



In accordance with the District's Investment Policy, the second quarter 2009 investment results have been prepared. The average rate of return during the second quarter decreased 43 basis points to 3.16% on an average invested balance of \$381,323,536. During the same period, the average yield on the State's Local Government Investment Pool (LGIP) decreased 35 basis points to .77% and the average yield on the three month Treasury Bill decreased 5 basis points to .18%. In comparison, the average effective maturity of the District's portfolio is 488 days versus 56 days for LGIP and 90 days for T-Bills.

The investment results reflect the District's investment policy for diversification, the current state of the US financial markets, and changes to the Washington PDPC regulations. Given the financial environment, the District has increased its cash holdings in an effort to stabilize average effective maturity and reduce exposure to interest rate risk.

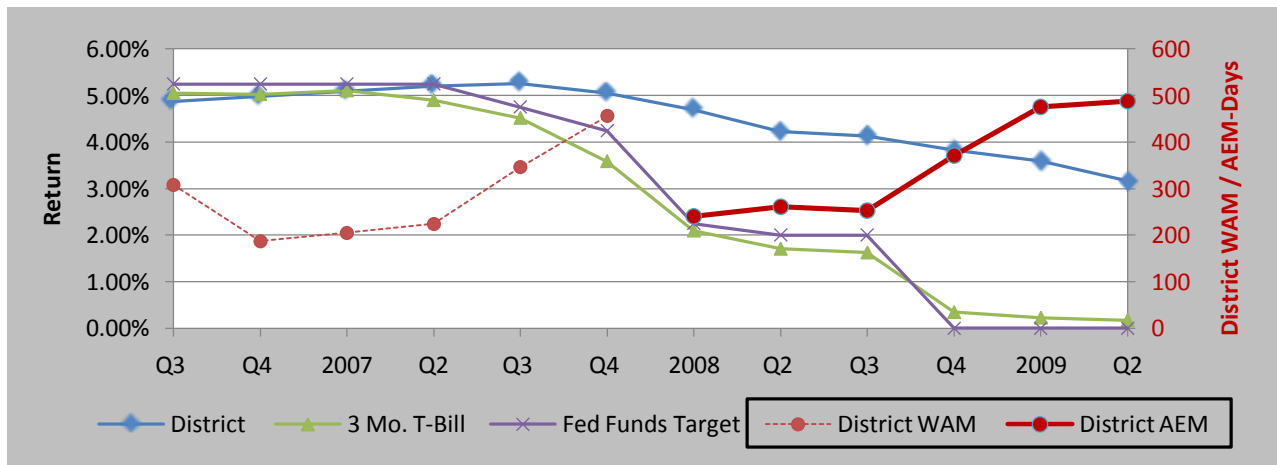
Volatility in interest rates continues to be high. The FOMC minutes from June 24, 2009 show that the Fed maintained the target fed funds rate of 0.0% to .25%, and expected it to be low for an extended period. Household spending has shown signs of stabilizing, but ongoing job losses, lower housing wealth, and tight credit continue to strain the economy.

Portfolio Summary:

	Return	AEM*	Interest Earned In Q2 2009	Avg Invested Balance
District:	3.16%	488	\$ 3,007,573	\$ 381,323,536
3 Month T-Bill:	0.18%	90		
LGIP:	0.77%	56		
Fed Funds Target:	0.0 - .25%			

*Average Effective Maturity- weighted average maturity adjusted for variable interest rate resets and expected calls, shown in days

Twelve Quarter Historical Return and District WAM / AEM



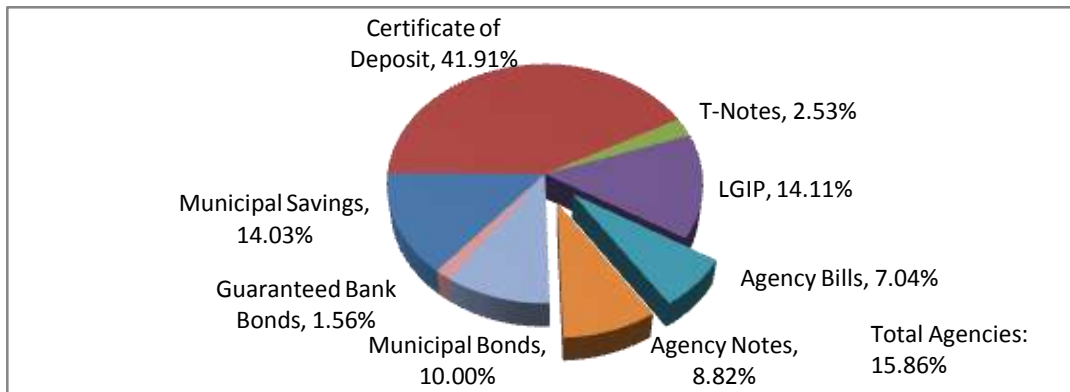
Beginning in Q1 2008, the weighted average maturity (WAM) has been restated as average effective maturity (AEM) to better reflect the effects of variable interest rate resets and callable securities on the portfolio.



