

Palm Beach County School District

Investment Performance Review
Quarter Ended June 30, 2006



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Tab I. June 30, 2006 PFM Month-End Statement

Investment Portfolio Portfolio Summary¹

Total Portfolio Value²	June 30, 2006	March 31, 2006
Market Value	\$84,493,615.84	\$85,239,423.84
Amortized Cost	\$85,848,468.59	\$86,457,616.37

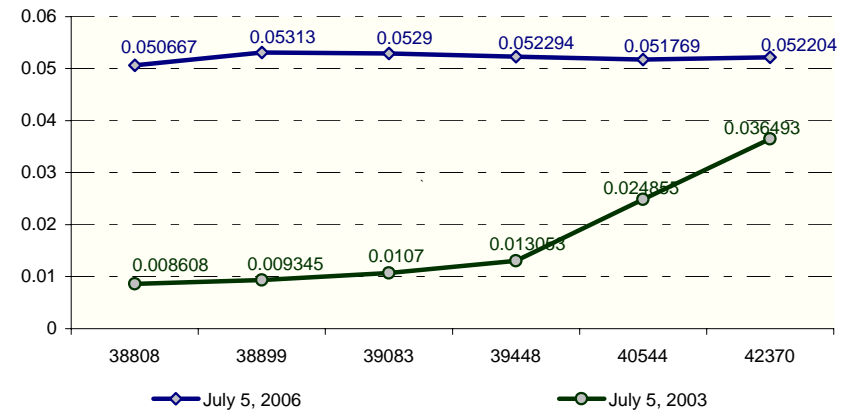
PORTFOLIO STRATEGY

- The economy remained strong during the second quarter but has moderated as the delayed effect of rising interest rates and energy prices impact consumer spending, as indicated by the cooling housing market and declining sales in the auto industry with U.S. auto makers feeling the biggest impact.
- Continued gains in productivity and growth in demand have helped keep inflation in check, although CPI and PPI have increased in recent months raising concern of inflation risks in the future. The FOMC raised the Federal funds rate for the 16th and 17th consecutive time during the quarter to the current rate of 5.25% and has stated that the Committee will respond to changes in monetary policy as needed to maintain its objectives for price control and maximum economic sustainable growth.
- The District's Investment portfolio quarterly return of 0.69% outperformed the Merrill Lynch 1-3 Year U.S. Treasury Note Index benchmark return of 0.65%. In addition to maintaining the short of the benchmark duration strategy, PFM has utilized sector trading for the District's portfolio through active management by executing trades between agencies and treasuries to take advantage of widening and narrowing sector spreads. These strategies have resulted in the District's portfolio outperforming the benchmark since inception by 15 basis points.
- PFM maintained a steady duration during the quarter as the yield curve provided limited opportunity to take advantage of additional yield in longer maturing securities. PFM selectively executed extension trades for the portfolio to lock in yield in the two year federal agencies which have reached four to five year highs, continuing a portfolio duration strategy of 92% - 95% of the benchmark.
- While continued increases occurred in the short end of the yield curve as a result of federal funds rate increases, foreign investment and future uncertainty have resulted in a flat and slightly inverted yield curve, as long term interest rates have failed to react to the more recent inflationary economic data. PFM will continue to evaluate extension trades and look for opportunities to lengthen the portfolio's duration as the curve steepens.

PORTFOLIO STRATEGY

- Even with the transparency of the FOMC in recent years, the market has been a poor indicator of future FOMC rate increases which has resulted in the yield curve typically lagging the Federal Funds rate.
- Although the first quarter of 2006 had strong growth of 5.6%, the economy seems to be showing signs of slowing as increased borrowing costs and energy prices contribute to slower spending. Many expect growth to be approximately 3.0% - 3.5% for the year.
- PFM will target selective extension trades for the District's Investment Portfolio to lock in yields while also utilizing short term securities to position the portfolio for future extension trades and maintain the appropriate duration in anticipation of interest rate stabilization and a shift in the yield curve.

