

**SANTA BARBARA COUNTY
BOARD AGENDA LETTER**



Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Agenda Number:

Prepared on: 10/17/06
Department Name: Treasurer-Tax Collector
Department No.: 065
Agenda Date: 11/7/06
Placement: Administrative
Estimate Time:
Continued Item: NO
If Yes, date from:

TO: Board of Supervisors
FROM: Bernice James *Bernice James*
Treasurer-Tax Collector
STAFF: Stacey Matson
Investment & Debt Officer
CONTACT: (805) 568-2158
SUBJECT: Treasurer's Investment Pool, F/Y 2006-2007 First Quarter (July - September, 2006)

Recommendation(s):

That the Board of Supervisors:

- A. Accept for filing the F/Y 2006-2007 First Quarter (July - September, 2006) report on the Treasurer's Investment Pool, pursuant to Government Code section 53646(b);
- B. Receive and file the Auditor - Controller's Review Report on the assets held in the Santa Barbara County Treasury Pool for the quarter ended September 30, 2006.

Alignment with Board Strategic Plan:

The recommendation(s) are primarily aligned with actions required by law or by routine business practice.

Executive Summary and Discussion:

As presented on Page 9, the value of the Treasurer's Pool at cost on September 30, 2006, was \$769,975,089 and \$2,616,081 in Directed Investments. Market value of the investment pool was \$765,714,759. The weighted average days to maturity (WAM) for the pool was 306 days.

It is the policy of the Santa Barbara County Treasurer to invest public funds in a manner, which provides the maximum security of principal while meeting the daily cash flow needs of investment pool participants. A lesser emphasis is to achieve the highest yield possible while conforming to all applicable State statutes and County resolutions that govern the investment of public funds.

The economy grew at a rate of 2.6% last quarter, below analyst's expectations of 2.9%, and well below the 5.6% of the prior quarter. Most forecasts indicate that GDP will continue to slow through December 2006, held back by the

cooling of the housing market, yet offset by significantly lower energy prices. A growth rate of 2% - 2.5% is predicted for the remainder of the year. The Federal unemployment rate increased for the months ended July and August 2006, but ended the quarter at the same 4.6% rate as for the quarter ended June 30, 2006. Short-term interest rates decreased over the quarter; long-term interest rates have stayed the same. The yield curve remained inverted for this quarter.

On June 29, 2006 the Federal Funds overnight lending rate increased to 5.25%, its last, and 17th consecutive increase. Since that date the Federal Funds rate has been maintained at 5.25%. Analysts have characterized economic growth as "apparently continuing to moderate". Although some analysts remain concerned about inflation, forecasts regarding future rate changes indicate the Federal Funds rate will remain constant at 5.25% until next calendar year. This reflects inflation data that was weaker than expected this quarter and recent declines in oil prices. The Federal Reserve Board's Federal Open Market Committee (FOMC) will meet on October 25 and December 12, providing insights on the economy's growth prospects and inflation for the remainder of the year.

Mandates and Service Levels:

This quarterly report is being submitted to you as required by California Government Code section 53646 (b). In addition, California Government Code section 53646 (b) (3) requires the Treasurer-Tax Collector to include a statement in the Treasurer's Report affirming the ability of the Santa Barbara County Investment Pool to meet expenditure requirements for the next six months.

The Treasury Oversight Committee promotes the public interest and is governed by California Government Code sections 27130 through 27133.

The Auditor-Controller's Review Report is being submitted pursuant to California Government Code section 26920 and Santa Barbara County Code Section 2-23.2. The apportionment of unrealized gains/losses to participating funds causes volatility in the recording of revenues. However, it is reflective of the actual position of the fair market value of the pool and is required by the Government Accounting Standards Board, which is recognized as the correct practice to be applied to all governmental entities. The Treasurer recognizes that there will be changes in the fair value of the pool investments and sufficient liquidity is maintained in the pool to avoid the actual realization of any unrealized losses due to market interest fluctuations.

Fiscal and Facilities Impacts:

For the quarter ending September 30, 2006, interest earnings achieved by the pool were \$7.795 million, with the County receiving 42%, Schools 45%, and Special Districts the balance of 13 %, as shown on Chart 4.

The yields for the quarter and year to date were 3.98% and 3.53%, respectively. This compares with 4.93% and 4.28% respectively, for the state's local agency investment fund (LAIF). Therefore, we did not meet our performance objective of earning 10 basis points more than LAIF. LAIF has a much shorter weighted average maturity (WAM) than our investment pool. This means LAIF's yield adjusts to interest rate changes faster than ours. Therefore, when interest rates increase quickly in a short period of time LAIF's earnings are likely to be higher than ours. As shown on Chart 3, this also occurred in 2000.

Special Instructions:

None

cc: Auditor-Controller

Attachments: Treasurer's Investment Report
Auditor - Controller's Review Report

SANTA BARBARA COUNTY

**TREASURER'S REPORT TO THE BOARD OF SUPERVISORS AND
THE TREASURY OVERSIGHT COMMITTEE**

FOR THE QUARTER ENDING September 30, 2006

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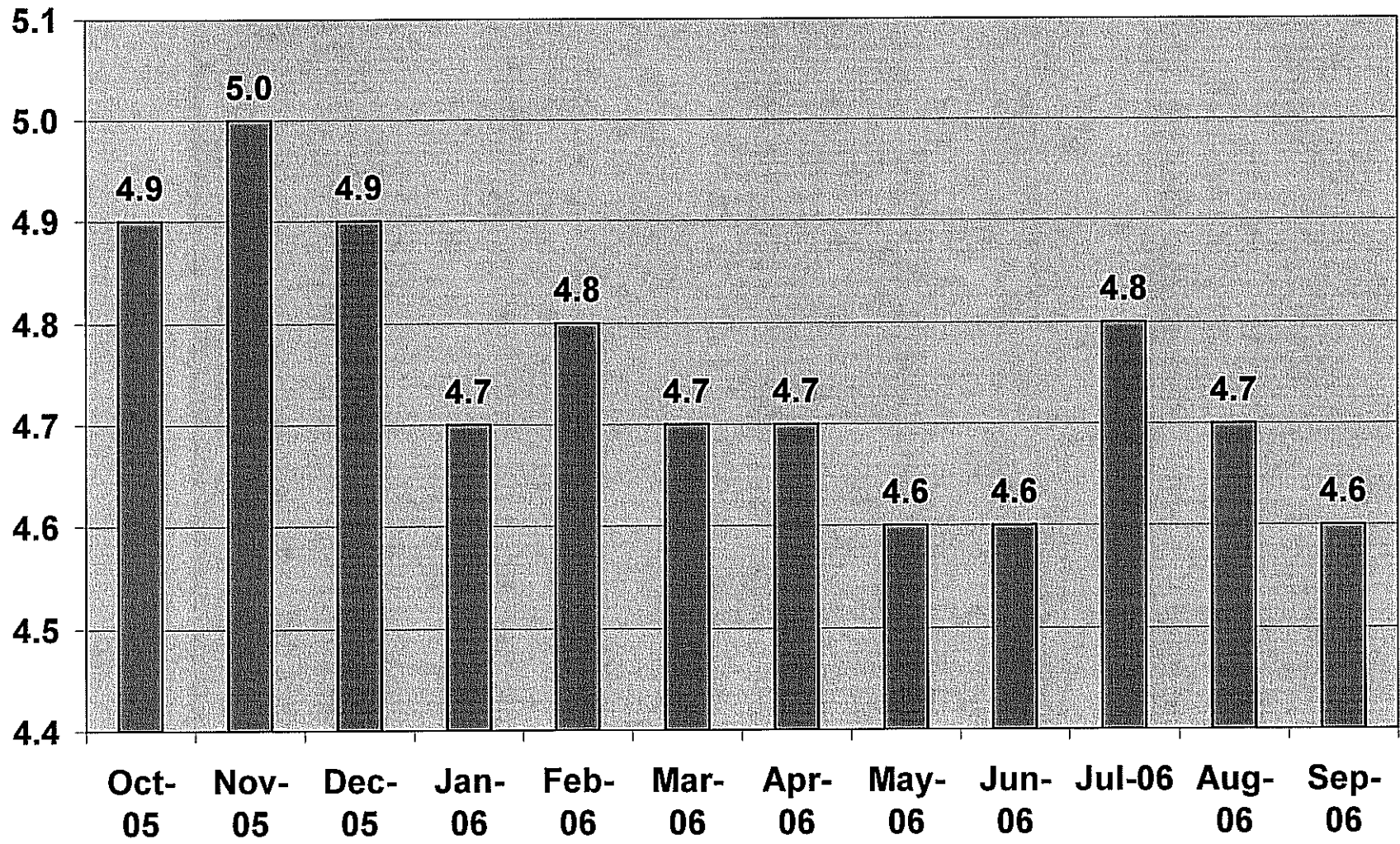
I. Economic Trend