Quarterly Investment Report for the quarter ending June 30, 2009

Portfolio Diversification:

	Book Value	% of Portfolio	% Limit	Average YTM	AEM
Municipal Savings:	\$ 53,840,378	14.03%	75%	0.50%	1
Certificate of Deposit:	\$ 160,779,681	41.91%	75%	3.72%	510
T-Notes:	\$ 9,689,907	2.53%	100%	2.58%	1862
LGIP:	\$ 54,140,169	14.11%	15%	0.65%	1
Agency Bills:	\$ 27,003,538	7.04%	30%	6.35%	102
Agency Notes:	\$ 33,856,811	8.82%		462	
Municipal Bonds:	\$ 38,351,863	10.00%	30%	3.45%	1320
Guaranteed Bank Bonds	\$ 5,998,696	1.56%	25%	1.64%	637
Commercial Paper:	\$ -	0.00%	25%	-	-
Total:	\$ 383,661,043	100%		3.16%	488



Portfolio Maturity Structure:

Time to Maturity	Maturing Par Value	% of Portfolio	Cumulative % of Portfolio	Yield
1-30	\$ -	0.00%	0.00%	-
31-60	\$ 21,079,000	5.53%	5.53%	4.23%
61-90	\$ 28,000,000	7.34%	12.87%	3.67%
91-180	\$ 17,750,000	4.65%	17.52%	2.20%
180-365	\$ 41,859,681	10.97%	28.50%	3.41%
1-2 Yrs	\$ 36,000,000	9.44%	37.93%	2.62%
2-3 Yrs	\$ 30,206,500	7.92%	45.85%	4.14%
3-4 Yrs	\$ 51,815,000	13.58%	59.44%	3.98%
4-5 Yrs	\$ 25,625,000	6.72%	66.16%	3.70%
5+ Yrs	\$ 21,112,000	5.53%	71.69%	6.48%
Variable Rate	\$ -	0.00%	71.69%	-
Municipal Savings ¹	\$ 107,980,547	28.31%	100.00%	0.44%
Total:	\$ 381,427,728			

Table includes expected calls.

1-Includes cash in banks (not including CDs) and the Local Government Investment Pool

Investment Types

All investment types listed below are authorized by the State Investment Board and the RCW's

Bankers Acceptance (BA) - time draft or bill of exchange drawn on a bank and accepted by that bank. The draft is stamped "accepted" and signed by a bank officer. By accepting the draft, the bank agrees to pay the face value of the obligation if the issuer fails to pay. Maturities generally last from 30 to 180 days.

Commercial Paper (CP) - short term unsecured money market obligation, issued by prime rated commercial firms and financial companies, with maturities from 2 to 270 days, that is a promissory note of the issuer used to finance current obligations.

Federal Agency Securities (Agency) - interest bearing debt securities of U.S. departments and agencies which include the 12 Federal Home Loan Banks, the Federal National Mortgage Association, and the Federal Housing Authority. Examples of Agency types include: Fannie Mae (FNMA, FNDN), Freddie Mac (FHLMC, FMCDN), Federal Home Loan Bank (FHLB, FHDN) and Federal Farm Credit Bank Notes (FFCB).

Forward Purchase and Sale Agreement (FPSA) - contract that provides for the delivery of specific types of securities on specified future dates at fixed yields.

Guaranteed Bank Bonds-Debt securities issued by a financial institution that are guaranteed by an agency of the federal government as allowed by RCW 39.60.050.

Local Government Pool (LGIP) - funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment. These funds are completely liquid, there is no required holding period or fixed maturity date.

Long Term REPO (L-T REPO) - contract to sell and subsequently repurchase securities at a specified date and price, with maturities of longer than 30 days.

Municipal Bank Accounts (CVB/BB/WTB) - funds from political subdivisions that are placed in the custody of Cashmere Valley Bank, Banner Bank and Washington Trust Bank for investment. These funds are completely liquid, there is no required holding period or fixed maturity date. Funds in excess of FDIC limits are insured through the Public Deposit Protection Commission.

Municipal Bonds - Debt issued by a state or local government or municipality as authorized by RCW 39.59.020.

Repurchase Agreement (REPO) - contract to sell and subsequently repurchase securities at a specified date and price, with maturities of no longer than 30 days.

Treasury Bills (T-Bill) - short-term U.S. Treasury security with maturities of 13, 26, or 52 weeks.

Treasury Notes (T-Note) - intermediate-term, coupon bearing U.S. Treasury securities having initial maturities of less than 10 years and paying interest semiannually