COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2000

San Diego County Investment Pool California

(Investment Pool of the County of San Diego)

Issued By
Bart Hartman
Treasurer/Tax Collector

-COUNTY ADMINISTRATION BUILDING
HISTORICAL DRAWING TAKEN FROM SAN DIEGO COUNTY WEB SITE

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INTRODUCTORY SECTION

TREASURER-TAX COLLECTOR

COUNTY ADMINISTRATION CENTER • 1600 PACFIC HIGHWAY ROOM 112
SAN DIEGO, CALIFORNIA 92101-2479

BART HARTMAN
TREASURER-TAX COLLECTOR

NEIL J. ROSSI
CHIEF DEPUTY TREASURER

August 30, 2000

To the Treasury Pool Oversight Committee
County of San Diego
San Diego County Administration Center
San Diego, California 92101

It is with great pleasure that I submit the Comprehensive Annual Financial Report (CAFR) of the San Diego County Investment Pool (the "Pool") for the fiscal year ended June 30, 2000. 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 is 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. All disclosures necessary to enable the reader to gain an understanding of the Pool's financial activities have been included.

This CAFR is presented in four major sections:

1. Introductory section, which consists of this letter of transmittal which presents certain significant events that occurred during this reporting year and the organizational structure of the Treasurer's Office.

2. The financial section, which provides the financial statements and related supplementary schedules. This section contains the opinion of the independent auditor, KPMG LLP.

3. The investment section, which provides an overview of the Treasurer's Office investment program. This section contains information relating to the investment activities of the Pool, including a summary of our investment policies, the Pool's asset allocation, and other portfolio information.

4. The statistical section, which is the final section of the report and consists of various tables and schedules depicting trends and miscellaneous relevant data concerning investments.

SAN DIEGO COUNTY INVESTMENT POOL

The San Diego County Investment Pool is a local government investment pool with approximately $2.3 billion in assets as of June 30, 2000. The Pool is headed by the San Diego County Treasurer/Tax Collector, an elected 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 Treasurer's Office on behalf of the pool participants. Depositors in the Pool include both Mandatory and Voluntary Participants located within the County of San Diego (see San Diego County Pool Participants Composition chart, page 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 Pool's assets, approximately 98.2% as of June 30, 2000.

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, 2000, Voluntary Participants accounted for approximately 1.8% 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 98.2% 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, ACH and Fed Wire payments, acceptance of deposits, fund accounting, and account reconciliation.

INVESTMENT ACTIVITIES

The primary objectives of the Pool, in order of importance, are safety, liquidity, and yield. These have always been the goals and objectives adhered to by this office and will continue to be the main investment objectives in the future. In addition, the following goals have been set for 2000/2001: a) receive an increase in percentage terms from Fitch IBCA on the limit of voluntary participants' deposit currently at 15% and b) maintain the Pool's V1 (short-term highest) and AAA (long-term highest) ratings by Fitch IBCA. To insure the integrity of the Pool, and provide guidelines for its operation, the Treasurer's Office prepares an Investment Policy (the "Policy") on an annual basis. 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 Policy strategically limits the maturity distribution of the Pool, and places limits and restrictions on the securities that may be purchased. 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 1999/2000 fiscal year, investments provided a 5.80% apportionment rate, which is the rate used in allocating the net earnings to the participants. The Pool's annualized rate of return over the last three years was 4.67%, and 4.43% over the last five years. The fair value of the securities represents 99.7% of the amortized cost of the securities. The book and fair values are

used to present the data on investments. The Treasurer's Office has implemented a system of internal controls designed to ensure the reliability of reported investment information. Additionally, the Treasurer's Office provides monthly and quarterly investment reports to the Board of Supervisors, who then review this information as part of their monitoring and oversight function. Please refer to the Investment Section of this CAFR for additional information on investments.

FINANCIAL SUMMARY

During the fiscal year ended June 30, 2000, the Pool improved in several areas. The most significant improvements were in the following areas:

1. The Unrealized Loss decreased from $9.5 million at June 30, 1999 to $7.1 million at June 30, 2000.

2. The earnings of the Pool increased from $73.2 million for the year ended June 30, 1999 to $112.7 million for the year ended June 30, 2000.

3. The weighted average yield of the Pool increased from 4.25% for the year ended June 30, 1999 to 5.68% for the year ended June 30, 2000.

SIGNIFICANT EVENTS FOR THE YEAR

During the 1999/2000 fiscal year, significant events included:

- The rating of the San Diego County Investment Pool remained 'AAA/V1+' as given by Fitch IBCA, a nationally recognized rating agency. Both the 'AAA'and V1+ ratings are the highest ratings awarded by Fitch IBCA and reflect the highest credit quality standards for underlying assets, diversification, management, and operational capabilities. The Pool's 'V1+' volatility rating reflects low market risk and a strong capacity to return stable principal values to participants even in severely adverse interest rate environments. 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.

- During the year the Pool realized a significant increase of the yield to maturity from 4.50% on June 30, 1999 to 6.42% on June 30, 2000.

CERTIFICATE OF ACHIEVEMENT

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, 1999. This was the second consecutive year that the government 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 generally accepted accounting principles 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.

This CAFR was prepared to conform with the principles of governmental accounting and reporting set forth by the Governmental Accounting Standards Board (GASB). Transactions are reported on the accrual basis of accounting. Sufficient internal accounting controls exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements and supporting schedules.

ADDITIONS TO NET ASSETS

Contributions and investment income for fiscal year ended June 30, 2000, totaled $28.1 billion, an increase of 7.2% over the previous year. Amounts are in millions.

			Increase	
	2000	1999	Amount	%
Contributions	$28,018,109	$26,145,075	$1,873,034	7.2%
Investment Income	115,129	103,243	11,886	11.5%
Total	**$28,133,238**	**$26,248,318**	**$1,884,920**	**7.2%**

DEDUCTIONS FROM NET ASSETS

The investment pool is managed for the sole benefit of the participants. All income is distributed quarterly after deducting administrative costs. Withdrawals, distributions and expenses totaled $27.7 billion, an increase of 6.4% over the previous year.

