



**SAN DIEGO COUNTY TREASURY
CALIFORNIA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

2006

FOR THE FISCAL YEAR ENDED JUNE 30, 2006



**ISSUED BY
DAN MCALLISTER
TREASURER - TAX COLLECTOR**









MISSION STATEMENT

"TO PROVIDE THE CITIZENS, AGENCIES AND EMPLOYEES OF SAN DIEGO COUNTY WITH SUPERIOR FINANCIAL SERVICES IN TERMS OF QUALITY, TIMELINESS, EFFICIENCY, AND VALUE WHILE MAINTAINING THE HIGHEST LEVELS OF CUSTOMER SERVICE AND SATISFACTION."

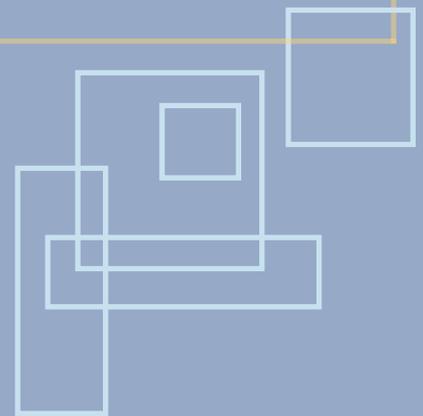


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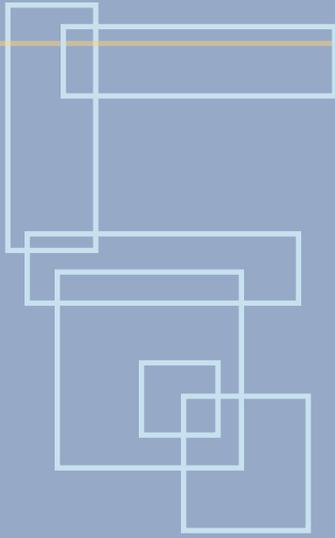
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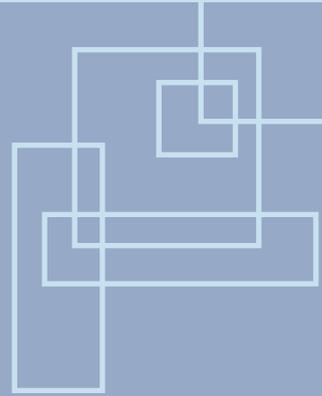
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INTRODUCTORY SECTION



DAN McALLISTER
TREASURER - TAX COLLECTOR





TREASURER - TAX COLLECTOR COUNTY OF SAN DIEGO

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DAN MCALLISTER Treasurer - Tax Collector

December 1, 2006

Board of Supervisors and Treasury Pool Oversight Committee
County of San Diego
San Diego County Administration Center
San Diego, California 92101

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the San Diego County Treasury (the "Treasury") for the year ended June 30, 2006. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Treasurer's Office.

To the best of our knowledge and belief, the enclosed data are accurate in all material respects, and are reported in a manner designed to present fairly the financial position and changes in financial position of the Treasury in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. All disclosures necessary to enable the reader to gain an understanding of the Treasury's financial activities have been included.

The San Diego County Treasury's financial statements have been audited by Macias Gini & O'Connell LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of San Diego County Treasury for the year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the San Diego County Treasury's financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Management provides a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The San Diego County Treasury's MD&A can be found after the independent auditor's report.

This CAFR is presented in four major sections:

1. The introductory section, which consists of this letter of transmittal including the profile of the San Diego County Investment Treasury, awards and acknowledgements and the organizational structure of the Treasurer's Office.
2. The financial section, which provides management's discussion and analysis, the financial statements and notes to the financial statements. This section contains the opinion of the independent auditor, Macias Gini & O'Connell LLP.
3. The investment section which provides an overview of the Treasurer office's investment program. This section contains information relating to the investment activities of the Treasury, including a summary of the Treasury's investment policies, the Pool's asset allocation, and other portfolio information.
4. The statistical section is the final section of the report and consists of various tables and schedules depicting trends and miscellaneous relevant data concerning Pool investments.

Profile of the San Diego County Treasury

The San Diego County Treasury comprises the Investment Pool ("Pool") and Dedicated Portfolios with a combined total of \$5.8 billion in net assets as of June 30, 2006.

Investment Pool

The San Diego County Investment Pool was created when the State Legislature established the five-member County Board of Supervisors in 1853. It is a local government Investment Pool with approximately \$4 billion in assets as of June 30, 2006. The Pool is headed by the San Diego County Treasurer-Tax Collector, an elected official that is responsible for tax collection, banking, investment, disbursement and accountability of public funds. The San Diego County Investment Pool is managed by the Treasurer's Office on behalf of the Pool participants. The County portion of the Pool assets as of June 30, 2006 is \$1.5 billion while the external portion that is not part of the County is \$2.5 billion. Depositors in the Pool include both Mandatory and Voluntary participants located within the County of San Diego (see San Diego County Pool Participants Composition list and chart, pages 42 and 43).

Mandatory participants include the County of San Diego, K-12 school districts, and various special districts and accounts controlled by the County Board of Supervisors. Mandatory participants are defined as those agencies required by law to deposit their funds with the County Treasurer's Office. Mandatory participants comprise the majority of the Pool's assets, approximately 98% as of June 30, 2006.

Voluntary participants are those agencies that are not required to place their funds in the County Treasury, and do so only as an investment option. Voluntary Participants include cities, fire districts, and various special districts. As of June 30, 2006, Voluntary participants accounted for approximately 2% of the Pool.

Community Colleges fall somewhere between Mandatory and Voluntary participants. While they have the authority to invest funds outside of the County Treasury, they receive banking, checking, and investment services from the County. They are included in the 98% Mandatory participants.

In addition to investment management, the Treasurer's Office also provides banking services to all Non-Voluntary Participants. These services include, but are not limited to, warrant redemption, Automated Clearing House (ACH), Federal Wire payments, acceptance of deposits, fund accounting, and account reconciliation.

Dedicated Portfolios

The Treasurer approved to maintain separate portfolios to manage specific investments requested by specific entities. The Dedicated Portfolio investment activities occur separately from the Pool. Interest earnings and gains or losses are credited to the specific entity for which the investment was made.

As of June 30, 2006, the Dedicated Portfolios, with approximately \$1.8 billion in net assets, include separate investments for each of the following entities: City of Lemon Grove, First Five Commission of San Diego, Darnall Charter School, Grossmont High School Ridgeway Trust, San Diego Service Authority for Freeway Emergencies (SAFE), San Diego County Capital Asset Leasing Corporation (SANCAL), County of San Diego Solid Waste Environment Trust Fund, County of San Diego Tobacco Settlement Endowment Fund (the "Tobacco"), San Diego Community College District, Grossmont-Cuyamaca Community College District, San Diego Unified School District and the County of San Diego.

The Treasurer invested in guaranteed investment contracts on behalf of the college and school districts. As of June 30, 2006, the guaranteed investment contracts accounted for 19% of the \$5.8 billion in Treasury net assets.

Investment Policies and Practices

Investment Pool

The primary objectives of the Pool, as set forth in the Treasurer's Investment Policy, in order of importance, are safety, liquidity, and yield. The following goals have been set for fiscal year 2006/2007:

- Promote fiscal stability by maintaining 'AAA' rating from Standard & Poor's rating service.
- Improve internal systems and processes by working towards a paperless trade environment.
- Improve constituent outreach by increasing public awareness of services offered by the Investment Division.
- Obtain a certificate of achievement for excellence in reporting by the Government Finance Officers Association.

The Treasurer's Office prepares an Investment Policy (the "Policy") on an annual basis, to ensure the integrity of the Pool and provide guidelines for its operation. Upon completion of the Policy by the Treasurer's Office, it is presented for review to the Treasurer's Oversight Committee, and then to the County Board of Supervisors for their approval at a public meeting.

The maturity distribution of the Pool is limited by the Policy, which places restrictions on the securities that may be purchased. Cash temporarily idle during the year was invested in negotiable certificates of deposit, obligations of the U.S. Treasury, U.S. government agencies, commercial paper, corporate bonds and medium-term notes, asset-backed securities, money market mutual funds, repurchase agreements and collateralized certificates of deposit. The maturities of the investments range from one day to three and a half years, with an average weighted maturity of 177 days. The weighted average effective yield (annualized) on investments as of June 30, 2006 was 4.30%. To safeguard the investments, a custodian is employed to safekeep, settle, and accept interest payments on investments held by the Pool. To facilitate internal security and safeguards, the Policy requires an annual audit and the establishment and maintenance of internal controls and procedures.

For the 2005/2006 fiscal year, investments provided a 3.47% apportionment rate, which is the rate used in allocating the net earnings to the participants. The Pool's average rate of return over the last three years was 2.49% and 2.55% over the last five years. The Treasurer's Office has implemented a system of internal

controls designed to ensure the reliability of reported investment information. The data presented in the Investment Section is in conformance with the presentation standards of the Association for Investment Management and Research (AIMR). Additionally, the Treasurer's Office provides monthly and quarterly investment reports to the Board of Supervisors, who then reviews this information as part of their monitoring and oversight function. Furthermore, the Board of Supervisors has established the Treasury Oversight Committee, who monitors the management of funds and views the Pool's Investment Policy. Please refer to the Investment Section (pages 35-47) of this CAFR for additional information on investments.

Dedicated Portfolios

All investment activities for the Dedicated Portfolios, except for the Tobacco Settlement Endowment Fund and those pertaining to guaranteed investment contracts, comply with the California Government Code Section 53601. Each entity may impose additional restrictions to its portfolio, as deemed fit by the entity.

Investments for Tobacco are made under the terms of the Tobacco Securitization Bond Documents. At least ninety-five percent of the Tobacco portfolio assets must be invested in non-Alternative Minimum Tax municipal bonds and up to five percent of portfolio assets can be invested in taxable fixed income investments.

The administration of the Dedicated Portfolio assets is subject to the similar internal controls and process used by the Pool. The safekeeping and custody of the Dedicated Portfolio assets are also managed by the same custodial bank that services the Pool.

For fiscal year 2005/2006, the Dedicated Portfolios generated \$46.7 million of investment income which was distributed to the designated entity on whose behalf the investment was made. The Dedicated Portfolios' yields ranged from 3.30% to 5.40% by investment type at the close of fiscal year 2005/2006.

Significant Events of the Year

During the fiscal year 2005/2006, significant events included:

(1) The San Diego County Investment Pool remained rated 'AAAf/S1' by Standard & Poor's, nationally recognized rating agency. This rating reflects the extremely strong protection the Pool's portfolio investments provide against losses from credit defaults. The 'S1' volatility rating signifies that the Pool possesses low-sensitivity to changing market conditions, given its low-risk profile and conservative investment policies. Rating considerations included:

- Low exposure to market risk, by virtue of conservative investment policies and practices.
- Limited use of leverage.
- High standards for credit quality and diversification.
- High degree of liquidity resulting from maturity profile and composition of Pool participants.
- Strong ability to forecast ongoing cash requirements.
- Solid management oversight and operational controls.

(2) The Federal Open Market Committee (FOMC) continued raising the federal funds rate target with an unprecedented seventeen consecutive rate increases over the past two years. The Pool investments in early fiscal year 2005/2006 were primarily in securities with maturity levels shorter than one year in anticipation of rising interest rates, however in late fiscal year 2005/2006 the Investment team began to extend the weighted average maturity of the fund as the FOMC was expected to be at the end of the interest rate hikes.

County of San Diego's Economic Condition

Over the past few years, San Diego's economy has outpaced both the State and national growth levels while maintaining one of the lowest unemployment rates in the nation. The strong economic growth has been the result of solid local employment, rising income levels, and population growth. Property tax revenue grew by 13% during 2005/2006 fiscal year fueled by the strong overall economy and continued rise in real estate prices. Real estate appreciation has been driven by the recent low mortgage rates, limited supply of housing for sale, and the area's population growth. Though the market has begun to show signs of moderation as interest rates have steadily increased, there has been no significant downturn in prices.

The County of San Diego has maintained fiscal stability within the discipline of the General Management System that establishes strong fiscal management practices. This fiscal discipline has allowed for a \$55 million general fund reserve set aside for unforeseen economic and operational uncertainties during the fiscal year 2005/2006, and the maintenance of a 'AA' underlying rating for its general obligation debt by all three rating agencies: Standard & Poor's, Moody's, and Fitch Ratings.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the San Diego County Investment Pool for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2005. This was the eighth consecutive year that the County of San Diego has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Treasurer's Office must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe this current report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of many individuals in the Treasurer's Office. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions and determining responsible stewardship of the funds in the Treasury.

