8%	8%
Money Market Accounts	7%	7%

\*Investments in any pool additionally will be limited to 25% of the Net Asset Value of the pool.

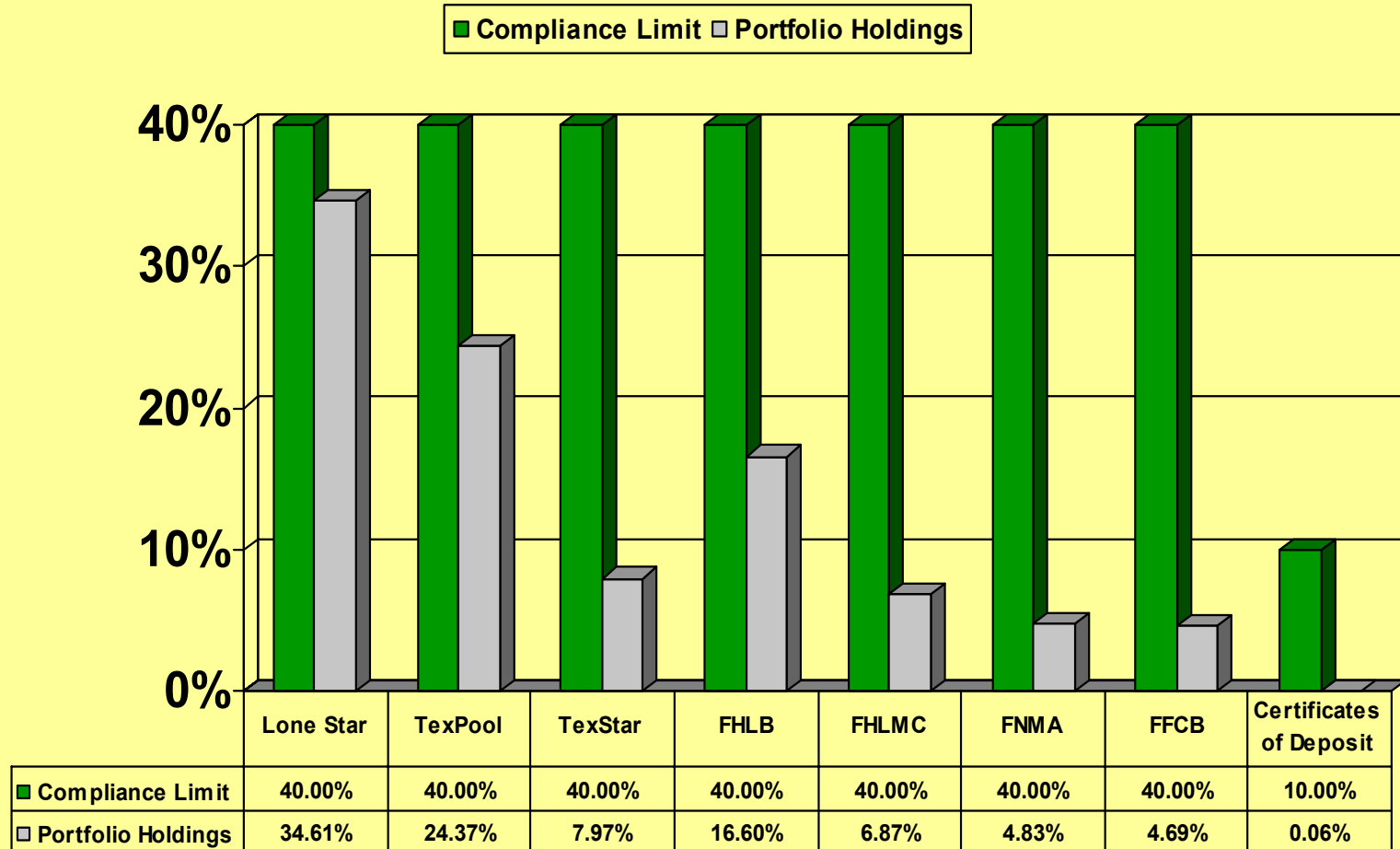
# PORTFOLIO COMPLIANCE DISTRICT LIMITS

Holdings as of September 30, 2007



# PORTFOLIO COMPLIANCE ISSUER LIMITS

Holdings as of September 30, 2007



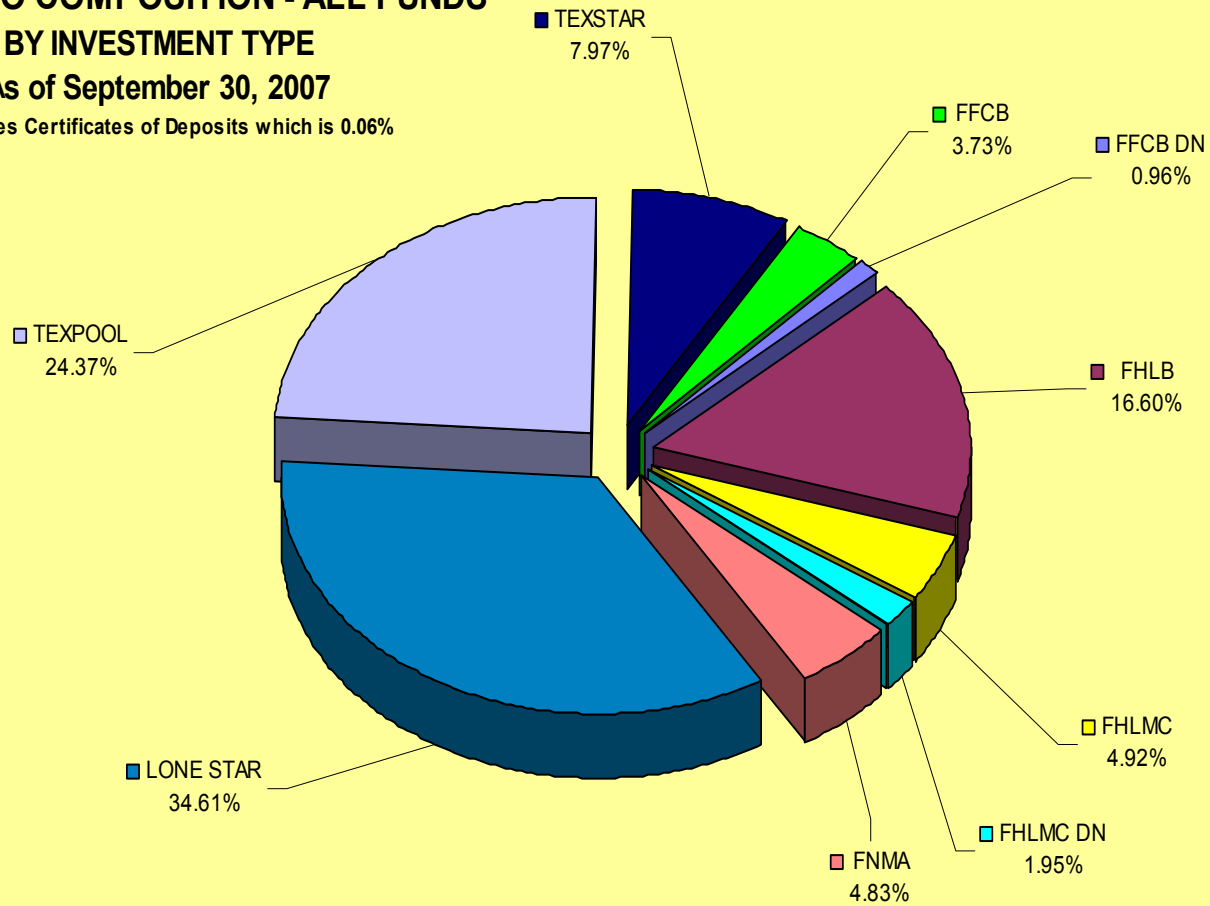
# SAFETY

## PORTFOLIO COMPOSITION - ALL FUNDS

### BY INVESTMENT TYPE

As of September 30, 2007

\*Excludes Certificates of Deposits which is 0.06%



## MATURITY SCHEDULE

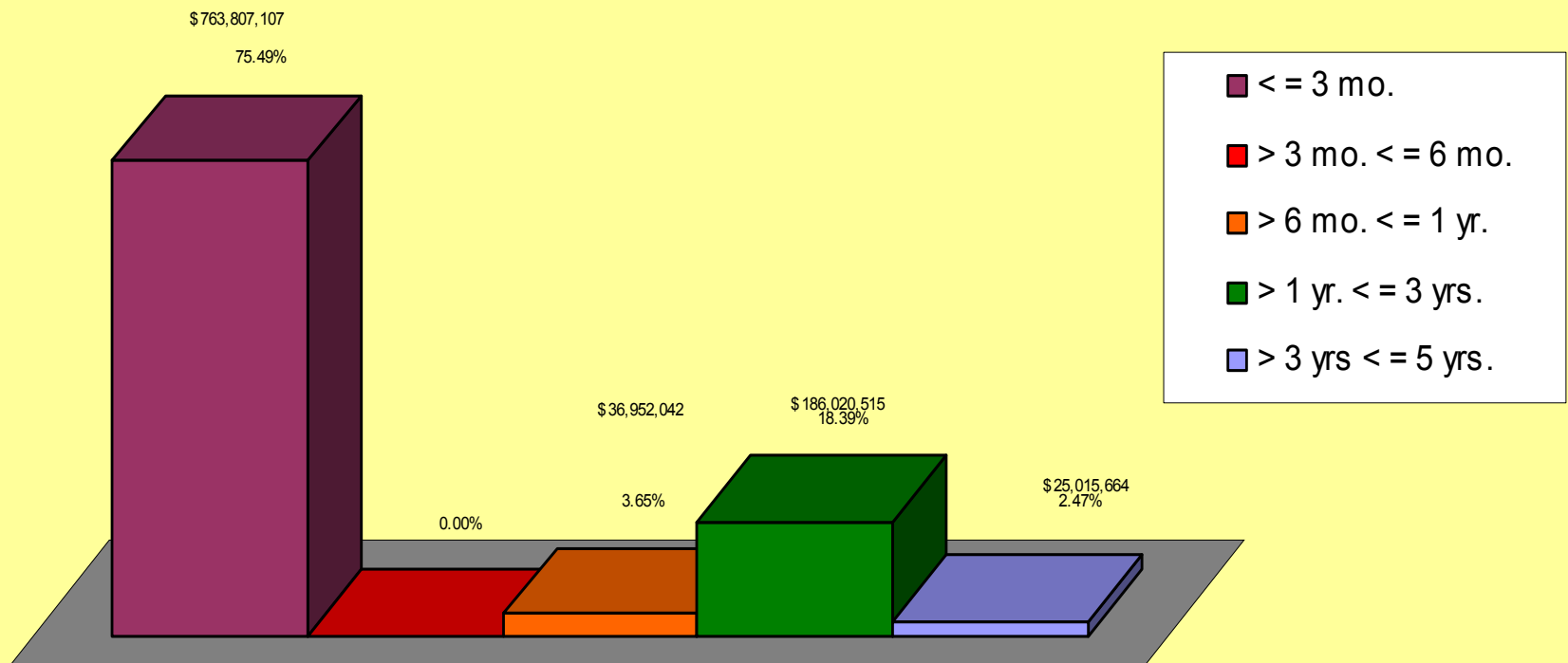
As of September 30, 2007, approximately 75.49% of the District's investments will mature within three months, 0.00% within three to six months, 3.65% within six months to one year, 18.39% within one to three years, and 2.47% will mature from three to five years.

Short-term cash requirements are maintained through money market accounts with the Lone Star Investment Pool, TexPool, and TexSTAR. The monthly and daily cash flow projections used by investment officers show the amount of funds that will be needed for any given time period. Investments are purchased to meet the cash flow needs of the District.