II. Overview of Investment Activities

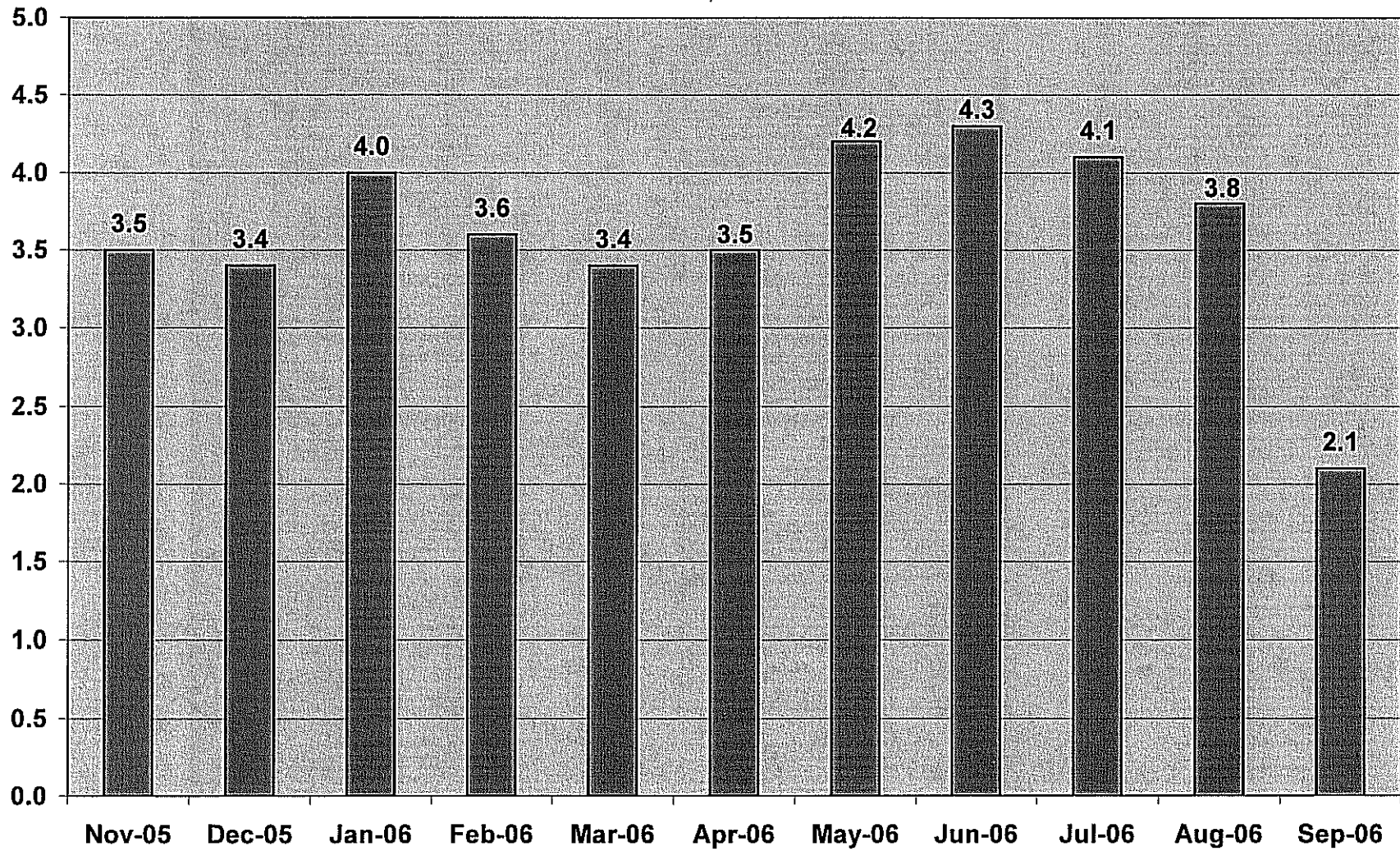
ECONOMIC TREND: Impact on the Pool

- **During the past quarter the Federal Reserve (FED) left short-term interest rates at 5.25%. Forecasts lean towards no additional rate hike by the FED in the upcoming quarter ending December 31.**
- **The impact of the short term rate remaining constant, on the Investment Pool, is favorable. The Federal Funds rate hit a 10 year in 2003 at 1.25%. As investments earning lower rates mature, they will be reinvested at a higher rate.**
- **The unemployment rate remained stable last quarter at 4.6%. There were a total of 362,000 jobs created last quarter. This is a increase from the 346,000 created in the prior quarter, ended June 30. An increase in jobs provides economic stimulus to various sectors of the economy.**
- **Consumer Confidence declined this quarter to 104.5. The economy moderated growing at an annual rate of 2.6%, as compared to 5.6% the previous quarter.**

