



# San Diego County Investment Pool California

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2004**



Issued By

**Dan McAllister**  
Treasurer-Tax Collector

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# INTRODUCTORY SECTION



**Dan McAllister**  
**TREASURER-TAX COLLECTOR**

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SAN DIEGO, CALIFORNIA 92101-2475 • (619) 531-5225, FAX (619) 595-4605

**Dan Kelley**  
Assistant Treasurer -  
Tax Collector

**Sandra Parker**  
Deputy Treasurer

December 23, 2004

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 Investment Pool (the "Pool") for the fiscal year ended June 30, 2004. 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 results of operations of the Pool 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 Pool's financial activities have been included.

The San Diego County Investment Pool's financial statements have been audited by Macias Gini & Company 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 Investment Pool for the fiscal year ended June 30, 2004, 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 Investment Pool's financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the second 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 Investment Pool's MD&A can be found preceding the report of the independent auditors. The information on the MD&A is not covered by the auditor's report. It is presented for the benefit of the readers of the Comprehensive Annual Financial 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 Pool, 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 & Company LLP.
3. The investment section provides an overview of the Treasurer office's investment program. This section contains information relating to the investment activities of the Pool, including a summary of the Pool'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 investments.

### **Profile of the San Diego County 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 \$3.8 billion in assets as of June 30, 2004. 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, 2004 is \$1.4 billion while the external portion that is not part of the County is \$2.4 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, page 27 and 28).

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 97% as of June 30, 2004.

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, 2004, Voluntary Participants accounted for approximately 3% of the Pool.

Community Colleges fall somewhere between Mandatory and Voluntary Participants. While they have the ability to invest funds outside of the County Treasury, they receive banking, checking, and investment services from the County. They are included in the 97% 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) and Federal Wire payments, acceptance of deposits, fund accounting and account reconciliation.

### **Investment Policies and Practices**

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 2004/2005:

- ❖ 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, bankers' acceptances, commercial paper, corporate bonds and medium-term notes, asset-backed securities, money market mutual funds, Local Agency Investment Fund (LAIF), repurchase agreements and collateralized certificates of deposit. The maturities of the investments range from one day to four years, with an average weighted maturity of 402 days. The weighted average effective yield (annualized) on investments was 1.72%. 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 2003/2004 fiscal year, investments provided a 1.59% 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 2.56% and 3.95% 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 21-29) of this CAFR for additional information on investments.

## **Significant Events of the Year**

During the fiscal year 2003/2004, significant events included:

The San Diego County Investment Pool remained rated 'AAAf/S1' by Standard & Poor's, a nationally recognized rating agency. This reflects the extremely strong protection the Pool's portfolio investments provide against losses from the 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 include:

- ❖ 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.

The Pool's maturity structure was affected by the turmoil with the State budget crisis. In order to provide ample liquidity to all Pool participants, the duration was kept shorter than normal which affected the yield with record low short-term rates.

## **Awards and Acknowledgement**

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 fiscal year ended June 30, 2003. This was the sixth 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 Investment Pool's activities for all those with an interest in the Pool's investment activities. Questions concerning any of the information provided in this report or requests for additional financial information, including a complete list of the Pool's 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](http://www.sdtreastax.com).

Respectfully,

A handwritten signature in blue ink, appearing to read "Dan McAllister". The signature is written in a cursive, flowing style with a large initial "D" and "M".

Dan McAllister  
Treasurer-Tax Collector





The Government Finance Officers Association  
of the United States and Canada

*presents this*

**AWARD OF FINANCIAL REPORTING ACHIEVEMENT**

*to*

**Dan McAllister**  
Treasurer-Tax Collector  
San Diego County Investment Pool, California



*The award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the individual(s) designated as instrumental in their government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.*

Executive Director

Date September 15, 2004

# TREASURY OVERSIGHT COMMITTEE

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

**Dan McAllister**  
Treasurer-Tax Collector  
County of San Diego

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

**Don Shelton, Ed.D.**  
Assistant Superintendent  
San Diego Office of Education

**Scott Patterson**  
Chief Financial Officer  
San Diego City Schools

**Harry Ehrlich**  
Deputy General Manager  
Independent Special Districts

**Victor M. Calderon, CPA**  
Public Member

**Wilmer Cooks, Business Owner**  
Public Member

## Non-Member Representatives

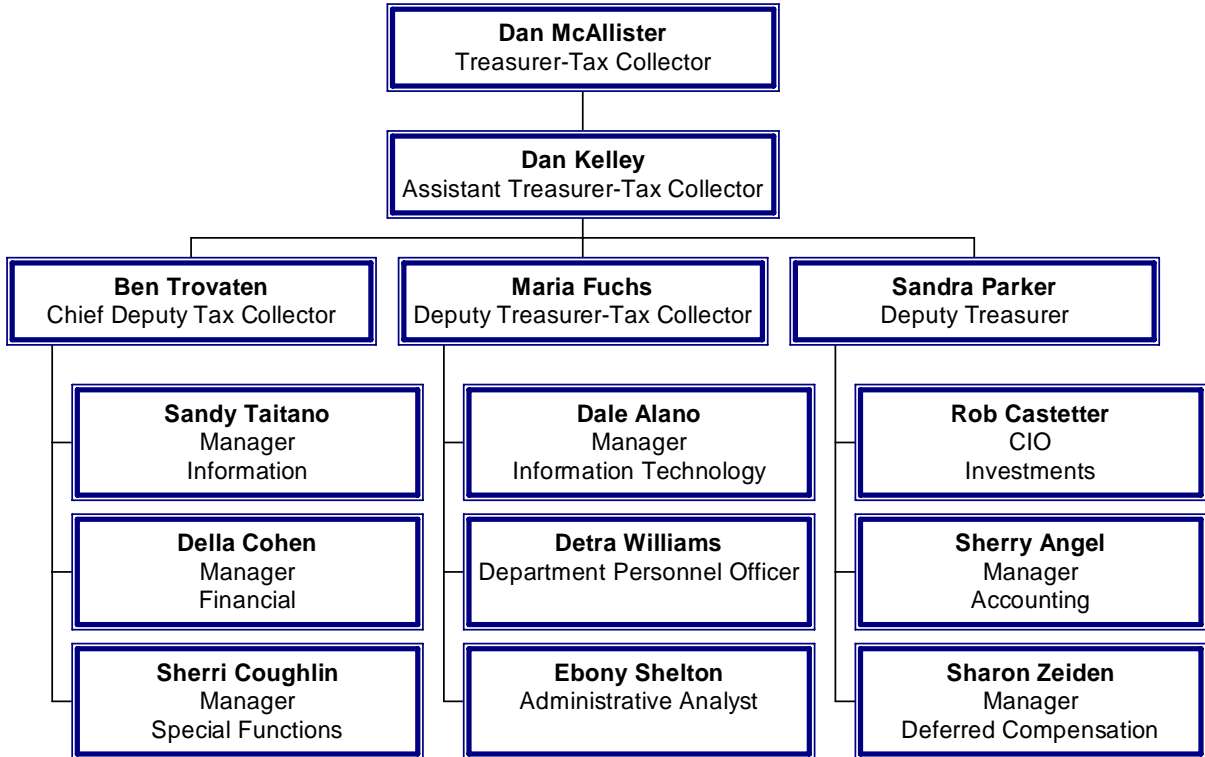
**Donald Steuer**  
Chief Financial Officer  
County of San Diego