			Increase	
	2000	1999	Amount	%
Capital Withdrawals	$27,600,617	$25,969,569	$1,631,048	6.3%
Interest Distributions	110,310	70,960	39,350	55.5%
Administrative Expenses	2,455	2,238	217	9.7%
Total	**$27,713,382**	**$26,042,767**	**$1,670,615**	**6.4%**

PROFESSIONAL SERVICES

An opinion from the independent auditors, KPMG LLP is included in this report. Other professional service providers that are essential to the effective and efficient operation of the Pool are listed below:

Depository Bank:	Bank of America 450 B St., Suite 100 San Diego, CA 92101
Custodian:	State Street Bank 1001 Marina Village Parkway Alameda, CA 94501
Auditor:	KPMG LLP 750 B Street, Suite 1500 San Diego, CA 92101
Legal Counsel:	County Counsel of San Diego San Diego, CA 92101

ACKNOWLEDGMENTS

The compilation of this report reflects the combined effort 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.

Copies of this report are available at the San Diego County Treasurer/Tax Collector, 1600 Pacific Highway, Room 152, San Diego, California, 92101. Copies will also be available on the internet at www.sdtreastax.com.

Respectfully submitted,

BART J. HARTMAN
Treasurer/Tax Collector

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Diego County Investment Pool, California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1999

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

President

Executive Director

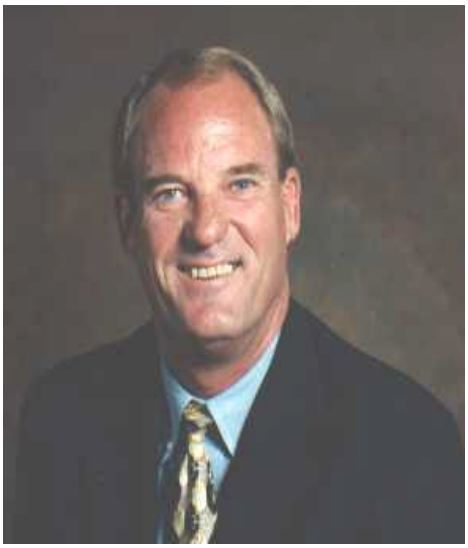
The Treasury Oversight Committee

Barry Newman, Esquire
Chairman

Bart J. Hartman
Treasurer-Tax Collector
County of San Diego

Helen Robbins-Meyer
Deputy CAO
County of San Diego

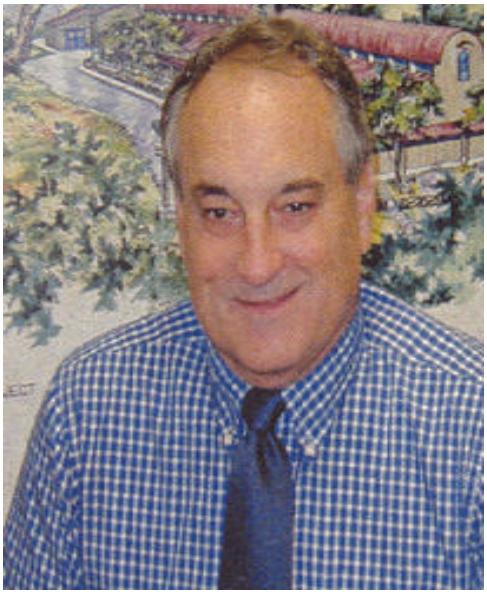
Don Shelton
Asst. Superintendent
SD County Office of Education



William J. Kelly
CFO & Auditor /Controller
County of San Diego

The Treasury Oversight Committee

Henry Hurley, CAO
San Diego City Schools



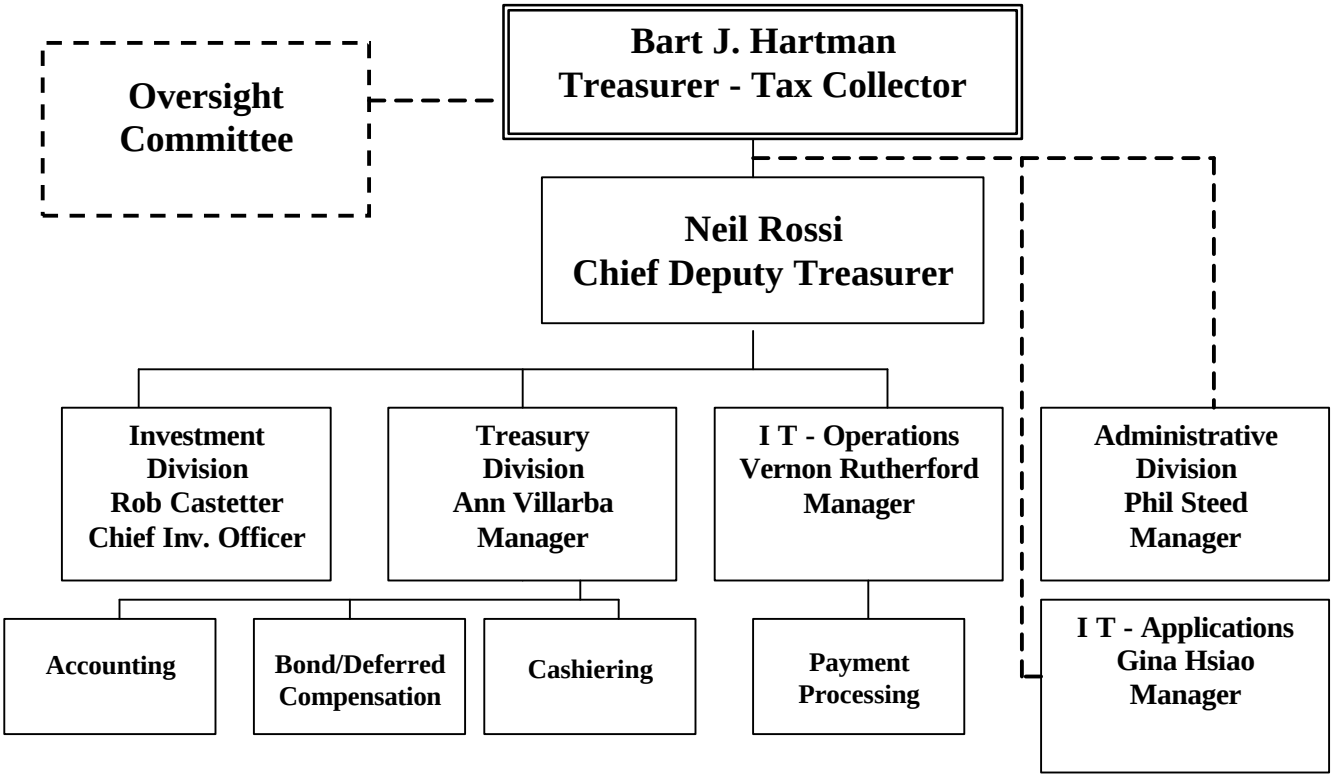
Harry Ehrlich
President, San Diego Chapter
Special Districts Assn.

