OFFICE OF THE TREASURER-TAX COLLECTOR

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October 10, 2006

TO: Board of Supervisors
Thomas G. Mauk, County Executive Officer
Treasury Oversight Committee
Treasurer's Advisory Committee
Participants

FROM: John M. W. Moorlach, C.P.A., CFP®
Treasurer-Tax Collector

SUBJECT: Treasurer's Management Report for September 30, 2006

Attached please find the Treasurer's Management Report for the County of Orange for the month and quarter ended September 30, 2006. The information provided herein, including all charts, tables, graphs and numerical representations, is provided to readers solely as a general overview of the economic and market conditions which the Treasurer utilizes in making investment decisions. In addition, a complete version of this report is also available for download at our website www.ocgov.com/treas/.

TREASURER'S REPORT

In order to assist you in reading this report, please note that the current balances reflect the investments recorded in the portfolios for each particular fund for the period ending September 30. Each money market fund has an average maturity of less than ninety days, with a net asset value (NAV) falling within the range of $0.9950 and $1.0050. The extended fund will have an average maturity of up to 549 days and a fluctuating NAV. All investments are marked to the market at the end of the reporting period due to the narrow valuation range prescribed by the Pools' Investment Policy Statement.

The reports reflect the par value (face value), the book value (cost to the County of the investment) and market value (the price of each security at the close of the market on the last trading day of the month). Market values are derived from the Bloomberg Professional Service, a premier provider of instant access to real-time and historical financial data. The difference between the market value and book value is the unrealized gain or (loss). The Detail Transaction Report Section is provided in compliance with California Government Code Section 53607, which requires that the Treasurer file such a report with the Board of Supervisors, from whom his investment authority has been delegated.

APPORTIONMENT OF COMMINGLED POOL INTEREST EARNINGS

We have prepared a forecast for the timing of the County Investment Pool's August and September 2006 interest apportionments. We anticipate posting the August and September 2006 interest apportionments to participants' cash accounts in the County general ledger by approximately October 24 and November 20, 2006, respectively.

CHANGES IN ELIGIBLE CREDITS

In the month of September, there were no changes to the Treasurer's approved eligibility list.

ECONOMIC OBSERVATIONS

The Federal Open Market Committee (FOMC) held rates steady at their September 20th meeting. They continue to forecast a slowdown in the economy, over the next 12 to 18 months, due in part to the sharp decline in the housing sector.

Two significant changes have taken place since last month. First, oil has dropped to under $60 a barrel. This will free up additional money for consumers to use on other discretionary spending. Accordingly, economists are looking forward to a strong finish for the year in the retail industry. The second major move is a change in expectations by market participants, they are leaning towards the probability that the FOMC will cut rates by the end of this year or during the first quarter of next year. Consequently, bonds have rallied as rates have declined.

Although the housing sector has cooled significantly, other areas of the economy are experiencing robust growth. This will allow the FOMC to continue to remain vigilant with regards to inflation without the need for additional rate increases at this time.

Please call with any questions.

ORANGE COUNTY TREASURER-TAX COLLECTOR
EXECUTIVE SUMMARY
October 1, 2005 - September 30, 2006

PERIOD ENDING - MONTH / YEAR	MONTH END MARKET VALUE	EARNINGS FOR MONTH	AVERAGE YIELD FOR MONTH	MONTH END WAM
Current Month - September 2006				
County Pool - Money Market Fund	$ 1,615,083,076	$ 7,236,374	5.41%	60
Educational Pool - Money Market Fund	$ 1,948,311,050	$ 8,808,477	5.40%	66
Extended Fund	$ 1,903,965,350	$ 7,429,388	4.78%	454
August 2006				
County Pool - Money Market Fund	$ 1,614,920,265	$ 6,811,792	5.40%	63
Educational Pool - Money Market Fund	$ 2,035,802,849	$ 9,180,864	5.38%	64
Extended Fund	$ 1,895,848,400	$ 7,712,637	4.60%	414
July 2006				
County Pool - Money Market Fund	$ 1,584,726,279	$ 7,778,613	5.29%	57
Educational Pool - Money Market Fund	$ 2,135,846,766	$ 8,849,641	5.24%	50
Extended Fund	$ 1,777,440,895	$ 6,516,407	4.45%	376
June 2006				
County Pool - Money Market Fund	$ 1,802,431,285	$ 7,644,477	5.18%	55
Educational Pool - Money Market Fund	$ 1,877,538,725	$ 8,917,379	5.09%	50
Extended Fund	$ 1,695,053,655	$ 6,274,458	4.48%	335
May 2006				
County Pool - Money Market Fund	$ 1,818,302,640	$ 8,544,307	4.98%	29
Educational Pool - Money Market Fund	$ 2,235,054,471	$ 9,348,439	4.93%	39
Extended Fund	$ 1,713,197,862	$ 6,308,786	4.27%	317
April 2006				
County Pool - Money Market Fund	$ 2,369,981,051	$ 9,761,165	4.80%	25
Educational Pool - Money Market Fund	$ 2,240,609,358	$ 8,117,151	4.81%	40
Extended Fund	$ 1,702,966,857	$ 5,973,981	4.13%	287
March 2006				
County Pool - Money Market Fund	$ 1,953,949,036	$ 7,465,041	4.60%	30
Educational Pool - Money Market Fund	$ 1,975,163,364	$ 8,072,937	4.60%	47
Extended Fund	$ 1,691,008,075	$ 5,134,439	3.82%	267
February 2006				
County Pool - Money Market Fund	$ 1,928,205,781	$ 6,203,227	4.48%	32
Educational Pool - Money Market Fund	$ 2,156,578,419	$ 7,413,028	4.47%	54
Extended Fund	$ 1,542,707,130	$ 4,883,504	3.97%	263
January 2006				
County Pool - Money Market Fund	$ 1,730,807,314	$ 7,288,808	4.33%	28
Educational Pool - Money Market Fund	$ 2,229,871,926	$ 7,906,726	4.30%	38
Extended Fund	$ 1,667,664,958	$ 5,031,447	3.52%	267
December 2005				
County Pool - Money Market Fund	$ 2,273,556,493	$ 8,272,353	4.20%	36
Educational Pool - Money Market Fund	$ 2,251,869,796	$ 7,013,914	4.17%	45
Extended Fund	$ 1,666,951,795	$ 4,806,291	3.44%	264
November 2005				
County Pool - Money Market Fund	$ 1,764,219,017	$ 5,431,434	3.96%	36
Educational Pool - Money Market Fund	$ 1,795,317,372	$ 5,763,233	3.97%	55
Extended Fund	$ 1,616,280,601	$ 4,734,849	3.46%	280
October 2005				
County Pool - Money Market Fund	$ 1,587,619,387	$ 4,691,500	3.77%	54
Educational Pool - Money Market Fund	$ 1,834,752,304	$ 6,158,578	3.79%	63
Extended Fund	$ 1,658,630,151	$ 4,722,715	3.32%	297
CUMULATIVE BALANCES - 12 MONTHS	AVERAGE BALANCES	TOTAL EARNINGS	AVERAGE YIELD	AVERAGE WAM
October 1, 2005 - September 30, 2006				
County Pool - Money Market Fund	$ 1,836,983,469	$ 87,129,093	4.70%	42
Educational Pool - Money Market Fund	$ 2,059,726,367	$ 95,550,368	4.68%	51
Extended Fund	$ 1,710,976,311	$ 69,528,901	4.02%	318