**Marlene Kelleher**  
Financial Services Manager  
SANDAG

**Barbara Underwood**  
Director of Finance/Treasurer  
City of Chula Vista

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

# Treasurer-Tax Collector Organization Chart



## Treasury Staff Members

Sandra Parker  
Deputy Treasurer

Sherry Angel  
Manager

Tanya Eames  
Senior Accountant

Olimpia Reyes  
Senior Accountant

Rosella Perez  
Supervising TTC Specialist

Rob Castetter  
Chief Investment Officer

Mark Friedrich  
Investment Officer

Jing Hua  
Principal TTC Specialist

Leanne Lee  
Assistant Accountant

Grace Corpuz  
Senior TTC Specialist

# FINANCIAL SECTION

**San Diego County Investment Pool  
Management's Discussion and Analysis  
Unaudited  
June 30, 2004**

As management of the San Diego County Investment Pool, we offer readers of the Pool's financial statements this narrative overview and analysis of the financial activities of the San Diego County Investment Pool for the fiscal year ended June 30, 2004. 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 Investment Pool's financial status.

**Financial Overview**

- ❖ The assets of the San Diego County Investment Pool exceeded its liabilities at the close of the most recent fiscal year by \$3,799,621,101 (*net assets*).
- ❖ The Pool's total net assets decreased by \$58,653,055. This represents a net decrease of 1.5% over the last fiscal year 2003.
- ❖ The interest earnings of the Pool decreased from \$79.5 million for the year ended June 30, 2003 to \$67.6 million for the year ended June 30, 2004. In order to provide ample liquidity to all Pool participants, the duration was kept shorter than normal which affected the yield because of record low short-term rates.
- ❖ During the year, the Pool distributed \$63.5 million to participants compared to the previous year's distribution of \$75.6 million.
- ❖ The Pool's expense ratio remained very competitive at 0.11% of the average daily balance for the fiscal year 2002-03 and 0.10% for the fiscal year 2003-04.
- ❖ The fair value of the portfolio showed an unrealized loss of \$38 million (1.0% of portfolio fair value) at June 30, 2004 compared to an unrealized loss of \$4.7 million (0.1%) at June 30, 2003.

In order to provide ample liquidity to all Pool participants as mandated by the investment policy, the durations of investments in the Pool were kept shorter than normal. However, record low short-term interest rates for most of the year depressed yields, resulting in decreases in the Pool's total net assets, interest earnings, participant distributions, and unrealized gains for fiscal year 2003/2004.

The market's anticipation of an interest rate increase by the Federal Reserve Bank at the end of fiscal year 2003/2004 caused interest rates to rise, creating an unrealized loss at June 30, 2004 as the investments in the pool were devalued with each interest rate increase. However, the short-term duration of the investments in the Pool allows the Pool to be well positioned to take advantage of interest rate increases as the portfolio reprices. As interest rates continue to rise, the unrealized loss reported as of June 30, 2004 will decrease significantly if the current trend toward higher interest rates continues.

Another factor contributing to the decrease in the Pool's earnings for the year ended June 30, 2004, was the infusion of \$854 million from bond transactions. The proceeds from the bond transactions were invested at record low short-term interest rates, thereby diluting the Pool's earnings. The short-term maturities of the investments, however, will allow the portfolio to reprice itself in a more favorable market than at June 30, 2004.

## Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the San Diego County Investment Pool's basic financial statements. The Pool'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 Investment Pool's assets and liabilities, with the difference between the two reported as *net assets*. The net assets held in trust for the Pool participants decreased by \$58.7 million (1.5%) for the year ended June 30, 2004.

## Net Assets Held in Trust for Pool Participants

A summary of the net assets held in trust for Pool participants is presented below.

Statement of Net Assets				
	2004	2003	Increase/(Decrease) Amount	Percentage
<b>Assets</b>				
Investments at Fair Value	\$ 3,761,837,116	\$ 3,827,018,521	\$ (65,181,405)	-1.70%
Cash & Receivables	55,333,222	49,066,283	6,266,939	12.77%
<b>Total Assets</b>	<b>3,817,170,338</b>	<b>3,876,084,804</b>	<b>(58,914,466)</b>	<b>-1.52%</b>
<b>Liabilities</b>				
Distributions Payable & Accrued Expense	(17,549,237)	(17,810,648)	(261,411)	1.47%
<b>Total Liabilities</b>	<b>(17,549,237)</b>	<b>(17,810,648)</b>	<b>(261,411)</b>	<b>1.47%</b>
<b>Net Assets held in Trust for Pool Participants</b>	<b>\$ 3,799,621,101</b>	<b>\$ 3,858,274,156</b>	<b>\$ (58,653,055)</b>	<b>-1.52%</b>

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 pooled 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 pooled investments, distributions to 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.