U.S. Treasury Yield Curve Analysis
July 5, 2003 - July 5, 2006



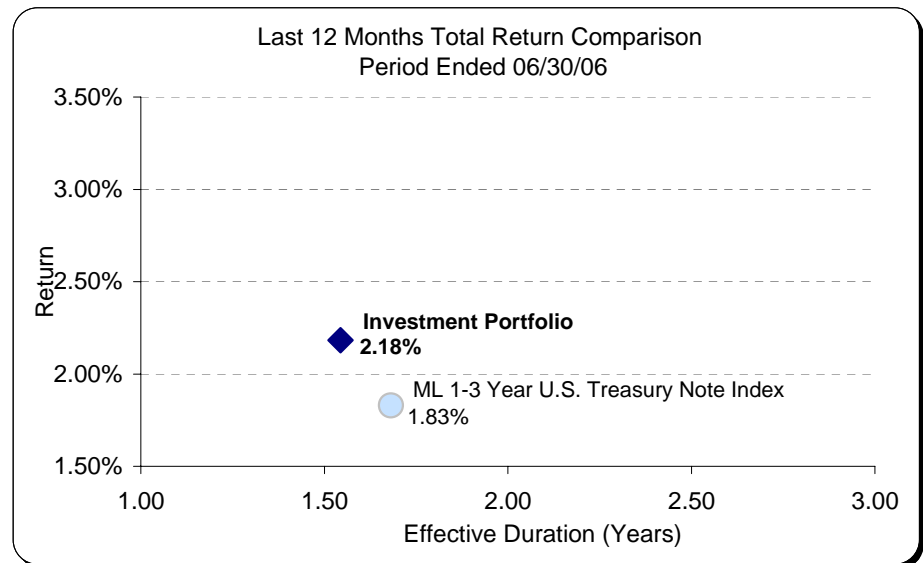
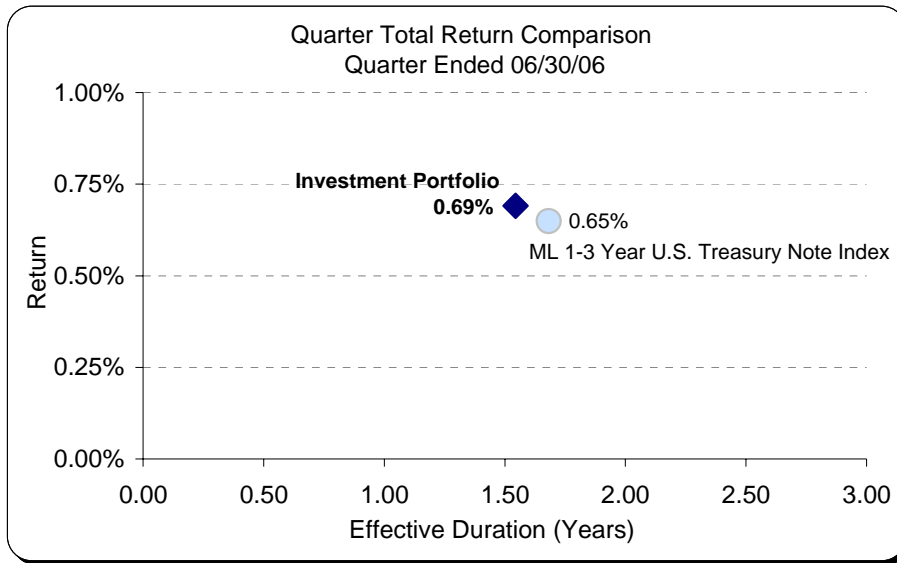
Notes:

1. In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balance.
2. End of quarter trade-date market values of portfolio holdings, including accrued interest.

Investment Portfolio Performance

Total Return^{1,2,3,4,5}	Quarterly Return June 30, 2006	Annualized Quarter	Last 12 Months	Last 24 Months	Since Inception on 12/31/98
Investment Portfolio	0.69%	2.80%	2.18%	2.18%	4.20%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	0.65%	2.63%	1.83%	1.85%	4.05%

Effective Duration (Years)⁴	June 30, 2006	March 31, 2006	Yields	June 30, 2006	March 31, 2006
Investment Portfolio	1.54	1.58	Yield at Market	5.60%	5.15%
ML 1-3 Year U.S. Treasury Note Index	1.68	1.66	Yield at Cost	4.30%	4.03%

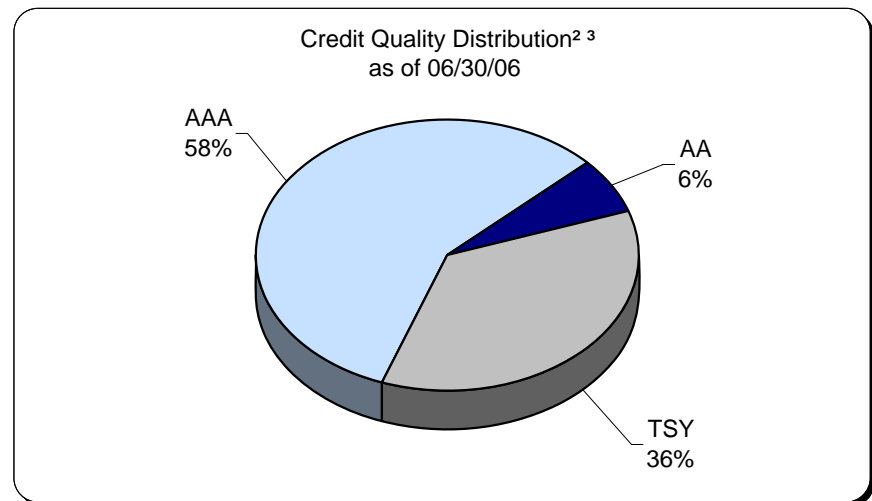
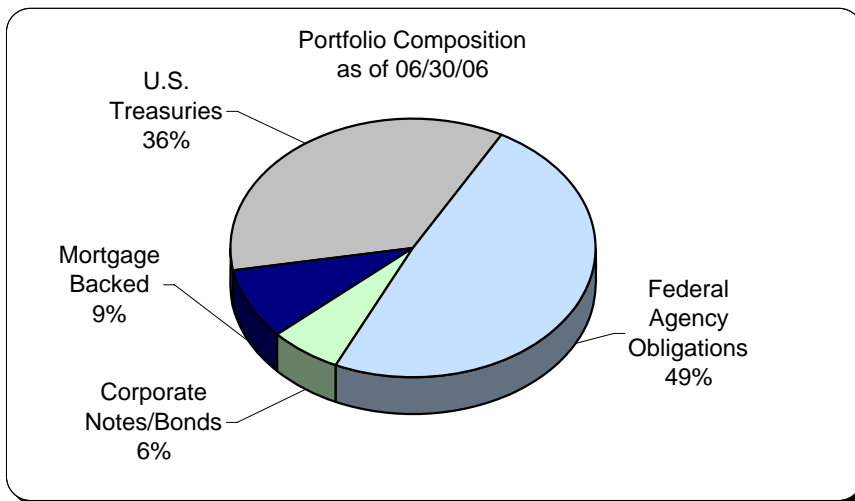


Notes:

1. Performance on trade date basis, gross (i.e., before fees), is in accordance with The CFA Institute's Global Investment Performance Standards (GIPS).
2. Merrill Lynch Indices provided by Bloomberg Financial Markets.
3. Quarterly returns are presented on both an unannualized and annualized basis. The annualized return assumes the quarterly return is compounded at the same rate for four quarters and is presented for reference only. The actual annual return will be the result of chaining the most recent four quarterly returns.
4. Excludes money market fund/cash in performance and duration computations.
5. Returns presented for 12 months or longer are presented on an annual basis.