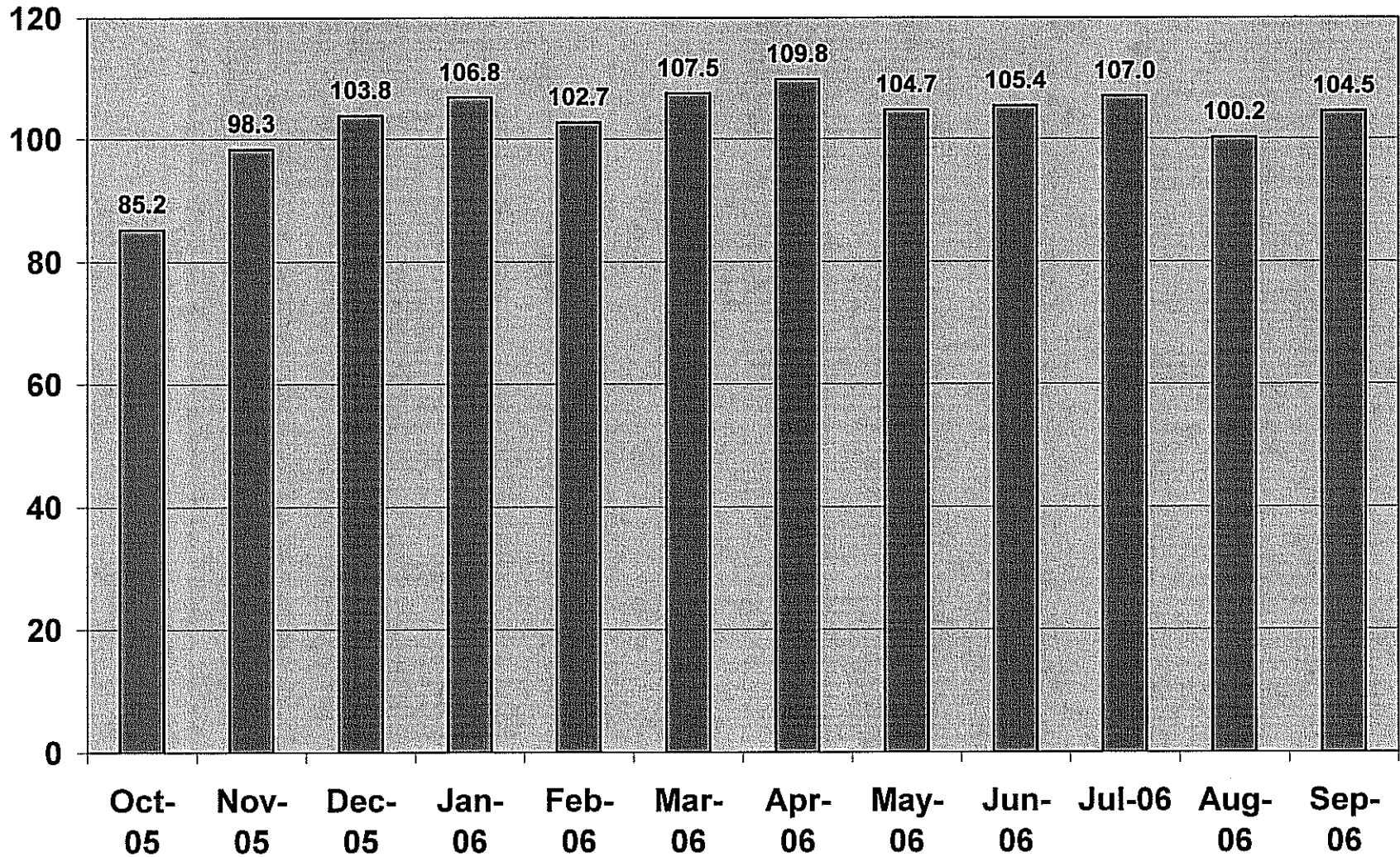
UNEMPLOYMENT RATE



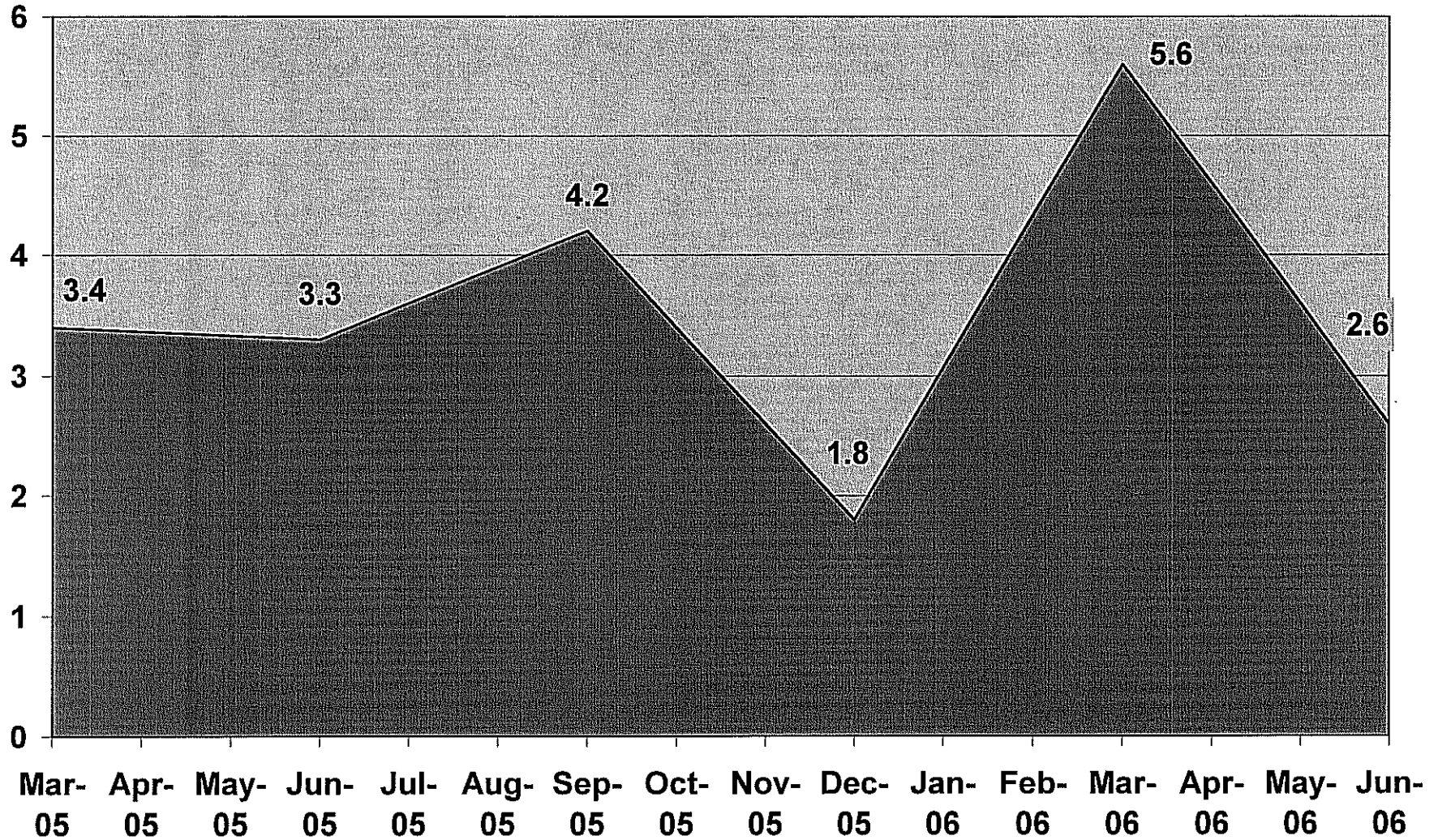
CONSUMER PRICE INDEX



CONSUMER CONFIDENCE



ANNUALIZED PERCENTAGE CHANGE IN GROSS DOMESTIC PRODUCT



II. Overview of Investment Activities

SANTA BARBARA COUNTY INVESTMENT FUNDS

Quarter Ending September 30, 2006

SUMMARY OF INVESTMENTS IN THE TREASURER'S POOL

| | |
|---|---------------|
| PRINCIPAL COST | \$769,975,089 |
| MARKET VALUE (provided by Union Bank) | \$765,714,759 |
| CUMULATIVE UNREALIZED LOSS | \$4,260,330* |
| TOTAL NET EARNINGS ON THE TREASURER'S POOL | \$7,794,512 |
| AVERAGE DAILY BALANCE ON THE TREASURER'S POOL | \$776,790,378 |
| CASH | \$11,387,296 |
| ACCRUED INTEREST AT PURCHASE | \$338,781 |
| NET INTEREST RATE ON THE TREASURER'S POOL | 3.98% |
| WEIGHTED AVERAGE DAYS TO MATURITY | 306 |
| WEIGHTED AVERAGE DAYS TO CALL DATE | 180 |

SUMMARY OF INVESTMENTS IN TOBACCO SETTLEMENT FUND

| | |
|-----------------------------------|-------------|
| PRINCIPAL COST | \$2,616,081 |
| MARKET VALUE | \$2,591,923 |
| CUMULATIVE UNREALIZED LOSS | \$24,158 |
| YIELD TO MATURITY | 4.91% |
| WEIGHTED AVERAGE DAYS TO MATURITY | 1,771 |

SUMMARY OF THE CERTIFICATES OF PARTICIPATION RESERVE FUNDS

| | |
|-----------------------------------|--------------|
| PRINCIPLE COST | \$13,916,199 |
| MARKET VALUE | \$13,844,546 |
| CUMMULATIVE UNREALIZED LOSS | \$71,654* |
| YIELD TO MATURITY | 4.38% |
| WEIGHTED AVERAGE DAYS TO MATURITY | 248 |

CHARTS: The following charts are provided for your review:

Chart 1: Asset Distribution by Sector

Chart 2: Maturity Distribution

Chart 3: Annualized Performance Versus Selected Benchmarks

Chart 4: Agency Quarterly Income Distribution

As you can see on Chart 1, for the quarter ending September 30, 2006, 26% of the pool's assets were invested in Government Agency Bonds, 42% in Callable Government Agency Bonds, 20% in Commercial Paper, 5% in LAIF (Local Agency Investment Fund), 5% in Corporate Bonds, 1% in Callable Corporate Bonds, and 1% in Negotiable Certificates of Deposit.

Chart 2 shows that 51% of the pool's investments have a maturity between 1 and 90 days, 29% between 91 days and 1 year, 11% between 1 year and 2 years, 3% between 2 and 3 years, 1% between 3 and 4 years, and the other 5% is invested in LAIF.

Chart 3 compares the County's return to various indexes and to LAIF's return on an annual basis. For the 12 months ending September 30, 2006 the Treasurer's Pool earned a rate of return of 3.53%. LAIF's return for that same period was 4.28%.

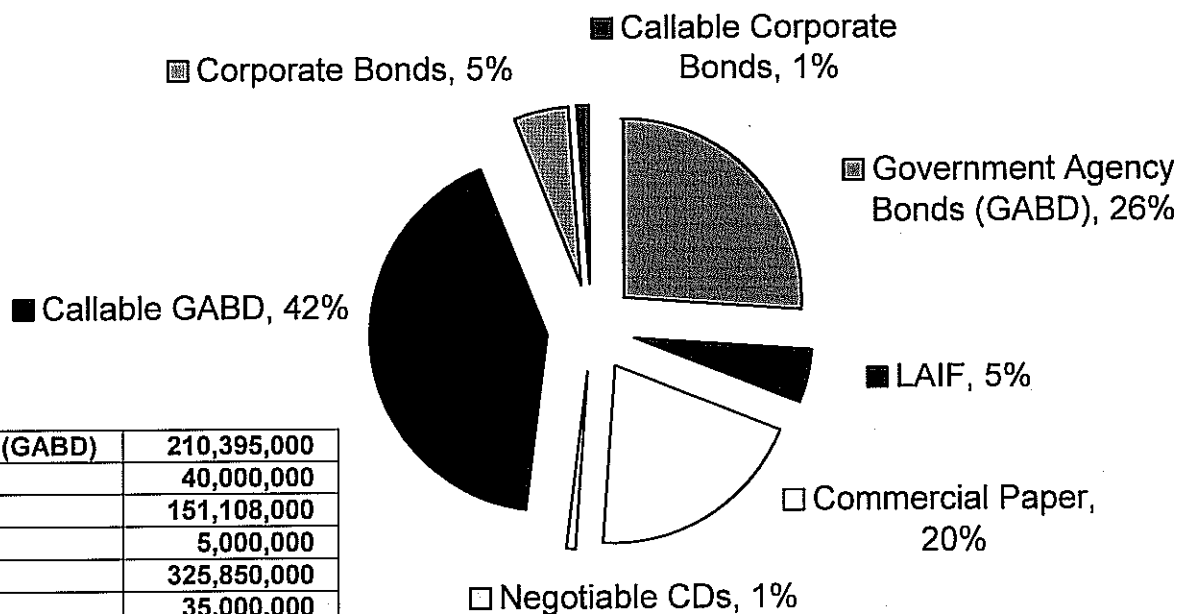
Finally, Chart 4 reflects how the pool's earnings were distributed between the County, Schools and Special Districts.

The investment portfolio as of the quarter ending September 30, 2006 is in compliance with the Treasurer's statement of investment policy.

The Treasurer's Investment Pool has sufficient cash flow available to meet all budgeted expenditures for the next six months.

* Sufficient liquidity is maintained in the pool and for required reserve funds to avoid the actual realization of any unrealized losses due to market interest rate fluctuations. It is our basic policy to retain securities in the pool until maturity, when the pool realizes the full par value of the investment.