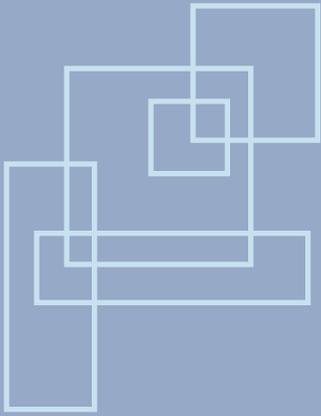
Requests for Information

This financial report is designed to provide a general overview of the San Diego County Treasury's activities during fiscal year 2005/2006. Questions concerning any of the information provided in this report or requests for additional financial information, including a complete list of the Pool's current holdings, should be addressed to the Office of San Diego County Treasurer-Tax Collector, 1600 Pacific Highway, Room 152, San Diego, California, 92101. Copies of the comprehensive annual financial report will also be available on the Internet at www.sdtreastax.com.

Respectfully,



Dan McAllister
Treasurer-Tax Collector



Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Diego County Investment Pool California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Perry

President

Jeffrey R. Emery

Executive Director

TREASURY OVERSIGHT COMMITTEE:



FROM LEFT TO RIGHT:
BOTTOM ROW: Don Steuer, Tracy Sandoval, Lora Duzyk,
Annette Hubbell, Helen Robbins-Meyer, Renee Wasmund,
Barry Newman
TOP: Wilmer Cooks, Dan McAllister, Vernon Evans

TREASURY OVERSIGHT COMMITTEE

Dan McAllister
Treasurer - Tax Collector
County of San Diego

Helen Robbins-Meyer
Assistant Chief Administrative Officer
County of San Diego

Scott Patterson
Chief Financial Officer
San Diego City School

Chris Zapata
City Manager
City of National

Lora Duzyk
Assistant Superintendent of Business Services San
Diego County Office of Education

Barry I. Newman, Esquire
Chairman of Oversight Committee
Public Member

Vernon Evans
Vice President Finance/Treasurer
San Diego County Regional Airport Authority

Annette Hubbell
General Manager
Rincon del Diablo Metropolitan
Water District

Wilmer Cooks
Business Owner
Public Member

Tracy Sandoval
Asst. Chief Financial Officer/Auditor & Controller
County of San Diego

Janel Pehau
Office of Financial Planning Director
County of San Diego
(Alternate to Tracy Sandoval)

EX-OFFICIO

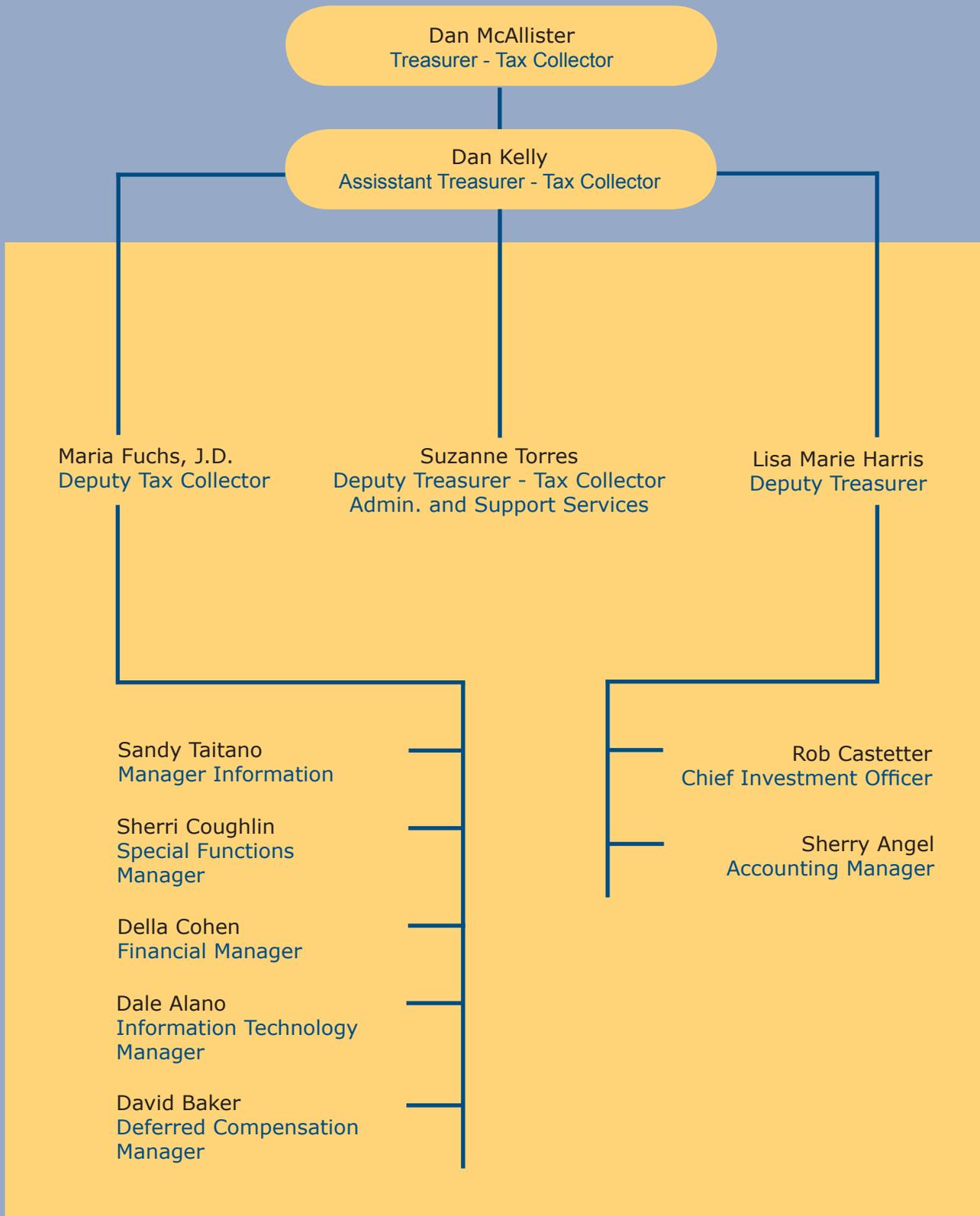
Donald Steuer
Chief Financial Officer
County of San Diego

Renee Wasmund
Chief Financial Officer
San Diego Association of Governments

COUNTY STAFF

William Smith
Senior Deputy County Counsel
County of San Diego

TREASURER - TAX COLLECTOR ORGANIZATION CHART



TREASURY STAFF MEMBERS

Lisa Marie Harris
Deputy Treasurer

Rob Castetter
Chief Investment Officer

Mark van den Herik, CFA
Investment Officer

Jorge Sandoval
Investment Officer

Sherry Angel
Accounting Manager

Cecilia Trinidad, CPA
Assistant Accounting Manager

Annabelle Asido
Associate Accountant

Wendy Grunwald
Associate Accountant

Madeline Cabell
Staff Accountant

Laura Gonzales
Staff Accountant

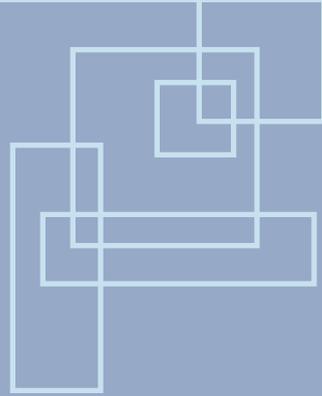
Jing Hua
Staff Accountant

Geena Xioaqing Balistreri
Staff Accountant

Rosella Perez
Supervising TTC Specialist

Carmen Perez
Senior TTC Specialist

FINANCIAL SECTION





MACIAS GINI & O'CONNELL LLP
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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
County of San Diego, California

We have audited the accompanying basic financial statements of the San Diego County Treasury of the County of San Diego, California (the "Treasury"), as of and for the year ended June 30, 2006. These financial statements are the responsibility of Treasury management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Treasury's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Treasury and do not purport to, and do not, present fairly the financial position of the County of San Diego, California, as of June 30, 2006, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Diego County Treasury of the County of San Diego, California, as of June 30, 2006, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 17 through 19 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Treasury. The introductory section, combining financial statements, investment section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory, investment and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Macias Gini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
December 1, 2006

San Diego County Treasury
Management's Discussion and Analysis
Unaudited
June 30, 2006

As management of the San Diego County Treasury, we offer readers of the Treasury's financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2006. The Treasury's financial statements comprise the financial statements for the Investment Pool and Dedicated Portfolios. The Dedicated Portfolios are maintained separately from the Investment Pool and managed individually for specific entities. Each entity receives its respective interest earnings and gains or losses from the investments made that were dedicated to its specific portfolio.

This is the first fiscal year in which the Dedicated Portfolios have been included in the financial statements. As a result, prior year Dedicated Portfolios data is not available but will be provided in subsequent years. Consequently, the following analysis primarily focuses on the Pool's current-year results in comparison with the prior year. We hope that the information presented here, in conjunction with the Letter of Transmittal, provides you with a solid understanding of the County of San Diego Treasury's financial status as of June 30, 2006.

Financial Results

- The assets of the San Diego County Treasury exceeded its liabilities at the close of the most recent fiscal year by \$5.8 billion (net assets), of which \$4.0 billion belonged to the Pool.
- The Pool's total net assets decreased by \$127.1 million. This represents a net decrease of 3.08% over the last fiscal year 2005.
- The net investment income of the Pool increased by 156.92% from \$65.8 million for the year ended June 30, 2005 to \$169.0 million for the year ended June 30, 2006.
- During the year, the Pool distributed \$136.2 million to participants compared to the previous year's distribution of \$89.5 million. This represents an increase of \$46.7 million (52.2%) over the last fiscal year.
- The Pool's expense ratio remained competitive at 0.13% of the average daily balance for the fiscal year 2005/06 and 0.13% for the fiscal year 2004/05.
- The fair value of the portfolio showed an unrealized loss of \$19.1 million (0.5% of portfolio fair value) at June 30, 2006 compared to an unrealized loss of \$27.9 million (0.7%) at June 30, 2005.

During the fiscal year 2005/2006, the Federal Open Market Committee (FOMC) continued to raise interest rates by 25 basis points at each of its meetings during the past twelve months. The Investment team anticipated these increases and in early fiscal year 2005/2006 shortened the duration of its Investment portfolio by increasing the quantity of Commercial Paper and other Shorter-Term Notes. In late fiscal year 2005/2006, the Investment team began to extend the weighted average maturity of the fund as the FOMC was expected to be at the end of the interest rate hikes. This strategy enabled the San Diego County Investment Portfolio to invest in yields which were relatively higher than seen at the beginning of fiscal year 2005/2006, increasing distributable earnings by more than \$46 million allowing for a distribution increase to its participants by 52.2%.

During the fiscal year 2005/2006, the County of San Diego posted record high median prices and high sales figures for homes in San Diego County. These record high home prices contributed to an increase of tax collections during this fiscal year. This increase in tax collections improved the County Pool's cash

flows by \$386 million during the year. The Investment team was able to use these funds and other state funds to boost the Investment Pool Portfolio and net investment income by \$103.2 million.

Overview of the Treasury Financial Statements

This discussion and analysis are intended to serve as an introduction to the San Diego County Treasury's basic financial statements. The Treasury's basic financial statements consist of two components:

- 1-A) Statement of Net Assets, 1-B) Statement of Changes in Net Assets
- 2) Notes to the Basic Financial Statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

The Statement of Net Assets presents information on San Diego County Treasury's assets and liabilities, with the difference between the two reported as *net assets*.

Net Assets

The Pool net assets decreased by \$127.1 million (3.08%) for the year ended June 30, 2006 primarily as a result of the withdrawal of funds from the Pool to the Dedicated Portfolios and increased distributions to participants.

A summary of the net assets is presented below.

STATEMENTS OF NET ASSETS

	2006	2005	Increase/ Decrease Amount	Percentage
Assets				
Investments at Fair Value	\$3,993,868,555	\$4,082,687,287	\$ (88,818,732)	- 2.18%
Cash & Recievables	55,504,684	79,390,480	(23,885,796)	-30.09%
Total Assets	4,049,373,239	4,162,077,767	(112,704,528)	- 2.71%
Liabilities				
Distributions Payable & Accrued Expenses	(45,195,075)	(30,778,638)	14,416,437	46.84%
Total Liabilities	(45,195,075)	(30,778,638)	14,416,437	46.84%
Net Assets held in Trust for Pool Participants	<u>\$4,004,178,164</u>	<u>\$4,131,299,129</u>	<u>\$(127,120,965)</u>	- 3.08%

Changes in Net Assets

The Statement of Changes in Net Assets presents information on how the Pool's net assets changed during the most recent fiscal year. The additions include additions to investments, interest income and changes in fair value of investments. Unrealized gains or losses of securities are determined by taking the difference between amortized cost and the fair value of investments. The deductions consist of deductions from investments, distributions to Pool participants and administrative expenses.