## Changes in Net Assets

A summary of the changes in net assets is presented below:

Statement of Changes in Net Assets				
	2004	2003	Increase/(Decrease) Amount	Percentage
<b>Additions</b>				
Additions To Pooled Investments	\$ 37,800,817,256	\$ 36,207,523,331	\$1,593,293,925	4.40%
Investment Income	29,530,058	74,769,557	(45,239,499)	-60.51%
Total Additions	<u>37,830,347,314</u>	<u>36,282,292,888</u>	<u>1,548,054,426</u>	<u>4.27%</u>
<b>Deductions</b>				
Deductions From Pooled Investments	37,821,417,224	35,596,672,002	2,224,745,222	6.25%
Distributions To Participants	63,539,605	75,555,211	(12,015,606)	-15.90%
Administrative Expenses	4,043,540	3,930,420	113,120	2.88%
Total Deductions	<u>37,889,000,369</u>	<u>35,676,157,633</u>	<u>2,212,842,736</u>	<u>6.20%</u>
Change in Net Assets For the Year	(58,653,055)	606,135,255	(664,788,310)	-109.68%
Net Assets, Beginning of Year	<u>3,858,274,156</u>	<u>3,252,138,901</u>	<u>606,135,255</u>	<u>18.64%</u>
<b>Net Assets, Ending of Year</b>	<b>\$ 3,799,621,101</b>	<b>\$ 3,858,274,156</b>	<b>\$ (58,653,055)</b>	<b>-1.52%</b>

While additions to pooled investments increased by 4.4% over the previous year, investment income decreased by \$45.2 million (60.5%) for the fiscal year ended June 30, 2004, due to the difficult financial markets.

The Investment Pool is managed for the sole benefit of the participants. All income is distributed quarterly after deducting administrative costs. Deductions from pooled investments increased by 6.25% over the previous year. Distributions to participants decreased by \$12 million (15.90%) due to reduced earnings in the Pool. Administrative expenses increased by \$113,120 (2.88%) over the previous year. The overall net decrease in net assets was \$58.7 million for the fiscal year ended June 30, 2004 and \$606 million net increase for June 30, 2003.

The State of California budget crisis, record low interest rates compounded by the State's recession, and the Iraq war contributed to a reduced earnings rate on the Pool.



**MACIAS GINI & COMPANY<sup>LLP</sup>**

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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 Investment Pool, County of San Diego, California (Investment Pool), as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of Investment Pool 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 Investment Pool and do not purport to, and do not, present fairly the financial position of the County of San Diego, California as of June 30, 2004 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 Investment Pool, County of San Diego, California, as of June 30, 2004, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory, management's discussion and analysis, investment and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. These 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 & Company LLP*

Certified Public Accountants

Los Angeles, California  
December 23, 2004



**San Diego County Investment Pool  
Statement of Net Assets  
June 30, 2004**

**ASSETS****Investments at Fair Value:****U.S. Government Agencies**

Federal Home Loan Mortgage Corporation Notes	\$ 124,153,355
Federal Home Loan Bank Notes	474,796,911
Federal National Mortgage Association Notes	429,928,369
Federal Farm Credit Bank Notes	431,503,014

**U.S. Treasury Notes**

123,015,625

**Short-Term Notes:**

Commercial Paper	1,049,755,992
Corporate Medium-Term Notes	175,232,148

**Repurchase Agreements Collateralized By**

Money Market Securities	200,000,000
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**Negotiable Certificates of Deposit**

669,739,202

**Money Market Mutual Funds**

34,400,000

**Asset-Backed Notes**

49,312,500

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 3,761,837,116
**Other Assets:**

Cash on Hand and In Banks	39,864,730
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Receivables and Other	15,468,492
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<b>Total Assets</b>	<b>3,817,170,338</b>
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**LIABILITIES**

Distributions Payable	16,575,796
-----------------------	------------

Accrued Expenses	973,441
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<b>Total Liabilities</b>	<b>17,549,237</b>
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<b>NET ASSETS</b>	<b>\$ 3,799,621,101</b>
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See Notes to the Basic Financial Statements

## STATEMENT B

**San Diego County Investment Pool  
Statement of Changes in Net Assets  
For the Year Ended June 30, 2004**

<b>ADDITIONS</b>	
Additions To Pooled Investments	\$ 37,800,817,256
Investment Income:	
Net Decrease in Fair Value of Investments	(38,053,084)
Interest	67,583,142
Total Investment Income	<u>29,530,058</u>
Total Additions	<u>37,830,347,314</u>
<b>DEDUCTIONS</b>	
Deductions From Pooled Investments	37,821,417,224
Distributions To Participants	63,539,605
Administrative Expenses	4,043,540
Total Deductions	<u>37,889,000,369</u>
Change in Net Assets	(58,653,055)
Net Assets, Beginning of Year	<u>3,858,274,156</u>
Net Assets, End of Year	<u>\$ 3,799,621,101</u>

See Notes to the Basic Financial Statements

**San Diego County Investment Pool  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2004**

**Summary of Significant Accounting Policies**

**The Financial Reporting Entity**

The San Diego County Investment Pool (the Pool) is a local government investment pool with approximately \$3.8 billion in assets as of June 30, 2004. It is headed 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 Investment Pool is managed by the County Treasurer's Office on behalf of the Pool participants, which 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 97%. 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 an oversight committee that monitors and reviews the Pool's investment policy. The oversight committee 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. 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 bank balance of the Pool's deposits with various financial institutions totaled \$39,864,730. This amount consisted of \$39,472,730 in demand deposits and \$392,000 in collateralized deposits. Of these amounts, \$692,000 was covered by federal deposit insurance and \$39,172,730 was considered a collateralized custodial credit risk. Collateralized custodial risk is defined by GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements" as bank balances collateralized with

securities held in trust 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. Investments:** The San Diego County Investment Pool operates under the prudent person standard. State statutes, 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, bankers' acceptances, commercial paper, medium-term notes, asset-backed securities, negotiable certificates of deposit, repurchase and reverse repurchase agreements, money market mutual funds, Local Agency Investment Fund and collateralized certificates of deposit.

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 \$978,250,000 were sold during the year with net gain of \$1,603,534. 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.

Investments are categorized below to give an indication of the level of custodial credit risk at year-end.

- ❖ Category 1 – Includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name.
- ❖ Category 2 – Includes uninsured and unregistered investments for which the securities are held by the counter-party's trust department or agent in the County's name.
- ❖ Category 3 – Includes uninsured and unregistered investments for which the securities are held by the counter-party or by its trust department or agent, but not in the County's name.