Maturity Range	Amount	Percent of Total
Less than 3 months	\$763,807,108	75.49%
Greater than 3 months less than 6 months	-	0.00%
Greater than 6 months less than 1 year	\$36,952,042	3.65%
Greater than 1 year less than 3 years	\$186,020,515	18.39%
Greater than 3 years less than 5 years	\$25,015,664	2.47%
Total	<u>\$1,011,795,329</u>	<u>100.00%</u>

# LIQUIDITY

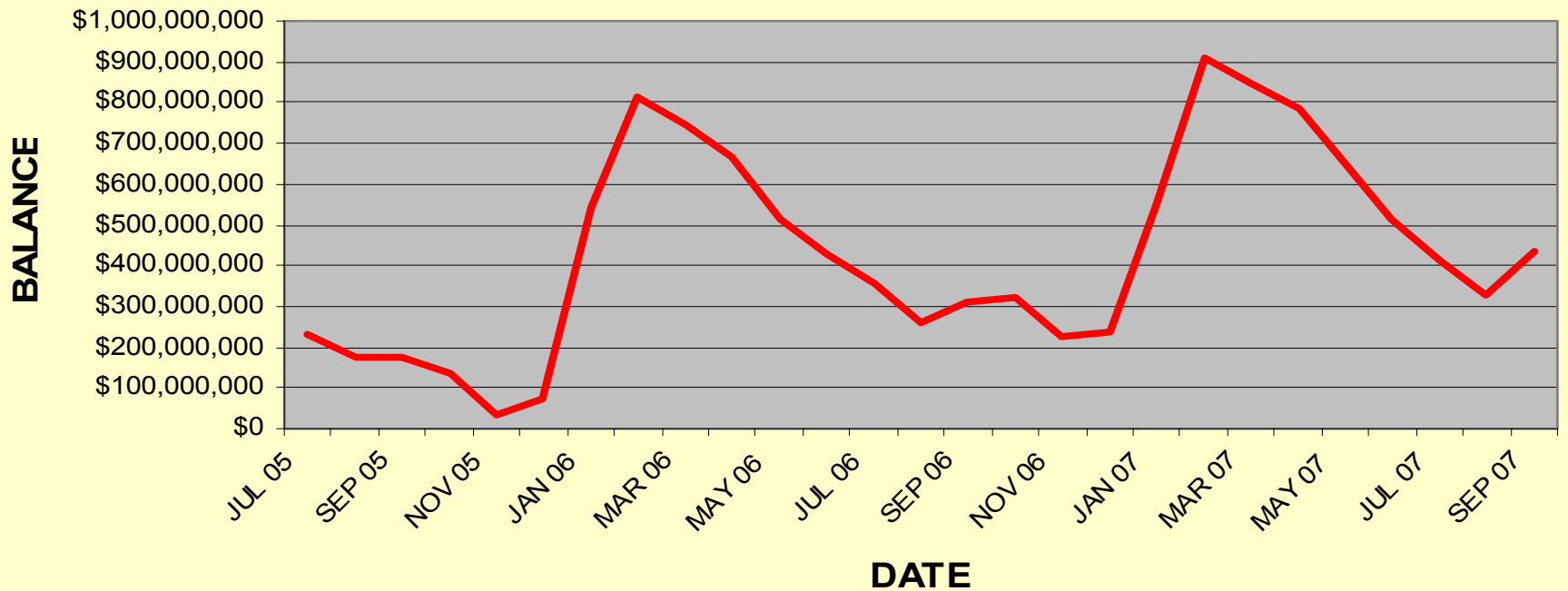
## PORTFOLIO MATURITY SCHEDULE - ALL FUNDS As of September 30, 2007





# LIQUIDITY

## GENERAL FUND PORTFOLIO BALANCE



Historical and forward cash flow projections are maintained by individual funds in order to implement investment strategies meeting cash availability needs.

## CURRENT INVESTMENT ENVIRONMENT

- Investment markets have been extremely volatile in the quarter just ended. In July expectations projected the Federal Reserve on hold through the end of the calendar year with potential inflationary risks offsetting stresses resulting from problems in the subprime mortgage market.
- August saw a liquidity crisis in certain asset backed commercial paper programs followed by significant short-term interest rate swings and actions by the Federal Reserve to bolster the economy. Federal Reserve moves included a decrease in the Discount Rate by 50 basis points and eventually a decrease in the Fed Funds rate of 50 basis points (1/2 of one percent).
- Deterioration in financial markets continued throughout September, signaling a need for further Federal Reserve action which resulted in an additional decrease of 25 basis points in the Fed Funds target rate. This was somewhat offset by continuing inflationary pressures in the background.
- Financial markets continue to be in disarray concerning the valuation of mortgage based investment vehicles.
- Expectations for the near future appear to lean in the direction of a “wait and see” by the Federal Reserve on any additional Fed Fund actions.

# YIELD BENCHMARKS

The Houston Independent School District utilizes two different sets of Benchmarks in evaluating investment performance. The District evaluates a set of short-term results by comparing various investment pools. The District additionally utilizes a longer set of benchmark rates incorporating Treasury notes and bills.

As of September 30, 2007, the District has made a comparison of the yields earned by the District as compared to the three-month Treasury bill rate, Lone Star Investment, Logic, TexPool and TexSTAR. Average yields for September 30, 2007 are as follows:

### AVERAGE YIELDS

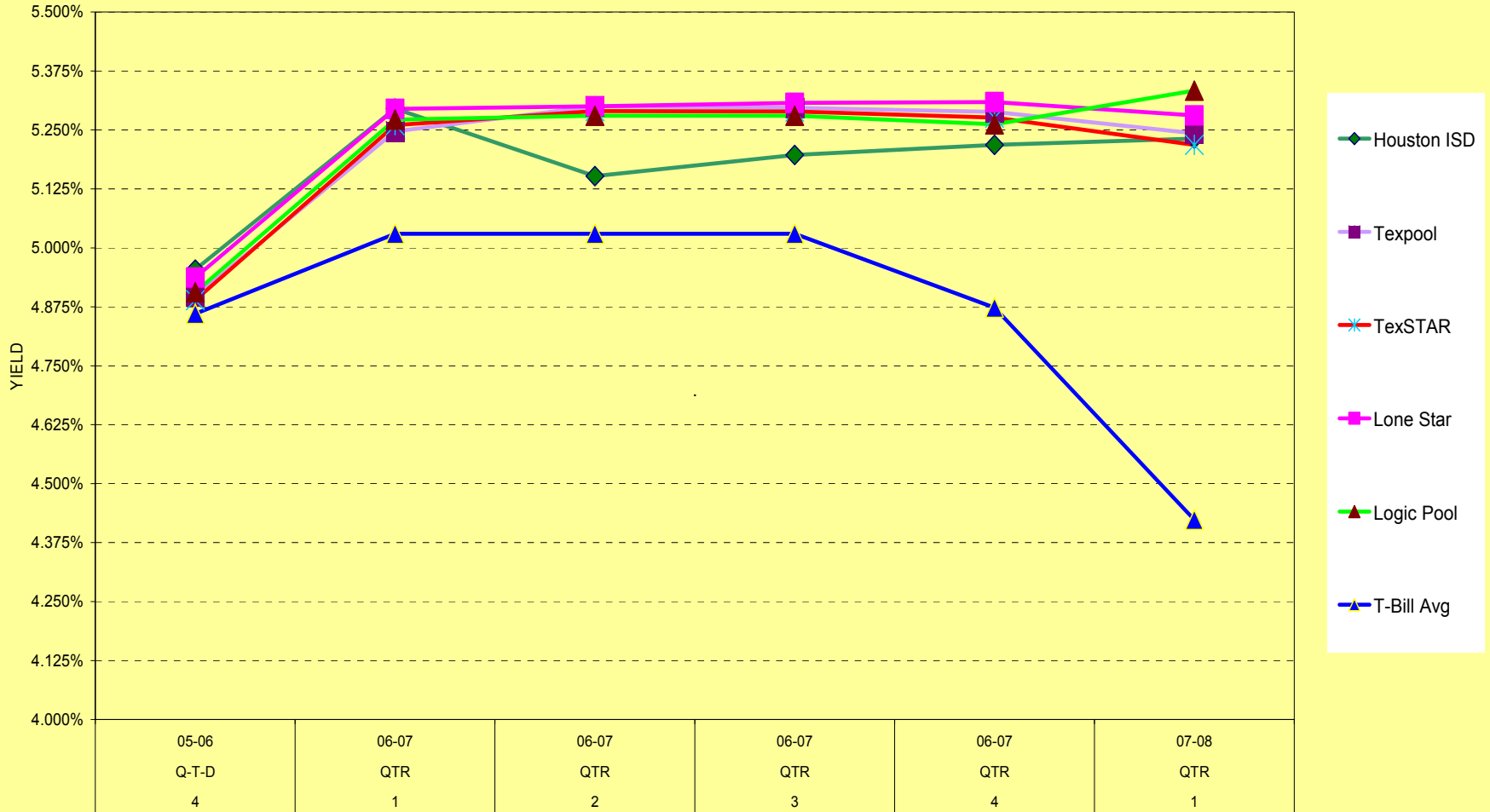
	4 <sup>th</sup> QTR 05-06	1 <sup>st</sup> QTR 06-07	2 <sup>nd</sup> QTR 06-07	3 <sup>rd</sup> QTR 06-07	4 <sup>th</sup> QTR 06-07	1 <sup>st</sup> QTR 07-08
Houston ISD	4.95%	5.30%	5.15%	5.20%	5.22%	5.23%
TexPool	4.90%	5.25%	5.30%	5.30%	5.29%	5.24%
TexSTAR	4.89%	5.26%	5.29%	5.29%	5.28%	5.21%
Lone Star Liquidity Fund	4.94%	5.29%	5.30%	5.31%	5.31%	5.28%
Logic Pool	4.91%	5.27%	5.28%	5.28%	5.26%	5.33%
3-MonthT-Bill Avg.	4.86%	5.03%	5.03%	5.12%	4.87%	4.42%

The District's portfolio for the quarter ended September 30, 2007 was earning an average yield of 5.23%. Lone Star Investment Pool's Liquidity Fund had a yield of 5.28%, TexPool had a yield of 5.24%, and TexSTAR had a yield of 5.21%.