Wayne Sink, Director
Finance & Administration CA
SD Assn. of Governments

Victor Calderon, CPA
Public Member

John E. Linn
Public Member

TREASURER/TAX COLLECTOR ORGANIZATION CHART



Treasury Staff Members

Neil Rossi
Chief Deputy Treasurer

Ann Villarba, CPA
Treasury Manager

Gloria Arre
Assistant Manager

Zenaida Deguzman
Associate Accountant

Barbara Hoffman
Accounting Technician

Rob Castetter
Chief Investment Officer

Mark Friedrich
Investment Officer

Carolyn Smith
Administrative Secretary II

Dorothy Dogan
Administrative Secretary II

Rose Ferguson
Senior Clerk

FINANCIAL SECTION

750 B Street
San Diego, CA 92101

Independent Auditors' Report

We have audited the accompanying financial statements of the San Diego County Investment Pool, County of San Diego, California, as of and for the year ended June 30, 2000, as listed in the accompanying table of contents. These financial statements are the responsibility of the management of the San Diego County Investment Pool. 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 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 notes to the financial statements, the financial statements of the San Diego County Investment Pool, the County of San Diego, California, are intended to present the financial position, results of operations and changes in net assets of only that portion of the financial reporting entity of the County of San Diego, California, that is attributable to the transactions of the San Diego County Investment Pool.

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, as of June 30, 2000, and the results of its operations and the changes in its net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The introductory, investment and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements of the San Diego County Investment Pool. Such additional information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

KPMG LLP

August 18, 2000

KPMG LLP. KPMG LLP, a U.S. limited liability partnership, is a member of KPMG International, a Swiss association

STATEMENT A

SAN DIEGO COUNTY INVESTMENT POOL
STATEMENT OF NET ASSETS
June 30, 2000
(With comparative totals for June 30, 1999)

ASSETS	2000	1999
Investments at Fair Value:		
U.S. government obligations:		
Federal Home Loan Mortgage Corp. Notes	$ 247,474,087	$ 168,607,800
Federal Home Loan Bank Notes	264,481,926	79,278,275
Federal National Mortgage Assoc. Notes	266,395,524	281,458,431
Federal Farm Credit Bank Notes	14,688,300	-
Other long-term obligations	-	96,560,089
Short-term notes:		
Commercial paper	629,437,061	263,913,355
Corporate medium-term notes	117,900,785	174,276,750
Repurchase agreement collateralized by money market securities	330,000,000	172,000,000
Negotiable certificates of deposit	364,025,500	592,991,400
Money market securities	26,300,000	17,500,000
	2,260,703,183	1,846,586,100
Other Assets:		
Cash on hand and in banks	26,558,169	24,720,804
Receivables and other	32,502,491	15,076,293
Total Assets	**2,319,763,843**	**1,886,383,197**
LIABILITIES		
Distributions payable	35,499,230	22,068,390
Accrued expenses	634,767	541,248
Total Liabilities	**36,133,997**	**22,609,638**
NET ASSETS	**$ 2,283,629,846**	**$ 1,863,773,559**

See notes to financial statements

STATEMENT B

SAN DIEGO COUNTY INVESTMENT POOL
STATEMENT OF OPERATIONS
For the year ended June 30, 2000

(With comparative totals for the year ended June 30, 1999)

	2000	1999
Investment Income:		
Interest income	$ 112,764,518	$ 73,198,280
Net increase in fair value of investments	2,364,439	30,044,637
Total investment income	115,128,957	103,242,917
Expenses - administrative costs	2,454,710	2,238,038
Net increase in net assets resulting from operations	$ 112,674,247	$ 101,004,879

STATEMENT C

SAN DIEGO COUNTY INVESTMENT POOL
STATEMENT OF CHANGES IN NET ASSETS
For the year ended June 30, 2000

(With comparative totals for the year ended June 30, 1999)

	2000	1999
Net increase in net assets resulting from operations	$ 112,674,247	$ 101,004,879
Distributions to participants - distributions paid and payable	(110,309,808)	(70,960,242)
Net increase after distributions	2,364,439	30,044,637
Capital transactions:		
Contributions	28,018,108,527	26,145,074,954
Withdrawals	(27,600,616,679)	(25,969,568,878)
Net increase resulting from capital transactions	417,491,848	175,506,076
Total increase in net assets	419,856,287	205,550,713
Net assets, beginning of year	1,863,773,559	1,658,222,846
Net assets, end of year	$ 2,283,629,846	$ 1,863,773,559

See notes to financial statements

San Diego County Investment Pool
Notes to the Financial Statements
For the year ended June 30, 2000

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 $2.3 billion in assets as of June 30, 2000. 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, school districts, community colleges and other districts and agencies. The school districts are required by State statutes to deposit their funds with the County of San Diego. "Mandatory" participants in the Pool comprise the majority of the pool's assets, approximately 98.2%. 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 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.

Basis of Accounting

The accompanying financial statements were prepared using 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. Withdrawals by participants are based on cost while investments are reported at fair value.

Deposits: At year-end the bank balance of Pool's deposits with various financial institutions totaled $26,543,597 consisting of $25,857,597 in demand deposits and $686,000 in collateralized deposits. Of these amounts, $986,000 was covered by federal deposit insurance and $25,557,597 was uncollateralized. However, state statutes require that depositories holding public funds on deposit maintain collateral in the form of a pool of 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.

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, pass-through securities, negotiable certificates of deposit, repurchase and reverse repurchase agreements, money market mutual funds, LAIF 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 pooled funds are stated at fair value. Securities which are traded on a national or international 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. All purchases of investments are accounted for on a settlement date basis. Unrealized gains or losses of securities are determined by taking the difference between amortized cost and the fair value of investments. Government securities (FHLMC) in the amount of $10,000,000 were sold during the year which netted a gain of $22,300. 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. However, there were no RRPs or securities lending transactions during the fiscal year.