**San Diego County Investment Pool**  
**Fair Value**  
June 30, 2004

Except for the Open-End Institutional Money Market Funds, the entire portfolio is under Category 1:

	Rate Range %	Maturity Date Range	Par Value (000)	Amortized Cost (000)	Fair Value (000)
U.S. Government Agencies					
Federal Home Loan Bank	1.80 - 3.38	8/04 - 7/07	\$480,960	\$480,978	\$474,797
Federal Home Loan Mortgage Corp.	2.25 - 4.50	7/04 - 12/06	125,000	125,173	124,153
Federal Nat'l Mortgage Assn.	2.00 - 3.50	9/04 - 4/07	435,691	435,731	429,928
Federal Farm Credit Bank	2.05 - 2.67	10/05 - 4/07	439,000	439,000	431,503
US Treasury Notes	1.50 - 2.25	3/06 - 4/06	125,000	124,089	123,016
Short-Term Notes					
Commercial Paper	1.05 - 1.29	7/04 - 10/04	1,051,498	1,050,122	1,049,756
Medium-Term Notes	2.00 - 5.35	1/06 - 9/06	175,000	176,431	175,232
Asset-Backed Notes	2.50 - 2.55	4/06 - 1/07	50,000	49,678	49,313
Repurchase Agreements	1.56 - 1.57	7/04	200,000	200,000	200,000
Negotiable Certificates of Deposit	1.20 - 1.54	8/04 - 2/06	675,000	675,021	669,739
Total Categorized Securities			3,757,149	3,756,223	3,727,437
Open-End Inst'l. Money Market Funds	0.97	7/04	34,400	34,400	34,400
<b>Total Investments</b>			<b>\$3,791,549</b>	<b>\$3,790,623</b>	<b>\$3,761,837</b>

The entire portfolio as of June 30, 2004 is under Category 1 except for Open-End Institutional Money Market Funds, which do not fall under any of the above categories as the investment in these funds are not evidenced by specific securities.

### 3. Receivables and Payables

Receivables consist of interest accrued on investments. The payables represent the interest for the last quarter that will be distributed to Pool participants. Accrued expenses represent the administrative fees for the last quarter of the fiscal year 2003/2004.

### 4. Interest Apportionment

Earnings on investments 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 fiscal year ended June 30, 2004, the Pool distributed \$63.5 million of investment earnings compared to the previous year's distribution of \$75.6 million.

### 5. 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.

## 6. Portfolio Pool Participant Composition

The County portion of the Investment Pool net assets as of June 30, 2004 is \$1.4 billion. As of June 30, 2004, the Pool participants by percentage of net assets consist of:

<b>Participants</b>	
County Funds	37.5%
Unapportioned Tax/Interest Funds/Other	3.3%
K-12 Schools	49.8%
Community Colleges	6.1%
Voluntary Deposits	3.3%
<b>Total</b>	<b>100.0%</b>

## 7. 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 \$2.8 million in the current fiscal year.

## 8. New Governmental Accounting Standard

In March 2003, GASB issued (Statement No. 40), Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3. This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risk identified in this statement also should be disclosed. The County will implement the new reporting requirements in the fiscal year 2004-05 financial statements.

# 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 2003/2004 the Pooled Money Fund activities included the following:

- ❖ During the year, the Pool structure has remained in compliance with the maturity policy, which requires 25% of securities to mature in 90 days, 25% to mature from 91-365 days, and 50% to mature in one to five years; as of June 30, 2004 the Pool has 53% maturing less than one year.
- ❖ The Pool has had an increase in weighted average days to maturity from 372 days at June 30, 2003 to 402 days at June 30, 2004.
- ❖ The Pool's total net assets decreased by 1.5% from \$3,858,274,156 at 2002/2003 to \$3,799,621,101 at 2003/2004.
- ❖ The unrealized loss increased from \$4.7 million at June 30, 2003 to \$38 million at June 30, 2004.
- ❖ The weighted average effective yield (annualized) of the Investment Pool slightly decreased from 1.74% for the year ended June 30, 2003 to 1.72% for the year ended June 30, 2004.
- ❖ The Pool's expense ratio remained very competitive at 0.11% of the average daily balance for the fiscal year 2002/2003 and 0.10% for 2003/2004.
- ❖ During fiscal year 2003/2004, the Pool incurred professional fees of \$1,196,900 compared to the previous year of \$1,098,562 (see Schedule of Professional Fees on page 32).
- ❖ The Pool maintained an 'AAAf/S1' rating by Standard & Poor's, a nationally recognized rating agency.

## **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.



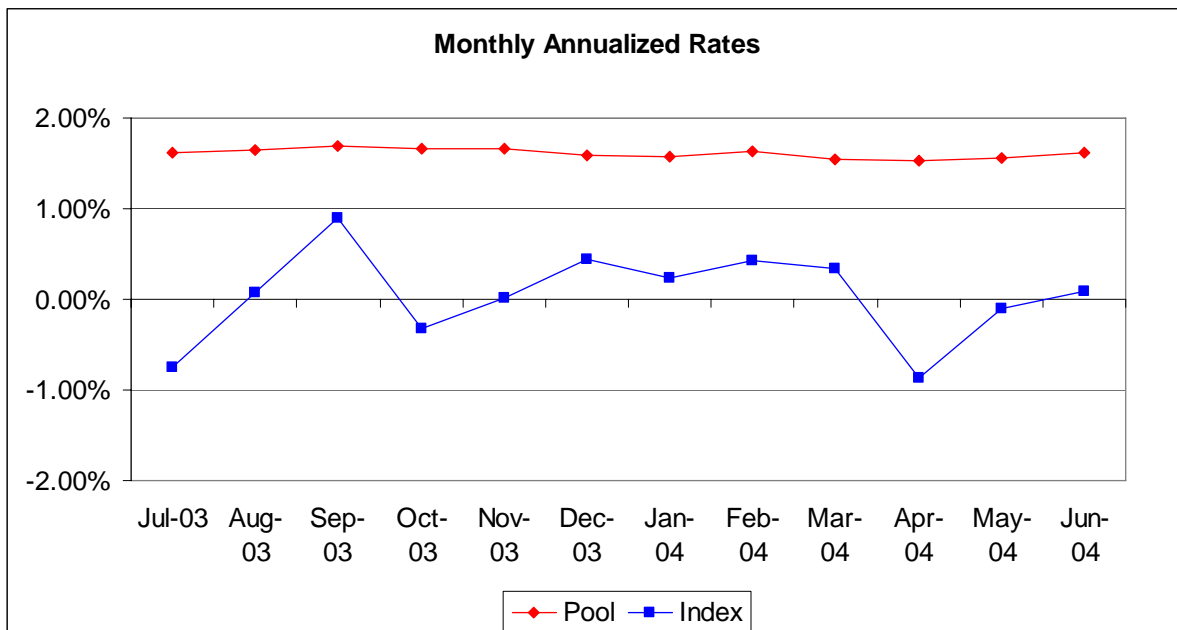
On an annual basis, the Treasurer’s Oversight Committee (TOC) reviews and approves the Treasurer’s Pooled Money Fund Investment Policy. Once the TOC has recommended approval, the Board of Supervisors reviews and adopts the Investment Policy in a public forum. The Policy focuses on risk management by 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.