All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, additions and deductions are reported in this statement for some items that will only result in cash flows in future fiscal periods.

A summary of the change in the Pool's net assets is presented below.

STATEMENT OF CHANGES IN NET ASSETS

	2006	2005	Increase/ Decrease Amount	Percentage
Additions				
Additions to Pooled Investments	\$28,473,113,569	\$26,593,131,286	\$ 1,879,982,283	7.07%
Net Investment Income	169,044,590	65,796,727	103,247,863	156.92%
Total Additions	28,642,158,159	26,658,928,013	1,983,230,146	7.44%
Deductions				
Deductions From Pooled Investments	28,629,147,195	26,233,522,597	2,395,624,598	9.13%
Distributions to Participants	136,174,373	89,470,591	46,703,782	52.20%
Administrative Expenses	3,957,556	4,256,797	(299,241)	- 7.03%
Total Deductions	28,769,279,124	26,327,249,985	2,442,029,139	9.28%
Change in Net Assets	(127,120,965)	331,678,028	(458,798,993)	138.33%
Net Assets, Beginning of Year	4,131,299,129	3,799,621,101	331,678,028	8.73%
Net Assets, Ending of Year	\$4,004,178,164	\$4,131,299,129	\$(127,120,965)	- 3.08%

Additions to pooled investments increased by \$1.9 billion, 7.07%, over the previous year as a result of school bond proceeds, property tax revenues and other capital financing activities. The net investment income increased by \$103.2 million, 156.92%, for the fiscal year ended June 30, 2006, on account of rising interest rates in the sector that the Pool can invest and increased funds invested in the Pool.

The Investment Pool is managed for the sole benefit of the participants. All income is distributed quarterly after deducting investment and administrative costs. Deductions from pooled investments increased by \$2.4 billion, 9.13%, over the previous year as a result of the corresponding increased funds available for withdrawal and the transfer of funds to the Dedicated Portfolios. Distributions to participants increased by \$46.7 million, 52.20%, due to increased earnings in the Pool. Administrative expenses decreased by \$299 thousand, 7.03%, over the previous year primarily as a result of reduced services and supplies cost during fiscal year 2005/2006. The overall net decrease in net assets was \$127.1 million for the fiscal year ended June 30, 2006 and \$331.7 million net increase for June 30, 2005.

STATEMENT A

San Diego County Treasury
Statement of Net Assets
June 30, 2006

	POOL	COMBINED DEDICATED PORTFOLIOS	TOTAL
ASSETS			
Investments at Fair Value:			
U.S. Government Agencies			
Federal Home Loan Mortgage Corporation Notes	\$ 468,533,287	\$ 51,010,608	\$ 519,543,895
Federal Home Loan Bank Notes	559,438,119	63,072,019	622,510,138
Federal National Mortgage Association Notes	323,382,145	-	323,382,145
Federal Farm Credit Bank Notes	293,918,755	-	293,918,755
Short-Term Notes:			
Commercial Paper	1,190,898,674	30,154,399	1,221,053,073
Commercial Medium-Term Notes	324,129,037	22,977,584	347,106,621
Repurchase Agreements Collateralized By:			
Money Market Securities	200,000,000	-	200,000,000
Government Agencies	18,391,028	-	18,391,028
Municipal Bonds	-	343,152,598	343,152,598
Negotiable Certificates of Deposit	484,820,875	72,966,145	557,787,020
Money Market Mutual Funds	54,050,000	10,074,130	64,124,130
Municipal Funds	-	93,500,000	93,500,000
Asset-Backed Notes	76,306,635	-	76,306,635
Guaranteed Investment Contract	-	1,093,144,213	1,093,144,213
Total Investments at Fair Value	<u>3,993,868,555</u>	<u>1,780,051,696</u>	<u>5,773,920,251</u>
Other Assets:			
Cash on Hand and in Banks	19,809,429	11	19,809,440
Receivables and Other	35,695,255	3,280,005	38,975,260
Total Assets	<u>4,049,373,239</u>	<u>1,783,331,712</u>	<u>5,832,704,951</u>
LIABILITIES			
Distributions Payable	43,667,643	-	43,667,643
Accrued Expenses	1,527,432	-	1,527,432
Settlement of Securities Purchased	-	18,053,861	18,053,861
Total Liabilities	<u>45,195,075</u>	<u>18,053,861</u>	<u>63,248,936</u>
NET ASSETS	<u>\$ 4,004,178,164</u>	<u>\$ 1,765,277,851</u>	<u>\$ 5,769,456,015</u>
Pool Net assets consists of:			
Participant units outstanding (\$1.00 par)	\$ 4,023,317,397		
Undistributed and unrealized gains/ losses	<u>(19,139,233)</u>		
Pool Net assets	<u>\$ 4,004,178,164</u>		
Pool Participant net asset value at fair value price per share (\$4,004,178,164 divided by 4,023,317,397 units)	<u>\$ 0.995</u>		

STATEMENT B

San Diego County Treasury
Statement of Changes in Net Assets
For the Year Ended June 30, 2006

	POOL	COMBINED DEDICATED PORTFOLIOS	TOTAL
ADDITIONS			
Additions	\$ 28,473,113,569	\$ 1,779,039,662	\$ 30,252,153,231
Investment Income:			
Net Increase in Fair Value of Investments	28,912,662	19,430,932	48,343,594
Investment Earnings	141,493,964	27,279,713	168,773,677
Less Expenses	(1,362,036)	-	(1,362,036)
Net Investment Income	169,044,590	46,710,645	215,755,235
Total Additions	28,642,158,159	1,825,750,307	30,467,908,466
DEDUCTIONS			
Deductions	28,629,147,195	432,357,433	29,061,504,628
Distributions to Participants/ Portfolio Owners	136,174,373	38,589,527	174,763,900
Administrative Expenses	3,957,556	-	3,957,556
Total Deductions	28,769,279,124	470,946,960	29,240,226,084
Change in Net Assets	(127,120,965)	1,354,803,347	1,227,682,382
Net Assets, Beginning of Year	4,131,299,129	410,474,504	4,541,773,633
Net Assets, End of Year	\$ 4,004,178,164	\$ 1,765,277,851	\$ 5,769,456,015

San Diego County Treasury

Notes to the Basic Financial Statements

For the Year Ended June 30, 2006

Summary of Significant Accounting Policies

The Financial Reporting Entity

The San Diego County Treasury (the "Treasury") is a part of the County of San Diego and is responsible for approximately \$5.8 billion in assets as of June 30, 2006. The Investment Pool and Dedicated Portfolios account for 69% and 31%, respectively, of the net assets of the Treasury. The Treasury is administered by the Treasurer-Tax Collector, an elective office that is responsible for tax collection, banking, investment, disbursement and accountability of public funds. The San Diego County Treasury is managed by the County Treasurer's Office on behalf of the Investment Pool participants and Dedicated Portfolio owners.

The entities whose Dedicated Portfolios are managed by the Treasurer include the City of Lemon Grove, First Five Commission of San Diego, Darnall Charter School, Grossmont High School Ridgeway Trust, San Diego Service Authority for Freeway Emergencies (SAFE), San Diego County Capital Asset Leasing Corporation (SANCAL), County of San Diego Solid Waste Environment Trust Fund, County of San Diego Tobacco Settlement Endowment Fund (the "Tobacco"), San Diego Community College District, Grossmont-Cuyamaca Community College District, San Diego Unified School District and the County of San Diego.

The Pool participants include the County, local school districts, local community colleges and other districts and agencies. The local school districts are required by State statutes to deposit their funds with the County of San Diego. "Mandatory" participants in the Pool comprise the majority of the Pool's assets, approximately 98%. All participants comply with the same requirements per the Pool Investment Policy. The State of California gives the Board of Supervisors the ability to delegate the investment authority to the County Treasurer's Office in accordance with Section 53607 of the California Government code. The Pool's investment objectives are to safeguard principal, meet the liquidity needs of the participants, and return an acceptable yield within the parameters of prudent risk management.

Pursuant to Sections 27130-27137 of the California Government Code, the Board of Supervisors has established the Treasurer's Oversight Committee (TOC) that monitors and reviews the Pool's investment policy. The TOC consists of members appointed from the districts or offices that they represent, and up to five members of the public, having expertise in, or an academic background in public finance. This Committee requires a financial audit to be conducted annually on a fiscal year basis, which includes limited tests of compliance with laws and regulations. The San Diego County Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company. The Pool does not have any legally binding guarantees of share values.

Measurement focus, basis of accounting and financial statement presentation

The accompanying financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Earnings on investments are recognized as revenue in the period in which they are earned and administrative costs are recognized as expense when incurred, regardless of the timing of related cash flows. No administrative and investment expenses were charged to the Dedicated Portfolios during fiscal year 2005/2006. However, beginning fiscal year 2006/2007, administrative and investment expenses will be deducted from the Dedicated Portfolios investment earnings. Pool participants' cash balances and withdrawals are based on cost while investments are reported at fair value.

Assets, liabilities and net assets

1. Deposits: At year-end, the carrying amount of the Treasury's deposit was \$19,809,440 while the related bank balance with various financial institutions totaled \$16,547,800. The bank balance amount with various financial institutions consisted of \$14,656,800 in demand deposits and \$1,691,000 in insured time deposits. Of the total bank balance amount, \$1,891,000 was covered by federal deposit insurance and \$14,856,800 was collateralized with securities held by the pledging financial institution in the entity's name. The County is also in compliance with State statutes (as referred to in GASB Statement No. 3) that require depositories having public funds on deposit to maintain pool securities with the agent of the depository having a market value of at least 10% in excess of the total amount of all public funds on deposit.

2. Pool Investments: The San Diego County Treasury operates under the prudent person standard. Specifically, California Government Code Sections 27000.1-27000.5, 27130-27137, and 53600-53686, authorize the Treasurer to invest funds in permissible types of investment or financial instruments. These include government obligation securities, commercial paper, medium-term notes, asset-backed securities, negotiable certificates of deposit, repurchase and reverse repurchase agreements, and money market mutual funds.

The Pool's primary objective is to safeguard the principal of the funds. The secondary objective is to meet the liquidity needs of the participants. The third objective is to achieve an investment return on the funds within the parameters of prudent risk management.

Investments in the Pool are stated at fair value. Securities, which are traded on a national exchange, are valued at the last reported sales price at current exchange rates. The fair value of investments is determined monthly and is provided by the custodian bank. Repurchase Agreements and Institutional Money Market funds are carried at portfolio book value (carrying cost). Open-end Institutional Money Market funds are not categorized because the investment in these funds is not evidenced by specific securities. All purchases of investments are accounted for on a trade-date basis. Unrealized gains or losses of securities are determined by taking the difference between amortized cost and the fair value of investments. Securities in the aggregate amount of \$73,400,000 were sold during the year with net gain of \$10,234. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year. The Pool is authorized to have leverage exposure through the use of Reverse Repurchase Agreements (RRP) and Securities Lending. The maximum exposure is 20% of the total portfolio. There were no RRP or securities lending transactions during the fiscal year.

As of June 30, 2006, the maturity levels and credit ratings by investment type are presented in the following table. The balances are reported using the weighted average days to maturity (WAM) method.