Investments are categorized below to give an indication of the level of 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.

The entire portfolio as of June 30, 2000 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.

San Diego County Investment Pool
Fair Value
6/30/00

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 obligations					
Federal Home Loan Bank	5.13 - 7.41	3/01 - 5/03	$266,695	$266,012	$264,482
Federal Home Loan Mortgage Corp.	5.12 - 7.25	11/00 - 2/03	250,000	249,869	247,474
Federal Nat'l Mortgage Assn.	5.05 - 5.67	11/00 - 2/02	268,514	268,530	266,396
Federal Farm Credit Bank	5.20	9/01	15,000	14,851	14,688
Short-term notes					
Commercial Paper	5.95 - 6.77	7/00 -12/00	637,759	629,196	629,437
Medium-Term Notes	5.65 - 7.06	9/00 - 8/01	75,000	74,599	74,534
Bank Notes	6.21 - 7.07	10/00 - 6/01	43,500	43,488	43,366
Repurchase Agreements*	7.21	7/00	330,000	330,000	330,000
Negotiable Certificates of Deposit	5.27 - 7.16	7/00 - 06/01	365,000	364,966	364,026
Total categorized securities			2,251,468	2,241,511	2,234,403
Open-end Inst'l.Money Market funds**	6.38 - 6.48	7/00	26,300	26,300	26,300
Total Investments			**$2,277,768**	**$2,267,811**	**$2,260,703**

* Repurchase Agreements and Institutional Money Market funds are carried at portfolio book value (carrying cost).

** Open-end Insitutional Money Market funds are not categorized because they do not fall under any of the categories of credit risk as the investment in these funds are not evidenced by specific securities.

Comparative Data

Certain reclassifications have been made to the prior year's financial data to conform to the current year's presentation.

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 to deduct administrative fees related to investments. The net realized earnings on investments are apportioned to the Pool participants quarterly, based on their daily average balances. During the fiscal year ended June 30, 2000, the Pool distributed $110.3 million of investment earnings compared to the previous year's distribution of $71.0 million.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Portfolio Pool Participant Composition

The County portion of the Investment Pool assets as of June 30, 2000 is $1,004 million while the external portion that is not part of the County is $1,316 million. As of June 30, 2000 and 1999, the pool participants by percentage of assets consist of:

	2000	1999
County Funds	38.9%	37.1%
Unapportioned Tax/Interest Funds/Other	13.3	12.6
Schools	41.5	42.6
Community Colleges	4.5	6.5
Voluntary Depositors	1.8	1.2
Total	100%	100%

INVESTMENT SECTION

Administrative Overview

The Pool was created when the State Legislature established the five-member County Board of Supervisors, approximately in 1853. For fiscal year 1999/2000 the Pooled Money Fund has accomplished many goals:

- The unrealized loss decreased from $9.5 million at June 30, 1999 to $7.1 million at June 30, 2000.

- The Pool's total net assets of $2.3 billion has remained stable in weighted average days to maturity. The Investment Pool has had a slight decrease from 233 days at June 30, 1999 to 198 days at June 30, 2000.

- During the year the Pool structure has remained in compliance with the maturity policy which requires 52% of securities to mature under one year; as of June 30, 2000 the Pool has 70% maturing less than one year.

- The Pool's expense ratio remained very competitive at 0.12% of the average daily balance for the fiscal year 1999/2000 and 0.13% for the fiscal year 1998/1999.

- The Pooled Money Fund is in its second year of being rated V1+ (short-term highest) and AAA (long-term highest) by Fitch IBCA.

- The yield to maturity of the Investment Pool had significantly increased to 6.42% on June 30, 2000 from 4.50% on June 30, 1999.

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 are as follows:

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.

The Treasurer's Oversight Committee (TOC) annually 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

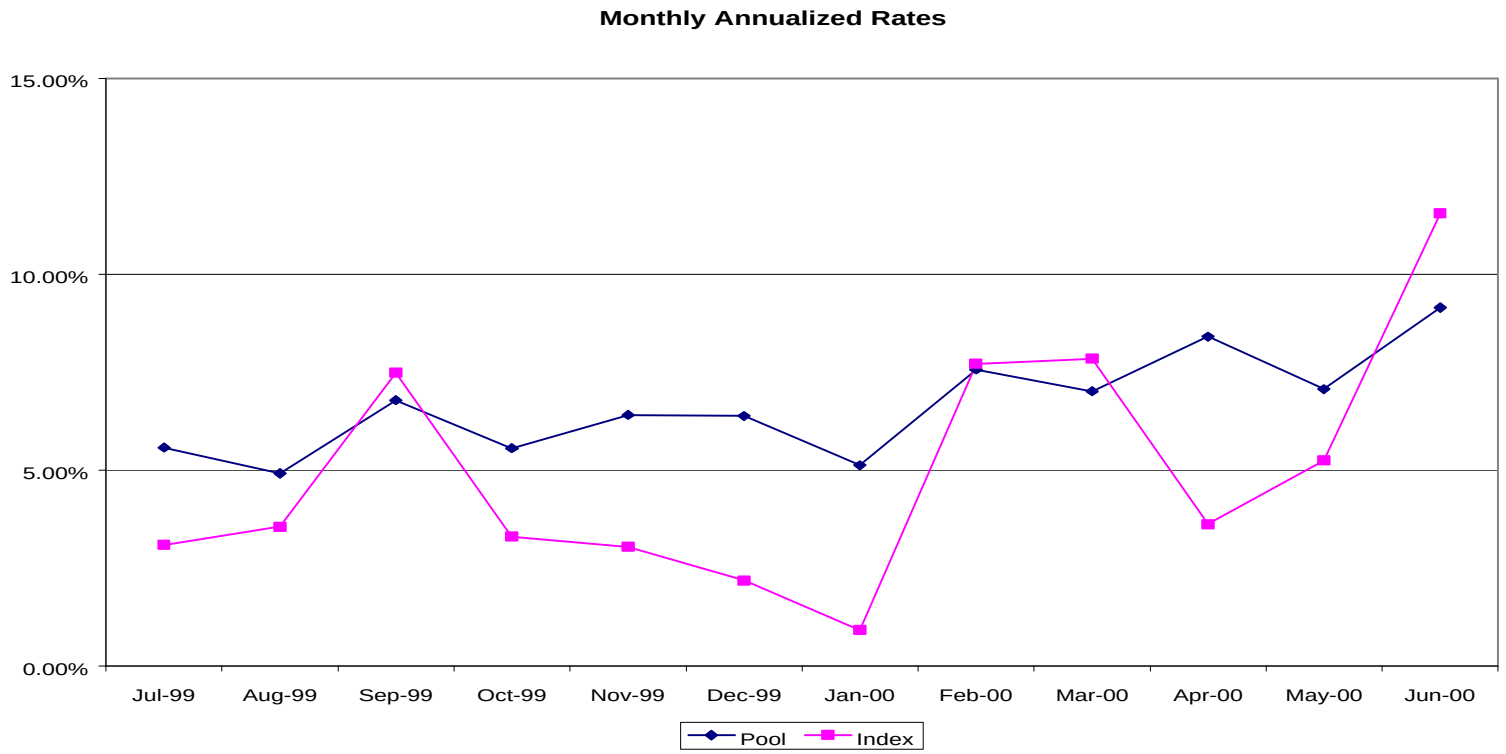
Voluntary Participants' deposits and withdrawal of funds from the Pool. All investment transactions are handled by the internal Investment Officers. There are no outside investment advisors.