## 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 2003/2004 was at 1.61% while the average monthly annualized market value return for the index was 0.04%. The custom index is made up of the following components:

<u>Investment Type</u>	<u>Maturity Range</u>	<u>Allocation</u>
• Treasuries	1 – 3 year	24%
• Treasuries	3 – 5 year	24%
• T-Bills	0 – 3 mos	12.50%
• T-Bills	3 – 6 mos	9%
• T-Bills	6 – 9 mos	9%
• T-Bills	12 mos	9%
• US Libor	1 mo	6.25%
• US Libor	3 mos	6.25%

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



**Performance Returns**  
**As of June 30, 2004**

Performance returns for each asset class are displayed in the following table. The calculations were prepared using time-weighted rates of return in accordance with AIMR's Performance Presentation Standards.

INVESTMENT TYPE	Reported in Percentages		
	1 Year	3 Years	5 Years
<b>TOTAL PLAN</b>	<b>1.70</b>	<b>2.25</b>	<b>2.40</b>
<b>CUSTOM INDEX</b>	<b>1.75</b>	<b>6.84</b>	<b>3.28</b>
U. S. GOVERNMENT AGENCIES			
FHLMC QUARTERLY	1.62	1.62	1.62
FHLB QUARTERLY	1.30	1.30	1.30
FNMA DISCOUNT NOTES	-	1.22	1.22
FHLB DISCOUNT NOTES	-	1.22	1.22
FFCB	2.34	2.35	2.35
FHLB	2.31	3.30	3.70
FNMA	2.51	3.63	3.77
FHLMC	2.80	3.64	3.81
U.S. TREASURY NOTES	1.61	1.61	1.61
MEDIUM-TERM NOTES			
MEDIUM-TERM NOTES	4.01	4.56	4.56
MEDIUM-TERM NOTES ACT/360	1.12	1.22	1.22
SHORT-TERM NOTES			
COMMERCIAL PAPER	1.11	1.42	1.42
ASSET BACKED SECURITIES	2.53	2.53	2.53
REPURCHASE AGREEMENTS	1.08	1.35	1.35
NEGOTIABLE CERTIFICATES OF DEPOSIT FIXED	1.26	1.72	1.72
NEGOTIABLE CERTIFICATES OF DEPOSIT 30/360	1.53	1.53	1.53
OPEN-END INST'L MONEY MARKET FUNDS	0.94	1.74	2.39

**Income Allocation**

The interest earned by each participant is proportionate to the average daily balance of the local agency. Prior to distribution, expenses incurred by the County are deducted from the earnings of the Pooled Money Fund. The Pool's expense ratio for fiscal year 2003/2004 was 0.10% of the average daily balance. The apportionment rate is set approximately two weeks after each calendar quarter-end. The earnings are usually credited in two increments, with the first distribution occurring during the second month after quarter-end. The second distribution will be made the following month, which is the last month of the new quarter. The incremental amounts that can be distributed are based on the balance in the Apportionment Fund. Generally sixty-percent (60%) or more of the quarterly earnings will be distributed during the first apportionment and the balance will be distributed during the second apportionment. Apportionments are not paid out by warrants; all earnings are reinvested in the Pool.

## **Economic Environment**

The year 2003 was a classic recovery for the economy and the markets. We entered the year with much uncertainty regarding economic growth, an inevitable war with Iraq, and numerous corporate governance issues that stripped away investor confidence as the markets retested the lows in a three-year bear market cycle. We also entered the year with little optimism that the economic and market environment would improve, which gave reason to believe that 2003 would mark the end of the three-year downturn. Massive monetary and fiscal stimulus was sure to drive economic momentum back into favor and it would not be long before the capital markets began to reflect the renewed strength.

This scenario played out perfectly as soon as the Iraq offensive was complete. Renewed confidence along with 45-year lows in interest rates and a highly accommodative fiscal tax cut began to boost economic growth in the final half of the year following two years of negative to sub-par growth.

Bond markets experienced strong performance through June of 2003 as the uncertainties of war led to more defensive buying in the U.S. Treasury markets. However, by mid-year, bond investors could foresee the inevitable economic rebound as financial stimulus mounted and market rates began to climb rapidly. Long-term Treasury portfolios ended the year little changed as price declines offset historically low income yields.

Economic growth continued to accelerate into the first quarter of 2004 and although job growth was modest, job declines ended and recent labor reports point to a long awaited recovery in the coming months. U.S. markets opened the year favorably as the strong economic indicators translated into higher earnings expectations. However, geopolitical and domestic political events put an end to the nearly twelve-month rally as we entered the final month of the quarter.

The lack of a significant job market recovery in 2004 and reiterations among Federal Reserve officials of their commitment to maintaining easy monetary conditions sent Treasury rates falling toward levels last seen in the summer of 2003. Strengthening corporate balance sheets and improving earnings trends kept corporate yields spreads tight, however heavy municipal bond issuance improved relative yields among tax-exempt securities.

Economic activity in the second quarter of 2004 experienced tremendous growth and the trends are set to continue into the second half of the year. Strengthening economic developments solidified expectations for a reversal in Federal Reserve monetary policy that began with a 25 basis point rate hike on June 30, 2004. The realization of the shifting interest rate cycle to a rising trend had the obvious effect on the bond markets performance where treasury markets experienced one of the worst quarters on record. Equity markets simply marked time throughout the second quarter awaiting the inevitable Fed action as well as the transitory events in Iraq.