	Moody's Rating	S & P Rating	Rate Range %	Maturity Date Range	Par Value (000)	Amortize Cost (000)	Fair Value (000)	Yield to Maturity	WAM (Days)	Percent of Total
U.S. Government Agencies										
Federal Home Loan Bank Notes	Aaa	AAA	2.10-5.125	07/06-06/08	\$564,585	\$563,785	\$559,438	3.15%	214	14%
Federal Home Loan Mortgage Corp. Notes	Aaa	AAA	2.25-5.50	12/06-12/08	473,075	472,573	468,533	4.59%	555	12%
Federal Nat'l Mortgage Assn. Notes	Aaa	AAA	2.05-5.00	07/06-06/08	326,316	326,316	323,382	3.00%	204	8%
Federal Farm Credit Bank Notes	Aaa	AAA	2.11-3.50	07/06-05/08	299,000	299,000	293,919	2.43%	208	7%
Short -Term Notes										
Commercial Paper	P-1	A-1+/A-1	4.50-5.35	07/06-10/08	1,197,402	1,189,482	1,190,899	4.99%	37	30%
Medium Term Notes	P-1	A-1+/AAA	2.75-5.09	08/06-12/09	330,000	327,487	324,129	4.42%	246	8%
Asset Backed Notes	Aaa	AAA	2.55-5.30	01/07-05/09	77,500	76,955	76,307	4.26%	530	2%
Repurchase Agreements	P-1	A-1	3.89-5.38	07/06	218,391	218,391	218,391	5.25%	3	5%
Negotiable Certificates of Deposit	P-2	A-1+/A-1	4.62-5.40	07/06-11/06	485,000	484,970	484,821	5.07%	61	12%
Open-End Inst'l. Money Market Funds	Aaa	AAA	4.91-5.34	07/06	54,050	54,050	54,050	5.26%	3	1%
Time Deposits*			3.89-5.08	08/06-05/07	1,691	1,691	1,691	4.54%	180	1%
TOTAL INVESTMENTS					<u>\$4,027,010</u>	<u>\$4,014,700</u>	<u>\$3,995,560</u>	4.30%	177	100%

*Time Deposits are classified as Cash on Hand and In Banks

Credit Risk. The San Diego County Pooled Money Fund Investment Policy limits investments to the following table. The asset allocation with respect to the credit quality is based on the Standard & Poor's Fund Credit Quality Rating Matrix. The matrix incorporates the ratings of short-term securities to the overall portfolio credit quality rating categories presented below. For example, the short-term ratings of A-1+ or A-1 are assigned a credit factor and score equivalent to a "AAA' rated security.

Credit Rating Risk	Minimum Fund%	Maximum Fund%
AAA	67	100
AA	0	33
A	0	13

Concentration of Credit Risk. The Pool Investment Policy limits the amount of exposure to any one single issuer. The Investment Policy is limited to 5% per issuer and cannot exceed this limit. An exclusion to this limit is dependent upon the weighted average days to maturity for commercial paper. If the weighted average days is 5 days or less the issuer limit can increase to 10% of total portfolio. The County of San Diego adheres to both State law and the County's Investment Policy for limits on investments.

Custodial Credit Risk. The County of San Diego does not invest in Category 3 type investments. The Investment policy does not permit investments in uninsured and unregistered securities not held by the County. However, the Policy does permit for securities lending transactions. The portfolio has not been exposed to these types of investments during the fiscal year.

Foreign Currency Risk. The Pool does not have any foreign currency risk as all investments in the Pool are in U.S. dollar-denominated assets.

Interest Rate Risk. The Pool is banned from purchasing Inverse Floaters, Range Notes, Interest only strips derived from a pool of mortgages, and any security that could result in zero interest accrual. It is limited on maturity levels, which in turn, allows the Pool to manage its exposure to fair value losses arising from increased rates.

As an element of interest rate risk, the Pool has maintained compliance with the Investment Policy, which requires 25% of securities to mature in 90 days, 25% to mature from 91-365 days, and no more than 50% to mature in one to five years.

The County was in full compliance with its own more restrictive Investment Policy, and therefore was also in compliance with State law. For example, the State law does not limit exposure to the issuer per each type of security and it is silent on limiting exposure to each issue. Accordingly, the County believes it is not at measurable risk as to the four risk areas cited above.

3. Dedicated Portfolio Investments

Dedicated Portfolio investments at fair value totaled \$1.8 billion. Government Code Section 53601 governs the types of investment vehicles permitted in each of the portfolio except for the Tobacco Settlement Endowment Fund and the guaranteed investment contracts. The debt issuance documents govern the investment of debt proceeds in the appropriate investment vehicle such as a guaranteed investment contract. The purchase of investments for the Tobacco portfolio are dictated by the Tobacco Securitization Bond documents which limits ninety-five percent of investments to non-Alternative Minimum Tax municipal bonds and five percent on taxable fixed income securities. The Tobacco portfolio accounted for 23.7% of the combined total of the Dedicated Portfolio investments as of June 30, 2006.

Of the \$1.8 Dedicated Portfolio investments, \$1.1 billion (61%) was in guaranteed investment contracts (GIC). These guaranteed investment contracts are fixed income agreements that offer to pay fixed interest rate over a period of time. The GICs are eligible for early redemption based on predefined cash flow schedules.

The maturity levels and credit ratings by investment type are presented in the following table as of June 30, 2006. The balances are reported using the weighted average days to maturity (WAM) method.

	Moody's Rating	S & P Rating	Rate Range %	Maturity Date Range	Par Value (000)	Amortized Cost (000)	Fair Value (000)	Yield to Maturity	WAM (In Days)	Percent of Total
U.S. Government Agencies										
Federal Home Loan Mortgage Corp. Discount Notes	Aaa	NR	5.03-5.27	7/06-5/07	\$1,500	\$1,470	\$1,476	5.11%	102	0.08%
Federal Home Loan Bank Notes	Aaa	AAA	4.76-5.27	1/07-3/09	64,000	63,317	63,072	4.96%	593	3.54%
Federal Home Loan Mortgage Corp. Notes	Aaa	AAA	5.00-5.46	1/08-9/10	50,000	49,903	49,535	5.16%	877	2.78%
Short -Term Notes										
Medium Term Notes	Aaa	AAA	4.84-5.51	3/0710/10	23,465	23,098	22,978	5.09%	526	1.29%
Commercial Paper	P-1	A-1+/A-1	4.74-5.21	7/06-11/06	30,500	30,255	30,154	5.03%	54	1.70%
Negotiable Certificate of Deposit	P-2	A-1+/A-1	4.62-5.30	7/06-2/07	73,000	72,976	72,966	4.96%	52	4.10%
Money Market Funds	NR	AAA	4.84-9.45	7/06-5/16	10,074	10,074	10,074	5.07%	1	0.57%
Municipal Bonds	A-Aaa	A-1+/A-1/ AAA/AA/ AA+/A	0.00-5.63	11/06-2/42	342,070	343,140	343,153	3.27%	6,755	19.28%
Municipal Funds	NR	AAA	3.00	7/06-7/06	93,500	93,500	93,500	3.41%	1	5.25%
Guaranteed Investment Contract	NA	NA	3.74-5.15	7/06-8/08	1,093,144	1,093,144	1,093,144	3.46%	365	61.41%
TOTALS INVESTMENTS					\$1,781,253	\$1,780,877	\$1,780,052	3.64%	1,582	100%

NR - Not Rated
NA - Not Applicable

Credit Risk. The Code requires investments to meet or exceed the following credit rating criteria at time of purchase:

Investment	Standard & Poor's	Moody's	Fitch
Short Term	A-1	P-1	F-1
Long Term	A	A	A

Concentration of Credit Risk. The Code requires specific percentage limitation for a particular category of investments and limits the purchase of commercial paper to no more than ten percent of the outstanding commercial paper of any single issuer.

Custodial Credit Risk. The Dedicated Portfolio investments are not classified in risk Category 3. The securities are registered and held with the custodial bank for the benefit of the Treasury.

Foreign Currency Risk. All investments are in U.S. dollar-denominated assets therefore, the Dedicated Portfolios do not have any foreign currency risk.

Interest Rate Risk. The Treasurer does not invest in any security that could result to zero interest accrual if held to maturity. It is the Treasurer's practice to hold securities in the Dedicated Portfolios to maturity. The Dedicated Portfolios are structured in such a way that the investments are scheduled to mature at the times and in the amounts that are necessary to meet the expenditures and other scheduled withdrawals.

4. Receivables and Payables

Receivables primarily consist of interest accrued on investments. The payables represent the interest for the last quarter that will be credited to Pool participants and earnings are reinvested. Accrued expenses represent the administrative fees for the last quarter of the fiscal year 2005/2006.

5. Interest Apportionment

Earnings realized on investments based on amortized cost are distributed to Pool participants and are calculated using the accrual basis of accounting. Section 27013 of the California Government Code authorizes the Treasurer's Office and Auditor & Controller's Office to deduct administrative fees related to investments. The net realized earnings on investments are apportioned to the Pool participants quarterly, based on the participant's average daily balances. During the year ended June 30, 2006, the Pool distributed \$136.2 million of investment earnings compared to the previous year's distribution of \$89.5 million. These investment earnings are classified as distributions to participants on the Statement of Changes in Net Assets and are reinvested into the pool.

6. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

7. Treasury Composition

The County portion of the Investment Pool net assets as of June 30, 2006 is \$1.5 billion. As of June 30, 2006, the Pool participants by percentage of net assets consist of:

Pool Participants	
County Funds	37.87%
Unapportioned Tax/ Interest Funds/ Other	6.04%
K-12 Schools	49.16%
Community Colleges	5.62%
Voluntary Deposits	1.79%
Undistributed and Unrealized Losses	-0.48%
Total	100.00%

As of June 30, 2006, the Dedicated Portfolios totaling \$1.8 million of net assets comprise the following:

Dedicated Portfolios	
City of Lemon Grove	0.28%
County of San Diego	14.16%
County of San Diego Solid Waste Environment Trust Fund	3.94%
County of San Diego Tobacco Settlement Endowment Fund	23.71%
Darnall Charter School	0.03%
First Five Commission of San Diego - Operating Fund	6.12%
First Five Commission of San Diego - Reserve Fund	3.43%
Grossmont High School Ridgeway Trust Fund	0.00%*
Grossmont - Cuyamaca Community College District	5.67%
San Diego Community College District	12.90%
San Diego County Capital Asset Leasing Corporation	0.00%*
San Diego Unified School District	29.19%
San Diego Service Authority for Freeway Emergencies	0.57%
Total	100.00%

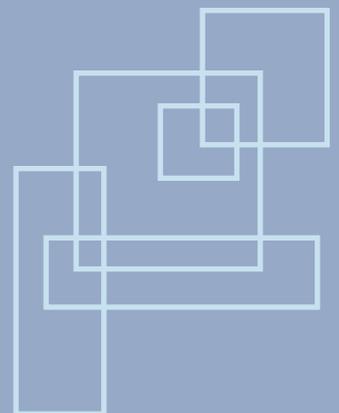
*Balances in one and ten thousands show as zero percent

8. Related Party

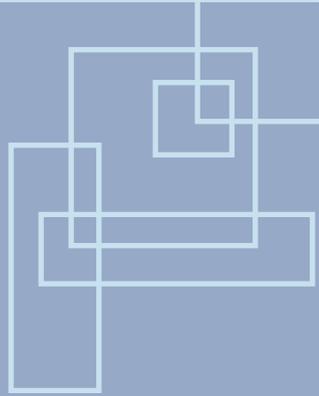
Certain costs are allocated by the County of San Diego to the Investment Pool which includes salaries and benefits, services and supplies, overhead and equipment and totaled \$4.0 million in the current fiscal year.

9. New Governmental Accounting Standards Board (GASB) Statement No. 44

During the year ended June 30, 2006, the County adopted the provisions of GASB Statement No. 44, "Economic Condition Reporting: The Statistical Section – an amendment of National Council of Governmental Accounting Statement 1." This statement provides guidance on the schedules in the statistical section and requires explanation of the nature of the information contained in the schedules. Implementation of GASB 44 had no effect on the Treasury's financial position or changes in financial position.