# BENCHMARK COMPARISON

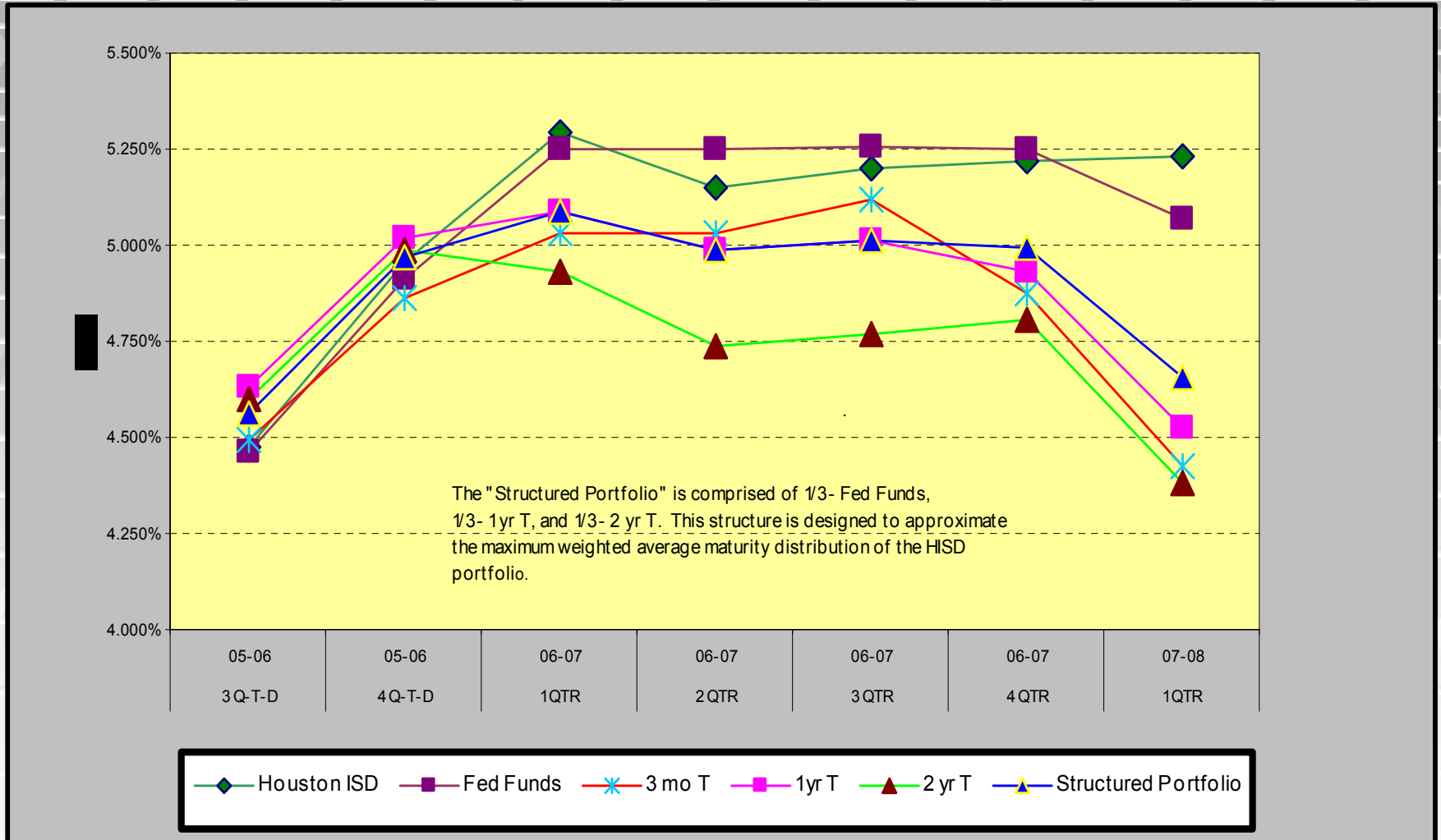
## Short Term Yields

**YIELD COMPARISONS**  
As of September 30, 2007



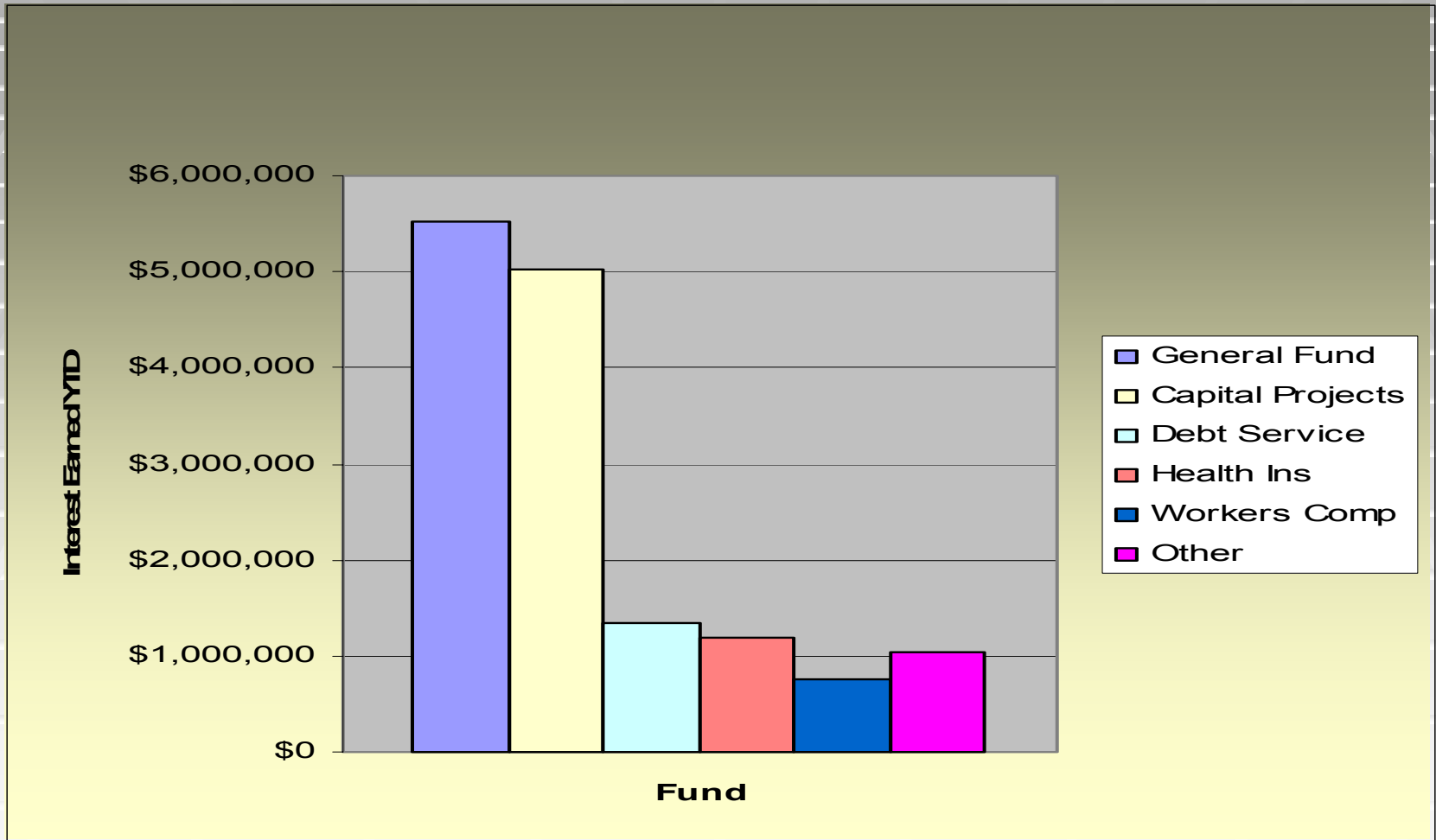
# YIELD

## BENCHMARK COMPARISON Long Term Yields



**YIELD**

# Year To Date Interest Earned As of September 30, 2007



# YIELD

## TOTAL INVESTMENT EARNINGS QTD AND YTD COMPARATIVE PERIODS

Chart 1

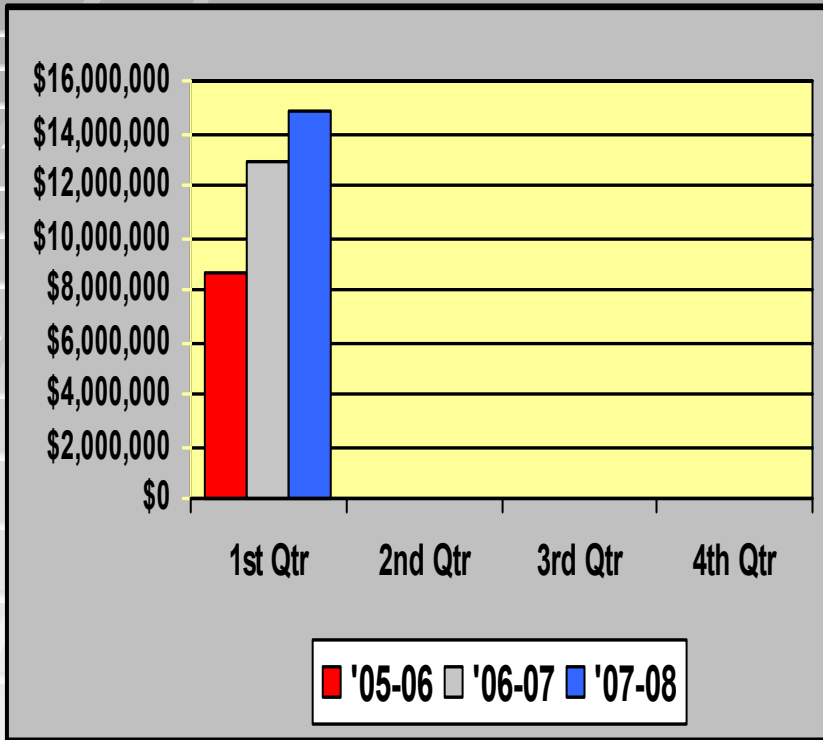


Chart 2

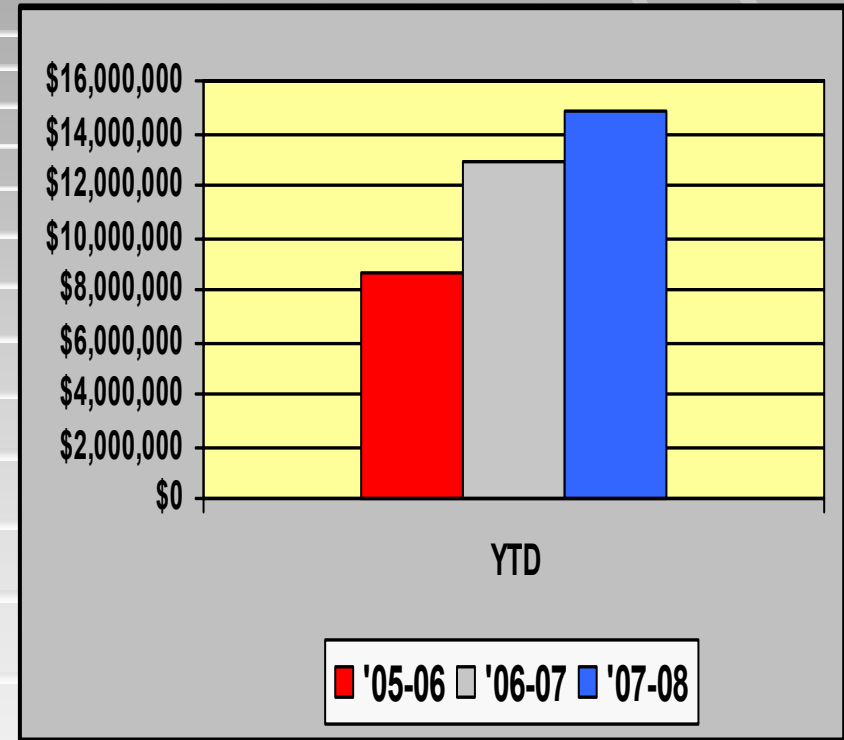


Chart 1 displays interest earnings for each quarter in the current and two preceding years.

Chart 2 displays year-to-date interest earnings as of the current quarter end for the current year and two preceding years.

# PORTFOLIO REPORTS

- **Summary Report** – This report shows the change in book value and market value from the prior quarter end through the current quarter end in summary form. The report also shows accrued interest receivable by fund groups for those funds which have investments paying interest on a non-monthly basis.
  
- **Balances by Fund** – This report shows investment sector totals by fund.
  
- **Portfolio Inventory and Transaction Report** – This report details each individual investment security and pool account subtotaled by fund group.
  - Security type or pool name are detailed.
  - Purchase and maturity dates are shown for those investments which have a stated final maturity.
  - The change in book and market value for each investment is shown for the period reported.
  - Purchases and redemptions in investment pool accounts are shown on a net basis.
  - Purchases, sales, and maturities of securities are shown on an individual transaction basis.
  - The final maturity (Par) value of securities are detailed.