Bond markets took a rapid and decisive fall in price beginning almost immediately following the close of the first quarter. Ten-year Treasury yields rose over 78 basis points to reach 4.62% by the end of second quarter, nearly 100 basis points higher than the lows of mid-March. The Treasury yield curve began to flatten as expected with two and three-year maturities experiencing the greatest rate increases of over 100 basis points from the prior quarter. The Lehman Brothers Intermediate Government/Credit Index lost 2.52% during the quarter and is now down 0.11% for the year to date

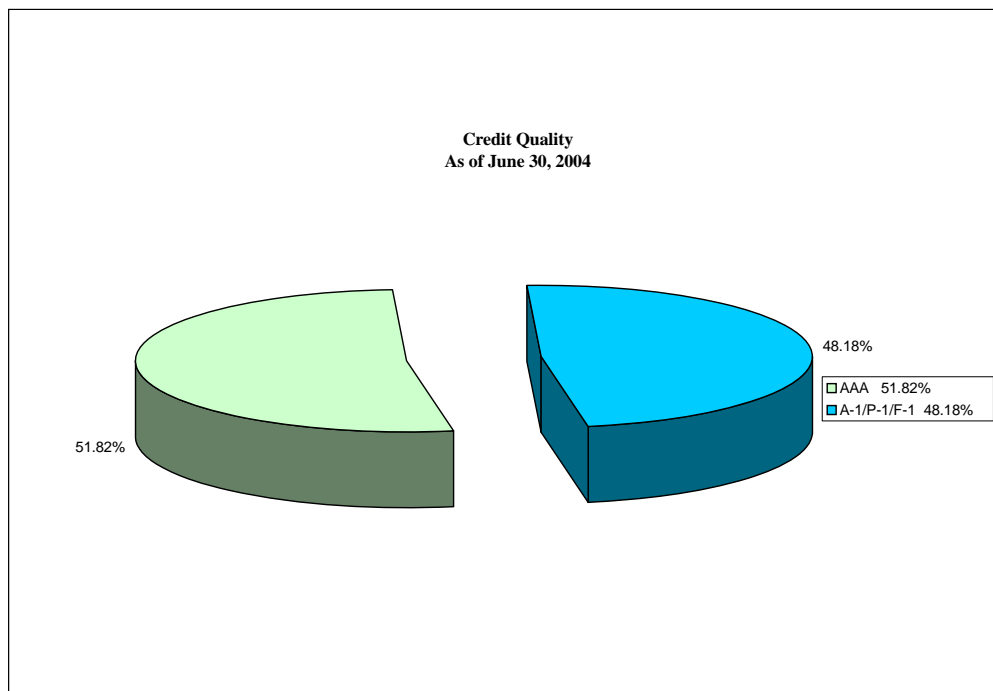
period. Long-term bonds lost in excess of 5.50% for the quarter. Corporate bonds generally performed in line with the Treasury market as yield spreads remained stable.

Economic growth has just begun to perform, and the all-important employment market continues to shore up confidence levels. Fears of an aggressive Fed tightening cycle in light of early signs of inflationary pressures seems unwarranted at this stage. We would like to see further evidence before adjusting our expectations to modify investment strategy.

## 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 and in many cases exceed the requirements of the California Government Code. For example, the Pool is limited to buying corporate and medium-term notes of issuers rated 'AAA' or better when the maturity is beyond one year, whereas the Code allows for buying corporate and medium-term notes of issuers rated 'A' or better. The following pie chart displays the percentage breakdown of credit exposure for the Pool.

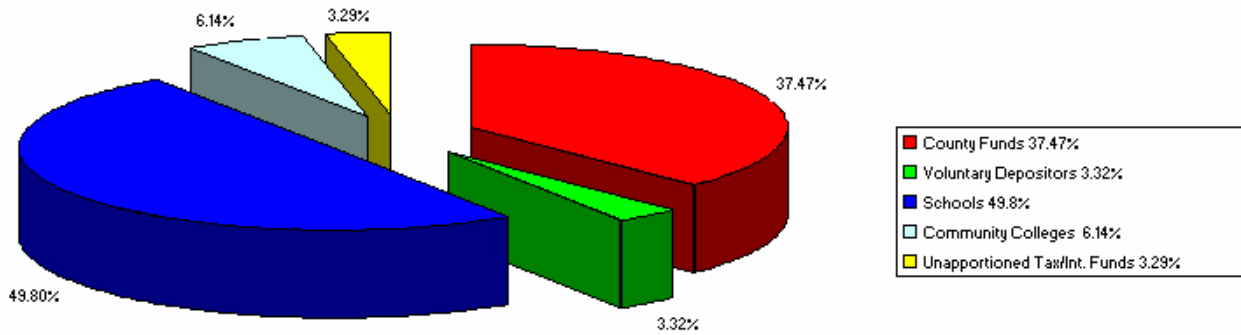


In addition to the credit limitations, the Pool is also prohibited from investing in any of the following derivative notes: inverse floater, range notes, interest-only strips derived from a pool of mortgages, and any security that could result in zero interest accrual.

## San Diego County Investment Pool Participants - June 30, 2004

Participant	Percentage Ownership	Participant	Percentage Ownership
County	37.47%	Retirement	
Unapportioned Tax/Interest Funds/Other	3.29%	Cities	
Schools (K thru 12)		Encinitas	
Alpine Union		La Mesa	
Autistic Pupils Minor High		Independent Agencies	
Autistic Pupils Minor Elem.		Alpine Fire Protection	
Bonsall Union		Bonita Sunnyside Fire Protection	
Borrego Springs Unified		Borrego Springs Fire Protection	
Cajon Valley Union		Deer Springs Fire Protection	
Cardiff		East County Fire Protection	
Carlsbad Unified		Fallbrook Public Utility	
Chula Vista Elementary		Fallbrook Sanitation	
Coronado Unified		Fire Agency Self Insurance System (PASIS)	
Dehesa		Julian-Cuyamaca Fire Protection	
Del Mar Union		Lake Cuyamaca Recreation & Park	
Encinitas Union		Lakeside Fire	
Escondido Union		Lower Sweetwater Fire Protection	
Escondido Union High		Majestic Pines Community Services District	
Fallbrook Union Elementary		Metropolitan Transit District Board	
Fallbrook Union High		Metropolitan Transit Service	
Grossmont Union High		Mission Resource Conservation	
Jamul-Dulzura Union		North County Cemetery District	
Julian Union		North County Cemetery Perpetual	
Julian Union High		North County Cemetery	
La Mesa-Spring Valley		North County Dispatch	
Lakeside Union		North County Fire Protection	
Lemon Grove		Otay Water District	
Mountain Empire Unified		Palomar Resource Conservation	
National		Pine Valley Fire Protection	
Oceanside Unified		Pomerado Cemetery Perpetual	
Pauma		Pomerado Cemetery District	
Poway Unified		Ramona Cemetery District	
Ramona Unified		Ramona Cemetery Perpetual	
Rancho Santa Fe		Rancho Santa Fe Fire Protection	
San Diego Unified		SANCAL	
San Dieguito Union High		SANDAG	
San Marcos Unified		San Diego Rural Fire Protection	
San Pasqual Union		San Dieguito River	
San Ysidro		San Marcos Fire Protection	
Santee		San Miguel Fire Protection	
Solana Beach		San Ysidro Sanitation	
South Bay Union		So County OPS CTR	
Spencer Valley		SDC Regional Airport Authority	
Sweetwater Union High		Spring Valley/Casa de Oro	
Vallecitos		Upper San Luis Rey Resource Conservation	
Valley Center Union		Vallecitos Water District	
Vista Unified		Valley Center Fire Protection	
Warner Unified		Valley Center Cemetery	
Education - Cemetery Districts		Valley Center Cemetery Perpetual	
Department of Education		Vista Fire Protection	
Education - Debt Service		Total for Ret., Cities, Independent Agencies	3.32%
Education - Building Funds			
Total for Schools	49.80%		
Community Colleges			
San Diego			
Grossmont/Cuyamaca			
MiraCosta			
Palomar			
Southwestern			
Total for Community Colleges	6.14%		
		TOTAL	<u>100.00%</u>