SUPPLEMENTAL SECTION



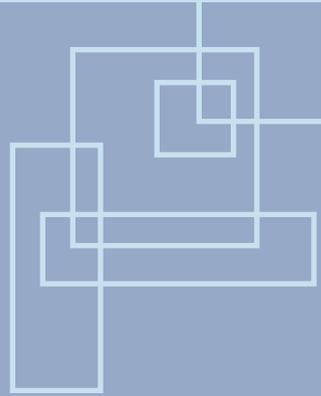
San Diego County Dedicated Portfolios
Combining Statement of Net Assets
June 30, 2006

ASSETS	City of Lemon Grove	Darnall Charter School	First Five Commission - Operating	First Five Commission - Reserve	Grossmont H.S. Ridgeway Trust Fund	SAFE	SANCAL	Solid Waste Environment Trust Fund	Tobacco Settlement Endowment Fund	San Diego Community College District	San Diego Unified School District	County of San Diego	Total Dedicated Portfolios
Investments at Fair Value:													
U.S. Government Agencies													
FHLMC	\$1,943,173	\$	\$11,858,656	\$24,832,325	\$	\$2,494,241	\$	\$9,882,213	\$	\$	\$	\$	\$51,010,608
FHLB	980,432	-	34,586,882	17,688,950	-	-	-	9,815,755	-	-	-	-	63,072,019
Short - Term Notes:													
Commercial Paper	494,225	499,563	-	9,968,790	-	2,482,908	-	16,708,913	-	-	-	-	30,154,399
Corporate Medium - Term Notes	1,456,384	-	-	6,979,950	-	1,929,636	-	12,611,614	-	-	-	-	22,977,584
Municipal Bonds	-	-	-	-	-	-	-	-	343,152,598	-	-	-	343,152,598
Negotiable Certificates of Deposit	-	-	49,975,325	-	-	2,990,820	-	20,000,000	-	-	-	-	72,966,145
Money Market Mutual Funds	-	-	10,039,047	-	6,011	-	29,072	-	-	-	-	-	10,074,130
Municipal Funds	-	-	-	-	-	-	-	93,500,000	-	-	-	-	93,500,000
Guaranteed Investment Contracts	-	-	-	-	-	-	-	-	-	227,701,650	227,701,650	\$250,091,201	1,093,144,213
	4,874,214	499,563	106,459,910	59,470,015	6,011	9,897,605	29,072	69,018,495	436,652,598	227,701,650	\$515,197,297	\$250,091,201	1,780,051,696
Other Assets:													
Cash on Hand and In Banks	-	-	-	-	-	-	-	-	11	-	-	-	11
Receivables and Other	31,817	-	1,609,242	1,022,295	1,258	81,457	-	533,936	-	-	-	-	3,280,005
Total Assets	4,906,031	499,563	108,069,152	60,492,310	7,269	9,979,062	29,072	69,552,431	436,652,609	227,701,650	\$515,197,297	\$250,091,201	1,783,331,712
LIABILITIES													
Settlement of Securities Purchased	-	-	-	-	-	-	-	-	18,053,861	-	-	-	18,053,861
Total Liabilities	-	-	-	-	-	-	-	-	18,053,861	-	-	-	18,053,861
NET ASSETS	\$4,906,031	\$499,563	\$108,069,152	\$60,492,310	\$7,269	\$9,979,062	\$29,072	\$69,552,431	\$418,598,748	\$227,701,650	\$515,197,297	\$250,091,201	\$1,765,277,851

San Diego County Dedicated Portfolios
Combining Statement of Changes in Net Assets
June 30, 2006

	City of Lemon Grove	Darnall Charter School	First Five Commission - Operating	First Five Commission - Reserve	Grossmont H.S. Ridgeway Trust Fund	SAFE	SANCAL	Solid Waste Environment Trust Fund	Tobacco Settlement Endowment Fund	San Diego Community College District	Grossmont - Cuyamaca Community College District	San Diego Unified School District	County of San Diego	Total Dedicated Portfolios
ADDITIONS														
Additions to Portfolio	\$4,881,361	\$ -	\$106,791,646	\$59,564,911	\$232	\$ -	\$ -	\$ -	\$123,500,000	\$227,701,650	\$103,684,740	\$900,562,635	\$252,352,487	\$1,779,039,662
Investment Income:														
Net Increase/(Decrease) in Fair Value of Investments	(7,147)	19,444	(153,634)	1,057,812	-	334,591	145,111	1,912,435	16,122,320	-	-	-	-	19,430,932
Investment Earnings	31,817	-	2,883,126	1,197,296	1,514	32,714	4,350	274,787	-	2,701,650	3,685,117	16,440,279	27,063	27,279,713
Net Investment Income	24,670	19,444	2,729,492	2,255,108	1,514	367,305	149,461	2,187,222	16,122,320	2,701,650	3,685,117	16,440,279	27,063	46,710,645
Total Additions	4,906,031	19,444	109,521,138	61,820,019	1,746	367,305	149,461	2,187,222	139,622,320	230,403,300	107,369,857	917,002,914	252,379,550	1,825,750,307
DEDUCTIONS														
Deductions From Portfolio	-	-	-	-	-	-	6,022,652	-	35,177,482	-	3,530,675	385,365,338	2,261,286	432,357,433
Distributions To Owners	-	19,831	1,451,986	1,327,709	256	386,138	148,862	2,623,325	9,777,312	2,701,650	3,685,117	16,440,278	27,063	38,589,527
Total Deductions	-	19,831	1,451,986	1,327,709	256	386,138	6,171,514	2,623,325	44,954,794	2,701,650	7,215,792	401,805,616	2,288,349	470,946,960
Changes in Net Assets	4,906,031	(387)	108,069,152	60,492,310	1,490	(18,833)	(6,022,053)	(436,103)	94,667,526	227,701,650	100,154,065	515,197,298	250,091,201	1,354,803,347
Net Assets, Beginning of Year	-	499,950	-	-	5,779	9,997,895	6,051,125	69,988,533	323,931,222	-	-	-	-	410,474,504
END OF YEAR	\$4,906,031	\$499,563	\$108,069,152	\$60,492,310	\$7,269	\$9,979,062	\$29,072	\$69,552,430	\$418,598,748	\$227,701,650	\$100,154,065	\$515,197,298	\$250,091,201	\$1,765,277,851

INVESTMENT SECTION



ADMINISTRATIVE OVERVIEW

The Pool was created when the State Legislature established the five-member County Board of Supervisors in 1853. During fiscal year 2005/2006 the Pooled Money Fund activities included the following:

- During the year, the Pool structure has remained in compliance with the Investment Policy, which requires 25% of securities to mature in 90 days, 25% to mature from 91-365 days, and no more than 50% to mature in one to five years; as of June 30, 2006 the Pool has 84.08% maturing less than one year.
- The Pool had a decrease in weighted average days to maturity from 295 days at June 30, 2005 to 177 days at June 30, 2006.
- The Pool's total net assets decreased by 3.08% from \$4.1 billion at 2004/2005 to \$4.0 billion at 2005/2006.
- The unrealized loss on the fair value of investments decreased from \$27.9 million at June 30, 2005 to \$19.1 million at June 30, 2006.
- The weighted average effective yield (annualized) of the Investment Pool increased from 2.82% for the year ended June 30, 2005 to 4.30% for the year ended June 30, 2006.
- The Pool's expense ratio remained competitive at 0.13% of the average daily balance for the fiscal year 2004/2005 and 0.13% for 2005/2006.
- The Pool maintained an 'AAAf/S1' rating by Standard & Poor's, a nationally recognized rating agency.

The Dedicated Portfolios were created at the request of local entities and approval of the Treasurer. During fiscal year 2005/2006, the Dedicated Portfolios' activities included the following:

- Three Dedicated Portfolios were created which accounted for \$173.5 million of the \$1.8 billion net assets. These new portfolios were created for the sole benefit of the City of Lemon Grove (one portfolio) and First Five Commission of San Diego (two portfolios).
- The Dedicated Portfolios earned a combined income of \$46.7 million which was credited to the specific entity for which the investment was made.
- The Dedicated Portfolios rate of returns ranged from 3.30% to 5.40% for the year ended June 30, 2006.

OUTLINE OF INVESTMENT POLICY

The Pooled Money Fund is managed in accordance with prudent money management principles and California State Law Sections 27000.1 – 27000.5, 27130 – 27137, and 53600 – 53686.

The objectives of the Pooled Money Fund in order of importance are:

1. The primary objective shall be to safeguard the principal of the funds under the control of the Treasurer's Office.
2. The secondary objective shall be to meet the liquidity needs of participants.
3. The third objective shall be to achieve an investment return on the funds under control of the Treasurer within the parameters of prudent risk management.

On an annual basis, the Treasurer's Oversight Committee (TOC) reviews and approves the Treasurer's Pooled Money Fund Investment Policy. Once the TOC has recommended approval, the Board of Supervisors reviews

and adopts the Investment Policy in a public forum. The Policy focuses on risk management by setting limits on principal exposure by type of security, by issuer of debt, by minimum credit ratings; limits on liquidity by placing return as the least important compared to safety and liquidity. The Policy includes a detailed section on terms and conditions for Voluntary Participants' deposits and withdrawal of funds from the Pool. All investment transactions are handled by the internal Investment Officers. There are no outside investment advisors.

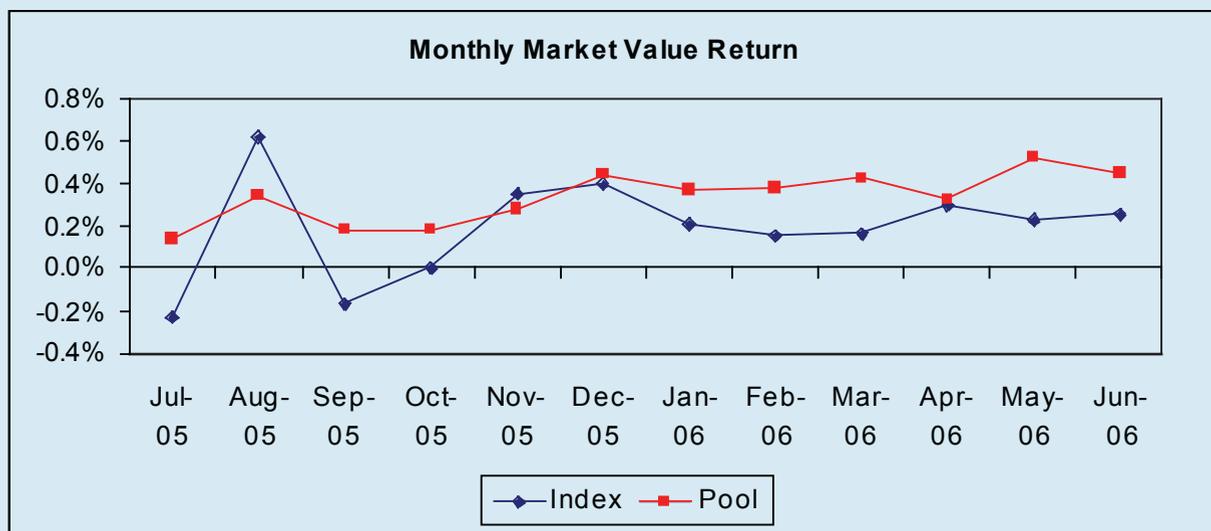
The Dedicated Portfolios are managed in accordance with the California Government Code Section 53601 except for the guaranteed investment contracts and the Tobacco Settlement Endowment Portfolio which must comply with the Tobacco Securitization Bond Documents. Each of the owning entity may impose additional restriction on the investment terms of its portfolio. The entities receive their monthly investment statements and periodically provide cash flow projections to the Investment Officers to ensure its liquidity needs are incorporated in the investment activities.

INVESTMENT RESULTS

The Pooled Money Fund outperformed the custom index during the year. The average monthly annualized market value return for the fund during the fiscal year 2005/2006 was at 0.34% while the average monthly annualized market value return for the index was 0.19%. The custom index is made up of the following components:

<u>Investment Type</u>	<u>Maturity Range</u>	<u>Allocation</u>
Treasuries	1 – 3 years	24.00%
Treasuries	3 – 5 years	24.00%
T-Bills	0 – 3 months	12.50%
T-Bills	3 – 6 months	9.00%
T-Bills	6 – 9 months	9.00%
T-Bills	12 months	9.00%
US Libor	1 month	6.25%
US Libor	3 months	6.25%

A chart of the Pooled Money Fund versus custom index is shown below.



Performance Returns

As of June 30, 2006

The Pool performance returns for each asset class are displayed in the following table. The calculations were prepared using a time-weighted rate of return based on the market rate of returns.

INVESTMENT TYPE	Reported in Percentages		
	1 Years	3 Years	5 Years
TOTAL PLAN	3.47	2.49	2.55
CUSTOM INDEX	2.15	1.75	6.84
U.S. GOVERNMENT AGENCIES			
FHLMC	3.89	3.26	3.64
FHLB	2.63	2.50	2.84
FHLB DISCOUNT NOTES	4.75	4.75	1.37
FNMA	2.66	2.52	3.18
FFCB	2.37	2.34	2.35
SHORT TERM NOTES:			
MEDIUM-TERM NOTES 30/360	4.15	3.92	4.03
MEDIUM-TERM NOTES ACT/360	5.05	4.42	3.99
COMMERCIAL PAPER	4.30	2.46	2.24
ASSET BACKED NOTES (SEMI ANNUAL)	2.68	2.60	2.60
ASSET BACKED NOTES (MONTHLY)	2.70	2.70	2.70
REPURCHASE AGREEMENTS	4.31	2.48	2.13
NEGOTIABLE CD FIXED	4.07	2.10	2.11
NEGOTIABLE CD ACT/365	3.36	3.36	3.36
NEGOTIABLE CD 30/360	2.44	2.38	2.38
NEGOTIABLE CD PURCH INT, DISC/360	5.16	5.16	5.16
MONEY MARKET MUTUAL FUNDS	4.23	1.88	1.91

The Dedicated Portfolios' performance returns for the year ended June 30, 2006 are shown below.