Investment Results

During the year, the Treasurer's Office Pooled Money Fund totaling $2.3 billion in assets, exceeded our earnings expectations of 5.00% by .68%; which equates to 5.68%, approximately $15.6 million in additional earnings. The fund outperformed the custom index in 8 out of 12 months during the year. The average monthly market value return for the fund during the fiscal year 1999/2000 was at 6.85% while the average monthly fair value return for the index was 5.04%. The custom index is made up of the following components:

Investment Type	Maturity Range	Allocation
• 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	9 – 12 mos	9%
• US Libor	1 mos	6.25%
• US Libor	3 mos	6.25%

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



Performance Returns
As of June 30, 2000

INVESTMENT TYPE	Reported in Percentages 1Year	3 Years	5 Years
TOTAL PLAN	**5.68**	**4.67**	**4.43**
CUSTOM INDEX	**5.04**	**5.67**	**5.81**
FFCB	5.20	5.65	4.93
FHLB	5.88	4.09	4.04
FNMA	5.22	5.13	5.00
FHLMC	5.50	5.47	5.47
MEDIUM TERM NOTES	5.43	4.30	4.41
MEDIUM TERM NOTES ACT/360	5.81	5.59	5.59
REPURCHASE AGREEMENTS	5.69	5.57	5.65
NEGOTIABLE C/DS, FIXED	5.90	5.65	5.67
COMMERCIAL PAPER, DIS	5.95	5.69	5.69
MONEY MARKET FUNDS ACT/365	5.69	5.48	5.43
TD WITH CALC CODE OF CSC-00	5.28	5.59	5.59
TD WITH CALC CODE OF CSC-02	5.45	5.45	5.45
TD WITH CALC CODE OF CSC-05	5.30	5.43	5.51

The above calculations were prepared using a time-weighted rate of return based on the market rate of return in accordance with AIMR's Performance Presentation Standards.

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 will be deducted from the earnings of the Pooled Money Fund. The Pool's expense ratio for 1999/2000 was 0.12% 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

For the first time in over two years, the Federal Open Market Committee (FOMC) tightened its federal funds rate target by 25 basis points on June 30, 1999. This policy move was telegraphed by Federal Reserve Chairman Greenspan in a June 17, 1999, testimony before the Joint Economic Committee of the U.S. Congress. As a result, the direction of the move did not come as a surprise to market participants. Since then, the Federal Reserve has tightened the federal funds rate four more times by 25 basis points each, and once by 50 basis points, bringing total rate hikes to 175 basis points. Market participants are now optimistic that this tightening cycle is over or at least nearly over.

Strength returned to the manufacturing sector in late 1999 following overseas weakness induced by the Russian currency crisis, just twelve months prior. The National Association of Purchasing Managers survey indicated a strong rebound in production levels over the early months of 2000 and this could tighten production capacity and increase job growth. The index has been climbing steadily throughout 1999 with every segment participating in the trend, including the prices paid to suppliers, which is a closely watched inflationary indicator.

The domestic economy has been extremely healthy and steady since the recovery began nine years ago despite the many obstacles encountered in other regions of the world, most notably the emerging markets in Asia, Latin America and Japan. There is wide concern that evidence of renewed strength in overseas economies will be the catalyst for global inflationary growth and will put an end to the extraordinary U.S. economic cycle as worldwide monetary policies shift into a restrictive mode.

Strength in overseas demand has also resulted in a rebound in worldwide commodity prices, which has provided fuel for inflation hawks. OPEC has finally seemed to come through on promised production cuts and rising summer demand for gasoline boosted oil prices sharply from their lows in the $11 range to nearly $31 a barrel once again. While other commodity prices have also found support, they remain at extremely low historical levels and much of the rise seen late in 1999 has already been factored into the Commodity Research Bureau Index (CRB).

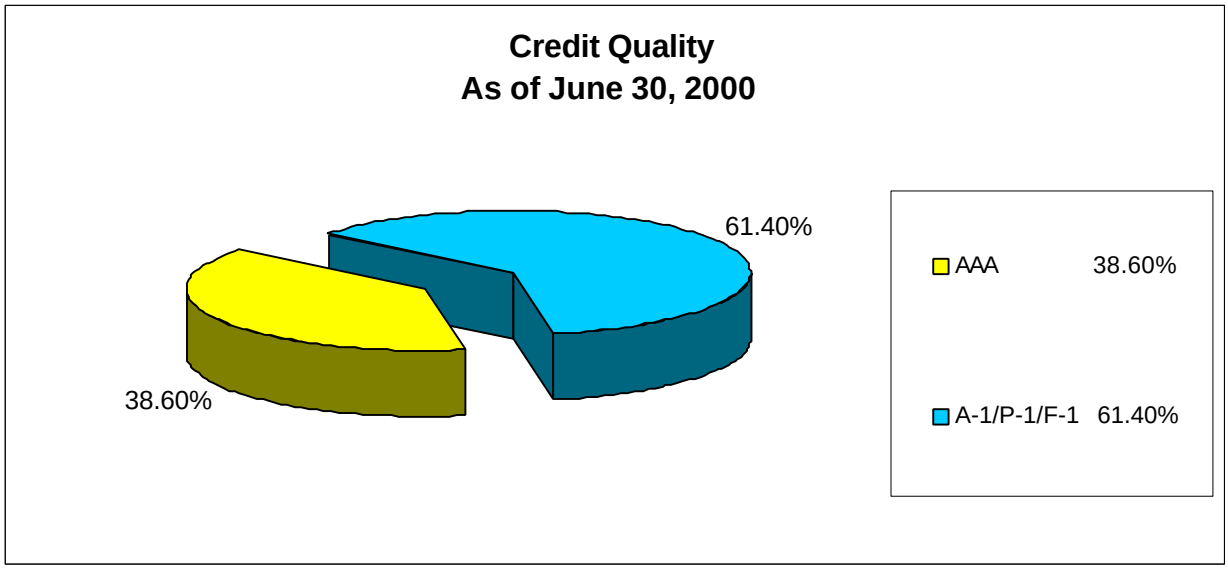
There have been two significant forces impacting the credit markets in the first half of the year and both are expected to remain influential. The first and most obvious is the current trends with the Federal Reserve whereas an additional rate hike is expected between now and the first quarter of next year. The second factor has been the U.S. Treasury continuing to reduce the supply of government securities in the market.