Investment Portfolio Portfolio Composition and Credit Quality Characteristics

<u>Security Type¹</u>	<u>June 30, 2006</u>	<u>% of Portfolio</u>	<u>March 31, 2006</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$30,372,524.59	35.9%	\$33,567,260.58	39.4%
Federal Agencies	41,192,245.12	48.8%	38,255,476.18	44.9%
Commercial Paper	0.00	0.0%	0.00	0.0%
Certificates of Deposit	0.00	0.0%	0.00	0.0%
Bankers Acceptances	0.00	0.0%	0.00	0.0%
Repurchase Agreements	0.00	0.0%	0.00	0.0%
Municipal Obligations	0.00	0.0%	0.00	0.0%
Corporate Notes/Bonds	5,423,413.32	6.4%	5,387,229.14	6.3%
Mortgage Backed	7,505,432.81	8.9%	8,029,457.94	9.4%
Money Market Fund/Cash	0.00	0.0%	0.00	0.0%
Totals	\$84,493,615.84	100.0%	\$85,239,423.84	100.0%

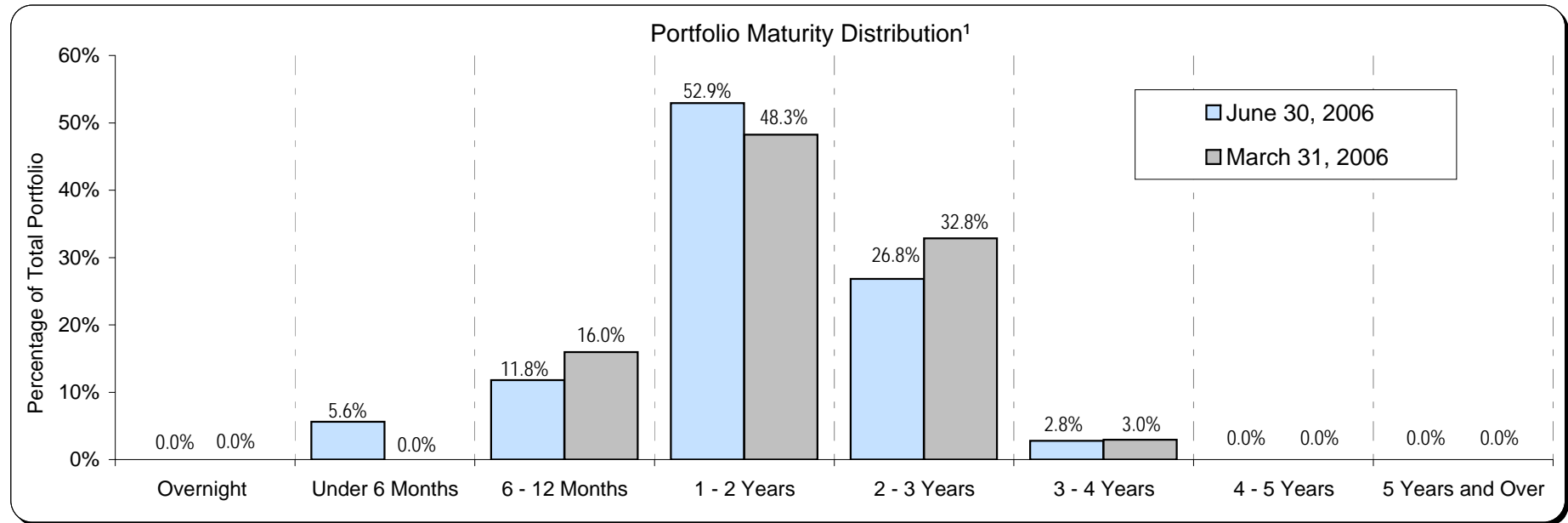


Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Credit rating of securities held in portfolio, exclusive of money market fund/LGIP.
3. A rating of "TSY" indicates the security is an obligation of, or explicitly guaranteed by the U. S. Government.

Investment Portfolio Maturity Distribution

<u>Maturity Distribution¹</u>	<u>June 30, 2006</u>	<u>March 31, 2006</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	4,757,700.00	0.00
6 - 12 Months	9,979,112.39	13,596,881.98
1 - 2 Years	44,711,537.82	41,129,115.79
2 - 3 Years	22,675,088.54	27,991,139.01
3 - 4 Years	2,370,177.09	2,522,287.06
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$84,493,615.84	\$85,239,423.84



Notes:

1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

Trade Analysis for May 2, 2006

Transaction Date: May 2, 2006

Transaction	Security	Par Value	Price	Yield at Market	Benefit	Gain/Loss	Additional Earnings
Sold	FHLMC Reference Notes (12/15/06)	\$3,685,000.00	\$98.5829	5.224%		(45,010.29)	
Purchased	FHLMC Notes Callable (10/10/08)	\$3,685,000.00	\$99.8240	5.476%	0.252%		5,855.47
Total Estimated Benefit from Transaction to Original Maturity							\$5,855.47