**TREASURER'S INVESTMENT PORTFOLIO
ASSET DISTRIBUTION BY SECTOR (PAR VALUE)
9/30/2006**

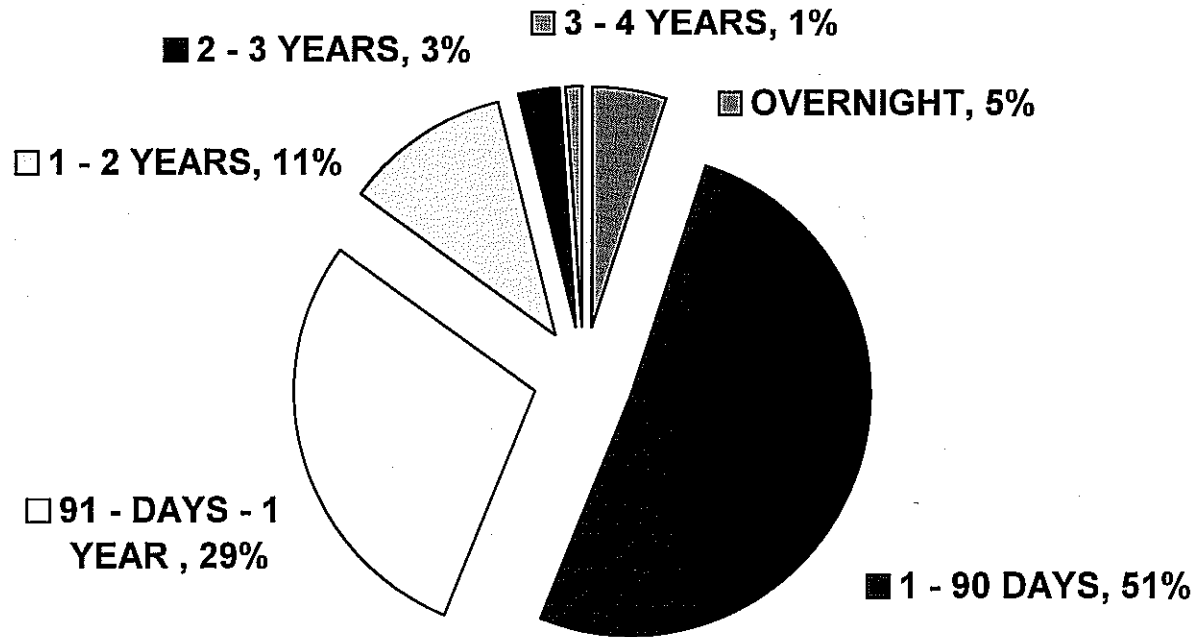


| | |
|--------------------------------|--------------------|
| Government Agency Bonds (GABD) | 210,395,000 |
| LAIF | 40,000,000 |
| Commercial Paper | 151,108,000 |
| Negotiable CDs | 5,000,000 |
| Callable GABD | 325,850,000 |
| Corporate Bonds | 35,000,000 |
| Callable Corporate Bonds | 4,000,000 |
| TOTAL | 771,353,000 |

- | | |
|--------------------------------|-----------------|
| Government Agency Bonds (GABD) | LAIF |
| Commercial Paper | Negotiable CDs |
| Callable GABD | Corporate Bonds |
| Callable Corporate Bonds | |