**HOUSTON INDEPENDENT SCHOOL DISTRICT  
SUMMARY REPORT  
FOR QUARTER ENDED SEPTEMBER 30, 2007**

TYPE OF AGENCY	BOOK VALUE 06/30/2007	MARKET VALUE 06/30/2007	BOOK VALUE 09/30/2007	MARKET VALUE 09/30/2007	CHANGE IN BOOK VALUE	CHANGE IN MARKET VALUE	ACCRUED INTEREST RECEIVABLE
General Fund	\$ 516,342,041.24	\$ 516,342,041.24	\$ 434,112,638.03	\$ 433,801,128.86	\$ (82,229,403.21)	\$ (82,540,912.38)	\$ 957,220.84
Business Development	\$ 1,542,945.60	\$ 1,542,945.60	\$ 1,995,761.84	\$ 1,995,761.84	\$ 452,816.24	\$ 452,816.24	\$ -
Capital Projects Fund	\$ 320,406,127.79	\$ 320,406,127.79	\$ 341,401,966.79	\$ 341,448,232.44	\$ 20,995,839.00	\$ 21,042,104.65	\$ 1,925,416.69
Debt Service Fund	\$ 129,281,431.96	\$ 129,281,431.96	\$ 46,842,716.11	\$ 46,644,299.45	\$ (82,438,715.85)	\$ (82,637,132.51)	\$ 142,500.00
Food Service Fund	\$ 16,655,513.50	\$ 16,655,513.50	\$ 15,065,335.55	\$ 15,098,382.77	\$ (1,590,177.95)	\$ (1,557,130.73)	\$ 49,652.78
Workers' Compensation Fund	\$ 50,687,718.40	\$ 50,687,718.40	\$ 49,099,759.81	\$ 48,769,998.29	\$ (1,587,958.59)	\$ (1,917,720.11)	\$ 664,204.17
Health Insurance Fund	\$ 60,175,895.12	\$ 60,175,895.12	\$ 57,512,738.97	\$ 57,063,260.61	\$ (2,663,156.15)	\$ (3,112,634.51)	\$ 337,366.81
Internal Service Fund	\$ 5,320,092.07	\$ 5,320,092.07	\$ 3,495,346.14	\$ 3,495,346.14	\$ (1,824,745.93)	\$ (1,824,745.93)	\$ -
Medicaid Fund	\$ 12,198,055.67	\$ 12,198,055.67	\$ 15,048,282.18	\$ 15,048,282.18	\$ 2,850,226.51	\$ 2,850,226.51	\$ -
Print Shop Fund	\$ 4,821.27	\$ 4,821.27	\$ 4,885.02	\$ 4,885.02	\$ 63.75	\$ 63.75	\$ -
Special Revenue Fund	\$ 341,150.81	\$ 341,150.81	\$ 28,469,206.42	\$ 28,469,206.42	\$ 28,128,055.61	\$ 28,128,055.61	\$ -
Trust & Agency Funds	\$ 12,134,507.58	\$ 12,134,507.58	\$ 12,202,404.43	\$ 12,202,404.43	\$ 67,896.85	\$ 67,896.85	\$ -
Activity Funds	\$ 6,476,504.21	\$ 6,476,504.21	\$ 6,544,288.42	\$ 6,544,288.42	\$ 67,784.21	\$ 67,784.21	\$ -
<b>TOTAL INVESTMENTS</b>	<b>\$ 1,131,566,805.22</b>	<b>\$ 1,131,566,805.22</b>	<b>\$ 1,011,795,329.71</b>	<b>\$ 1,010,585,476.87</b>	<b>\$ (119,771,475.51)</b>	<b>\$ (120,981,328.35)</b>	<b>\$ 4,076,361.29</b>

**PORTFOLIO TOTALS**  
**BALANCES BY FUND**  
As of September 30, 2007

	<b>AGENCY INVESTMENTS</b>	<b>LONE STAR INVESTMENT POOL</b>	<b>INVESTMENTS IN TEXPOOL</b>	<b>INVESTMENTS IN TEXSTAR</b>	<b>CERTIFICATES OF DEPOSIT</b>	<b>MONEY MARKET FUNDS</b>	<b>TOTAL PORTFOLIO</b>
General Fund	\$ 64,554,879.17	\$ 171,930,244.29	\$ 116,350,242.78	\$ 80,682,271.79	\$ 595,000.00	\$ -	\$ 434,112,638.03
Business Development	\$ -	\$ 1,995,761.84	\$ -	\$ -	\$ -	\$ -	\$ 1,995,761.84
Capital Projects Fund	\$ 156,252,069.75	\$ 95,206,881.28	\$ 89,943,015.76	\$ -	\$ -	\$ -	\$ 341,401,966.79
Debt Service Fund	\$ 20,221,516.66	\$ 19,084,195.17	\$ 7,537,004.28	\$ -	\$ -	\$ -	\$ 46,842,716.11
Food Service Fund	\$ 14,911,952.78	\$ 127,887.58	\$ 25,495.19	\$ -	\$ -	\$ -	\$ 15,065,335.55
Health Insurance	\$ 36,878,292.36	\$ 13,607,342.04	\$ 7,027,104.57	\$ -	\$ -	\$ -	\$ 57,512,738.97
Workers' Compensation	\$ 41,006,871.52	\$ 3,031,412.09	\$ 5,061,476.20	\$ -	\$ -	\$ -	\$ 49,099,759.81
Internal Service Fund	\$ -	\$ -	\$ 3,495,346.14	\$ -	\$ -	\$ -	\$ 3,495,346.14
Medicaid	\$ -	\$ 10,851,364.47	\$ 4,196,917.71	\$ -	\$ -	\$ -	\$ 15,048,282.18
Print Shop	\$ -	\$ -	\$ 4,885.02	\$ -	\$ -	\$ -	\$ 4,885.02
Special Revenue Fund	\$ -	\$ 28,425,842.62	\$ 43,363.80	\$ -	\$ -	\$ -	\$ 28,469,206.42
Trust & Agency Funds	\$ -	\$ 1,159,613.19	\$ 11,042,791.24	\$ -	\$ -	\$ -	\$ 12,202,404.43
Activity Funds	\$ -	\$ 4,731,524.14	\$ 1,812,764.28	\$ -	\$ -	\$ -	\$ 6,544,288.42
<b>TOTAL INVESTMENTS</b>	<b>\$ 333,825,582.24</b>	<b>\$ 350,152,068.71</b>	<b>\$ 246,540,406.97</b>	<b>\$ 80,682,271.79</b>	<b>\$ 595,000.00</b>	<b>\$ -</b>	<b>\$ 1,011,795,329.71</b>

**HOUSTON INDEPENDENT SCHOOL DISTRICT  
PORTFOLIO INVENTORY AND TRANSACTION REPORT  
FOR QUARTER ENDED SEPTEMBER 30, 2007**

TYPE OF AGENCY	DATE OF PURCHASE	MATURITY DATE	BOOK VALUE 06/30/2007	MARKET VALUE 06/30/2007	MATURITIES SALES REDEMPTIONS	PURCHASES	BOOK VALUE 09/30/2007	MARKET VALUE 09/30/2007	FINAL MATURITY VALUE 09/30/2007
<b>GF-GENERAL FUND</b>									
Lone Star Liq +	Open	Open	\$ 63,656,869.68	\$ 63,656,869.68	\$ -	\$ 20,110,366.84	\$ 83,767,236.52	\$ 83,767,236.52	\$ 83,767,236.52
Lone Star Corp	Open	Open	\$ 127,541,254.07	\$ 127,541,254.07	\$ 39,378,246.30	\$ -	\$ 88,163,007.77	\$ 88,163,007.77	\$ 88,163,007.77
TexPool	Open	Open	\$ 1,044,286.83	\$ 1,044,286.83	\$ -	\$ 20,365,425.83	\$ 21,409,712.66	\$ 21,409,712.66	\$ 21,409,712.66
TexPool	Open	Open	\$ 11,305,510.31	\$ 11,305,510.31	\$ -	\$ 149,394.11	\$ 11,454,904.42	\$ 11,454,904.42	\$ 11,454,904.42
TexPool Prime	Open	Open	\$ 107,898,334.31	\$ 107,898,334.31	\$ 24,412,708.61	\$ -	\$ 83,485,625.70	\$ 83,485,625.70	\$ 83,485,625.70
TexSTAR	Open	Open	\$ 78,722,197.15	\$ 78,722,197.15	\$ -	\$ 1,960,074.64	\$ 80,682,271.79	\$ 80,682,271.79	\$ 80,682,271.79
CD METRO	30-Jun-07	30-Jun-08	\$ 500,000.00	\$ 500,000.00	\$ -	\$ -	\$ 500,000.00	\$ 500,000.00	\$ 500,000.00
CD UNITY	31-Aug-07	31-Aug-08	\$ 95,000.00	\$ 95,000.00	\$ -	\$ -	\$ 95,000.00	\$ 95,000.00	\$ 95,000.00
FNMA DN	25-Jan-07	2-Jul-07	\$ 14,994,000.00	\$ 14,994,000.00	\$ 15,000,000.00	\$ -	\$ -	\$ -	\$ -
FNMA DN	25-Jan-07	9-Jul-07	\$ 19,972,000.00	\$ 19,972,000.00	\$ 20,000,000.00	\$ -	\$ -	\$ -	\$ -
FHLMC DN	25-Jan-07	16-Jul-07	\$ 14,964,000.00	\$ 14,964,000.00	\$ 15,000,000.00	\$ -	\$ -	\$ -	\$ -
FFCB DN	18-Jan-07	18-Jul-07	\$ 14,959,500.00	\$ 14,959,500.00	\$ 15,000,000.00	\$ -	\$ -	\$ -	\$ -
FHLB	12-Jun-03	12-Dec-07	\$ 10,021,508.33	\$ 10,021,508.33	\$ -	\$ -	\$ 10,021,508.33	\$ 10,009,400.00	\$ 10,000,000.00
FHLB	26-Jun-03	26-Dec-07	\$ 4,976,401.39	\$ 4,976,401.39	\$ -	\$ -	\$ 4,976,401.39	\$ 4,993,750.00	\$ 5,000,000.00
FHLB	26-Jun-03	26-Dec-07	\$ 4,976,401.39	\$ 4,976,401.39	\$ -	\$ -	\$ 4,976,401.39	\$ 4,993,750.00	\$ 5,000,000.00
FFCB	16-Jan-07	4-Jan-08	\$ 10,251,925.00	\$ 10,251,925.00	\$ 10,000,000.00	\$ -	\$ -	\$ -	\$ -
FHLB	18-Jun-03	18-Dec-08	\$ 197,788.89	\$ 197,788.89	\$ -	\$ -	\$ 197,788.89	\$ 199,250.00	\$ 200,000.00
FHLB	30-Aug-07	21-May-09	\$ -	\$ -	\$ -	\$ 15,000,000.00	\$ 15,226,875.00	\$ 15,009,450.00	\$ 15,000,000.00
FHLB	27-Jun-07	27-Jul-09	\$ 15,011,887.50	\$ 15,011,887.50	\$ 15,000,000.00	\$ -	\$ -	\$ -	\$ -
FNMA	9-Feb-07	7-Aug-09	\$ 10,236,300.00	\$ 10,236,300.00	\$ 10,000,000.00	\$ -	\$ -	\$ -	\$ -
FHLMC	5-Jun-07	14-May-10	\$ 5,016,876.39	\$ 5,016,876.39	\$ -	\$ -	\$ 5,016,876.39	\$ 5,005,900.00	\$ 5,000,000.00
FHLMC	22-Aug-07	21-May-10	\$ -	\$ -	\$ -	\$ 10,000,000.00	\$ 10,139,027.78	\$ 10,014,300.00	\$ 10,000,000.00
FNMA	19-Jul-07	19-Jul-10	\$ -	\$ -	\$ -	\$ 7,000,000.00	\$ 7,000,000.00	\$ 7,004,410.00	\$ 7,000,000.00
FFCB	28-Sep-07	28-Mar-11	\$ -	\$ -	\$ -	\$ 7,000,000.00	\$ 7,000,000.00	\$ 7,013,160.00	\$ 7,000,000.00
<b>GF-TOTAL</b>			<b>\$ 516,342,041.24</b>	<b>\$ 516,342,041.24</b>	<b>\$ 163,790,954.91</b>	<b>\$ 81,585,261.42</b>	<b>\$ 434,112,638.03</b>	<b>\$ 433,801,128.86</b>	<b>\$ 433,757,758.86</b>
<b>BD-BUSINESS DEVELOPMENT</b>									
Lone Star Corp	Open	Open	\$ 1,542,945.60	\$ 1,542,945.60	\$ -	\$ 452,816.24	\$ 1,995,761.84	\$ 1,995,761.84	\$ 1,995,761.84
<b>BD-TOTAL</b>			<b>\$ 1,542,945.60</b>	<b>\$ 1,542,945.60</b>	<b>\$ -</b>	<b>\$ 452,816.24</b>	<b>\$ 1,995,761.84</b>	<b>\$ 1,995,761.84</b>	<b>\$ 1,995,761.84</b>