Dedicated Portfolios Performance Returns As of June 30, 2006 Reported in Percentages													
	City of Lemon Grove	Darnall Charter School	First Five Commission - Operating	First Five Commission - Reserve	Grossmont H.S. Ridgeway Trust Fund	SAFE	SANCAL	Solid Waste Environment Trust Fund	Tobacco Settlement Endowment Fund	San Diego Community College District	Grossmont - Cuyamaca Community College District	San Diego Unified School District	County of San Diego
U.S. Government Agencies													
FHLMC Discount Notes	5.27					5.03							
FHLMC	5.32		5.20	5.0		5.46	5.46						
FHLB	5.25		4.76	5.17			5.27						
Short -Term Notes													
Commercial Paper	5.17	5.09		4.74		5.16	5.19						
Corporate Medium - Term Notes	5.44			4.84		5.37	5.15						
Municipal Bonds								3.27					
Negotiable Certificate of Deposit			4.84			5.30	5.21						
Money Market Mutual Funds			5.06		4.93		5.12						
Municipal Funds								3.41					
Guaranteed Investment Contracts									4.78	3.99	5.40	4.09	
TOTAL PORTFOLIO YIELD	5.32	5.09	4.88	4.99	4.93	5.27	5.12	5.24	3.30	4.78	3.99	5.40	4.09

Income Allocation

The interest earned by each Pool participant is proportionate to the average daily balance of the local agency. Prior to distribution, expenses incurred by the County are deducted from the realized earnings of the Pooled Money Fund. The Pool's expense ratio for fiscal year 2005/2006 was 0.13% of the average daily balance. The apportionment rate is set approximately two weeks after each calendar quarter-end. Apportionments are not paid out by warrants; all earnings are reinvested in the Pool.

ECONOMIC ENVIRONMENT

Federal Reserve Decisions For 2005/ 2006

The Federal Reserve Open Market Committee (the Committee) continued raising the Federal Funds target interest rate in fiscal year 2005/2006 from 3.25% on June 30, 2005 to 5.25% on June 30, 2006. In total, the Committee has raised the target interest rate an unprecedented seventeen consecutive times. Unexpectedly, long-term rates have not risen at the same rate as short term rates resulting in a dramatically flattened yield curve. The average spread between Federal Funds interest rate and the 30-year treasury for the last 15 years has been approximately 1.87%, whereas the spread on June 30, 2006 was merely 0.19%. This flat yield curve has been a result of strong foreign investment in U.S. Treasuries and low inflation expectations.

In the past few years, low interest rates helped fuel the highest annual housing starts rate since 1978 otherwise known as the “housing bubble”. As interest rates have continued to rise over the past two years growing concerns about a potential burst in the “bubble” have dominated economic discussions. So far, all economic data has pointed to a “soft landing” as the housing market cools rather than bursts. Housing starts have slowed, housing inventory has increased, but housing prices have remained stable compared to prior year.

Portfolio investing for this fiscal year was largely determined by expected Committee actions. The majority of the investing done in early part of the fiscal year was in the short-term commercial paper, certificate of deposits, and asset backed bonds to take advantage of increasing short term interest rates. In the later part of the fiscal year, the Investment Team began to invest in longer term securities to lock-in higher yields as the market was expecting the Committee to stop increasing interest rates and subsequently ease interest rates.

Fiscal Year 2005/2006 Market Conditions

The stock market showed moderate growth as the Dow Jones Industrial Index increased by 8.22% and the NASDAQ rose 5.58%. The unemployment rate continued to drop from 5.0% in June 2005 to 4.6% in June 2006.

Current Fiscal Year 2005/2006 Condition

The federal funds futures index predicts federal funds to be at 5.47% by year-end 2006. The June 29, 2006 Federal Open Market Committee statement suggested a moderation in economic growth, partly reflecting a cooling of the housing market and rising interest rate and energy prices. The Committee also acknowledged elevated core inflation indicators and that potential inflation risk still remains. However, the Committee believes moderation in growth should help contain inflation and subsequent firming will be dependent on future inflation and economic growth outlook.

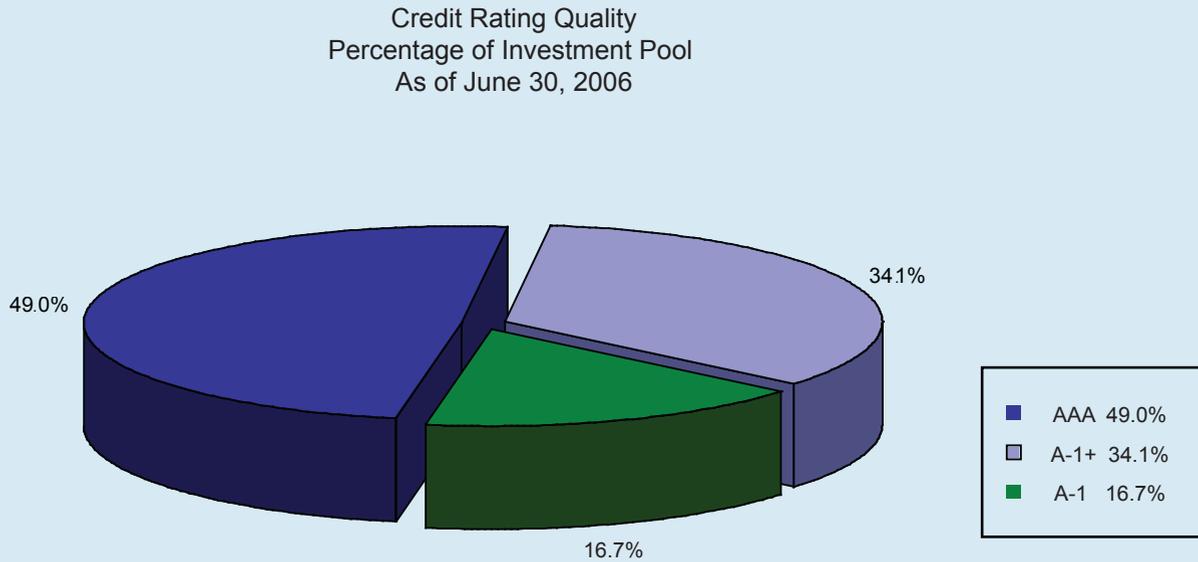
Local Economy

San Diego’s regional economic forecast remains positive, with economic growth expected to be similar to that of 2005. The Gross Regional Product (GRP, the value of all goods and services produced within the region) is expected to increase at a similar rate as 2005, while unemployment and inflation should remain low; new job creation should provide nearly 15,000 more jobs in 2006.

Risk Profile

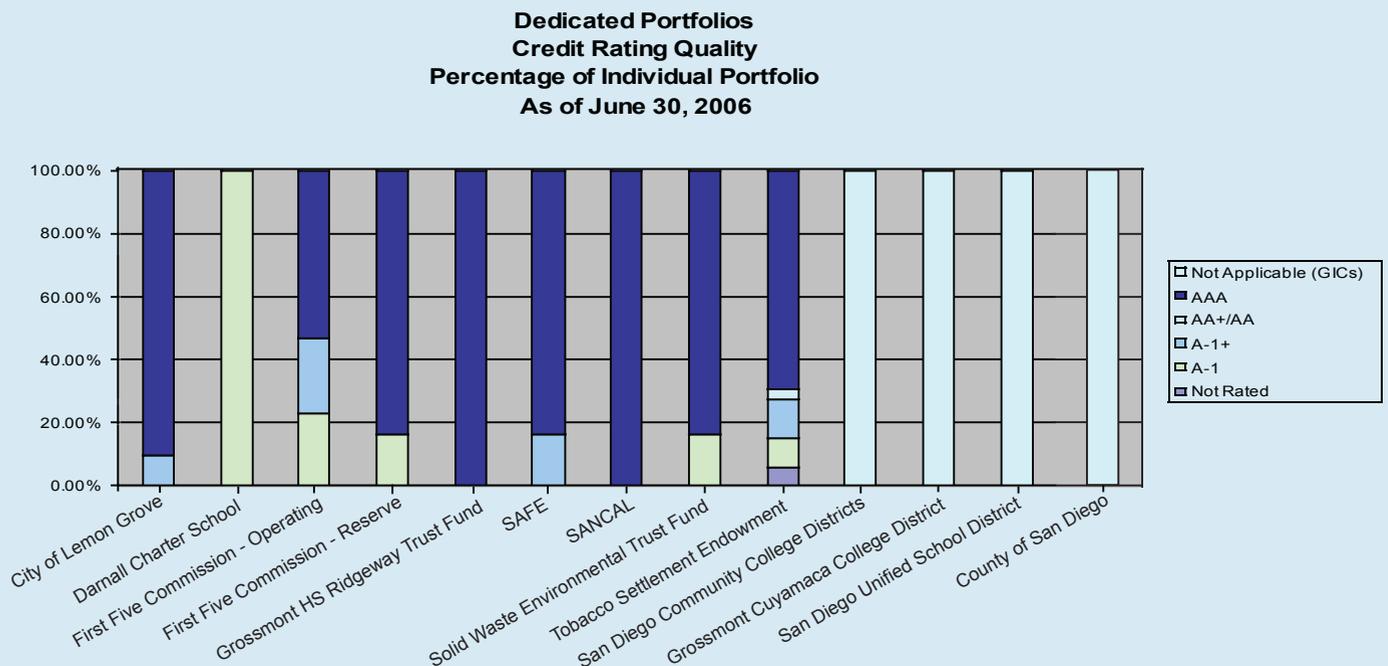
The three main risk factors for the Pooled Money Fund are credit, liquidity and interest rate exposure.

The credit limits of the investments held by the Pool meet the requirements of the Investment Policy and California Government Code. The following pie chart displays the percentage breakdown of credit exposure for the Pool.



In addition to the credit limitations, the Pool is also prohibited from investing in any of the following derivative notes: inverse floater, range notes, interest-only strips derived from a pool of mortgages, and any security that could result in zero interest accrual.

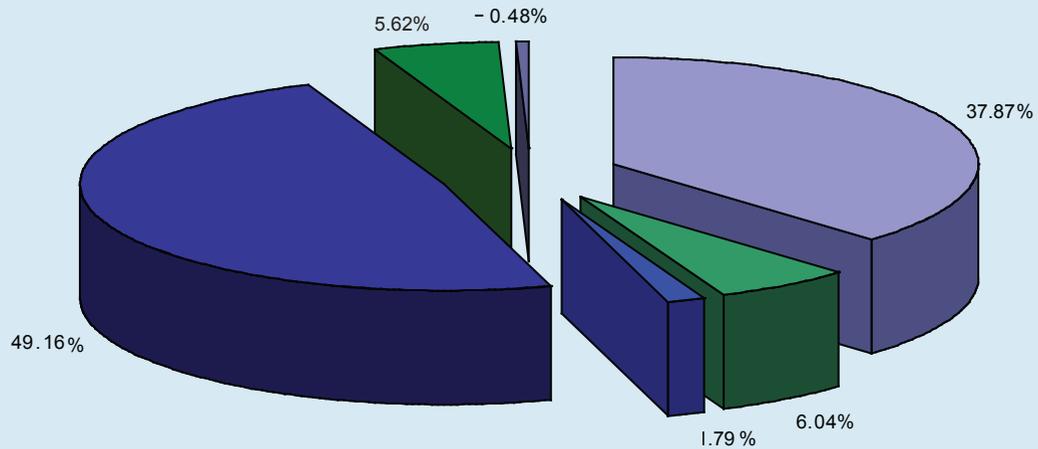
The graph below shows the credit rating quality of each individual Dedicated Portfolio as of June 20, 2006.