Transaction	Security	Par Value	Price	Yield at Market	Benefit	Gain/Loss	Additional Earnings
Sold	FHLMC Reference Notes (2/15/07)	\$600,000.00	\$98.5829	5.251%		(13,620.47)	
Purchased	FHLMC Notes Callable (10/10/08)	\$600,000.00	\$99.8240	5.476%	0.225%		1,083.75
Total Estimated Benefit from Transaction to Original Maturity							\$1,083.75

Total Estimated Benefit from Transactions							\$6,939.22
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Transaction Commentary:

In accordance with Section III. Investment Objectives, of the District's Investment Policy, from time to time, securities may be traded for other similar securities to improve yield, maturity, or credit risk. For these transactions, a loss may be incurred for accounting purposes, provided any of the following occurs with respect to the replacement security: 1) The yield has been increased, 2) the maturity has been reduced, or lengthened, 3) or the quality of the investment has been improved.

The transactions presented were executed in accordance with Section III Investment Objectives of the District's Investment Policy to 1) Increase Yield as part of PFM's overall active management strategy for the District's investment portfolio, which should also increase the portfolio's total return. The performance of this portfolio should be evaluated based on the total return versus the District's 1-3 Year U.S. Treasury Index benchmark. PFM calculates the total return of the District's investment portfolio in a manner consistent with the CFA Institute's Global Investment Performance Standards.

Notes:

1. The total estimated benefit from the transaction is based on the net of the benefit in yield and the gain or loss on the transaction. The benefit is calculated on a 30/360 day basis until the earlier of: 1) original maturity of the sold security, or 2) new maturity of the purchased security. Total purchase may not equal to proceeds from sold securities as a result of additional income included in purchase or from a portion of maturity not reinvested. Calculations based on lesser amount sold or reinvested.

Trade Analysis for May 10, 2006

Transaction Date: May 10, 2006

Transaction	Security	Par Value	Price	Yield at Market	Benefit	Gain/Loss	Additional Earnings
Sold	U.S. Treasury Notes (06/30/07)	\$3,685,000.00	\$98.5829	5.224%		(34,198.03)	
Purchased	FNMA Notes (02/01/08)	\$3,685,000.00	\$99.8240	5.476%	0.252%		8,837.92
Total Estimated Benefit from Transaction to Original Maturity							\$8,837.92

Total Estimated Benefit from Transactions	\$8,837.92
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Transaction Commentary:

In accordance with Section III. Investment Objectives, of the District's Investment Policy, from time to time, securities may be traded for other similar securities to improve yield, maturity, or credit risk. For these transactions, a loss may be incurred for accounting purposes, provided any of the following occurs with respect to the replacement security: 1) The yield has been increased, 2) the maturity has been reduced, or lengthened, 3) or the quality of the investment has been improved.

The transactions presented were executed in accordance with Section III Investment Objectives of the District's Investment Policy to 1) Increase Yield as part of PFM's overall active management strategy for the District's investment portfolio, which should also increase the portfolio's total return. The performance of this portfolio should be evaluated based on the total return versus the District's 1-3 Year U.S. Treasury Index benchmark. PFM calculates the total return of the District's investment portfolio in a manner consistent with the CFA Institute's Global Investment Performance Standards.

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 1. The total estimated benefit from the transaction is based on the net of the benefit in yield and the gain or loss on the transaction. The benefit is calculated on a 30/360 day basis until the earlier of: 1) original maturity of the sold security, 2) new maturity of the purchased security. Total purchase may not equal to proceeds from sold securities as a result of additional income included in purchase or from a portion of maturity not reinvested. Calculations based on lesser of amount sold or reinvested.

Trade Analysis for June 5, 2006

Transaction Date: June 5, 2006

Transaction	Security	Par Value	Price	Yield at Market	Benefit	Gain/Loss	Additional Earnings	
Sold	U.S. Treasury Notes (02/15/07)	\$1,050,000.00	\$98.0508	5.131%		(16,799.56)		
Purchased	U.S. Treasury Notes (05/31/08)	\$1,050,000.00	\$99.6953	5.038%	-0.093%		-691.69	
Total Estimated Benefit from Transaction to Original Maturity								-\$691.69

Transaction	Security	Par Value	Price	Yield at Market	Benefit	Gain/Loss	Additional Earnings	
Sold	U.S. Treasury Notes (05/31/07)	\$1,615,000.00	\$98.4688	5.111%		(22,537.80)		
Purchased	U.S. Treasury Notes (05/31/08)	\$1,615,000.00	\$99.6953	5.038%	-0.073%		-1,178.95	
Total Estimated Benefit from Transaction to Original Maturity								-\$1,178.95

Transaction	Security	Par Value	Price	Yield at Market	Benefit	Gain/Loss	Additional Earnings	
Sold	U.S. Treasury Notes (05/31/07)	\$2,665,000.00	\$98.4688	5.111%		(37,190.86)		
Purchased	U.S. Treasury Notes (05/15/09)	\$2,665,000.00	\$99.5625	5.036%	-0.075%		-1,998.75	
Total Estimated Benefit from Transaction to Original Maturity								-\$1,998.75

Total Estimated Benefit from Transactions								-\$3,869.39
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Transaction Commentary:

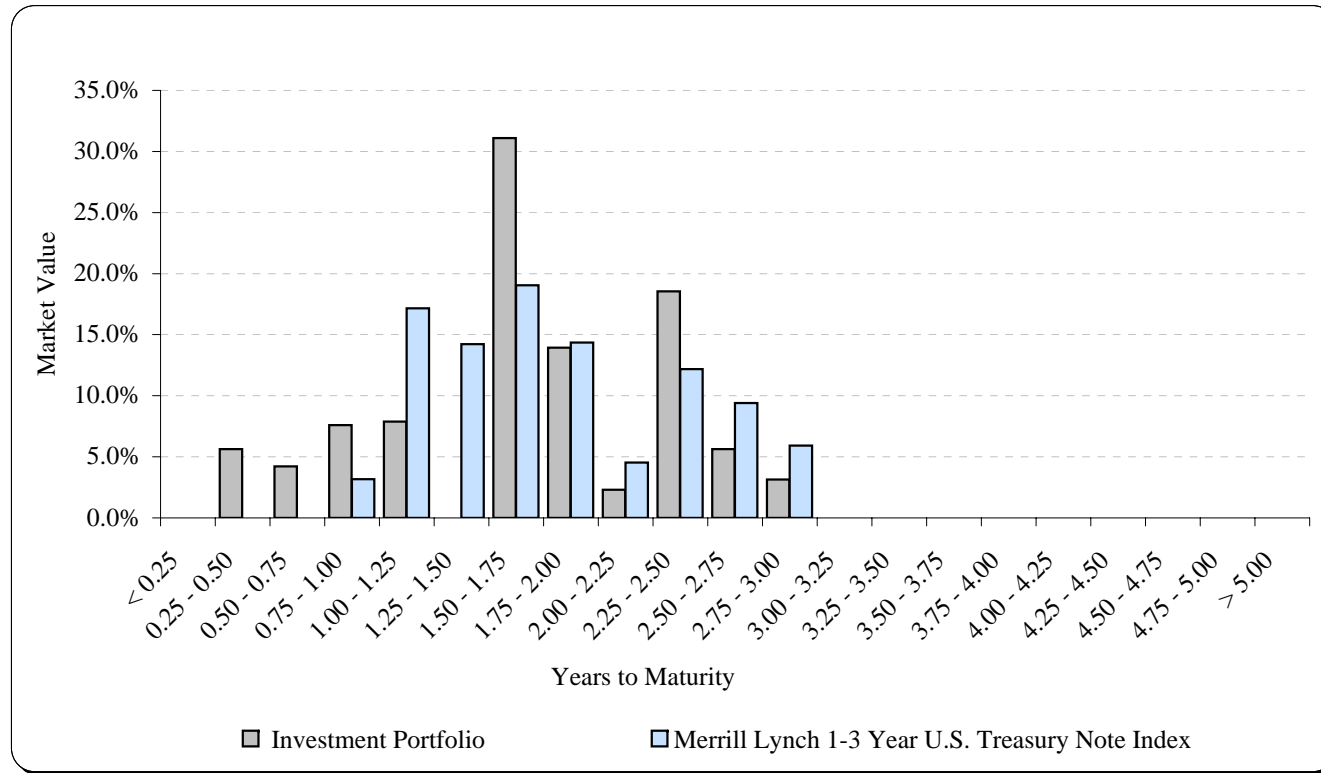
In accordance with Section III. Investment Objectives, of the District's Investment Policy, from time to time, securities may be traded for other similar securities to improve yield, maturity, or credit risk. For these transactions, a loss may be incurred for accounting purposes, provided any of the following occurs with respect to the replacement security: 1) The yield has been increased, 2) the maturity has been reduced, or lengthened, 3) or the quality of the investment has been improved.

The transactions presented were executed in accordance with Section III. Investment Objectives of the District's Investment Policy to 2) Lengthen the Maturity of the Security as part of PFM's overall active management strategy for the District's investment portfolio, which should also increase the portfolio's total return. The performance of this portfolio should be evaluated based on the total return versus the District's 1-3 Year U.S. Treasury Index benchmark. PFM calculates the total return of the District's investment portfolio in a manner consistent with the CFA Institute's Global Investment Performance Standards.

Notes:

1. The total estimated benefit from the transaction is based on the net of the benefit in yield and the gain or loss on the transaction. The benefit is calculated on a 30/360 day basis until the earlier of: 1) original maturity of the sold security, or 2) new maturity of the purchased security. Total purchase may not equal to proceeds from sold securities as a result of additional income included in purchase or from a portion of maturity not reinvested. Calculations based on lesser of amount sold or reinvested.

Investment Portfolio Maturity Distribution versus the Benchmark¹



Notes:

1. Due to the nature of the security, Mortgage-Backed Securities are represented based on their average life maturity rather than their final maturity.