TYPE OF AGENCY	DATE OF PURCHASE	MATURITY DATE	BOOK VALUE 06/30/2007	MARKET VALUE 06/30/2007	MATURITIES SALES REDEMPTIONS	PURCHASES	BOOK VALUE 09/30/2007	MARKET VALUE 09/30/2007	FINAL MATURITY VALUE 09/30/2007
<b>CP-CAP PROJECTS</b>									
Lone Star Liq +	Open	Open	\$ 312,302.24	\$ 312,302.24	\$ -	\$ 30,029,120.86	\$ 30,341,423.10	\$ 30,341,423.10	\$ 30,341,423.10
Lone Star Corp	Open	Open	\$ 49,378,533.60	\$ 49,378,533.60	\$ 9,745,398.43	\$ -	\$ 39,633,135.17	\$ 39,633,135.17	\$ 39,633,135.17
Lone Star Corp	Open	Open	\$ 249,283.24	\$ 249,283.24	\$ -	\$ 3,370.15	\$ 252,653.39	\$ 252,653.39	\$ 252,653.39
Lone Star Corp	Open	Open	\$ 229,889.41	\$ 229,889.41	\$ -	\$ 3,107.97	\$ 232,997.38	\$ 232,997.38	\$ 232,997.38
Lone Star Corp	Open	Open	\$ 20,730,178.17	\$ 20,730,178.17	\$ -	\$ 606,497.95	\$ 21,336,676.12	\$ 21,336,676.12	\$ 21,336,676.12
Lone Star Corp	Open	Open	\$ 17,430,338.12	\$ 17,430,338.12	\$ 14,020,342.00	\$ -	\$ 3,409,996.12	\$ 3,409,996.12	\$ 3,409,996.12
TexPool	Open	Open	\$ 2,676,401.28	\$ 2,676,401.28	\$ -	\$ 514,589.71	\$ 3,190,990.99	\$ 3,190,990.99	\$ 3,190,990.99
TexPool	Open	Open	\$ 3,622,941.12	\$ 3,622,941.12	\$ -	\$ 47,874.54	\$ 3,670,815.66	\$ 3,670,815.66	\$ 3,670,815.66
TexPool	Open	Open	\$ 3,221,905.68	\$ 3,221,905.68	\$ -	\$ 27,926,887.47	\$ 31,148,793.15	\$ 31,148,793.15	\$ 31,148,793.15
TexPool	Open	Open	\$ 159,275.61	\$ 159,275.61	\$ -	\$ 2,104.73	\$ 161,380.34	\$ 161,380.34	\$ 161,380.34
TexPool	Open	Open	\$ 40,871.75	\$ 40,871.75	\$ -	\$ 540.10	\$ 41,411.85	\$ 41,411.85	\$ 41,411.85
TexPool	Open	Open	\$ 14,781,098.24	\$ 14,781,098.24	\$ -	\$ 195,321.52	\$ 14,976,419.76	\$ 14,976,419.76	\$ 14,976,419.76
TexPool	Open	Open	\$ 2,224,542.58	\$ 2,224,542.58	\$ 204,830.47	\$ -	\$ 2,019,712.11	\$ 2,019,712.11	\$ 2,019,712.11
TexPool	Open	Open	\$ 555,955.62	\$ 555,955.62	\$ -	\$ 7,346.56	\$ 563,302.18	\$ 563,302.18	\$ 563,302.18
TexPool	Open	Open	\$ 3,458,101.05	\$ 3,458,101.05	\$ -	\$ 30,376,603.41	\$ 33,834,704.46	\$ 33,834,704.46	\$ 33,834,704.46
TexPool Prime	Open	Open	\$ 219,313.85	\$ 219,313.85	\$ -	\$ 2,924.98	\$ 222,238.83	\$ 222,238.83	\$ 222,238.83
TexPool Prime	Open	Open	\$ 111,755.93	\$ 111,755.93	\$ -	\$ 1,490.50	\$ 113,246.43	\$ 113,246.43	\$ 113,246.43
FHLMC DN	25-Jan-07	2-Jul-07	\$ 9,996,000.00	\$ 9,996,000.00	\$ 10,000,000.00	\$ -	\$ -	\$ -	\$ -
FHLMC DN	8-Jun-07	23-Jul-07	\$ 19,932,000.00	\$ 19,932,000.00	\$ 20,000,000.00	\$ -	\$ -	\$ -	\$ -
FHLB	17-May-05	17-Aug-07	\$ 10,030,188.89	\$ 10,030,188.89	\$ 10,000,000.00	\$ -	\$ -	\$ -	\$ -
FHLB	22-Apr-04	22-Oct-07	\$ 10,034,955.56	\$ 10,034,955.56	\$ -	\$ -	\$ 10,034,955.56	\$ 9,993,800.00	\$ 10,000,000.00
FHLMC DN	28-Jun-07	5-Nov-07	\$ 19,636,000.00	\$ 19,636,000.00	\$ -	\$ -	\$ 19,636,000.00	\$ 19,904,000.00	\$ 20,000,000.00
FHLB	23-May-05	23-Nov-07	\$ 10,000,633.33	\$ 10,000,633.33	\$ -	\$ -	\$ 10,000,633.33	\$ 9,990,600.00	\$ 10,000,000.00
FHLB	14-Jun-05	14-Dec-07	\$ 9,970,069.44	\$ 9,970,069.44	\$ -	\$ -	\$ 9,970,069.44	\$ 9,990,600.00	\$ 10,000,000.00
FHLB	19-May-05	19-May-08	\$ 5,222,719.64	\$ 5,222,719.64	\$ -	\$ -	\$ 5,222,719.64	\$ 5,226,900.00	\$ 5,240,000.00
FHLB	23-May-05	23-May-08	\$ 3,459,052.15	\$ 3,459,052.15	\$ -	\$ -	\$ 3,459,052.15	\$ 3,462,400.70	\$ 3,470,000.00
FNMA	27-May-05	30-May-08	\$ 9,573,159.43	\$ 9,573,159.43	\$ -	\$ -	\$ 9,573,159.43	\$ 9,590,016.20	\$ 9,605,000.00
FHLB	2-Jun-05	2-Jun-08	\$ 4,979,187.50	\$ 4,979,187.50	\$ -	\$ -	\$ 4,979,187.50	\$ 4,989,050.00	\$ 5,000,000.00
FHLB	6-Jun-05	6-Jun-08	\$ 2,938,008.25	\$ 2,938,008.25	\$ -	\$ -	\$ 2,938,008.25	\$ 2,944,483.50	\$ 2,950,000.00
FHLB	8-Jul-03	8-Jul-08	\$ 5,066,897.22	\$ 5,066,897.22	\$ -	\$ -	\$ 5,066,897.22	\$ 5,000,000.00	\$ 5,000,000.00
FHLB	18-Jan-07	18-Jul-08	\$ 5,118,018.06	\$ 5,118,018.06	\$ -	\$ -	\$ 5,118,018.06	\$ 5,001,550.00	\$ 5,000,000.00
FHLB	23-Jul-03	23-Jul-08	\$ 4,720,687.22	\$ 4,720,687.22	\$ 4,655,000.00	\$ -	\$ -	\$ -	\$ -
FHLB	5-Jun-03	5-Dec-08	\$ 5,000,855.56	\$ 5,000,855.56	\$ -	\$ -	\$ 5,000,855.56	\$ 5,004,700.00	\$ 5,000,000.00
FHLB	18-Jun-03	18-Dec-08	\$ 9,691,655.56	\$ 9,691,655.56	\$ -	\$ -	\$ 9,691,655.56	\$ 9,763,250.00	\$ 9,800,000.00
FHLB	22-Jun-05	22-Dec-08	\$ 9,339,632.50	\$ 9,339,632.50	\$ -	\$ -	\$ 9,339,632.50	\$ 9,304,945.00	\$ 9,250,000.00
FNMA	29-Jan-07	29-Jan-09	\$ 5,101,483.33	\$ 5,101,483.33	\$ -	\$ -	\$ 5,101,483.33	\$ 5,012,500.00	\$ 5,000,000.00
FFCB	23-Apr-07	23-Apr-09	\$ 5,040,233.33	\$ 5,040,233.33	\$ -	\$ -	\$ 5,040,233.33	\$ 5,003,150.00	\$ 5,000,000.00
FHLB	18-Jul-07	21-May-09	\$ -	\$ -	\$ -	\$ 9,997,500.00	\$ 10,084,583.34	\$ 10,006,300.00	\$ 10,000,000.00
FHLMC	28-Jun-07	19-Jun-09	\$ 7,008,493.33	\$ 7,008,493.33	\$ -	\$ -	\$ 7,008,493.33	\$ 7,015,330.00	\$ 7,000,000.00
FHLMC	8-Mar-07	8-Mar-10	\$ 10,157,077.78	\$ 10,157,077.78	\$ 10,000,000.00	\$ -	\$ -	\$ -	\$ -
FHLB	14-Jun-07	14-Jun-10	\$ 9,994,772.22	\$ 9,994,772.22	\$ -	\$ -	\$ 9,994,772.22	\$ 10,018,800.00	\$ 10,000,000.00
FFCB	27-Jun-07	27-Jun-11	\$ 8,991,660.00	\$ 8,991,660.00	\$ -	\$ -	\$ 8,991,660.00	\$ 9,075,960.00	\$ 9,000,000.00
<b>CP-TOTAL</b>			<b>\$320,406,127.79</b>	<b>\$320,406,127.79</b>	<b>\$78,625,570.90</b>	<b>\$99,715,280.45</b>	<b>\$341,401,966.79</b>	<b>\$341,448,232.44</b>	<b>\$341,464,897.04</b>