**San Diego County Pool Participants  
Total Portfolio - \$3.8 Billion  
June 30, 2004**



**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's or Securities Lending transactions during fiscal year 2003/2004.

The San Diego County Portfolio Statistics table gives a detailed listing of the Portfolio diversification, yields by type of securities, and weighted average maturities as of June 30, 2004.

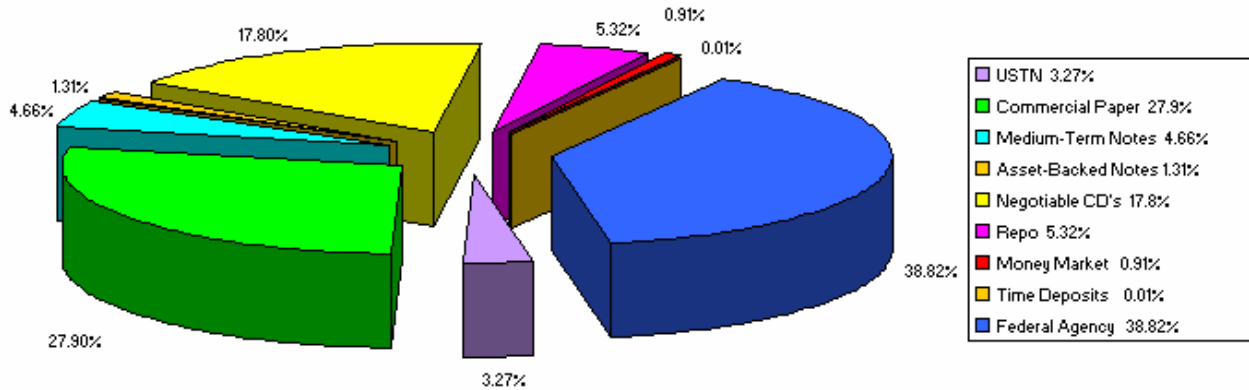
**Treasurer-Tax Collector  
San Diego County Portfolio Statistics  
As of June 30, 2004**

	Percent of Portfolio Based on Fair Value	Amortized Cost	Market Price	Accrued Interest	Fair Value	Unrealized Gain/(Loss)	Period End Yield To Maturity	Weighted Average Days To Maturity
U.S. Treasury Notes	3.27%	\$ 124,088,997	98.41%	\$ 471,818	\$ 123,015,625	(\$1,073,372)	2.16%	645
Federal Farm Credit Bank Notes	11.47%	439,000,000	98.29%	2,475,494	431,503,014	(7,496,986)	2.31%	778
Federal Home Loan Bank Notes	12.62%	480,978,252	98.72%	3,070,913	474,796,911	(6,181,341)	2.39%	732
Federal Nat'l Mortgage Assoc. Notes	11.43%	435,730,919	98.68%	2,659,940	429,928,369	(5,802,550)	2.29%	714
Federal Home Loan Mortg. Corp. Notes	3.30%	125,173,011	99.19%	959,028	124,153,355	(1,019,656)	2.18%	394
Corporate Medium-Term Notes	4.66%	176,431,417	100.13%	1,290,417	175,232,148	(1,199,269)	2.49%	701
Asset-Backed Notes	1.31%	49,677,653	98.63%	420,313	49,312,500	(365,153)	2.81%	789
Money Market Funds	0.91%	34,400,000	100.00%	72,353	34,400,000	-	0.97%	1
Repurchase Agreements	5.32%	200,000,000	100.00%	8,694	200,000,000	-	1.56%	1
Negotiable Certificates Of Deposit	17.80%	675,021,235	99.22%	3,586,623	669,739,202	(5,282,033)	1.26%	260
Commercial Paper	27.90%	1,050,122,343	99.83%	-	1,049,755,992	(366,351)	1.13%	42
Collateralized Certificates of Deposit*	0.01%	392,000	100.00%	161	392,000	-	1.35%	49
<b>Totals for June 2004</b>	<b>100.00%</b>	<b>\$3,791,015,827</b>	<b>99.22%</b>	<b>\$15,015,754</b>	<b>\$3,762,229,116</b>	<b>(\$28,786,711)</b>	<b>1.76%</b>	<b>402</b>

\*Collateralized CDs classified as Cash Deposits in Statement of Net Assets

A complete list of the portfolio's holdings is available on the Internet at [www.sdtreastax.com](http://www.sdtreastax.com). The apportionment rate during fiscal year 2003/2004 was 1.59%. The preceding 3-year average return was 2.56% and 5-year average return was 3.95%.