Portfolio Summary (Excluding Investment Portfolio)

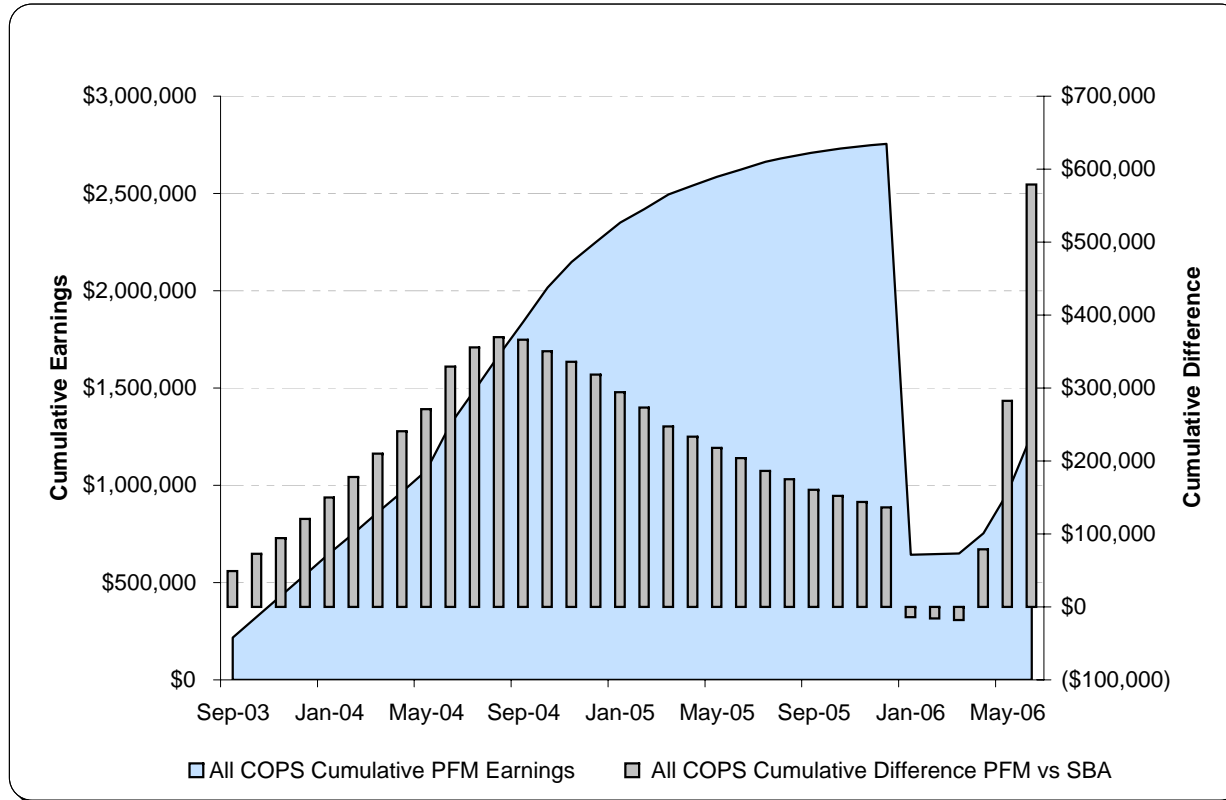
PORTFOLIO RECAP

- Robust economic data in 2006, including 1st quarter GDP of 5.8% continued to provide stimulus for increasing rates, especially in the one-year and under area of the yield curve, which has experienced the largest increases.
- Since dropping to 40 year lows in July 2003, three-month U.S. Treasury Rates have increased more than 420 basis points to 5.07%, and five-year U.S. Treasuries have increased 269 basis points to 5.18% resulting in a flat/slightly inverted yield curve.
- The SBA continued to trend up with the Federal Funds rate ending the quarter at 5.17%. The SBA has increased more than 398 basis points since the low of 1.19% in March 2004.
- PFM's investment strategy for the District's COPS, Short Term and Sales Tax portfolios has been to maintain a short term investment strategy utilizing highly rated Commercial Paper Notes with 30 – 90 days maturities picking up additional yield of 15-25 basis points over the SBA at the time of purchase.
- As projects progress, maturities for the District's COPS portfolios have provided the necessary funding for construction expenditures. Currently a single maturity remains for the Series 2004A COPS which will mature in August.

PORTFOLIO STRATEGY

- The FOMC has raised the Federal Funds rate 4.25% in the last 24 months, with an unprecedented 17 consecutive 25 basis point increases as the Committee has generally maintained a “measured pace” approach to the monetary tightening. Historically periods of monetary tightening are followed by an easing of rates as the impact of rates increases results in a correction. Many economists believe this tightening may be nearing the end with rates topping out at 5.50% - 6.00%.
- As the FOMC continues to increase the Federal Funds rate, the SBA and other overnight investment options will trend upward, typically lagging by a few weeks.
- PFM will continue to review breakeven analysis transactions to determine the most appropriate investment strategy (i.e., open market securities versus overnight investment alternatives) for short term assets based on the liquidity needs of the assets.
- PFM is working with the District to determine the appropriate investment strategy for the Series 2006 COPS based on the project draw schedules and market conditions.