While the current market may be overly optimistic regarding Federal Reserve's monetary expectations, should an economic slowdown clearly develop, market interest rates could become well entrenched below the 6.00% level.

Risk Profile

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

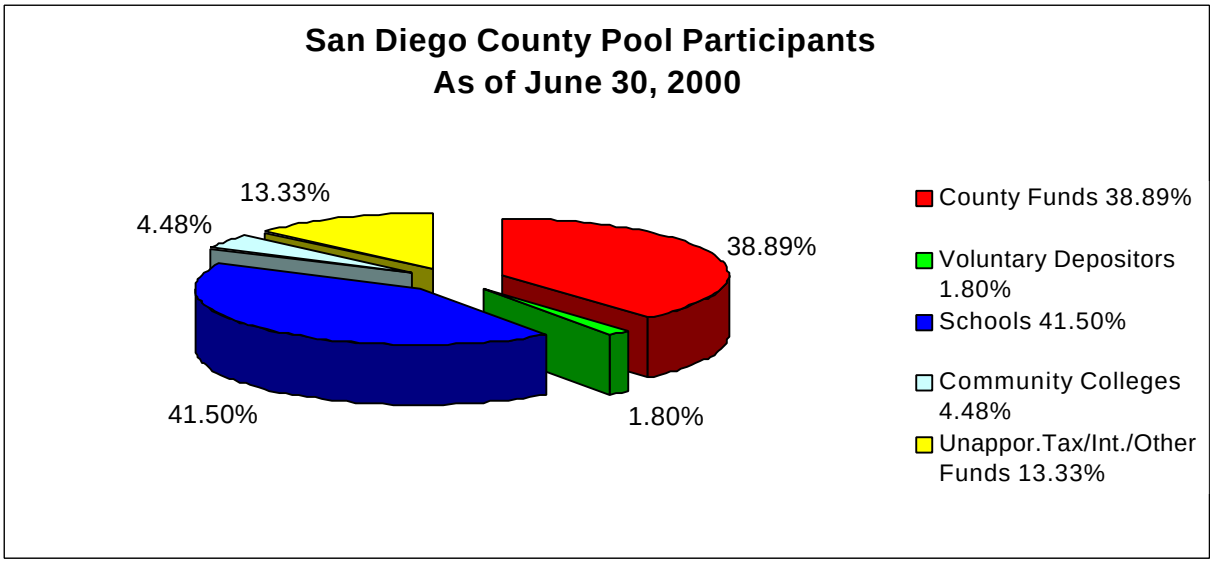
The credit limits of the investments held by the Pool meet and in many cases exceed the requirements of the California Government Code. For example, the Pool is limited to buying corporate and medium-term notes of issuers rated AAA or better when the maturity is beyond one year, whereas the Code allows 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.



San Diego County Investment Pool Participants - June 30, 2000

County	**38.89%**
Unapportioned Tax/Interest Funds/Other	**13.33%**
Schools (K thru 12)	
Alpine Union	
Bonsall Union	
Borrego Springs Unified	
Cajon Valley Union	
Cardiff	
Carlsbad Unified	
Chula Vista Elementary	
Coronado Unified	
Dehesa	
Del Mar Union	
Encinitas Union	
Escondido Union	
Escondido Union High	
Fallbrook Union Elementary	
Fallbrook Union High	
Grossmont Union High	
Jamul-Dulzura Union	
Julian Union	
Julian Union High	
La Mesa- Spring Valley	
Lakeside Union	
Lemon Grove	
Mountain Empire Unified	
National	
Oceanside Unified	
Pauma	
Poway Unified	
Ramona Unified	
Rancho Santa Fe	
San Diego Unified	
San Dieguito Union High	
San Marcos Unified	
San Pasqual Union	
San Ysidro	
Santee	
Solana Beach	
South Bay Union	
Spencer Valley	
Sweetwater Union High	
Vallecitos	
Valley Center Union	
Vista Unified	
Warner Unified	
Education - Cemetery Districts	
Department of Education	
Education - Debt Service	
Education - Building Funds	
Total for Schools	**41.50%**
Community Colleges	
San Diego	
Grossmont/Cuyamaca	
MiraCosta	
Palomar	
Southwestern	
Total for Community Colleges	**4.48%**

Retirement	
Cities	
Encinitas	
La Mesa	
Solana Beach	
Independent Agencies	
Alpine Fire Protection	
Bonita Sunnyside Fire Protection	
Borrego Springs Fire Protection	
Buena Sanitation	
Deer Springs Fire Protection	
East County Fire Protection	
Fallbrook Hospital	
Fallbrook Public Utility	
Fallbrook Sanitation	
Fire Agency Self Insurance System (PASIS)	
Julian-Cuyamaca Fire Protection	
Lake Cuyamaca Recreation & Park	
Lakeside Fire	
Lower Sweetwater Fire Protection	
Majestic Pines Community Services District	
Metropolitan Transit District Board	
Metropolitan Transit Service	
Mission Resource Conservation	
North County Cemetery District	
North County Cemetery Perpetual	
North County Cemetery	
North County Dispatch	
North County Fire Protection	
Palomar Resource Conservation	
Pine Valley Fire Protection	
Pomerado Cemetery Perpetual	
Pomerado Cemetery District	
Ramona Cemetery District	
Ramona Cemetery Perpetual	
Ramona Sanitation	
Rancho Santa Fe Fire Protection	
SANDAG	
San Diego Rural Fire Protection	
San Dieguito River	
San Marcos Fire Protection	
San Miguel Fire Protection	
San Ysidro Sanitation	
South County OPS Center	
Spring Valley/Casa de Oro	
Tri-City Hospital	
Upper San Luis Rey Resource Conservation	
Valley Center Fire Protection	
Valley Center Cemetery	
Valley Center Cemetery Perpetual	
Vista Fire Protection	
Total for Ret., Cities, Independent Agencies	**1.80%**
TOTAL	**100.00%**



The cash flow projections extend two years into the future which allows for more precise positioning of the Portfolio maturity structure.