**Asset Allocation  
As of June 30, 2004**



**Schedule of Top Ten Fixed-Income Securities  
As of June 30, 2004**

TOP TEN FIXED-INCOME SECURITIES			
Security Name	Cusip No.	Par	Fair Value
Morgan Stanley Repurchase Agreement	N/A	\$100,000,000	\$100,000,000
Deutsche Bank Repurchase Agreement	N/A	100,000,000	100,000,000
US Treasury Notes	912828CD0	100,000,000	98,187,500
Societe Generale NCD	83365WMD3	100,000,000	98,689,528
Edison Asset Sec CP	28100LK10	75,000,000	74,722,083
Federal Home Loan Bank	31339YJN3	70,000,000	68,616,471
Federal National Mortgage Association	3136F3W85	50,000,000	49,150,285
Federal Home Loan Mortgage Corp.	3128X1GF8	50,000,000	48,890,610
Westdeutsche NCD	95753H2M2	50,000,000	49,972,036
Royal Bank of Scotland NCD	78009YH54	50,000,000	49,834,188

# STATISTICAL SECTION



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

<b>Fiscal Year</b>	<b>Interest Earnings</b>	<b>Effective Yield</b>	<b>Net Earnings</b>	<b>Fees</b>	<b>Net Distributed</b>	<b>Apport. Rate</b>	<b>Ave. Daily Balances (In Millions)</b>	<b>Ratio of Fees/ADB</b>
2003/2004	\$ 67,583,142	1.64%	\$ 67,583,142	\$ 4,043,540	\$ 63,539,602	1.59%	\$ 4,168.7	0.10%
2002/2003	79,485,631	2.38%	79,485,631	3,930,420	75,555,211	2.32%	3,430.2	0.11%
2001/2002	108,854,683	3.83%	108,854,683	3,897,890	104,956,793	3.84%	2,949.0	0.13%
2000/2001	152,971,324	6.37%	152,971,324	3,743,964	149,227,360	6.50%	2,455.3	0.15%
1999/2000	112,764,518	5.68%	112,764,518	2,454,710	110,309,808	5.80%	2,002.9	0.12%

**SAN DIEGO COUNTY INVESTMENT POOL**  
**Schedule of Professional Fees**  
**(Administrative Costs)**

FOR THE FISCAL YEARS ENDED:	06/30/04	06/30/03	06/30/02	06/30/01	06/30/00
<b>PROFESSIONAL FEES:</b>					
<b>BANK OF AMERICA-BANKING FEES</b>	\$ 967,323	\$ 807,794	\$ 709,229	\$ 368,699	\$ 377,776
<b>STATE STREET BANK-CUSTODIAL FEES</b>	88,182	88,974	86,196	64,030	41,186
<b>COMPUTER-RELATED EXPENSES:</b>					
<b>BLOOMBERG</b>	56,600	52,745	50,490	49,093	41,280
<b>SUNGARD FINANCIAL SYSTEMS</b>	28,424	31,059	30,600	34,296	30,586
<b>SOFTWARE SERVICES</b>	56,371	40,500	40,500	40,500	25,500
<b>WASSAU FINANCIAL SYSTEM</b>	-	-	46,640	115,525	-
<b>OTG SOFTWARE INC</b>	-	77,490	63,000	-	-
<b>TOTAL PROFESSIONAL FEES</b>	1,196,900	1,098,562	1,026,655	672,143	516,328
<b>ALLOCATED COSTS BY COUNTY:</b>					
<b>EQUIPMENT COST</b>	65,815	57,566	315,455	752,365	-
<b>SALARIES &amp; BENEFITS</b>	1,750,405	1,540,932	1,448,103	1,223,884	1,057,848
<b>SERVICES &amp; SUPPLIES</b>	106,680	402,262	449,534	364,837	287,039
<b>DEPARTMENT OVERHEAD</b>	347,421	242,346	291,623	274,007	262,663
<b>EXTERNAL OVERHEAD</b>	426,319	438,752	226,520	276,728	205,832
<b>SUB-TOTAL</b>	2,696,640	2,681,858	2,731,235	2,891,821	1,813,382
<b>AUDITOR &amp; CONTROLLER ALLOCATED COST</b>	150,000	150,000	140,000	180,000	125,000
<b>TOTAL COSTS</b>	\$ 4,043,540	\$ 3,930,420	\$ 3,897,890	\$ 3,743,964	\$ 2,454,710

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

INVESTMENT TYPE	6/30/04		6/30/03		6/30/02		06/30/01		06/30/00	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Government Agencies	\$ 1,460,381	38.8%	\$ 1,586,692	41.5%	\$ 862,361	27.0%	\$ 1,278,488	46.7%	\$ 793,040	35.1%
Government Obligations	123,016	3.3%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Commercial Paper	1,049,756	27.9%	1,209,651	31.6%	1,080,636	33.8%	729,194	26.6%	629,437	27.8%
Corporate Med.Term Notes	175,232	4.7%	61,300	1.6%	-	0.0%	88,101	3.2%	117,900	5.2%
Repurchase Agreements	200,000	5.3%	325,000	8.5%	450,000	14.1%	230,000	8.4%	330,000	14.6%
Negotiable Cert. of Deposit	669,739	17.8%	325,275	8.5%	540,965	16.9%	145,939	5.3%	364,026	16.1%
Money Market Funds	34,400	0.9%	319,100	8.3%	260,000	8.1%	266,000	9.7%	26,300	1.2%
Asset Backed Securities	49,313	1.3%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
<b>TOTAL</b>	<b>\$3,761,837</b>	<b>100.0%</b>	<b>\$3,827,018</b>	<b>100.0%</b>	<b>\$3,193,962</b>	<b>100.0%</b>	<b>\$ 2,737,722</b>	<b>100.0%</b>	<b>\$2,260,703</b>	<b>100.0%</b>

**SAN DIEGO COUNTY INVESTMENT POOL PARTICIPANTS**

PARTICIPANTS	06/30/04		06/30/03		06/30/02		06/30/01		06/30/00	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
County	\$1,410,689	37.5%	\$1,086,873	28.4%	\$1,012,486	31.7%	\$1,026,646	37.5%	\$ 877,153	38.8%
Undistributed Taxes/Int./Other	124,141	3.3%	486,031	12.7%	443,961	13.9%	418,871	15.3%	302,934	13.4%
K-12 Schools	1,873,394	49.8%	1,825,488	47.7%	1,520,326	47.6%	1,092,351	39.9%	938,192	41.5%
Community Colleges	229,472	6.1%	275,545	7.2%	140,534	4.4%	150,575	5.5%	101,732	4.5%
Voluntary Deposits	124,141	3.3%	153,081	4.0%	76,655	2.4%	49,279	1.8%	40,692	1.8%
<b>TOTAL</b>	<b>\$3,761,837</b>	<b>100.0%</b>	<b>\$3,827,018</b>	<b>100.0%</b>	<b>\$3,193,962</b>	<b>100.0%</b>	<b>\$2,737,722</b>	<b>100.0%</b>	<b>\$ 2,260,703</b>	<b>100.0%</b>