TYPE OF AGENCY	DATE OF PURCHASE	MATURITY DATE	BOOK VALUE 06/30/2007	MARKET VALUE 06/30/2007	MATURITIES SALES REDEMPTIONS	PURCHASES	BOOK VALUE 09/30/2007	MARKET VALUE 09/30/2007	FINAL MATURITY VALUE 09/30/2007
<b>DS-DEBT SERVICE FUND</b>									
Lone Star Liq +	Open	Open	\$ 1,723,472.28	\$ 1,723,472.28	\$ -	\$ 7,902,208.58	\$ 9,625,680.86	\$ 9,625,680.86	\$ 9,625,680.86
Lone Star Corp	Open	Open	\$ 55,186,870.33	\$ 55,186,870.33	\$ 45,728,356.02	\$ -	\$ 9,458,514.31	\$ 9,458,514.31	\$ 9,458,514.31
TexPool	Open	Open	\$ 67,551.83	\$ 67,551.83	\$ -	\$ 892.65	\$ 68,444.48	\$ 68,444.48	\$ 68,444.48
TexPool Prime	Open	Open	\$ 44,728,719.75	\$ 44,728,719.75	\$ 37,260,159.95	\$ -	\$ 7,468,559.80	\$ 7,468,559.80	\$ 7,468,559.80
FHLMC	18-Jan-07	16-Jan-09	\$ 10,221,516.66	\$ 10,221,516.66	\$ -	\$ -	\$ 10,221,516.66	\$ 10,004,300.00	\$ 10,000,000.00
FNMA	11-Jan-07	7-Aug-09	\$ 10,236,300.00	\$ 10,236,300.00	\$ 10,000,000.00	\$ -	\$ -	\$ -	\$ -
FHLMC	30-Mar-07	5-Mar-10	\$ 7,117,001.11	\$ 7,117,001.11	\$ 7,000,000.00	\$ -	\$ -	\$ -	\$ -
FHLB	7-Sep-07	7-Sep-10	\$ -	\$ -	\$ -	\$ 10,000,000.00	\$ 10,000,000.00	\$ 10,018,800.00	\$ 10,000,000.00
<b>DS-TOTAL</b>			<b>\$ 129,281,431.96</b>	<b>\$ 129,281,431.96</b>	<b>\$ 99,988,515.97</b>	<b>\$ 17,903,101.23</b>	<b>\$ 46,842,716.11</b>	<b>\$ 46,644,299.45</b>	<b>\$ 46,621,199.45</b>
<b>FD-FOOD SERVICE FUND</b>									
Lone Star Corp	Open	Open	\$ 1,301,172.39	\$ 1,301,172.39	\$ 1,290,964.64	\$ -	\$ 10,207.75	\$ 10,207.75	\$ 10,207.75
Lone Star Corp	Open	Open	\$ 116,110.06	\$ 116,110.06	\$ -	\$ 1,569.77	\$ 117,679.83	\$ 117,679.83	\$ 117,679.83
TexPool	Open	Open	\$ 103,889.36	\$ 103,889.36	\$ 93,675.36	\$ -	\$ 10,214.00	\$ 10,214.00	\$ 10,214.00
TexPool Prime	Open	Open	\$ 222,388.91	\$ 222,388.91	\$ 207,107.72	\$ -	\$ 15,281.19	\$ 15,281.19	\$ 15,281.19
FFCB DN	17-Jan-07	14-Nov-07	\$ 9,805,000.00	\$ 9,805,000.00	\$ -	\$ -	\$ 9,805,000.00	\$ 9,941,000.00	\$ 10,000,000.00
FHLMC	26-Jan-07	26-Jan-10	\$ 5,106,952.78	\$ 5,106,952.78	\$ -	\$ -	\$ 5,106,952.78	\$ 5,004,000.00	\$ 5,000,000.00
<b>FD-TOTAL</b>			<b>\$ 16,655,513.50</b>	<b>\$ 16,655,513.50</b>	<b>\$ 1,591,747.72</b>	<b>\$ 1,569.77</b>	<b>\$ 15,065,335.55</b>	<b>\$ 15,098,382.77</b>	<b>\$ 15,153,382.77</b>
<b>IS2-WORKERS COMPENSATION FUND</b>									
Lone Star Corp	Open	Open	\$ 4,246,652.25	\$ 4,246,652.25	\$ 1,215,240.16	\$ -	\$ 3,031,412.09	\$ 3,031,412.09	\$ 3,031,412.09
TexPool	Open	Open	\$ 488,968.57	\$ 488,968.57	\$ -	\$ 1,306,114.68	\$ 1,795,083.25	\$ 1,795,083.25	\$ 1,795,083.25
TexPool Prime	Open	Open	\$ 7,218,556.36	\$ 7,218,556.36	\$ 3,952,163.41	\$ -	\$ 3,266,392.95	\$ 3,266,392.95	\$ 3,266,392.95
FHLMC	21-Dec-06	14-Dec-07	\$ 7,011,390.56	\$ 7,011,390.56	\$ -	\$ -	\$ 7,011,390.56	\$ 7,005,740.00	\$ 7,000,000.00
FFCB	16-Jan-07	4-Jan-08	\$ 6,909,797.45	\$ 6,909,797.45	\$ 6,740,000.00	\$ -	\$ -	\$ -	\$ -
FHLB	18-Jun-03	18-Dec-08	\$ 4,796,380.56	\$ 4,796,380.56	\$ -	\$ -	\$ 4,796,380.56	\$ 4,831,812.50	\$ 4,850,000.00
FHLB	30-Jun-03	30-Dec-08	\$ 7,930,746.25	\$ 7,930,746.25	\$ -	\$ -	\$ 7,930,746.25	\$ 7,843,027.50	\$ 7,875,000.00
FHLMC	31-Aug-07	17-Apr-09	\$ -	\$ -	\$ -	\$ 5,000,000.00	\$ 5,100,500.00	\$ 5,002,450.00	\$ 5,000,000.00
FHLMC	4-Sep-07	17-Apr-09	\$ -	\$ -	\$ -	\$ 7,000,000.00	\$ 7,143,850.00	\$ 7,003,430.00	\$ 7,000,000.00
FHLMC	5-Mar-07	4-Sep-09	\$ 7,115,305.56	\$ 7,115,305.56	\$ 7,000,000.00	\$ -	\$ -	\$ -	\$ -
FHLB	22-May-03	22-Nov-10	\$ 3,131,050.13	\$ 3,131,050.13	\$ -	\$ -	\$ 3,131,050.13	\$ 3,144,109.50	\$ 3,150,000.00
FHLB	22-May-03	22-Nov-10	\$ 1,838,870.71	\$ 1,838,870.71	\$ -	\$ -	\$ 1,838,870.71	\$ 1,848,540.50	\$ 1,850,000.00
FHLB	30-Aug-07	1-Dec-10	\$ -	\$ -	\$ -	\$ 4,000,000.00	\$ 4,054,083.33	\$ 4,000,000.00	\$ 4,000,000.00
<b>IS2-TOTAL</b>			<b>\$ 50,687,718.40</b>	<b>\$ 50,687,718.40</b>	<b>\$ 18,907,403.57</b>	<b>\$ 17,306,114.68</b>	<b>\$ 49,099,759.83</b>	<b>\$ 48,769,998.29</b>	<b>\$ 48,817,888.29</b>
<b>IS1- HEALTH INSURANCE FUND</b>									
Lone Star Corp	Open	Open	\$ 22,447,634.60	\$ 22,447,634.60	\$ 8,840,292.56	\$ -	\$ 13,607,342.04	\$ 13,607,342.04	\$ 13,607,342.04
TexPool	Open	Open	\$ 94,902.17	\$ 94,902.17	\$ -	\$ 1,254.09	\$ 96,156.26	\$ 96,156.26	\$ 96,156.26
TexPool Prime	Open	Open	\$ 12,156,780.57	\$ 12,156,780.57	\$ 5,225,832.26	\$ -	\$ 6,930,948.31	\$ 6,930,948.31	\$ 6,930,948.31
FNMA	26-Jan-07	26-Jan-09	\$ 10,220,000.00	\$ 10,220,000.00	\$ -	\$ -	\$ 10,220,000.00	\$ 10,006,300.00	\$ 10,000,000.00
FNMA	18-Jan-07	7-Aug-09	\$ 5,118,150.00	\$ 5,118,150.00	\$ 5,000,000.00	\$ -	\$ -	\$ -	\$ -
FHLB	27-Aug-07	11-Jan-10	\$ -	\$ -	\$ -	\$ 5,000,000.00	\$ 5,035,937.50	\$ 5,015,650.00	\$ 5,000,000.00
FHLB	12-Mar-07	12-Mar-10	\$ 10,138,427.78	\$ 10,138,427.78	\$ -	\$ -	\$ 10,138,427.78	\$ 10,000,000.00	\$ 10,000,000.00
FFCB	31-Aug-07	4-Jun-10	\$ -	\$ -	\$ -	\$ 7,000,000.00	\$ 7,083,927.08	\$ 7,000,000.00	\$ 7,000,000.00
FHLMC	10-Jul-07	21-Jun-10	\$ -	\$ -	\$ 3,550,000.00	\$ 3,550,000.00	\$ -	\$ -	\$ -
FFCB	30-Aug-07	30-Aug-10	\$ -	\$ -	\$ -	\$ 4,400,000.00	\$ 4,400,000.00	\$ 4,406,864.00	\$ 4,400,000.00
<b>IS1-TOTAL</b>			<b>\$ 60,175,895.12</b>	<b>\$ 60,175,895.12</b>	<b>\$ 22,616,124.82</b>	<b>\$ 19,951,254.09</b>	<b>\$ 57,512,738.97</b>	<b>\$ 57,063,260.61</b>	<b>\$ 57,034,446.61</b>

TYPE OF AGENCY	DATE OF PURCHASE	MATURITY DATE	BOOK VALUE 06/30/2007	MARKET VALUE 06/30/2007	MATURITIES SALES REDEMPTIONS	PURCHASES	BOOK VALUE 09/30/2007	MARKET VALUE 09/30/2007	FINAL MATURITY VALUE 09/30/2007
<b>IS3-INTERNAL SERVICE FUND</b>									
TexPool	Open	Open	\$ 5,320,092.07	\$ 5,320,092.07	\$ 1,824,745.93	\$ -	\$ 3,495,346.14	\$ 3,495,346.14	\$ 3,495,346.14
<b>IS3-TOTAL</b>			<b>\$ 5,320,092.07</b>	<b>\$ 5,320,092.07</b>	<b>\$ 1,824,745.93</b>	<b>\$ -</b>	<b>\$ 3,495,346.14</b>	<b>\$ 3,495,346.14</b>	<b>\$ 3,495,346.14</b>
<b>MD1-MEDICAID FUND</b>									
Lone Star Corp	Open	Open	\$ 8,055,873.87	\$ 8,055,873.87	\$ -	\$ 2,795,490.60	\$ 10,851,364.47	\$ 10,851,364.47	\$ 10,851,364.47
TexPool	Open	Open	\$ 4,142,181.80	\$ 4,142,181.80	\$ -	\$ 54,735.91	\$ 4,196,917.71	\$ 4,196,917.71	\$ 4,196,917.71
<b>MD1-TOTAL</b>			<b>\$ 12,198,055.67</b>	<b>\$ 12,198,055.67</b>	<b>\$ -</b>	<b>\$ 2,850,226.51</b>	<b>\$ 15,048,282.18</b>	<b>\$ 15,048,282.18</b>	<b>\$ 15,048,282.18</b>
<b>PS1-PRINT SHOP FUND</b>									
TexPool	Open	Open	\$ 4,821.27	\$ 4,821.27	\$ -	\$ 63.75	\$ 4,885.02	\$ 4,885.02	\$ 4,885.02
<b>PS1-TOTAL</b>			<b>\$ 4,821.27</b>	<b>\$ 4,821.27</b>	<b>\$ -</b>	<b>\$ 63.75</b>	<b>\$ 4,885.02</b>	<b>\$ 4,885.02</b>	<b>\$ 4,885.02</b>
<b>SR1-SPECIAL REVENUE FUND</b>									
Lone Star Liq +	Open	Open	\$ 22,717.33	\$ 22,717.33	\$ -	\$ 300.23	\$ 23,017.56	\$ 23,017.56	\$ 23,017.56
Lone Star Corp	Open	Open	\$ 275,636.52	\$ 275,636.52	\$ -	\$ 28,127,188.54	\$ 28,402,825.06	\$ 28,402,825.06	\$ 28,402,825.06
TexPool	Open	Open	\$ 31,750.13	\$ 31,750.13	\$ -	\$ 419.54	\$ 32,169.67	\$ 32,169.67	\$ 32,169.67
TexPool Prime	Open	Open	\$ 11,046.83	\$ 11,046.83	\$ -	\$ 147.30	\$ 11,194.13	\$ 11,194.13	\$ 11,194.13
<b>SR1-TOTAL</b>			<b>\$ 341,150.81</b>	<b>\$ 341,150.81</b>	<b>\$ -</b>	<b>\$ 28,128,055.61</b>	<b>\$ 28,469,206.42</b>	<b>\$ 28,469,206.42</b>	<b>\$ 28,469,206.42</b>
<b>TO-TRUST &amp; AGENCY FUNDS</b>									
Lone Star Liq +	Open	Open	\$ 333,832.45	\$ 333,832.45	\$ -	\$ 14,487.09	\$ 348,319.54	\$ 348,319.54	\$ 348,319.54
Lone Star Liq +	Open	Open	\$ 184,451.39	\$ 184,451.39	\$ -	\$ 2,437.69	\$ 186,889.08	\$ 186,889.08	\$ 186,889.08
Lone Star Liq +	Open	Open	\$ 8,718.31	\$ 8,718.31	\$ -	\$ 115.21	\$ 8,833.52	\$ 8,833.52	\$ 8,833.52
Lone Star Liq +	Open	Open	\$ 23,137.98	\$ 23,137.98	\$ -	\$ 305.79	\$ 23,443.77	\$ 23,443.77	\$ 23,443.77
Lone Star Liq +	Open	Open	\$ 99,250.56	\$ 99,250.56	\$ -	\$ 1,311.68	\$ 100,562.24	\$ 100,562.24	\$ 100,562.24
Lone Star Liq +	Open	Open	\$ 316,557.53	\$ 316,557.53	\$ -	\$ 4,183.54	\$ 320,741.07	\$ 320,741.07	\$ 320,741.07
Lone Star Liq +	Open	Open	\$ 67,900.72	\$ 67,900.72	\$ -	\$ 897.36	\$ 68,798.08	\$ 68,798.08	\$ 68,798.08
Lone Star Corp	Open	Open	\$ 100,664.97	\$ 100,664.97	\$ -	\$ 1,360.92	\$ 102,025.89	\$ 102,025.89	\$ 102,025.89
TexPool	Open	Open	\$ 10,999,993.67	\$ 10,999,993.67	\$ -	\$ 42,797.57	\$ 11,042,791.24	\$ 11,042,791.24	\$ 11,042,791.24
<b>TO-TOTAL</b>			<b>\$ 12,134,507.58</b>	<b>\$ 12,134,507.58</b>	<b>\$ -</b>	<b>\$ 67,896.85</b>	<b>\$ 12,202,404.43</b>	<b>\$ 12,202,404.43</b>	<b>\$ 12,202,404.43</b>
<b>TA-ACTIVITY FUNDS</b>									
Lone Star Liq +	Open	Open	\$ 3,222.73	\$ 3,222.73	\$ -	\$ 42.59	\$ 3,265.32	\$ 3,265.32	\$ 3,265.32
Lone Star Corp	Open	Open	\$ 596,495.48	\$ 596,495.48	\$ -	\$ 8,064.20	\$ 604,559.68	\$ 604,559.68	\$ 604,559.68
Lone Star Corp	Open	Open	\$ 4,087,663.68	\$ 4,087,663.68	\$ -	\$ 36,035.46	\$ 4,123,699.14	\$ 4,123,699.14	\$ 4,123,699.14
TexPool	Open	Open	\$ 1,789,122.32	\$ 1,789,122.32	\$ -	\$ 23,641.96	\$ 1,812,764.28	\$ 1,812,764.28	\$ 1,812,764.28
<b>TA-TOTAL</b>			<b>\$ 6,476,504.21</b>	<b>\$ 6,476,504.21</b>	<b>\$ -</b>	<b>\$ 67,784.21</b>	<b>\$ 6,544,288.42</b>	<b>\$ 6,544,288.42</b>	<b>\$ 6,544,288.42</b>
<b>TOTAL PORTFOLIO</b>			<b>\$ 1,131,566,805.22</b>	<b>\$ 1,131,566,805.22</b>	<b>\$ 387,345,063.82</b>	<b>\$ 268,029,424.81</b>	<b>\$ 1,011,795,329.71</b>	<b>\$ 1,010,585,476.87</b>	<b>\$ 1,010,609,747.47</b>

# INVESTMENT POOL REPORTS

## ■ **TEXPOOL**

- At September 30, 2007 the District had \$145,026,920 invested in TEXPOOL comprising less than 1% of the Net Asset Value (NAV) of the pool.
- At September 30, 2007 the District had \$101,513,487 invested in TEXPOOL Prime comprising 7.4% of the pools' NAV.