All COPS Cumulative Earning Versus the SBA Since Inception¹

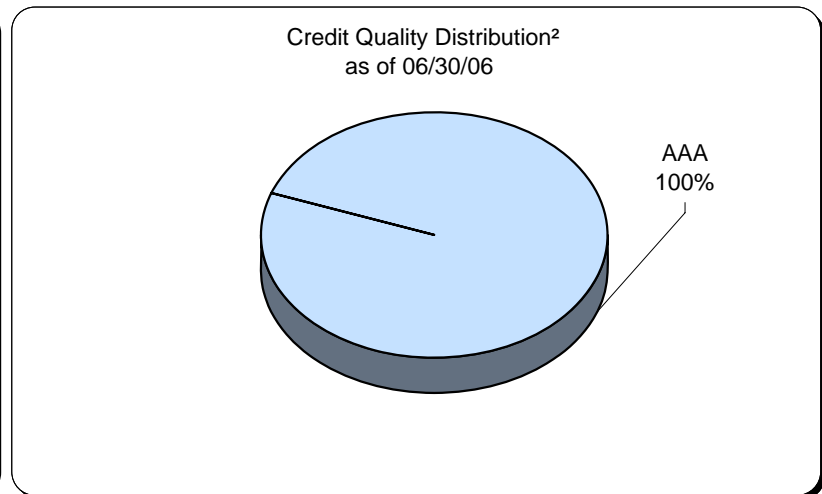
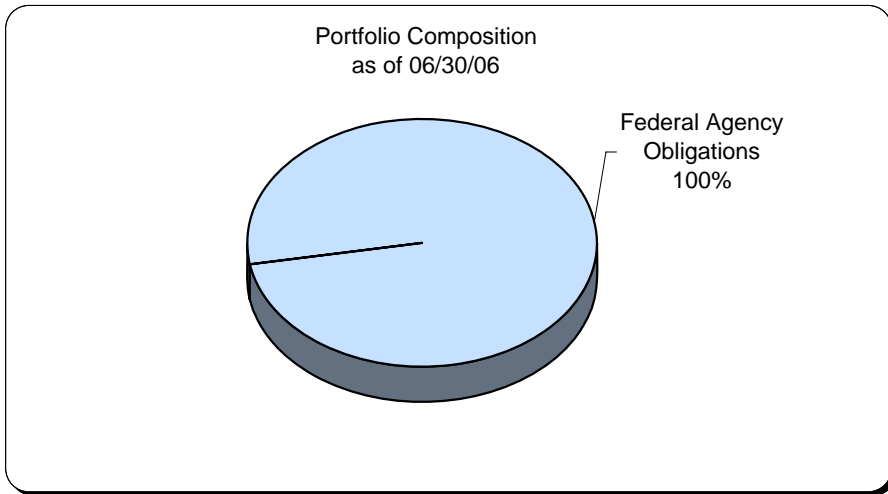


Notes:

1. Includes COPS 2003A, 2003B, 2004A

2004A COPS Portfolio Composition and Credit Quality Characteristics

<u>Security Type¹</u>	<u>June 30, 2006</u>	<u>% of Portfolio</u>	<u>March 31, 2006</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$0.00	0.0%	\$0.00	0.0%
Federal Agencies	1,208,716.67	100.0%	1,553,021.60	100.0%
Commercial Paper	0.00	0.0%	0.00	0.0%
Certificates of Deposit	0.00	0.0%	0.00	0.0%
Bankers Acceptances	0.00	0.0%	0.00	0.0%
Repurchase Agreements	0.00	0.0%	0.00	0.0%
Municipal Obligations	0.00	0.0%	0.00	0.0%
Corporate Notes/Bonds	0.00	0.0%	0.00	0.0%
Mortgage Backed	0.00	0.0%	0.00	0.0%
Money Market Fund/Cash	0.00	0.0%	0.00	0.0%
Totals	\$1,208,716.67	100.0%	\$1,553,021.60	100.0%

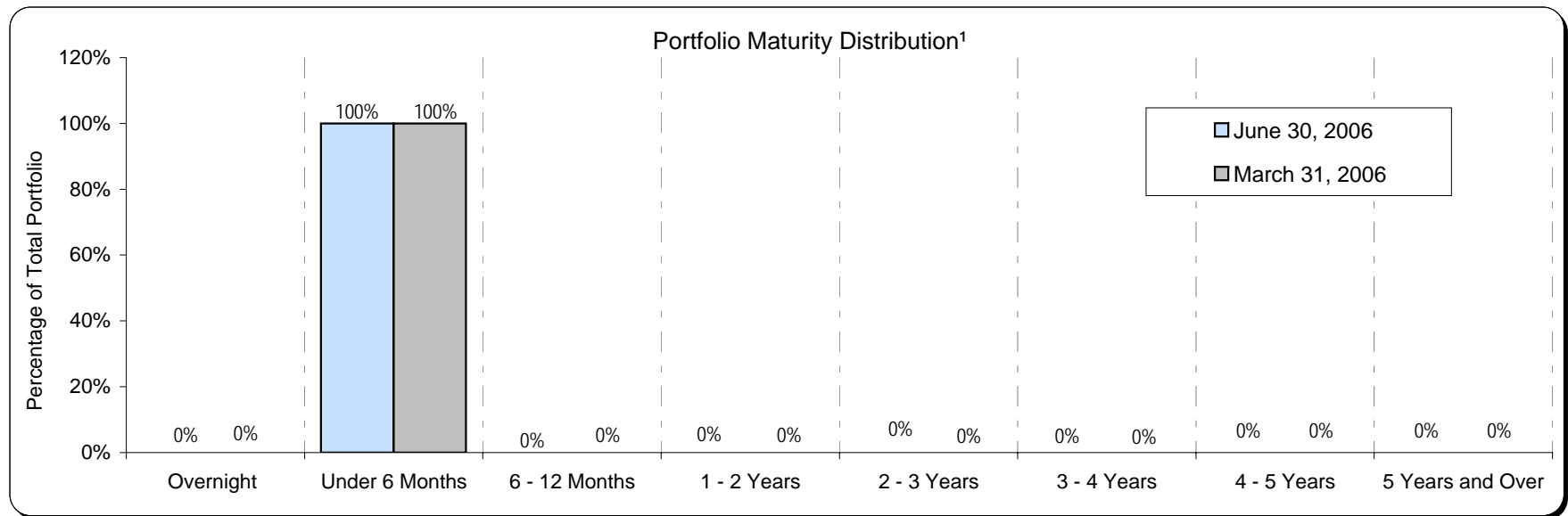


Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Credit rating of securities held in portfolio, exclusive of money market fund/LGIP.