SAN DIEGO COUNTY INVESTMENT POOL PARTICIPANTS - JUNE 30, 2006

Participant	Percentage Ownership	Participant	Percentage Ownership
COUNTY	37.87%	RETIREMENT	0.08%
NON-COUNT INVESTMENT FUNDS	5.96%	CITIES ENCINITAS	0.13%
SCHOOLS (K THRU 12)		INDEPENDENT AGENCIES	
ALPINE UNION		ALPINE FIRE PROTECTION	
AUTISTIC PUPILS MINOR HIGH		BONITA SUNNYSIDE FIRE PROTECTION	
AUTISTIC PUPILS MINOR ELEMENTARY		BORREGO SPRINGS FIRE PROTECTION	
BONSALL UNION		DEER SPRINGS FIRE PROTECTION	
BORREGO SPRINGS UNIFIED		EAST COUNTY FIRE PROTECTION	
CAJON VALLEY UNION		FALLBROOK PUBLIC UTILITY	
CARDIFF		FALLBROOK SANITATION	
CARLSBAD UNIFIED		FIRE AGENCY SELF INSURANCE SYSTEM (PASIS)	
CHULA VISTA ELEMENTARY		JULIAN-CUYAMACA FIRE PROTECTION	
CORONADO UNIFIED		LAKE-CUYAMACA FIRE PROTECTION	
DEHESA		LAKE CUYAMACA RECREATION AND PARK	
DEL MAR UNION		LAKESIDE FIRE	
ENCINITAS UNION		LOWER SWEETWATER FIRE PROTECTION	
ESCONDIDO UNION		MAJESTIC PINES COMMUNITY SERVICES DISTRICT	
ESCONDIDO UNION HIGH		METROPOLITAN TRANSIT DISTRICT BOARD	
FALLBROOK UNION ELEMENTARY		METROPOLITAN TRANSIT SERVICE	
FALLBROOK UNION HIGH		MISSION RESOURCE CONSERVATION	
GROSSMONT UNION HIGH		NORTH COUNTY CEMETARY DISTRICT	
JAMUL-DULZURA UNION		NORTH COUNTY CEMETARY PERPETUAL	
JULIAN UNION		NORTH COUNTY CEMETARY	
JULIAN UNION HIGH		NORTH COUNTY DISPATCH	
LA MESA - SPRING VALLEY		NORTH COUNTY FIRE PROTECTION	
LAKESIDE UNION		OTAY WATER DISTRICT	
LEMON GROVE		PALOMAR RESOURCE CONSERVATION	
MOUNTAIN EMPIRE UNIFIED		PINE VALLEY FIRE PROTECTION	
NATIONAL		POMERADO CEMETARY PERPETUAL	
OCEANSIDE UNIFIED		POMERADO CEMETARY DISTRICT	
PAUMA		RAMONA CEMETARY DISTRICT	
POWAY UNIFIED		RAMONA CEMETARY PERPETUAL	
RAMONA UNIFIED		RANCHO SANTA FE FIRE PROTECTION	
RANCHO SANTA FE		SANCAL	
SAN DIEGO UNIFIED		SANDAG	
SAN DIEGUITO UNION HIGH		SAN DIEGO RURAL FIRE PROTECTION	
SAN MARCOS UNIFIED		SAN DIEGUITO RIVER	
SAN PASQUAL UNION		SAN MARCOS FIRE PROTECTION	
SAN YSIDRO		SAN MIGUEL FIRE PROTECTION	
SANTEE		SAN YSIDRO SANITATION	
SOLANA BEACH		SO COUNTY OPS CTR	
SOUTH BAY UNION		SDC REGIONAL AIRPORT AUTHORITY	
SPENCER VALLEY		SPRING VALLEY/ CASA DE ORO	
SWEETWATER UNION HIGH		UPPER SAN LUIS REY RESOURCE CONSERVATION	
VALLECITOS		VALLECITOS WATER DISTRICT	
VALLEY CENTER UNION		VALLEY CENTER FIRE PROTECTION	
VISTA UNIFIED		VALLEY CENTER CEMETARY	
WARNER UNIFIED		VALLEY CENTER CEMETARY PERPETUAL	
EDUCATION - CEMETARY DISTRICTS		VISTA FIRE PROTECTION	
DEPARTMENT OF EDUCATION		TOTAL INDEPENDENT AGENCIES	1.66%
EDUCATION - DEBT SERVICE			
EDUCATION - BUILDING FUNDS			
TOTAL FOR SCHOOLS	49.16%		
COMMUNITY COLLEGES		UNDISTRIBUTED AND UNREALIZED GAINS/LOSSES	-0.48%
SAN DIEGO			
GROSSMONT			
MIRA COSTA			
PALOMAR			
SOUTHWESTERN			
TOTAL FOR COMMUNITY COLLEGES	5.62%		
		TOTAL	100.00%

San Diego County Pool Participants
Total Portfolio -\$4.0 Billion
June 30, 2006



County Funds	37.87%
Non County Investments	6.04%
Voluntary Depositors	1.79%
Schools	49.16%
Community Colleges	5.62%
Undistributed and Unrealized Losses	-0.48%

DEDICATED PORTFOLIOS
COMBINED TOTAL - \$1.8 BILLION
AS OF JUNE 30, 2008

Dedicated Portfolios	Net Assets	% of Combined Total
City of Lemon Grove	\$ 4,906,031	0.28%
County of San Diego	250,091,201	14.16%
County of San Diego Solid Waste Environment Trust Fund	69,552,431	3.94%
County of San Diego Tobacco Settlement Endowment Fund	418,598,748	23.71%
Darnall Charter School	499,563	0.03%
First Five Commission of San Diego - Operating Fund	108,069,152	6.12%
First Five Commission of San Diego - Reserve Fund	60,492,310	3.43%
Grossmont High School Ridgeway Trust Fund	7,269	0.00%*
Grossmont -Cuyamaca Community College District	100,154,065	5.67%
San Diego Community College District	227,701,650	12.90%
San Diego County Capital Asset Leasing Corporation	29,072	0.00%*
San Diego Unified School District	515,197,297	29.19%
San Diego Service Authority for Freeway Emergencies	9,979,062	0.57%
Total	\$1,765,277,851	100.00%

*Balances in one and ten thousands show as zero balance.

LEVERAGE EXPOSURE

The Pooled Money Fund is allowed to have leverage exposure through the use of Reverse Repurchase Agreements (RRP) and Securities Lending. The maximum exposure is 20% of the Portfolio value. There were no RRP or Securities Lending transactions during fiscal year 2005/2006.

The San Diego County Investment Pool Statistics table gives a detailed listing of the pool diversification, yields by type of securities, and weighted average maturities as of June 30, 2006.

SAN DIEGO COUNTY TREASURY INVESTMENT POOL STATISTICS JUNE 30, 2006

	Percent of Portfolio	Book Value at Amortized Cost	Market Price	Accrued Interest	Fair Value	Unrealized Gain/(Loss)	Yield to Maturity	WAM
Federal Farm Credit Bank Notes	7.36%	\$ 299,000,000	98.30%	\$2,120,806	\$293,918,755	(\$5,081,245)	2.43%	208
Federal Home Loan Bank Notes	14.00%	563,784,672	99.09%	4,858,474	559,438,119	(4,346,553)	3.15%	214
Federal Nat'l Mortgage Assoc. Notes	8.09%	326,316,000	99.10%	3,177,224	323,382,145	(2,933,855)	3.00%	204
Federal Home Loan Mortgage Corp. Notes	11.73%	472,573,319	99.04%	4,025,314	468,533,287	(4,040,032)	4.59%	555
Corporate Medium Term Notes	8.11%	327,486,727	98.22%	3,053,601	324,129,037	(3,357,690)	4.42%	246
Asset Backed Notes	1.91%	76,954,479	98.46%	622,694	76,306,635	(647,844)	4.26%	530
Money Market Funds	1.35%	54,050,000	100.00%	197,093	54,050,000	-	5.26%	3
Repurchase Agreements	5.47%	218,391,028	109.20%	29,847	218,391,028	-	5.25%	3
Negotiable Certificates of Deposit	12.13%	484,969,953	99.96%	4,843,402	484,820,875	(149,078)	5.07%	61
Commercial Paper	29.81%	1,189,481,610	99.46%	-	1,190,898,674	1,417,064	4.99%	37
Time Deposits*	0.04%	1,691,000	100.00%	3,773	1,691,000	-	4.54%	180
Totals	100.00%	4,014,698,000	99.67%	\$22,932,228	\$ 3,995,559,555	(\$19,139,233)	4.30%	177

*Time Deposit are classified as Cash on Hand and in Banks in the Statement of Net Assets

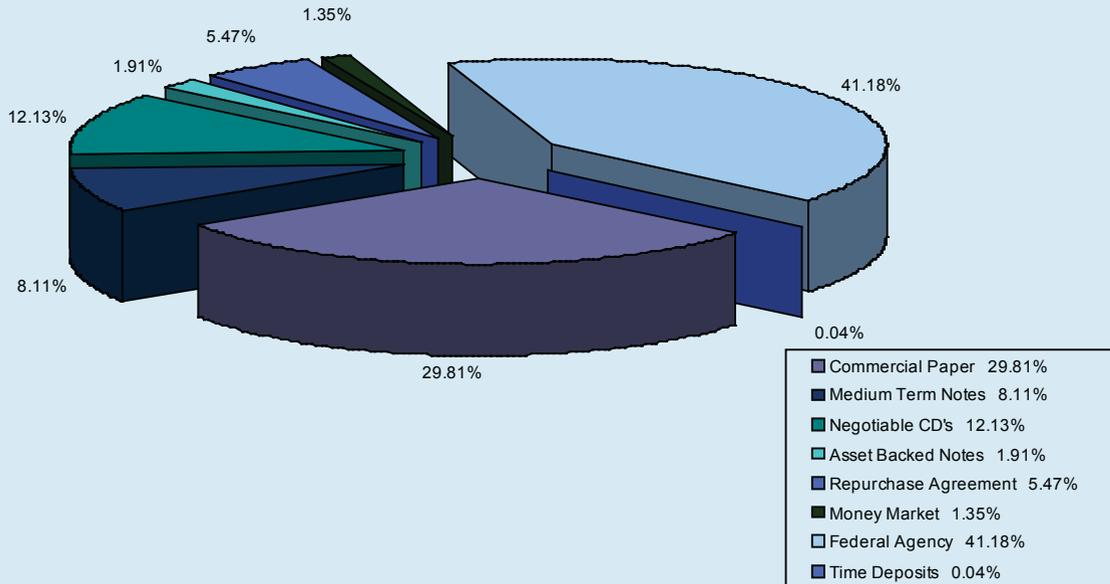
A similar statistical data on the Dedicated Portfolio's combined securities as of June 30, 2006 is presented below.

SAN DIEGO COUNTY TREASURY
DEDICATED PORTFOLIOS COMBINED INVESTMENT STATISTICS
JUNE 30, 2006

	Percent of Portfolio	Book Value at Amortized Cost	Market Price	Accrued Interest	Fair Value	Unrealized Gain/(Loss)	Yield to Maturity	WAM
Federal Home Loan Mortgage Corp. Discount Notes	0.08%	\$1,470,939	98.46%	\$6,537	\$1,476,278	\$5,339	5.11%	102
Federal Home Loan Bank Notes	3.55%	63,316,869	98.55%	769,736	63,072,019	(244,850)	4.96%	593
Federal Home Loan Mortgage Corp. Notes	2.80%	49,902,680	99.07%	604,285	49,534,330	(368,350)	5.16%	877
Corporate Medium Term Notes	1.30%	23,098,233	97.94%	267,505	22,977,584	(120,649)	5.09%	526
Money Market Funds	0.57%	10,074,130	100.00%	183,437	10,074,130	-	5.07%	1
Negotiable Certificates of Deposit	4.10%	72,975,975	99.95%	1,575,824	72,966,145	(9,830)	4.96%	52
Commercial Paper	1.70%	30,255,451	98.87%	-	-	(101,052)	5.03%	54
Municipal Funds	5.25%	93,500,000	100%	340,824	93,500,000	-	3.41%	1
Municipal Bonds	19.27%	343,140,109	100.41%	203,217	343,152,598	12,489	3.27%	6,755
Guaranteed Investment Contracts	61.38%	1,093,144,213	100.00%	-	1,093,144,213	-	3.46%	365
Totals	100.00%	\$1,780,878,599	99.95%	\$3,951,365	\$1,780,051,696	(\$826,903)	3.64%	1,582

A complete list of the current Pool's holdings is available on the Internet at www.sdtreastax.com. The apportionment rate during fiscal year 2005/2006 was 3.47%. The preceding 3-year average return was 2.43% and 5-year average return was 2.79%.