## ■ **LONESTAR**

- At September 30, 2007 the District had \$124,818,211 invested in Lone Star Liquidity Plus comprising 4.5% of the pools' NAV.
- At September 30, 2007 The District had \$225,333,858 invested in Lone Star Corporate comprising 17.8% of the pools' NAV.

## ■ **TEXSTAR**

- At September 30, 2007 the District had \$80,682,272 invested in TexSTAR comprising 1.6% of the pools' NAV.



# TEXPOOL

THE TEXAS INVESTMENT SERVICE FOR PUBLIC FUNDS

October 2007

## PERFORMANCE

	<i>TexPool</i>	<i>TexPool Prime</i>
<i>As of September 30, 2007</i>		
Current Invested Balance	\$16,737,072,454.38	\$1,379,029,532.54
Weighted Average Maturity (1)*	34 Days	21 Days
Weighted Average Maturity (2)*	60 Days	28 Days
Net Asset Value	1.00018	0.99990
Total Number of Participants	2015	81
Management Fee on Invested Balance	0.0485%	0.0650%
Interest Distributed	\$68,505,499.69	\$5,083,849.25
Management Fee Collected	\$644,901.15	\$60,655.64
Standard & Poor's Current Rating	AAAm	AAAm
<i>September Averages</i>		
Average Invested Balance	\$16,249,387,389.59	\$1,188,269,590.05
Average Monthly Yield, on a simple basis (3)*	5.1330%	5.1984%
Average Weighted Average Maturity (1)*	33 Days	23 Days
Average Weighted Average Maturity (2)*	54 Days	32 Days

\*Definitions for Average Weighted Maturity can be found on Page 2.



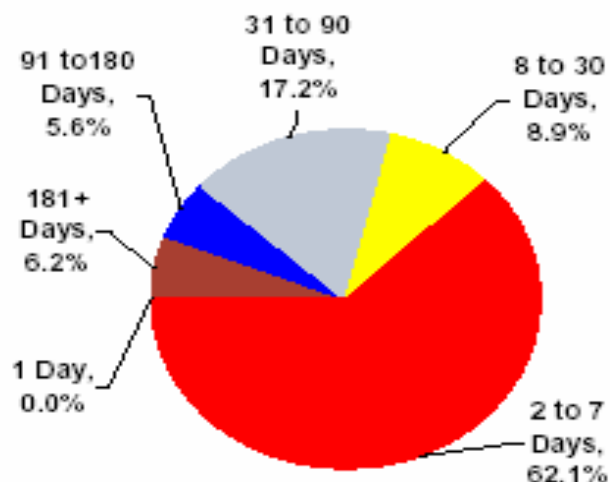
# TexPool

## PORTFOLIO ASSET SUMMARY AS OF September 30, 2007

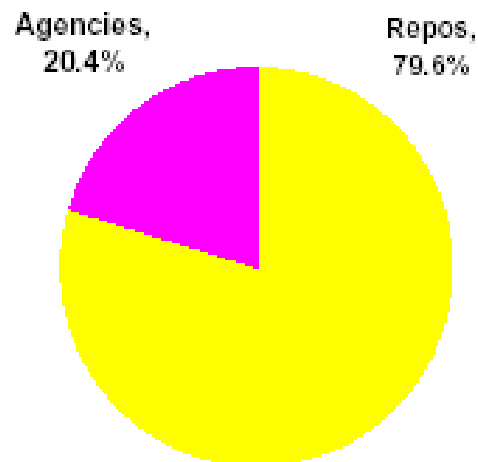
	<i>Book Value</i>	<i>Market Value</i>
Uninvested Balance	\$(1,441.86)	\$(1,441.86)
Accrual of Interest Income	43,676,520.53	43,676,520.53
Interest and Management Fees Payable	(212,625,072.44)	(212,625,072.44)
Payable for Investments Purchased	0.00	0.00
Repurchase Agreements	13,461,823,000.00	13,462,017,177.00
Mutual Fund Investments	0.00	0.00
Government Securities	3,444,199,448.15	3,447,101,935.49
<b>Total</b>	<b>\$16,737,072,454.38</b>	<b>\$16,740,169,118.72</b>

Market value of collateral supporting the Repurchase Agreements is at least 102% of the Book Value. The portfolio is managed by Federated Investors and the assets are safe kept in a separate custodial account at State Street Bank in the name of TexPool. The only source of payment to the Participants is the assets of TexPool. There is no secondary source of payment for the pool such as insurance or State guarantee. Should you require a copy of the portfolio, please contact TexPool Participant Services.

**Portfolio By Maturity**  
As of September 30, 2007



**Portfolio By Type of Investment**  
As of September 30, 2007



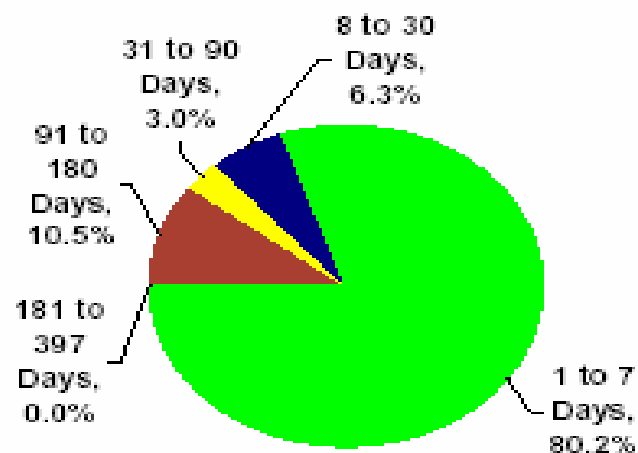
## TexPool Prime

### PORTFOLIO ASSET SUMMARY AS OF September 30, 2007

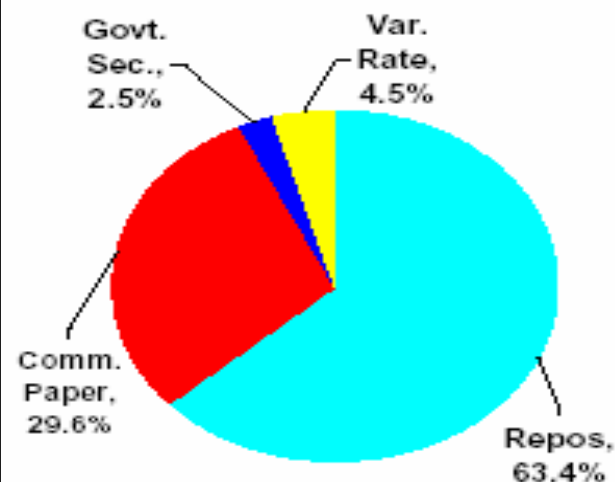
	<i>Book Value</i>	<i>Market Value</i>
Uninvested Balance	\$1,352.35	\$1,352.35
Accrual of Interest Income	1,859,832.55	1,859,832.55
Interest and Management Fees Payable	(5,083,856.63)	(5,083,856.63)
Payable for Investments Purchased	0.00	0.00
Repurchase Agreements	876,078,000.00	876,078,000.00
Mutual Fund Investments	50,000,000.00	50,000,000.00
Government Securities	35,000,000.00	35,005,025.00
Commercial Paper	358,374,204.27	358,268,209.95
Bank Instruments	0.00	0.00
Variable Rate Note	62,800,000.00	62,761,467.80
<b>Total</b>	<b>\$1,379,029,532.54</b>	<b>\$1,378,890,031.02</b>

Market value of collateral supporting the Repurchase Agreements is at least 102% of the Book Value. The portfolio is managed by Federated Investors and the assets are safe kept in a separate custodial account at State Street Bank in the name of TexPool Prime. The assets of TexPool Prime are the only source of payments to the Participants. There is no secondary source of payment for the pool such as Insurance or State guarantee. Should you require a copy of the portfolio, please contact TexPool Participant Services.

**Portfolio By Maturity**  
As of September 30, 2007



**Portfolio By Type of Investment**  
As of September 30, 2007



## Lone Star Investment Pool Quarterly Position Report—September 30, 2007

### Liquidity Fund

Duration 0.07990

	Participant Assets	Market Value
Beginning-of-Quarter Balance	605,697,933.58	605,714,066.29
Deposits	457,187,706.16	
Withdrawals	<u>(500,788,434.04)</u>	
End-of-Quarter Balance	562,097,205.70	562,066,853.04



### Liquidity Plus Fund

Duration 0.10171

	Participant Assets	Market Value
Beginning-of-Quarter Balance	2,691,561,225.45	2,691,434,065.81
Deposits	2,062,385,062.40	
Withdrawals	<u>(1,962,410,933.68)</u>	
End-of-Quarter Balance	2,791,535,354.17	2,792,331,287.17



### Liquidity Corporate Fund

Duration 0.07487

	Participant Assets	Market Value
Beginning-of-Quarter Balance	1,308,216,007.58	1,308,250,071.12
Deposits	1,606,043,994.07	
Withdrawals	<u>(1,649,570,518.11)</u>	
End-of-Quarter Balance	1,264,689,483.54	1,264,619,939.20



## Liquidity Fund

### Return Information

September 30, 2007

Average Monthly Return (a)	5.21%
SEC 7-Day Fund Yield (a)	5.18%
Weighted Average Maturity One (b)	25 Days
Weighted Average Maturity Two (b)	26 Days
Portfolio Maturing beyond One Year	0%
Net Asset Value	\$1.00
Annualized Expense Ratio	0.18%
Standard & Poor's Rating	AAAm

### Inventory Position

	Book Value	Market Value
Cash/Repo	130,984,453	130,984,453
Agencies	16,778,126	16,792,180
Commercial Paper	314,334,627	314,290,220
Money Market Funds	100,000,000	100,000,000
<b>Total Assets</b>	<b>562,097,206</b>	<b>562,066,853</b>

### Investment Distribution



(a) The return information represents the average annualized rate of return on investments for the time period referenced. Return rates reflect a partial waiver of the Lone Star Investment Pool operating expense. Past performance is no guarantee of future results. The 7-day yield is calculated using standard SEC formulas.

## Liquidity Plus Fund

### Return Information

September 30, 2007

Average Monthly Return (a)	4.98%
SEC 7-Day Fund Yield (a)	4.90%
Weighted Average Maturity One (b)	34 Days
Weighted Average Maturity Two (b)	49 Days
Portfolio Maturing beyond One Year	0%
Net Asset Value	\$0.50
Annualized Expense Ratio	0.18%
Standard & Poor's Rating	AAA/S1+

### Inventory Position

	Book Value	Market Value
Cash/Repo	2,031,867,523	2,031,867,523
Treasuries	-	-
Agencies	759,667,832	760,463,765
Money Market Funds	-	-
<b>Total Assets</b>	<b>2,791,535,355</b>	<b>2,792,331,288</b>

### Investment Distribution



(b) The Weighted Average Maturity One calculation uses the industry standard definition of state maturity for floating rate instruments, the number of days until the next reset date. The Weighted Average Maturity Two calculation uses the final maturity of any floating rate instruments, as opined in Texas Attorney General Opinion No. JC0359.