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 2000.

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, 2000.

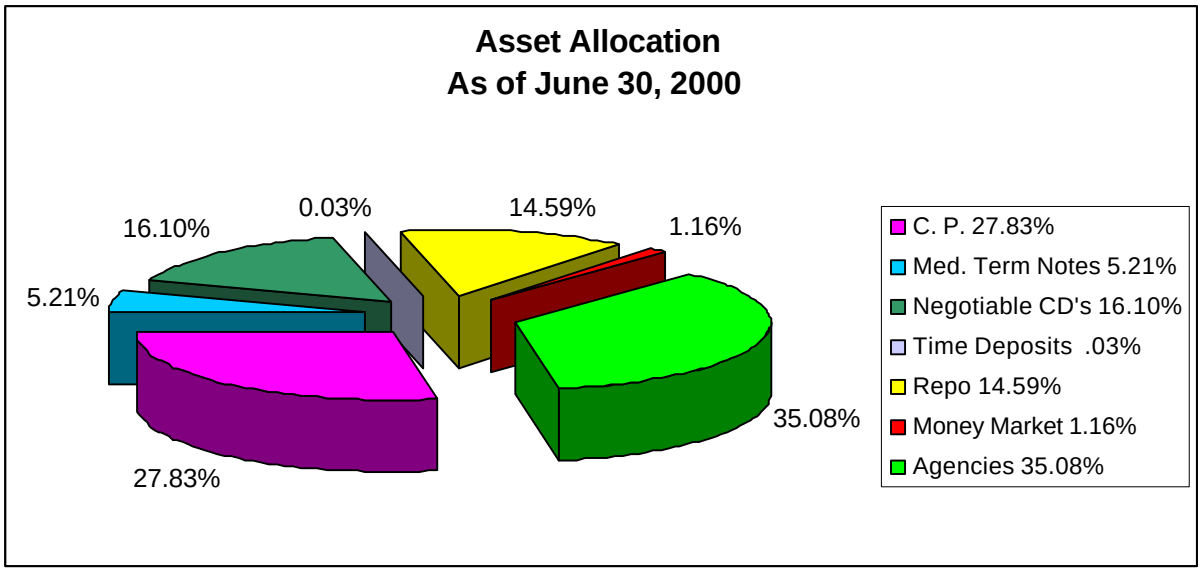
Treasurer-Tax Collector
San Diego County Portfolio Statistics
As of June 30, 2000

	Percent Of Portfolio	Cost	Market Price	Accrued Interest	Fair Value	Unrealized Gain/(Loss)	Yield To Maturity	Weighted Average Days To Maturity
Federal Farm Credit Bank Notes	0.65%	$14,850,505	97.92%	$240,500	$14,688,300	($162,205)	6.08%	437
Federal Home Loan Bank Notes	11.70%	266,011,653	99.17%	4,990,917	264,481,926	(1,529,727)	6.56%	632
Federal Home Loan Mortg. Corp. Note	10.94%	249,869,286	98.99%	4,122,373	247,474,087	(2,395,199)	5.63%	375
Federal Nat'l Mortgage Assoc. Notes	11.78%	268,530,306	99.21%	2,451,864	266,395,524	(2,134,783)	5.22%	201
Corporate Medium-Term Notes	5.21%	118,086,691	99.49%	2,656,688	117,900,785	(185,906)	6.78%	259
Money Market Funds	1.16%	26,300,000	100.00%	190,203	26,300,000	-	6.45%	1
Repurchase Agreements	14.59%	330,000,000	100.00%	66,046	330,000,000	-	7.21%	1
Negotiable Certificates of Deposit	16.10%	364,966,423	99.73%	11,932,172	364,025,500	(940,923)	6.33%	128
Commercial Paper	27.83%	629,196,145	98.70%	0	629,437,061	240,916	6.76%	73
Collateralized Certificates of Deposit*	0.03%	686,000	100.00%	1,847	686,000	-	5.71%	105
Totals For June 2000	100.00%	$2,268,497,009	99.25%	$26,652,610	$2,261,389,183	($7,107,827)	6.42%	198

*Collateralized CDs classified as Cash deposits in Statement of Net Assets

The apportionment rate during fiscal year 1999/2000 was 5.80%. The preceding 3 years annualized was 4.67% and the preceding 5 years annualized was 4.43%.

Chart of Actual Asset Allocation
As of June 30, 2000



Schedule of Top Ten Fixed-Income Securities
As of June 30, 2000

TOP TEN FIXED-INCOME SECURITIES			
Security Name	**Cusip No.**	**Par**	**Fair Value**
Tri-Party Repurchase Agreement	N/A	$330,000,000	$330,000,000
Federal National Mortgage Association	31364GGW3	75,000,000	74,589,750
Federal Home Loan Mortgage Corp.	3134A2XD5	70,000,000	69,562,500
Federal Home Loan Mortgage Corp.	3134A3XW1	50,000,000	49,312,500
Federal National Mortgage Association	31364GHW2	50,000,000	49,679,500
Federal Home Loan Bank	3133MASS9	50,000,000	50,000,000
National Westminister Bank NCD	6385HGQP3	40,000,000	39,748,000
Moat Funding CP	60687LHQ3	40,000,000	39,592,000
General Electric MTN	36962GQA5	25,000,000	24,596,750
Bank of America BN	06050TDZ2	25,000,000	24,920,000