San Diego County Pooled Money Fund
Asset Allocation at Fair Value
as of June 30, 2006



SCHEDULE OF INVESTMENT POOL TOP TEN FIXED-INCOME SECURITIES AS OF JUNE 30, 2006

POOL TOP TEN FIXED INCOME SECURITIES			
Security Name	Cusip No.	Par	Fair Value
GRAMPIAN FDG LLC COMMERCIAL PAPER	38500MG34	\$ 155,000,000	\$ 154,932,265
MORGAN STANLEY REPURCHASE AGREEMENT	VARIOUS	100,000,000	100,000,000
DEUTSCHE BANK REPURCHASE AGREEMENT	VARIOUS	100,000,000	100,000,000
SIGMA FIN INC COMMERCIAL PAPER	8265P1G54	100,000,000	99,927,100
ABBEY NAT LLC COMMERCIAL PAPER	0027A1G52	100,000,000	99,927,100
FEDERAL HOME LOAN BANK	3133XFJX5	75,000,000	74,417,700
FEDERAL HOME LOAN BANK	31339YJN3	70,000,000	69,917,386
CHESHAM FINANCE COMMERCIAL PAPER	16536JG35	65,000,000	64,971,595
GOLD FISH LLC COMMERCIAL PAPER	38101FG57	56,083,000	56,042,116
YANKEE CERTIFICATE OF DEPOSIT RABOBANK NED NY	PP7QFJUA2	50,000,000	56,042,116

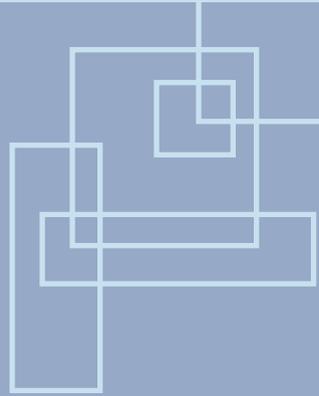
**SCHEDULE OF COMBINED DEDICATE PORTFOLIOS
TOP TEN FIXED-INCOME SECURITIES**
AS OF JUNE 30, 2006

COMBINED DEDICATED PORTFOLIOS TOP TEN FIXED-INCOME SECURITIES			
Security Name	Cusip No.	Par	Fair Value
Guaranteed Investment Contract - COSD REF G-01171	N/A	250,091,201	250,091,201
Guaranteed Investment Contract - SDCCD REF G-01243	N/A	227,701,650	227,701,650
Guaranteed Investment Contract - SDUSD REF G-01180-001	N/A	214,806,367	214,806,367
Guaranteed Investment Contract - SDUSD REF G-01195-001	N/A	204,449,988	204,449,988
Guaranteed Investment Contract - GCCCD REF G-16747	N/A	100,154,065	100,154,065
Guaranteed Investment Contract - SDUSD REF G-01172-001	N/A	69,757,978	69,757,978
CALIFORNIA STATEWIDE COMMUNITIES	130911D64	25,000,000	25,029,000
NEGOTIABLE CERTIFICATE OF DEPOSIT TORONTO DOMIN. NY	8911A14FO	25,000,000	24,997,025
NEGOTIABLE CERTIFICATE OF DEPOSIT FORTIS BANK NY	34956MCK8	25,000,000	24,978,300
FEDERAL HOME LOAN MORTGAGE CORPORATION	3128X4XW6	25,000,000	24,832,325

SCHEDULE OF FEES BY CATEGORY
AS OF JUNE 30, 2006

SCHEDULE OF FEES	
BANKING FEES	
BANK OF AMERICA	\$ 299,936
WELLS FARGO	771,144
BANKING FEES TOTAL	1,071,080
CUSTODIAL FEES	
STATESTREET BANK	94,496
CUSTODIAL FEES TOTAL	94,496
APPLICATION FEES	
BLOOMBERG TRADING SYSTEM	185,417
SUNGARD PORTFOLIO MANAGEMENT SYSTEM	11,043
APPLICATION FEES TOTAL	196,460
TOTAL FEES	\$ 1,362,036

STATISTICAL SECTION



OBJECTIVES

This section presents detailed information on the Pool with historical perspective as a context for understanding and using the information in the financial statements, note disclosures, and required supplementary information.

The following schedules contain five-year trend information to help the reader assess the changes over time.

SCHEDULE OF ADDITIONS, DEDUCTIONS OF POOLED INVESTMENTS AND CHANGES IN NET ASSETS

This table allows the reader to evaluate the movements of increases and decreases in net assets.

SCHEDULE OF EARNINGS, RETURNS, EXPENSES, APPORTIONMENT RATE, AVERAGE DAILY BALANCES (ADB) AND RATIO OF FEES/ADB

This table contains information to help the reader assess the Pool's performance. It also presents the related expenses and its impact on returns.

SCHEDULE OF EXPENSES

This table presents expenses by object to help the reader evaluate the fees and expenses incurred by the Pool.

ASSET ALLOCATION

This table presents historical changes in asset allocation to help the reader evaluate portfolio diversity and risk.

ASSET VALUE BY MAJOR PARTICIPANT

This table presents historical changes in the value held by the Pool participants to help the reader identify and assess the major group who hold and contribute resources to the Pool.

SAN DIEGO COUNTY INVESTMENT POOL
SCHEDULE OF ADDITIONS, DEDUCTIONS OF POOL INVESTMENTS
AND CHANGES IN NET ASSETS

FOR THE FISCAL YEARS ENDED:	6/30/06	6/30/05	6/30/04	6/30/03	06/30/02
NET ASSETS, BEGINNING OF YEAR	\$4,131,299,129	\$3,799,621,101	\$3,858,274,156	\$3,252,138,901	\$2,767,788,469
ADDITIONS					
ADDITIONS TO POOLED INVESTMENTS	28,473,113,569	26,593,131,286	37,800,817,256	36,207,523,331	35,031,870,944
NET INCREASE/ (DECREASE) IN FAIR VALUE OF INVESTMENTS	28,912,662	(27,930,661)	(36,912,555)	(3,735,502)	5,520,271
NET INVESTMENTS INCOME	140,131,928	93,727,388	66,442,613	78,505,059	107,978,168
TOTAL ADDITIONS	28,642,158,159	26,658,928,013	37,830,347,314	36,282,292,888	35,145,369,383
DEDUCTIONS					
DEDUCTIONS FROM POOLED INVESTMENTS	28,629,147,195	26,233,522,597	37,821,417,224	35,596,672,002	34,552,164,268
DISTRIBUTION TO PARTICIPANTS/ PORTFOLIO OWNERS	136,174,373	89,470,591	63,539,605	75,555,211	104,956,793
ADMINISTRATIVE EXPENSES	3,957,556	4,256,797	4,043,540	3,930,420	3,897,890
TOTAL DEDUCTIONS	28,769,279,124	26,327,249,985	37,889,000,369	35,676,157,633	34,661,018,951
CHANGES IN NET ASSETS	(127,120,965)	331,678,028	(58,653,055)	606,135,255	484,350,432
NET ASSETS, END OF YEAR	\$4,004,178,164	\$4,131,299,129	\$3,799,621,101	\$3,858,274,156	\$3,252,138,901

SAN DIEGO COUNTY INVESTMENT POOL
SCHEDULE OF EARNINGS, RETURNS, EXPENSES, APPORTIONMENT RATE,
AVERAGE DAILY BALANCES (ADB) AND RATIO OF FEES/ADB

FISCAL YEAR	Interest Earnings	Effective Yield	Expenses	Net Distributed	Apport. Rate	Avg. Daily Balances (In Millions)	Ratio of Fees/ADB
2005/2006	\$ 141,493,964	3.54%	\$ 5,319,592	\$ 136,174,372	3.47%	\$ 4,154.7	0.13%
2004/2005	94,916,466	2.32%	5,445,875	89,470,591	2.24%	4,182.8	0.13%
2003/2004	67,583,142	1.64%	4,033,540	63,539,602	1.59%	4,168.7	0.10%
2003/2002	79,485,631	2.38%	3,930,420	75,555,211	2.32%	3,430.2	0.11%
2001/2002	108,854,683	3.83%	3,897,890	104,956,793	3.84%	2,949.0	0.13%

SAN DIEGO COUNTY INVESTMENT POOL
SCHEDULE OF EXPENSES
(Investment and Administrative Costs)

FOR THE FISCAL YEARS ENDED	6/30/06	6/30/05	6/30/04	6/30/03	06/30/02
INVESTMENT EXPENSES:					
BANKING	\$ 1,071,080	\$ 857,252	\$ 967,323	\$ 807,794	\$ 709,299
STATE STREET BANK - CUSTODIAL EXPENSES	94,496	109,612	88,182	88,974	86,196
BLOOMBERG	185,417	217,186	56,600	52,745	50,490
SUNGARD FINANCIAL SYSTEMS	11,043	5,028	28,424	31,059	30,600
TOTAL INVESTMENT EXPENSES	1,362,036	1,189,078	1,140,529	980,572	876,515
ADMINISTRATIVE EXPENSES:					
ALLOCATED COSTS BY COUNTY:					
EQUIPMENT COST	56,336	55,153	65,815	57,566	315,455
COMPUTER-RELATED EXPENSES					
SOFTWARE SERVICES	163,011	10,161	56,371	40,500	40,500
WASSAU FINANCIAL SYSTEM	163,990	232,007	-	-	46,640
OTG SOFTWARE INC	-	-	-	77,490	63,000
SALARIES & BENEFITS	2,107,955	1,947,523	1,750,405	1,540,932	1,448,103
SERVICES & SUPPLIES	269,158	1,016,979	106,680	402,262	449,534
DEPARTMENT OVERHEAD	400,395	210,900	347,421	242,346	291,623
EXTERNAL OVERHEAD	576,711	564,074	426,319	438,752	226,520
SUB-TOTAL	3,737,556	4,036,797	2,753,011	2,799,848	2,881,375
AUDITOR & CONTROLLER ALLOCATED COST	220,000	220,000	150,000	150,000	140,000
TOTAL ADMINISTRATIVE EXPENSES	3,957,556	4,256,797	2,903,011	2,949,848	3,021,375
GRAND TOTAL EXPENSES	\$ 5,319,592	\$ 5,445,875	\$ 4,043,540	\$ 3,930,420	\$ 3,897,890

SAN DIEGO COUNTY INVESTMENT POOL
ASSET ALLOCATION
FAIR VALUE
(Dollar amount in thousands)

INVESTMENT TYPE	6/30/06		6/30/05		6/30/04		6/30/03		06/30/02	
	Amount	%								
U.S. Government Agencies	\$1,645,272	41.19%	\$1,793,294	43.92%	\$1,460,381	38.82%	\$1,586,692	41.46%	\$862,361	27.00%
U.S. Treasury Notes	-	0.00%	98,555	2.41%	123,016	3.27%	-	0.00%	-	0.00%
Commercial Paper	1,190,899	29.82%	1,135,940	27.82%	1,049,756	27.91%	1,209,651	31.61%	1,080,636	33.83%
Corporate Medium - Term Notes	324,129	8.12%	294,883	7.22%	175,232	4.66%	61,300	1.60%	-	0.00%
Repurchase Agreements	218,391	5.47%	50,000	1.23%	200,000	5.32%	325,000	8.49%	450,000	14.09%
Negotiable Cert. of Deposit	484,821	12.14%	623,287	15.27%	669,739	17.80%	325,275	8.50%	540,965	16.94%
Money Market Mutual Funds	54,050	1.35%	27,600	0.68%	34,400	0.91%	319,100	8.34%	260,000	8.14%
Asset Backed Notes	76,307	1.91%	59,128	1.45%	49,313	1.31%	-	0.00%	-	0.00%
TOTAL	\$3,993,869	100.0%	\$4,082,687	100.0%	\$3,761,837	100.0%	\$3,827,018	100.0%	\$3,193,962	100.0%

PARTICIPANT ASSET VALUE

PARTICIPANTS	6/30/06		6/30/05		6/30/04		6/30/03		06/30/02	
	Amount	%								
County	\$1,512,466	37.87%	\$1,326,085	32.48%	\$1,419,976	37.75%	\$1,084,197	28.33%	\$1,008,008	31.56%
Non County Investments	241,228	6.04%	388,864	9.52%	126,864	3.37%	484,839	12.67%	441,997	13.84%
K-12 Schools	71,490	1.79%	1,946,789	47.68%	1,887,028	50.16%	1,820,997	47.58%	1,513,602	47.39%
Community Colleges	1,963,370	49.16%	354,746	8.69%	231,956	6.17%	274,865	7.18%	139,912	4.38%
Voluntary Deposits	224,454	5.62%	94,134	2.31%	124,800	3.32%	152,709	3.99%	76,316	2.39%
Undistributed and Unrealized Gains/ Losses	(19,139)	-0.48%	(27,931)	-0.68%	(28,787)	-0.77%	9,411	0.25%	14,127	0.44%
TOTAL	\$3,993,869	100.0%	\$4,082,687	100.0%	\$3,761,837	100.0%	\$3,827,018	100.0%	\$3,193,962	100.0%