CHART 1

**TREASURER'S INVESTMENT PORTFOLIO
MATURITY DISTRIBUTION
9/30/2006**



OVERNIGHT ■ 1 - 90 DAYS □ 91 - DAYS - 1 YEAR □ 1 - 2 YEARS ■ 2 - 3 YEARS ■ 3 - 4 YEARS

CHART 2

TREASURER'S INVESTMENT PORTFOLIO ANNUALIZED PERFORMANCE VERSUS SELECTED BENCHMARKS 09/30/2006

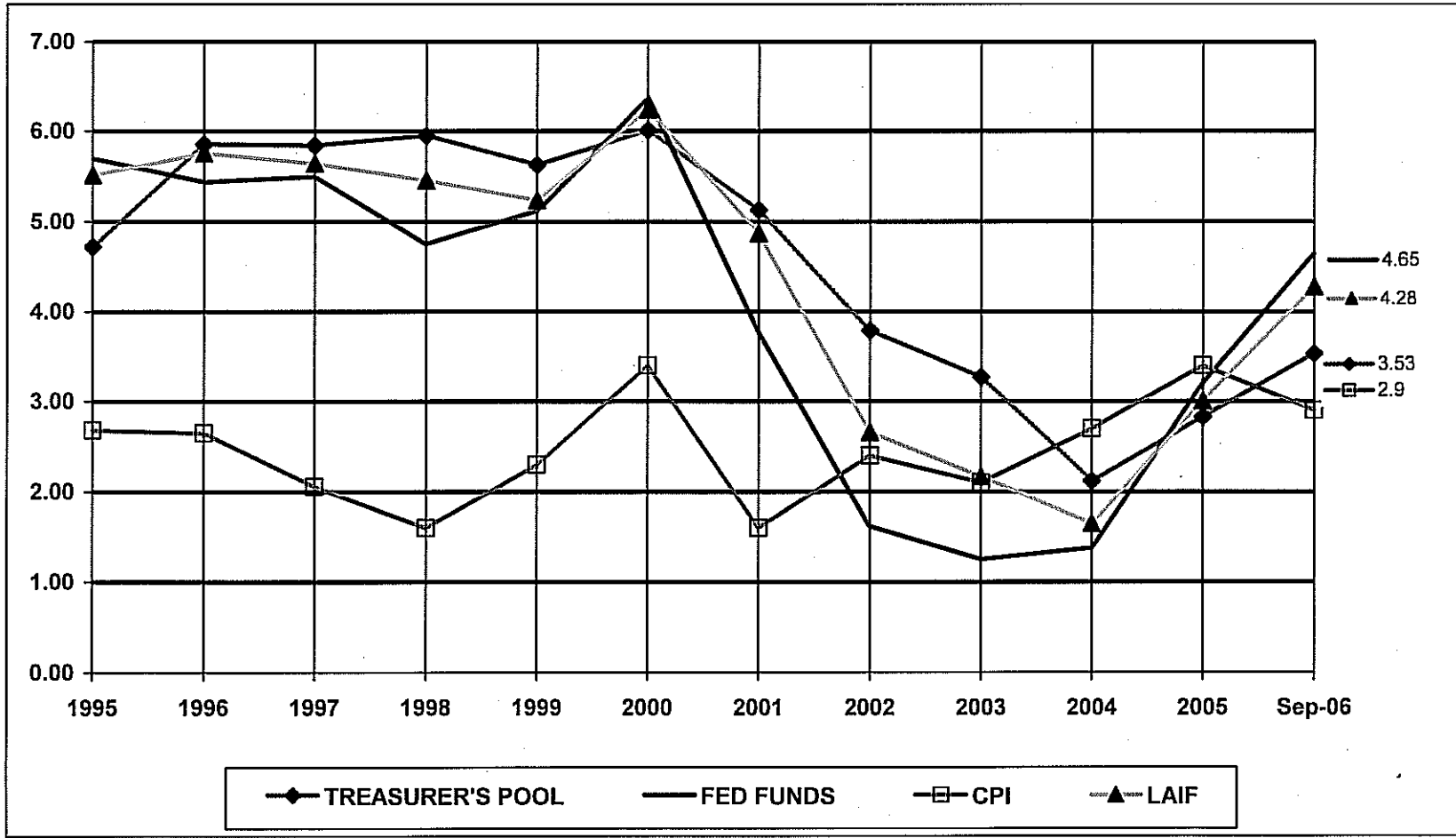


CHART 3

**TREASURER'S INVESTMENT PORTFOLIO
AGENCY QUARTERLY INCOME DISTRIBUTION**

9/30/06

\$7,794,515

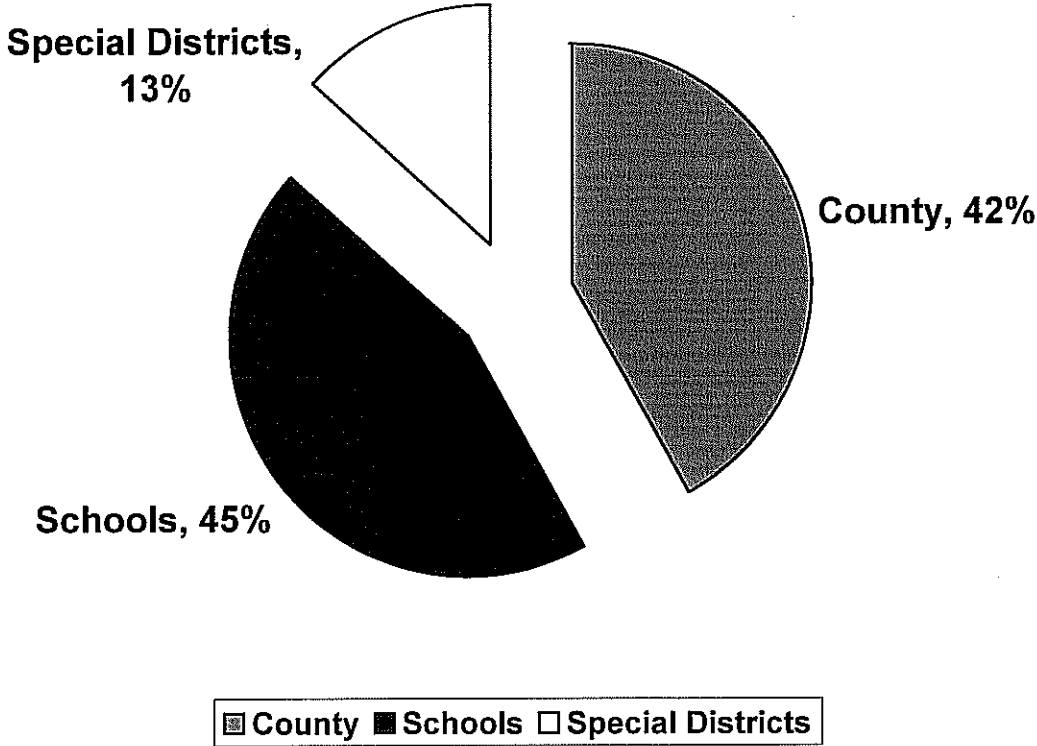


CHART 4



**County Pool 2006-2007
Portfolio Management
Portfolio Summary
July 1, 2006 through September 30, 2006**

| Investments | Par Value | Market Value | Book Value | % of Portfolio | Term | Days to Maturity | YTM |
|------------------------------------|-----------------------|-----------------------|-----------------------|----------------|------------|------------------|--------------|
| Local Agency Investment Funds | 40,000,000.00 | 40,000,000.00 | 40,000,000.00 | 5.19 | 1 | 1 | 4.030 |
| Negotiable CDs | 5,000,000.00 | 5,000,480.00 | 5,000,105.26 | 0.65 | 178 | 39 | 5.220 |
| Commercial Paper Disc. -Amortizing | 151,108,000.00 | 150,978,569.65 | 150,954,271.19 | 19.59 | 16 | 7 | 5.342 |
| Federal Agency Coupon Securities | 210,395,000.00 | 208,608,696.40 | 210,295,027.35 | 27.29 | 915 | 177 | 3.387 |
| Federal Agency Coupon - Callables | 325,850,000.00 | 322,752,363.30 | 325,658,102.02 | 42.26 | 1,071 | 531 | 4.377 |
| Corporate Bonds | 35,000,000.00 | 34,521,290.00 | 34,821,002.25 | 4.52 | 910 | 618 | 4.741 |
| Corporate Bonds - Callable | 4,000,000.00 | 3,853,360.00 | 3,848,600.17 | 0.50 | 697 | 684 | 5.270 |
| | 771,353,000.00 | 765,714,759.35 | 770,577,108.24 | 100.00% | 751 | 306 | 4.304 |

| Investments | September 30 Period Ending |
|--------------------------|----------------------------|
| Total Earnings | |
| Current Year | 7,987,820.38 |
| Average Daily Balance | 764,150,900.45 |
| Effective Rate of Return | 4.15% |

**County Pool 2006-2007
Portfolio Management
Portfolio Details - Investments
September 30, 2006**

| CUSIP | Investment # | Issuer | Average Balance | Purchase Date | Par Value | Market Value | Book Value | Stated Rate | S&P | YTM | Days to Maturity | Maturity Date |
|---|--------------|--------------------------|-----------------------|---------------|-----------------------|-----------------------|-----------------------|-------------|-----|--------------|------------------|---------------|
| Local Agency Investment Funds | | | | | | | | | | | | |
| SYS1009 | 1009 | LAIF | | | 40,000,000.00 | 40,000,000.00 | 40,000,000.00 | 4.030 | | 4.030 | 1 | |
| Subtotal and Average | | | 40,000,000.00 | | 40,000,000.00 | 40,000,000.00 | 40,000,000.00 | | | 4.030 | 1 | |
| Negotiable CDs | | | | | | | | | | | | |
| 97180PG48 | 2920 | Wilmington Trust Company | | 05/15/2006 | 5,000,000.00 | 5,000,480.00 | 5,000,105.26 | 5.240 | | 5.220 | 39 | 11/09/2006 |
| Subtotal and Average | | | 5,000,228.55 | | 5,000,000.00 | 5,000,480.00 | 5,000,105.26 | | | 5.220 | 39 | |
| Commercial Paper Disc. -Amortizing | | | | | | | | | | | | |
| 0717MDK54 | 3106 | Bavaria Corp | | 09/07/2006 | 8,900,000.00 | 8,896,084.00 | 8,894,768.78 | 5.290 | A-1 | 5.312 | 4 | 10/05/2006 |
| 08037MK26 | 3155 | Belmont Funding | | 09/29/2006 | 7,500,000.00 | 7,500,000.00 | 7,498,868.75 | 5.430 | | 5.432 | 1 | 10/02/2006 |
| 09151SKC9 | 3138 | Bishop's Gate Resid Mtg | | 09/25/2006 | 1,050,000.00 | 1,048,467.00 | 1,048,299.58 | 5.300 | A-1 | 5.313 | 11 | 10/12/2006 |
| 35103MKR3 | 3136 | Four Winds | | 09/21/2006 | 6,100,000.00 | 6,079,565.00 | 6,078,406.00 | 5.310 | A-2 | 5.337 | 24 | 10/25/2006 |
| 35103MK28 | 3137 | Four Winds | | 09/22/2006 | 7,500,000.00 | 7,500,000.00 | 7,498,895.83 | 5.300 | A-2 | 5.308 | 1 | 10/02/2006 |
| 35103MKH5 | 3139 | Four Winds | | 09/25/2006 | 9,000,000.00 | 8,980,380.00 | 8,978,800.00 | 5.300 | A-2 | 5.317 | 16 | 10/17/2006 |
| 3763P3KA3 | 3153 | Giro Balanced Fdg Corp | | 09/28/2006 | 2,500,000.00 | 2,497,100.00 | 2,496,675.00 | 5.320 | A-1 | 5.329 | 9 | 10/10/2006 |
| 38346MK29 | 3148 | Gotham | | 09/28/2006 | 2,425,000.00 | 2,425,000.00 | 2,424,642.99 | 5.300 | A-1 | 5.303 | 1 | 10/02/2006 |
| 38346MK37 | 3149 | Gotham | | 09/28/2006 | 25,000,000.00 | 24,996,500.00 | 24,992,555.56 | 5.360 | A-1 | 5.364 | 2 | 10/03/2006 |
| 50285MK27 | 3151 | La Fayette Asset | | 09/28/2006 | 20,000,000.00 | 20,000,000.00 | 19,997,044.44 | 5.320 | A-1 | 5.323 | 1 | 10/02/2006 |
| 50285MK43 | 3154 | La Fayette Asset | | 09/28/2006 | 8,599,000.00 | 8,596,506.29 | 8,595,166.28 | 5.350 | A-1 | 5.355 | 3 | 10/04/2006 |
| 50285MK68 | 3157 | La Fayette Asset | | 09/29/2006 | 8,000,000.00 | 7,995,360.00 | 7,994,011.11 | 5.390 | A-1 | 5.396 | 5 | 10/06/2006 |
| 56274MK43 | 3111 | Manhattan Asset | | 09/08/2006 | 4,100,000.00 | 4,098,811.00 | 4,098,192.58 | 5.290 | A-1 | 5.310 | 3 | 10/04/2006 |
| 5777E3KP0 | 3110 | Maximillian Capital | | 09/08/2006 | 758,000.00 | 755,680.52 | 755,544.92 | 5.300 | A-1 | 5.335 | 22 | 10/23/2006 |
| 5777E3L38 | 3123 | Maximillian Capital | | 09/15/2006 | 876,000.00 | 871,917.84 | 871,744.10 | 5.300 | A-1 | 5.339 | 33 | 11/03/2006 |
| 61777MKA1 | 3101 | Morrigan TRR Funding LLC | | 09/05/2006 | 3,000,000.00 | 2,996,520.00 | 2,996,017.50 | 5.310 | A-1 | 5.338 | 9 | 10/10/2006 |
| 61777MKB9 | 3108 | Morrigan TRR Funding LLC | | 09/07/2006 | 10,000,000.00 | 9,986,900.00 | 9,985,250.00 | 5.310 | A-1 | 5.337 | 10 | 10/11/2006 |
| 61777MK52 | 3114 | Morrigan TRR Funding LLC | | 09/12/2006 | 2,800,000.00 | 2,798,768.00 | 2,798,351.11 | 5.300 | A-1 | 5.318 | 4 | 10/05/2006 |
| 61777MK52 | 3119 | Morrigan TRR Funding LLC | | 09/14/2006 | 10,000,000.00 | 9,995,600.00 | 9,994,111.11 | 5.300 | A-1 | 5.316 | 4 | 10/05/2006 |
| 61777ML28 | 3124 | Morrigan TRR Funding LLC | | 09/15/2006 | 9,000,000.00 | 8,959,410.00 | 8,957,520.00 | 5.310 | A-1 | 5.348 | 32 | 11/02/2006 |
| 61777MK29 | 3152 | Morrigan TRR Funding LLC | | 09/28/2006 | 4,000,000.00 | 4,000,000.00 | 3,999,405.55 | 5.350 | A-1 | 5.353 | 1 | 10/02/2006 |
| Subtotal and Average | | | 119,022,410.47 | | 151,108,000.00 | 150,978,569.65 | 150,954,271.19 | | | 5.342 | 7 | |
| Federal Agency Coupon Securities | | | | | | | | | | | | |
| 31331THK0 | 1683 | Federal Farm Credit Bank | | 10/23/2003 | 11,625,000.00 | 11,606,865.00 | 11,624,881.60 | 2.600 | AAA | 2.617 | 22 | 10/23/2006 |
| 31331SHS5 | 2139 | Federal Farm Credit Bank | | 12/29/2004 | 5,000,000.00 | 4,939,050.00 | 4,999,534.72 | 3.550 | AAA | 3.563 | 271 | 08/29/2007 |
| 3133X6ZJ8 | 1881 | Federal Home Loan Bank | | 05/03/2004 | 5,000,000.00 | 4,934,400.00 | 4,998,164.10 | 3.125 | AAA | 3.188 | 226 | 05/15/2007 |
| 3133X6QG4 | 1883 | Federal Home Loan Bank | | 05/04/2004 | 4,250,000.00 | 4,194,240.00 | 4,242,288.61 | 3.000 | AAA | 3.325 | 215 | 05/04/2007 |