## Liquidity Corporate Fund

### Return Information

September 30, 2007

Average Monthly Return (a)	5.22%
SEC 7-Day Fund Yield (a)	5.16%
Weighted Average Maturity One (b)	24 Days
Weighted Average Maturity Two (b)	24 Days
Portfolio Maturing beyond One Year	0%
Net Asset Value	\$0.50
Annualized Expense Ratio	0.18%
Standard & Poor's Rating	AAA/S1+

### Inventory Position

	Book Value	Market Value
Cash/Repo	285,409,321	285,409,321
Agencies	44,471,733	44,506,500
Commercial Paper	654,808,429	654,704,118
Money Market Funds	280,000,000	280,000,000
<b>Total Assets</b>	<b>1,264,689,483</b>	<b>1,264,619,939</b>

### Investment Distribution





## Monthly Newsletter - September 2007

### Performance

#### *As of September 30, 2007*

Current Invested Balance	\$5,101,146,389.66
Weighted Average Maturity (1)	20 Days
Weighted Average Maturity (2)	79 Days
Net Asset Value	1.000240
Total Number of Participants	573
Management Fee on Invested Balance	0.12%*
Interest Distributed	\$21,505,454.93
Management Fee Collected	\$208,154.52
Standard & Poor's Current Rating	AAAm

#### *September Averages*

Average Invested Balance	\$5,065,319,247.80
Average Monthly Yield, on a simple basis	5.1175%
Average Weighted Average Maturity (1)*	20 Days
Average Weighted Average Maturity (2)*	78 Days

#### **Definition of Weighted Average Maturity (1) & (2)**

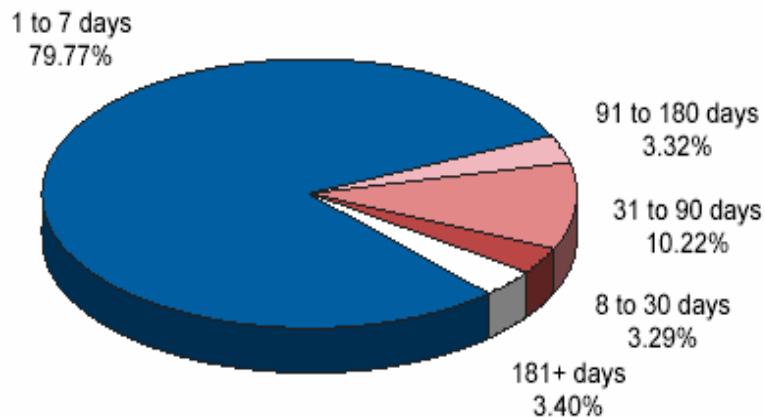
- (1) This weighted average maturity calculation uses the SEC Rule 2a-7 definition for stated maturity for any floating rate instrument held in the portfolio to determine the weighted average maturity for the pool. This Rule specifies that a variable rate instrument to be paid in 397 calendar days or less shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest rate.
- (2) This weighted average maturity calculation uses the final maturity of any floating rate instruments held in the portfolio to calculate the weighted average maturity for the pool.

\* The maximum management fee authorized for the TexSTAR Cash Reserve Fund is 12 basis points. This fee may be waived in full or in part in the discretion of the TexSTAR co-administrators at any time as provided for in the TexSTAR Information Statement.

Rates reflect historical information and are not an indication of future performance.

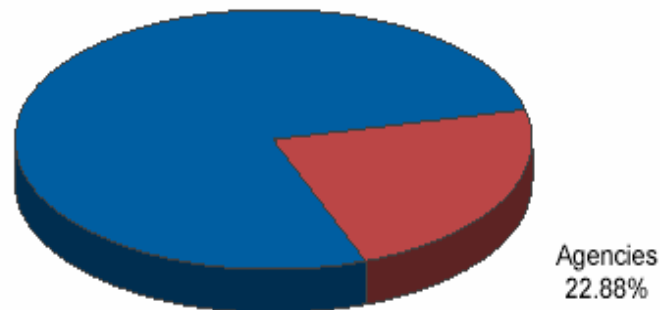
# Information at a Glance

## Portfolio by Type of Investment As of September 30, 2007

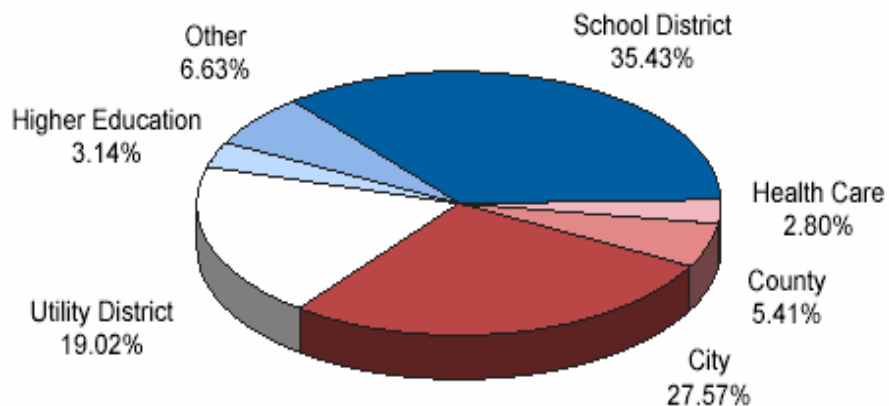


## Distribution of Participants by Type As of September 30, 2007

Repurchase Agreements  
77.12%



## Portfolio by Maturity As of September 30, 2007



## Performance

Month	Average Rate	Book Value	Market Value	Net Asset Value	WAM (1)*	WAM (2)*	Number of Participants
Sep 07	5.1175%	\$ 5,101,146,389.66	\$ 5,102,374,857.54	1.000240	20	78	573
Aug 07	5.2540%	5,117,776,256.51	5,118,532,127.32	1.000118	16	42	567
Jul 07	5.2829%	5,037,425,646.08	5,037,616,062.72	1.000037	18	22	554
Jun 07	5.2883%	4,850,271,396.79	4,850,377,392.01	1.000014	18	25	543
May 07	5.2613%	4,809,313,042.18	4,809,314,578.92	1.000000	11	20	531
Apr 07	5.2803%	5,032,146,136.61	5,031,747,141.26	0.999920	13	23	523
Mar 07	5.2999%	5,200,629,725.85	5,200,442,100.26	0.999957	11	26	513
Feb 07	5.2903%	5,608,621,555.72	5,608,663,678.19	1.000007	12	31	505
Jan 07	5.2920%	4,939,413,083.56	4,939,578,732.47	1.000033	17	40	501
Dec 06	5.2991%	4,277,003,031.52	4,276,711,759.92	0.999923	15	49	493
Nov 06	5.2785%	3,929,299,527.54	3,928,963,502.14	0.999914	22	63	488
Oct 06	5.2903%	3,782,690,698.30	3,782,682,727.03	0.999997	30	75	484
Sep 06	5.2742%	3,711,282,274.72	3,712,264,237.96	1.000249	24	81	472

## Portfolio Asset Summary as of September 30, 2007

	Book Value	Market Value
Uninvested Balance	\$ 2,173,122.64	\$ 2,173,122.64
Accrual of Interest Income	5,720,263.97	5,720,263.97
Interest and Management Fees Payable	(21,527,017.16)	(21,527,017.16)
Payable for Investment Purchased	(49,991,920.00)	(49,991,920.00)
Repurchase Agreements	3,989,667,000.00	3,989,667,000.00
Government Securities	1,175,104,940.21	1,176,333,408.09
<b>Total</b>	<b>\$ 5,101,146,389.66</b>	<b>\$ 5,102,374,857.54</b>

Market value of collateral supporting the Repurchase Agreements is at least 102% of the Book Value. The portfolio is managed by J.P. Morgan Chase & Co. and the assets are safekept in a separate custodial account at the Federal Reserve Bank in the name of TexSTAR. The only source of payment to the Participants are the assets of TexSTAR. There is no secondary source of payment for the pool such as insurance or guarantee. Should you require a copy of the portfolio, please contact TexSTAR Participant Services.

# U.S. AGENCY INVESTMENTS

The federal government has established a number of different agencies and instrumentalities to channel funds to particular sectors of the economy. These institutions are known collectively as federally sponsored credit agencies. Not all government agency and instrumentality securities are widely traded, and some are inappropriate for cash management purposes by virtue of their price volatility or technical characteristics. Commonly used agency issues include:

- Federal National Mortgage Association (FNMA)
- Federal Home Loan Banks (FHLB)
- Federal Farm Credit Bank (FFCB)
- Federal Home Loan Mortgage Corporation (FHLMC)

These federally sponsored credit agencies, as a group, issue about 20 percent of their debt with an original maturity of less than one year. They are in the market every day to borrow money on discount notes with maturities of less than 360 days up to final maturities of 30 years. Descriptions of these securities are shown in the glossary of this report.

Based upon cash flow forecasts excess cash on any given day is invested. The yields on available investments are compared and if any agency security is to be purchased, the Treasurer's office obtains bids from at least three dealers/brokers who are registered with the District. The brokers/dealers advise the District of available investment opportunities and their maturity dates. The investment officers determine if any available investments meet the cash flow needs of the District, and the securities are purchased from the broker/dealer with the best yield for the maturity period needed.



# REGISTERED BROKER/DEALERS

Broker/dealers currently registered with the District include:

Bank of America	Merrill Lynch
Cantor Fitzgerald	Morgan Keegan
Comerica	Morgan Stanley Dean Witter
Deutsche Bank Securities (Alex Brown & Sons, Inc.)	Multi-Bank Securities, Inc
First Public, LLC	SAMCO Capital Markets
Frost National Bank	Stifel, Nicolaus, Asc.
Great Pacific Securities	UBS Painewebber, Inc.
JPMorgan Chase Bank	Vining Sparks
Lehman Brothers, Inc.	Wachovia Securities
FTN Financial	Citigroup Global Markets

# INVESTMENT ADVISORY COMMITTEE

**Melinda Garrett**

Chief Financial Officer

**Kenneth Huewitt**

Controller

**Rick Fairman**

Treasurer

**Edwin Harrison**

Director, Department of Financial Services, Harris County

**Jerome Senegal**

Treasury Solutions, LLC

**Terrell Palmer**

First Southwest Company

**Larry Burns**

Director, Deutsche Bank Alex. Brown

**Arthur Neville**

Senior Vice President, JPMorgan Chase Bank, N.A.

**Hans E. Fredrikson**

Vice President, JPMorgan Securities

# GLOSSARY

**Book Value**

The purchase price and accrued interest as recorded on the general ledger (Books) of the District.

**Date of Purchase**

Date of initial investment.

**Final Maturity Value**

Par amount or what the security will pay when it matures.

**FNMA**

Federal National Mortgage Association (Fannie Mae), a federally chartered and stockholder-owned corporation, is the largest investor in home mortgages in the United States. FNMA provides funds to the mortgage market by purchasing mortgage loans from lenders. FNMA was originally incorporated in 1938 as a wholly-owned government corporation but the Housing and Development Act of 1968 changed FNMA to a federally chartered corporation.

**FHLB**

Federal Home Loan Bank system, established in 1932, includes twelve Federal Home Loan Banks and their member institutions. The Federal Home Loan Banks are instrumentalities of the United States and under the supervision of the Federal Housing Finance Board.

**FFCB**

Federal Farm Credit Bank system provides credit and related services to farmers, ranchers, producers and harvesters of aquatic products, farm related businesses, agricultural cooperatives and rural utilities. FFCB system institutions are federally chartered under the Farm Credit Act of 1971 and are subject to regulation by a federal agency, the Farm Credit Administration.

**FHLMC**

Federal Home Loan Mortgage Corporation (Freddie Mac) is a publicly-held, government-sponsored enterprise created pursuant to the Federal Home Loan Mortgage Corporation Act of 1970. Freddie Mac's statutory mission is to provide stability in the secondary market for home mortgages, to respond appropriately to the private capital market and to provide ongoing assistance to the home mortgage secondary market.

**Market Value**

The amount of money you can get for the agency security, if you were to sell that security on a given date. Market value changes daily.

**Securities Called/Matured/Sold**

Agency securities matured on the maturity date or sold on a given date.

**Type of Agency**

Name of agency issuing the security.