THE NOBLEST MOTIVE IS THE PUBLIC GOOD
COUNTY OF
SAN DIEGO
MDCCCLI

STATISTICAL SECTION

SAN DIEGO COUNTY INVESTMENT POOL

Schedule of Earnings,Returns,Fees,Apport. Rate
Average Daily Balances and Ratio of Fees/ADB

Year	Earnings	Total Returns	Amount Recovered	Net Earnings	Fees	Net Distributed	Apport. Rate	Ave.Daily Balances (In Millions)	Ratio of Fees/ ADB
99/00	$ 112,764,518	5.68%		$ 112,764,518	$ 2,454,710	$ 110,309,808	5.80%	$ 2,002.9	0.12%
98/99	73,660,290	4.25%	462,010	73,198,280	2,238,038	70,960,242	4.27%	1,765.6	0.13%
97/98	69,467,385	3.88%	850,000	68,617,385	2,925,421	65,691,964	3.82%	1,821.4	0.16%
96/97	72,903,124	3.86%	1,200,000	71,703,124	2,857,237	68,845,887	3.77%	1,911.8	0.15%
95/96	85,337,127	4.10%			2,309,845	83,027,282	3.99%	2,074.5	0.11%
94/95	150,945,338	4.76%			1,876,892	149,068,446	4.73%	3,236.6	0.06%
93/94	219,305,767	5.93%			2,130,708	217,175,059	6.09%	3,783.1	0.06%
92/93	223,563,651	7.48%			1,771,258	221,792,393	7.58%	3,109.4	0.06%
91/92	212,666,105	8.62%			1,807,322	210,858,783	8.80%	2,544.3	0.07%
90/91	165,582,726	8.81%			1,708,963	163,873,763	9.37%	1,948.6	0.09%
89/90	150,798,225	9.11%			1,564,119	149,234,106	9.89%	1,732.1	0.09%
88/89	129,682,846	8.83%			1,393,266	128,289,580	9.73%	1,515.7	0.09%

Note: $2,512,010 were withheld from actual apportionments during the fiscal years 1996/1997, 1997/1998 and 1998/1999 as a result of excess apportionment that occurred in prior years. All excess amounts distributed have been fully recovered.

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

FOR THE FISCAL YEARS ENDED:	6/30/00	6/30/99	6/30/98	6/30/97	6/30/96
PROFESSIONAL FEES:					
BANK OF AMERICA-BANKING FEES	$ 377,776	$ 520,655	$ 570,109	$ 409,434	$ 595,971
SWISS BANK - CUSTODIAL FEES			196,700	336,600	383,800
STATE STREET BANK-CUSTODIAL FEES	41,186	40,090			
COMPUTER-RELATED EXPENSES:					
SUNGARD FINANCIAL SYSTEMS	30,586	35,295	27,655	28,969	24,239
TELERATE	-	4,230	26,357	28,137	30,954
BLOOMBERG	41,280	40,539	29,578	27,861	25,552
MONEY MARKET SERVICES	-	6,120	5,460	5,850	5,520
UNISYS			83,500		
GRANADA COMPUTER SERVICES				60,000	60,000
SOFTWARE SERVICES	25,500	25,500	28,040	25,300	25,300
TOTAL PROFESSIONAL FEES	516,328	672,429	967,399	922,151	1,151,336
OTHER COSTS:					
FIXED ASSET - IMAGING EQUIPMENT		-	370,000	350,000	
SALARIES & BENEFITS	1,057,848	858,363	835,162	806,410	673,592
SERVICES & SUPPLIES	287,039	232,957	145,177	218,856	80,924
DEPARTMENT OVERHEAD	262,663	272,757	239,541	223,379	216,051
EXTERNAL OVERHEAD	205,832	105,536	315,870	251,309	102,810
SUB-TOTAL	1,813,382	1,469,613	1,905,750	1,849,954	1,073,377
AUDITORS' COST	125,000	95,996	52,272	85,132	85,132
TOTAL COSTS	$2,454,710	$2,238,038	$ 2,925,421	$ 2,857,237	$2,309,845

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

INVESTMENT TYPE	6/30/00 Amount	%	6/30/99 Amount	%	6/30/98 Amount	%	6/30/97 Amount	%	6/30/96 Amount	%
Treasury Notes	$ -	0.0%	$ -	0.0%	$104,848	6.4%	$103,598	6.3%	$116,946	6.9%
Government Agencies	793,040	35.1%	625,905	33.9%	590,938	36.0%	715,006	43.4%	832,172	49.4%
Corporate Med.Term Notes	117,900	5.2%	174,277	9.4%	100,137	6.1%	102,126	6.2%	152,004	9.0%
Commercial Paper	629,437	27.8%	263,913	14.3%	215,947	13.2%		0.0%		0.0%
Repurchase Agreements	330,000	14.6%	172,000	9.3%	165,000	10.1%	229,000	13.9%	75,000	4.5%
Negotiable Cert. of Deposit	364,026	16.1%	592,991	32.1%	441,877	26.9%	471,334	28.6%	453,548	26.9%
Open-end Money Market Funds	26,300	1.2%	17,500	0.9%	21,500	1.3%	25,300	1.5%	55,596	3.3%
TOTAL	$ 2,260,703	100.0%	$1,846,586	100.0%	$1,640,247	100.0%	$1,646,364	100.0%	$1,685,266	100.0%

SAN DIEGO COUNTY INVESTMENT POOL PARTICIPANTS

PARTICIPANTS	06/30/00 Amount	%	6/30/99 Amount	%	6/30/98 Amount	%	6/30/97 Amount	%	6/30/96 Amount	%
County	$ 877,153	38.8%	$834,657	45.2%	$649,538	39.6%	$656,899	39.9%	$701,071	41.6%
Undistributed Taxes/Int./Other	302,934	13.4%	83,096	4.5%	108,256	6.6%	88,904	5.4%	89,319	5.3%
Schools	938,192	41.5%	786,646	42.6%	744,672	45.4%	673,363	40.9%	507,265	30.1%
Community Colleges	101,732	4.5%	120,028	6.5%	113,177	6.9%	85,611	5.2%	64,040	3.8%
Voluntary Deposits	40,693	1.8%	22,159	1.2%	24,604	1.5%	141,587	8.6%	323,571	19.2%
TOTAL	$ 2,260,703	100.0%	$1,846,586	100.0%	$1,640,247	100.0%	$1,646,364	100.0%	$1,685,266	100.0%