Portfolio SB67

AP

**County Pool 2006-2007
Portfolio Management
Portfolio Details - Investments
September 30, 2006**

| CUSIP | Investment # | Issuer | Average Balance | Purchase Date | Par Value | Market Value | Book Value | Stated Rate | S&P | YTM | Days to Maturity | Maturity Date |
|---|--------------|--------------------------------|-----------------------|---------------|-----------------------|-----------------------|-----------------------|-------------|-----|--------------|------------------|---------------|
| Federal Agency Coupon Securities | | | | | | | | | | | | |
| 3133XAP27 | 2209 | Federal Home Loan Bank | | 02/22/2005 | 5,000,000.00 | 4,994,500.00 | 4,999,755.21 | 4.580 | AAA | 4.069 | 144 | 02/22/2007 |
| 3133XBH99 | 2371 | Federal Home Loan Bank | | 06/13/2005 | 5,000,000.00 | 4,998,450.00 | 5,000,000.00 | 4.000 | AAA | 3.997 | 12 | 10/13/2006 |
| 3133XCN25 | 2490 | Federal Home Loan Bank | | 08/11/2005 | 5,000,000.00 | 4,970,300.00 | 4,995,777.67 | 4.250 | AAA | 4.400 | 219 | 05/08/2007 |
| 3133XCYA5 | 2523 | Federal Home Loan Bank | | 09/01/2005 | 5,000,000.00 | 4,960,950.00 | 5,000,000.00 | 4.300 | AAA | 4.288 | 331 | 08/28/2007 |
| 3133XCYA5 | 2529 | Federal Home Loan Bank | | 09/06/2005 | 8,200,000.00 | 8,135,958.00 | 8,200,000.00 | 4.300 | AAA | 4.288 | 331 | 08/28/2007 |
| 3133XD4B4 | 2567 | Federal Home Loan Bank | | 09/28/2005 | 5,000,000.00 | 4,987,500.00 | 5,000,000.00 | 4.260 | AAA | 4.264 | 88 | 12/28/2006 |
| 3133XD4B4 | 2568 | Federal Home Loan Bank | | 09/28/2005 | 6,630,000.00 | 6,613,425.00 | 6,630,000.00 | 4.260 | AAA | 4.264 | 88 | 12/28/2006 |
| 3133XD2U4 | 2657 | Federal Home Loan Bank | | 12/02/2005 | 5,000,000.00 | 4,976,550.00 | 4,989,279.66 | 4.300 | AAA | 4.774 | 169 | 03/19/2007 |
| 3133XEEL9 | 2739 | Federal Home Loan Bank | | 02/08/2006 | 5,000,000.00 | 4,981,250.00 | 4,992,343.57 | 4.750 | AAA | 4.901 | 403 | 11/08/2007 |
| 3128X1EN3 | 1555 | Federal Home Loan Mortgage Co. | | 05/28/2003 | 5,000,000.00 | 4,979,000.00 | 4,999,866.90 | 2.625 | AAA | 2.640 | 58 | 11/28/2006 |
| 3128X1JB4 | 1563 | Federal Home Loan Mortgage Co. | | 06/04/2003 | 10,000,000.00 | 9,660,400.00 | 9,999,498.05 | 2.850 | AAA | 2.853 | 611 | 06/03/2008 |
| 3128X2V93 | 1841 | Federal Home Loan Mortgage Co. | | 03/29/2004 | 10,000,000.00 | 9,859,300.00 | 9,991,512.04 | 2.375 | AAA | 2.554 | 179 | 03/29/2007 |
| 3128X2RP2 | 1852 | Federal Home Loan Mortgage Co. | | 04/02/2004 | 20,000,000.00 | 19,821,800.00 | 19,995,887.05 | 2.750 | AAA | 2.810 | 131 | 02/09/2007 |
| 3128X1U70 | 2014 | Federal Home Loan Mortgage Co. | | 09/28/2004 | 10,000,000.00 | 9,881,600.00 | 9,998,447.21 | 3.010 | AAA | 3.040 | 194 | 04/13/2007 |
| 3128X1SV0 | 2697 | Federal Home Loan Mortgage Co. | | 01/06/2006 | 5,000,000.00 | 4,956,150.00 | 4,966,032.64 | 2.580 | AAA | 4.728 | 120 | 01/29/2007 |
| 3136F3VM5 | 1554 | Federal Nat'l Mtg. Assoc. | | 05/28/2003 | 5,000,000.00 | 4,978,150.00 | 4,999,858.63 | 2.410 | AAA | 2.429 | 58 | 11/28/2006 |
| 3136F4NA8 | 1863 | Federal Nat'l Mtg. Assoc. | | 04/13/2004 | 9,000,000.00 | 8,890,290.00 | 8,999,176.17 | 3.050 | AAA | 3.067 | 201 | 04/20/2007 |
| 3136F5PS4 | 1865 | Federal Nat'l Mtg. Assoc. | | 04/15/2004 | 5,000,000.00 | 4,929,700.00 | 4,988,957.33 | 2.550 | AAA | 2.986 | 194 | 04/13/2007 |
| 3136F6BM0 | 1976 | Federal Nat'l Mtg. Assoc. | | 08/26/2004 | 10,000,000.00 | 9,915,600.00 | 9,999,194.44 | 3.150 | AAA | 3.171 | 148 | 02/26/2007 |
| 3136F6AG4 | 1985 | Federal Nat'l Mtg. Assoc. | | 09/07/2004 | 6,000,000.00 | 5,940,000.00 | 5,999,066.67 | 4.050 | AAA | 3.634 | 341 | 09/07/2007 |
| 3136F4C77 | 2005 | Federal Nat'l Mtg. Assoc. | | 09/22/2004 | 10,000,000.00 | 9,953,100.00 | 9,999,677.46 | 3.000 | AAA | 3.015 | 75 | 12/15/2006 |
| 3136F54B4 | 2064 | Federal Nat'l Mtg. Assoc. | | 11/08/2004 | 7,885,000.00 | 7,835,718.75 | 7,884,644.90 | 3.310 | AAA | 3.323 | 117 | 01/26/2007 |
| 3136F53X7 | 2074 | Federal Nat'l Mtg. Assoc. | | 11/17/2004 | 6,005,000.00 | 5,963,745.65 | 6,003,133.78 | 3.250 | AAA | 3.343 | 127 | 02/05/2007 |
| 3136F5AL5 | 2081 | Federal Nat'l Mtg. Assoc. | | 11/19/2004 | 5,800,000.00 | 5,781,904.00 | 5,798,478.49 | 3.000 | AAA | 3.200 | 50 | 11/20/2006 |
| 31359MWM1 | 2088 | Federal Nat'l Mtg. Assoc. | | 11/29/2004 | 5,000,000.00 | 4,996,900.00 | 4,999,550.45 | 3.050 | AAA | 3.329 | 12 | 10/13/2006 |
| 3136F66Z7 | 2364 | Federal Nat'l Mtg. Assoc. | | 06/07/2005 | 5,000,000.00 | 4,971,900.00 | 5,000,000.00 | 4.000 | AAA | 4.003 | 157 | 03/07/2007 |
| Subtotal and Average | | | 267,404,251.30 | | 210,395,000.00 | 208,608,696.40 | 210,295,027.35 | | | 3.387 | 177 | |

Federal Agency Coupon - Callables

| | | | | | | | | | | | | |
|-----------|------|--------------------------|--|------------|---------------|--------------|--------------|-------|-----|-------|-----|------------|
| 31331Q3A3 | 1591 | Federal Farm Credit Bank | | 06/30/2003 | 9,665,000.00 | 9,335,810.10 | 9,663,311.31 | 2.950 | AAA | 2.961 | 638 | 06/30/2008 |
| 31331TK26 | 1970 | Federal Farm Credit Bank | | 08/23/2004 | 7,560,000.00 | 7,470,262.80 | 7,555,763.46 | 3.250 | AAA | 3.346 | 221 | 05/10/2007 |
| 31339XMK7 | 1581 | Federal Home Loan Bank | | 06/17/2003 | 10,000,000.00 | 9,700,000.00 | 9,998,395.83 | 3.150 | AAA | 3.160 | 625 | 06/17/2008 |
| 3133X0FJ3 | 1629 | Federal Home Loan Bank | | 08/13/2003 | 5,000,000.00 | 4,909,400.00 | 4,998,600.00 | 4.000 | AAA | 4.017 | 682 | 08/13/2008 |
| 3133X8SJ2 | 2041 | Federal Home Loan Bank | | 10/22/2004 | 5,000,000.00 | 4,945,300.00 | 4,999,827.55 | 3.260 | AAA | 3.266 | 200 | 04/19/2007 |
| 3133X8SJ2 | 2052 | Federal Home Loan Bank | | 10/26/2004 | 5,000,000.00 | 4,945,300.00 | 4,998,666.67 | 3.260 | AAA | 3.311 | 200 | 04/19/2007 |
| 3133X9FZ8 | 2089 | Federal Home Loan Bank | | 11/29/2004 | 4,920,000.00 | 4,907,700.00 | 4,917,623.22 | 4.500 | AAA | 3.784 | 423 | 11/28/2007 |

Portfolio SB67
AP

**County Pool 2006-2007
Portfolio Management
Portfolio Details - Investments
September 30, 2006**

| CUSIP | Investment # | Issuer | Average Balance | Purchase Date | Par Value | Market Value | Book Value | Stated Rate | S&P | YTM | Days to Maturity | Maturity Date |
|--|--------------|--------------------------------|-----------------|---------------|---------------|---------------|---------------|-------------|-----|-------|------------------|---------------|
| Federal Agency Coupon - Callables | | | | | | | | | | | | |
| 3133X9QJ2 | 2117 | Federal Home Loan Bank | | 12/15/2004 | 5,000,000.00 | 4,996,900.00 | 4,999,743.06 | 5.000 | AAA | 3.747 | 75 | 12/15/2006 |
| 3133X9UC2 | 2136 | Federal Home Loan Bank | | 12/28/2004 | 10,000,000.00 | 9,956,300.00 | 10,000,000.00 | 3.500 | AAA | 3.500 | 88 | 12/28/2006 |
| 3133XCRA3 | 2491 | Federal Home Loan Bank | | 08/15/2005 | 5,000,000.00 | 4,957,800.00 | 4,988,850.69 | 4.470 | AAA | 4.644 | 502 | 02/15/2008 |
| 3133XCQC0 | 2506 | Federal Home Loan Bank | | 08/26/2005 | 5,000,000.00 | 4,967,200.00 | 5,000,000.00 | 4.500 | AAA | 4.500 | 326 | 08/23/2007 |
| 3133XC5C3 | 2522 | Federal Home Loan Bank | | 09/01/2005 | 5,000,000.00 | 4,956,250.00 | 4,993,735.60 | 4.000 | AAA | 4.178 | 264 | 06/22/2007 |
| 3133XDHP9 | 2593 | Federal Home Loan Bank | | 10/18/2005 | 5,000,000.00 | 4,996,900.00 | 4,999,872.00 | 4.500 | AAA | 4.531 | 33 | 11/03/2006 |
| 3133XDE80 | 2594 | Federal Home Loan Bank | | 10/18/2005 | 5,000,000.00 | 4,987,500.00 | 4,997,399.31 | 4.400 | AAA | 4.587 | 109 | 01/18/2007 |
| 3133XEEH8 | 2721 | Federal Home Loan Bank | | 01/27/2006 | 5,000,000.00 | 4,982,800.00 | 4,990,718.23 | 4.900 | AAA | 5.010 | 662 | 07/24/2008 |
| 3133XDN98 | 2731 | Federal Home Loan Bank | | 02/02/2006 | 5,000,000.00 | 4,975,000.00 | 4,987,359.05 | 4.625 | AAA | 4.935 | 312 | 08/09/2007 |
| 3133XEKR9 | 2759 | Federal Home Loan Bank | | 02/15/2006 | 5,000,000.00 | 4,985,950.00 | 5,000,000.00 | 5.000 | AAA | 5.066 | 502 | 02/15/2008 |
| 3133XDGC9 | 3003 | Federal Home Loan Bank | | 07/12/2006 | 5,000,000.00 | 4,968,750.00 | 4,947,647.78 | 4.500 | AAA | 5.559 | 376 | 10/12/2007 |
| 3133XG7C2 | 3045 | Federal Home Loan Bank | | 08/01/2006 | 5,000,000.00 | 5,003,150.00 | 5,000,000.00 | 6.000 | AAA | 6.000 | 670 | 08/01/2008 |
| 3133XGFL3 | 3055 | Federal Home Loan Bank | | 08/07/2006 | 5,000,000.00 | 5,014,050.00 | 5,000,000.00 | 5.750 | AAA | 5.750 | 1,041 | 08/07/2009 |
| 3133XFNY8 | 3071 | Federal Home Loan Bank | | 08/16/2006 | 5,000,000.00 | 5,000,000.00 | 4,997,815.57 | 5.500 | AAA | 5.522 | 626 | 06/16/2008 |
| 3133XFPC4 | 3082 | Federal Home Loan Bank | | 08/21/2006 | 5,000,000.00 | 5,007,800.00 | 5,000,000.00 | 5.500 | AAA | 5.496 | 978 | 06/05/2009 |
| 3133XGL69 | 3105 | Federal Home Loan Bank | | 09/05/2006 | 5,000,000.00 | 4,998,450.00 | 5,000,000.00 | 5.500 | AAA | 5.474 | 1,062 | 08/26/2009 |
| 3128X0Q28 | 1445 | Federal Home Loan Mortgage Co. | | 03/12/2003 | 10,000,000.00 | 9,790,300.00 | 9,998,552.78 | 3.500 | AAA | 3.511 | 528 | 03/12/2008 |
| 3128X1LC9 | 1582 | Federal Home Loan Mortgage Co. | | 06/17/2003 | 10,000,000.00 | 9,724,100.00 | 9,999,327.16 | 2.700 | AAA | 2.706 | 442 | 12/17/2007 |
| 3128X3UV3 | 2010 | Federal Home Loan Mortgage Co. | | 09/24/2004 | 6,000,000.00 | 5,887,620.00 | 6,000,000.00 | 4.000 | AAA | 4.000 | 716 | 09/16/2008 |
| 3128X4VWK3 | 2667 | Federal Home Loan Mortgage Co. | | 12/12/2005 | 5,000,000.00 | 4,987,450.00 | 5,000,000.00 | 5.000 | AAA | 5.000 | 437 | 12/12/2007 |
| 3128X4F48 | 2738 | Federal Home Loan Mortgage Co. | | 02/08/2006 | 5,000,000.00 | 4,991,300.00 | 5,000,000.00 | 5.000 | AAA | 5.000 | 495 | 02/08/2008 |
| 3128X4E98 | 2740 | Federal Home Loan Mortgage Co. | | 02/08/2006 | 5,000,000.00 | 4,991,100.00 | 5,000,000.00 | 4.900 | AAA | 4.903 | 155 | 03/05/2007 |
| 3128X4F48 | 2756 | Federal Home Loan Mortgage Co. | | 02/14/2006 | 5,000,000.00 | 4,991,300.00 | 4,991,644.61 | 5.000 | AAA | 5.131 | 495 | 02/08/2008 |
| 3128X5BM9 | 2934 | Federal Home Loan Mortgage Co. | | 05/22/2006 | 5,000,000.00 | 5,001,000.00 | 5,000,000.00 | 5.375 | AAA | 5.379 | 260 | 06/18/2007 |
| 3128X47H6 | 3080 | Federal Home Loan Mortgage Co. | | 08/21/2006 | 5,000,000.00 | 5,003,000.00 | 4,994,146.20 | 5.375 | AAA | 5.445 | 599 | 05/22/2008 |
| 3128X5JJ8 | 3115 | Federal Home Loan Mortgage Co. | | 09/12/2006 | 5,000,000.00 | 4,999,850.00 | 4,991,194.47 | 5.450 | AAA | 5.491 | 1,797 | 09/02/2011 |
| 3136F3VWW2 | 1575 | Federal Nat'l Mtg. Assoc. | | 06/11/2003 | 10,000,000.00 | 9,681,300.00 | 9,997,627.78 | 3.000 | AAA | 3.015 | 619 | 06/11/2008 |
| 3136F5BL4 | 1836 | Federal Nat'l Mtg. Assoc. | | 03/18/2004 | 15,000,000.00 | 14,700,000.00 | 15,000,000.00 | 4.100 | AAA | 4.039 | 866 | 02/13/2009 |
| 3136F53V1 | 1969 | Federal Nat'l Mtg. Assoc. | | 08/23/2004 | 14,240,000.00 | 14,062,000.00 | 14,240,000.00 | 3.625 | AAA | 3.624 | 299 | 07/27/2007 |
| 3136F56W6 | 1972 | Federal Nat'l Mtg. Assoc. | | 08/24/2004 | 17,465,000.00 | 17,230,270.40 | 17,463,697.00 | 3.625 | AAA | 3.634 | 326 | 08/23/2007 |
| 3136F3TM8 | 2023 | Federal Nat'l Mtg. Assoc. | | 10/01/2004 | 5,000,000.00 | 4,920,300.00 | 4,999,145.07 | 4.000 | AAA | 4.010 | 597 | 05/20/2008 |
| 3136F7JZ1 | 2531 | Federal Nat'l Mtg. Assoc. | | 09/07/2005 | 5,000,000.00 | 4,981,250.00 | 4,999,552.08 | 4.750 | AAA | 4.597 | 523 | 03/07/2008 |
| 3136F7LJ4 | 2569 | Federal Nat'l Mtg. Assoc. | | 10/17/2005 | 5,000,000.00 | 4,975,000.00 | 5,000,000.00 | 5.000 | AAA | 5.000 | 747 | 10/17/2008 |
| 3136F7LJ4 | 2590 | Federal Nat'l Mtg. Assoc. | | 10/17/2005 | 5,000,000.00 | 4,975,000.00 | 5,000,000.00 | 5.000 | AAA | 4.964 | 747 | 10/17/2008 |
| 3136F7MT1 | 2644 | Federal Nat'l Mtg. Assoc. | | 11/23/2005 | 5,000,000.00 | 4,981,250.00 | 4,999,284.72 | 5.000 | AAA | 5.013 | 418 | 11/23/2007 |
| 31359MZN6 | 2670 | Federal Nat'l Mtg. Assoc. | | 12/13/2005 | 5,000,000.00 | 4,987,500.00 | 5,000,000.00 | 5.000 | AAA | 5.000 | 438 | 12/13/2007 |

Portfolio SB67

AP

**County Pool 2006-2007
Portfolio Management
Portfolio Details - Investments
September 30, 2006**

| CUSIP | Investment # | Issuer | Average Balance | Purchase Date | Par Value | Market Value | Book Value | Stated Rate | S&P | YTM | Days to Maturity | Maturity Date |
|--|--------------|----------------------------|-----------------------|---------------|-----------------------|-----------------------|-----------------------|-------------|-----|--------------|------------------|---------------|
| Federal Agency Coupon - Callables | | | | | | | | | | | | |
| 3136F7PQ4 | 2688 | Federal Nat'l Mtg. Assoc. | | 12/27/2005 | 5,000,000.00 | 4,992,200.00 | 5,000,000.00 | 5.000 | AAA | 5.000 | 452 | 12/27/2007 |
| 3136F7MJ3 | 2696 | Federal Nat'l Mtg. Assoc. | | 01/05/2006 | 6,000,000.00 | 5,977,500.00 | 5,995,860.14 | 5.000 | AAA | 5.043 | 600 | 05/23/2008 |
| 31359MZV8 | 2708 | Federal Nat'l Mtg. Assoc. | | 01/18/2006 | 5,000,000.00 | 4,984,400.00 | 5,000,000.00 | 5.125 | AAA | 5.125 | 474 | 01/18/2008 |
| 31359MZK2 | 2723 | Federal Nat'l Mtg. Assoc. | | 01/30/2006 | 5,000,000.00 | 4,987,500.00 | 4,996,641.19 | 4.900 | AAA | 4.957 | 423 | 11/28/2007 |
| 3136F7RJ8 | 2732 | Federal Nat'l Mtg. Assoc. | | 02/03/2006 | 5,000,000.00 | 4,985,950.00 | 4,984,777.16 | 5.000 | AAA | 5.083 | 488 | 02/01/2008 |
| 31359MZK2 | 2909 | Federal Nat'l Mtg. Assoc. | | 05/12/2006 | 5,000,000.00 | 4,987,500.00 | 4,977,734.38 | 4.900 | AAA | 5.304 | 423 | 11/28/2007 |
| 3136F7N45 | 3001 | Federal Nat'l Mtg. Assoc. | | 07/10/2006 | 5,000,000.00 | 5,006,250.00 | 4,995,837.50 | 5.800 | AAA | 5.833 | 1,013 | 07/10/2009 |
| 31359MU27 | 3009 | Federal Nat'l Mtg. Assoc. | | 07/17/2006 | 5,000,000.00 | 5,015,650.00 | 4,993,988.61 | 5.700 | AAA | 5.772 | 655 | 07/17/2008 |
| 3136F7VJ3 | 3146 | Federal Nat'l Mtg. Assoc. | | 09/28/2006 | 5,000,000.00 | 4,985,950.00 | 4,993,761.84 | 5.340 | AAA | 5.371 | 1,605 | 02/22/2011 |
| Subtotal and Average | | | 307,403,929.90 | | 325,850,000.00 | 322,752,363.30 | 325,658,102.02 | | | 4.377 | 531 | |
| Corporate Bonds | | | | | | | | | | | | |
| 36962GH49 | 1849 | General Electric Cap Corp. | | 04/01/2004 | 7,000,000.00 | 6,686,540.00 | 6,994,540.00 | 3.125 | AAA | 3.159 | 913 | 04/01/2009 |
| 36962GXY5 | 2618 | General Electric Cap Corp. | | 11/02/2005 | 5,000,000.00 | 5,002,100.00 | 5,013,372.82 | 5.375 | AAA | 4.757 | 165 | 03/15/2007 |
| 441815AQ0 | 3127 | HSBC Finance Corp | | 09/18/2006 | 5,000,000.00 | 5,036,750.00 | 5,032,641.03 | 5.836 | | 5.332 | 502 | 02/15/2008 |
| 92976FAA1 | 2928 | Wachovia Bank NA | | 05/18/2006 | 5,000,000.00 | 4,978,200.00 | 4,980,813.02 | 4.850 | AA | 5.326 | 302 | 07/30/2007 |
| 66938FJR6 | 2629 | Wells Fargo Company | | 11/10/2005 | 3,000,000.00 | 3,000,000.00 | 3,000,000.00 | 6.750 | AA | 4.730 | 0 | 10/01/2006 |
| 949746JB8 | 3017 | Wells Fargo Company | | 07/18/2006 | 5,000,000.00 | 4,896,050.00 | 4,866,688.76 | 4.000 | AA | 5.525 | 684 | 08/15/2008 |
| 949746MZ1 | 3156 | Wells Fargo Company | | 08/29/2006 | 5,000,000.00 | 4,921,650.00 | 4,932,946.62 | 4.625 | AA | 5.010 | 1,408 | 08/09/2010 |
| Subtotal and Average | | | 24,776,446.74 | | 35,000,000.00 | 34,521,290.00 | 34,821,002.25 | | | 4.741 | 618 | |
| Corporate Bonds - Callable | | | | | | | | | | | | |
| 94974BAT7 | 3134 | Wells Fargo Company | | 09/18/2006 | 4,000,000.00 | 3,853,360.00 | 3,848,600.17 | 3.120 | AA | 5.270 | 684 | 08/15/2008 |
| Subtotal and Average | | | 543,633.49 | | 4,000,000.00 | 3,853,360.00 | 3,848,600.17 | | | 5.270 | 684 | |
| Total and Average | | | 764,150,900.45 | | 771,353,000.00 | 765,714,759.35 | 770,577,108.24 | | | 4.304 | 306 | |

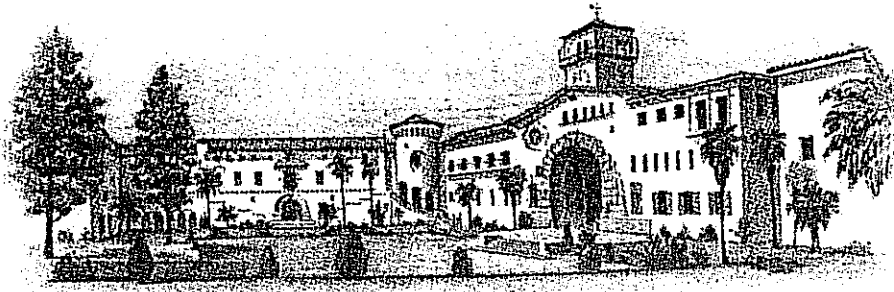
**County Pool 2006-2007
Portfolio Management
Portfolio Details - Cash
September 30, 2006**

| CUSIP | Investment # | Issuer | Average Balance | Purchase Date | Par Value | Market Value | Book Value | Stated Rate | S&P | YTM | Days to Maturity |
|----------------------------|--------------|--------|-----------------|---------------|----------------|----------------|----------------|-------------|-----|-------|------------------|
| Average Balance | | | 0.00 | | | | | | | | 0 |
| Total Cash and Investments | | | 764,150,900.45 | | 771,353,000.00 | 765,714,759.35 | 770,577,108.24 | | | 4.304 | 306 |

COUNTY OF SANTA BARBARA

ROBERT W. GEIS, C.P.A.
Auditor-Controller

THEO FALLATI, C.P.A.
Assistant Auditor-Controller



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OFFICE OF THE AUDITOR-CONTROLLER

INDEPENDENT AUDITOR'S REPORT Santa Barbara County Investment Funds Report

To the Honorable Board of Supervisors and the County of Santa Barbara, California:

We have reviewed the Santa Barbara County Investment Funds Report relative to the amount and type of assets controlled by the County Treasurer as of September 30, 2006, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in the report is the representation of the County Treasurer's management.

A review consists principally of inquiries of Treasury personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying Investment Funds Report in order for it to be in conformity with generally accepted accounting principles.

Theo Fallati, for

Robert W. Geis, CPA
October 25, 2006