2004A COPS Portfolio Maturity Distribution

<u>Maturity Distribution¹</u>	<u>June 30, 2006</u>	<u>March 31, 2006</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	1,208,716.67	1,553,021.60
6 - 12 Months	0.00	0.00
1 - 2 Years	0.00	0.00
2 - 3 Years	0.00	0.00
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$1,208,716.67	\$1,553,021.60



Notes:

1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

Sales Tax Portfolio Statistics

<u>Account Name</u>	Amortized Cost^{1,2,3} June 30, 2006	Amortized Cost ^{1,2,3} March 31, 2006	Market Value^{1,2,3} June 30, 2006	Market Value ^{1,2,3} March 31, 2006	Durations (Years) June 30, 2006
Sales Tax Portfolio	\$36,051,157.90	\$71,258,087.46	\$36,043,372.38	\$71,240,050.03	0.09

<u>Account Name</u>	Average Quarterly YTM on Cost June 30, 2006	Average Quarterly YTM on Cost March 31, 2006	Average Quarterly YTM at Market June 30, 2006	Average Quarterly YTM at Market March 31, 2006	Durations (Years) March 31, 2006
Sales Tax Portfolio	5.05%	4.52%	5.13%	4.64%	0.06

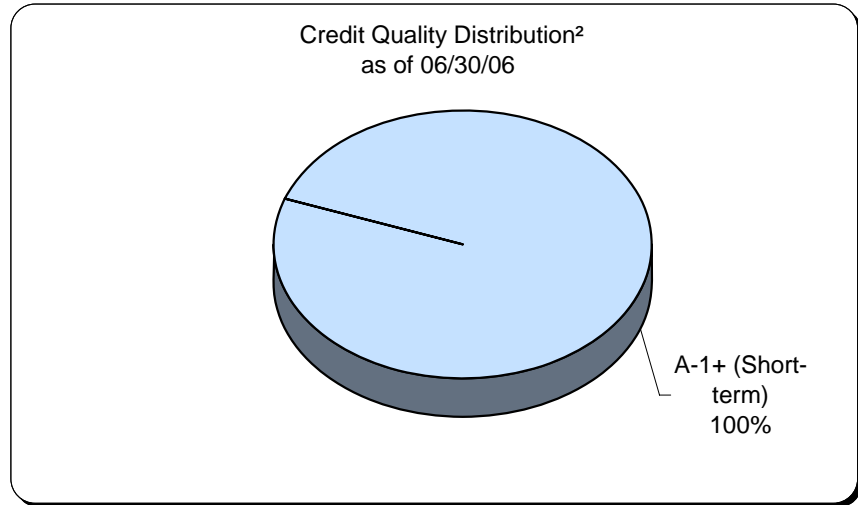
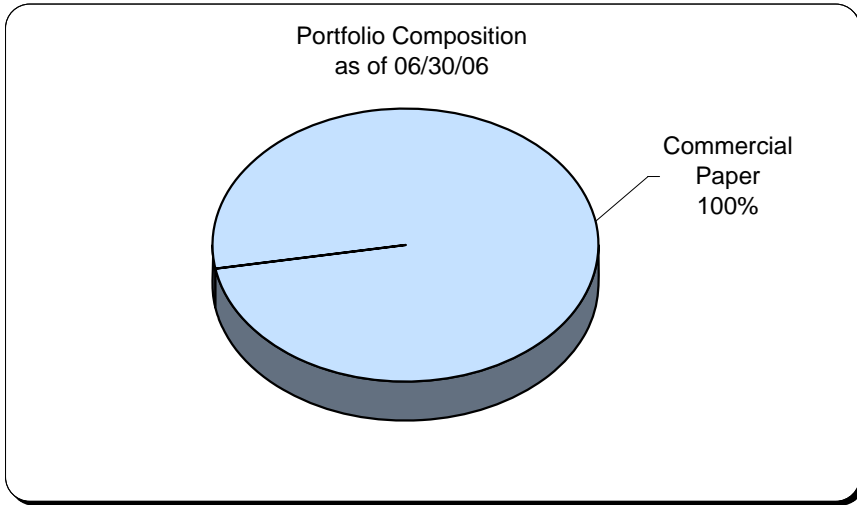
<u>Benchmarks</u>	June 30, 2006	March 31, 2006
Florida SBA Quarterly Return ⁴	5.02%	4.53%

Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Excludes any money market fund/cash balances held in custodian account.
3. In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balance.
4. Quarterly pool returns presented on an annualized basis.

Sales Tax Portfolio Composition and Credit Quality Characteristics

<u>Security Type¹</u>	<u>June 30, 2006</u>	<u>% of Portfolio</u>	<u>March 31, 2006</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$0.00	0.0%	\$0.00	0.0%
Federal Agencies	0.00	0.0%	0.00	0.0%
Commercial Paper	36,043,372.38	100.0%	71,240,050.03	100.0%
Certificates of Deposit	0.00	0.0%	0.00	0.0%
Bankers Acceptances	0.00	0.0%	0.00	0.0%
Repurchase Agreements	0.00	0.0%	0.00	0.0%
Municipal Obligations	0.00	0.0%	0.00	0.0%
Corporate Notes/Bonds	0.00	0.0%	0.00	0.0%
Mortgage Backed	0.00	0.0%	0.00	0.0%
Money Market Fund/Cash	0.00	0.0%	0.00	0.0%
Totals	\$36,043,372.38	100.0%	\$71,240,050.03	100.0%

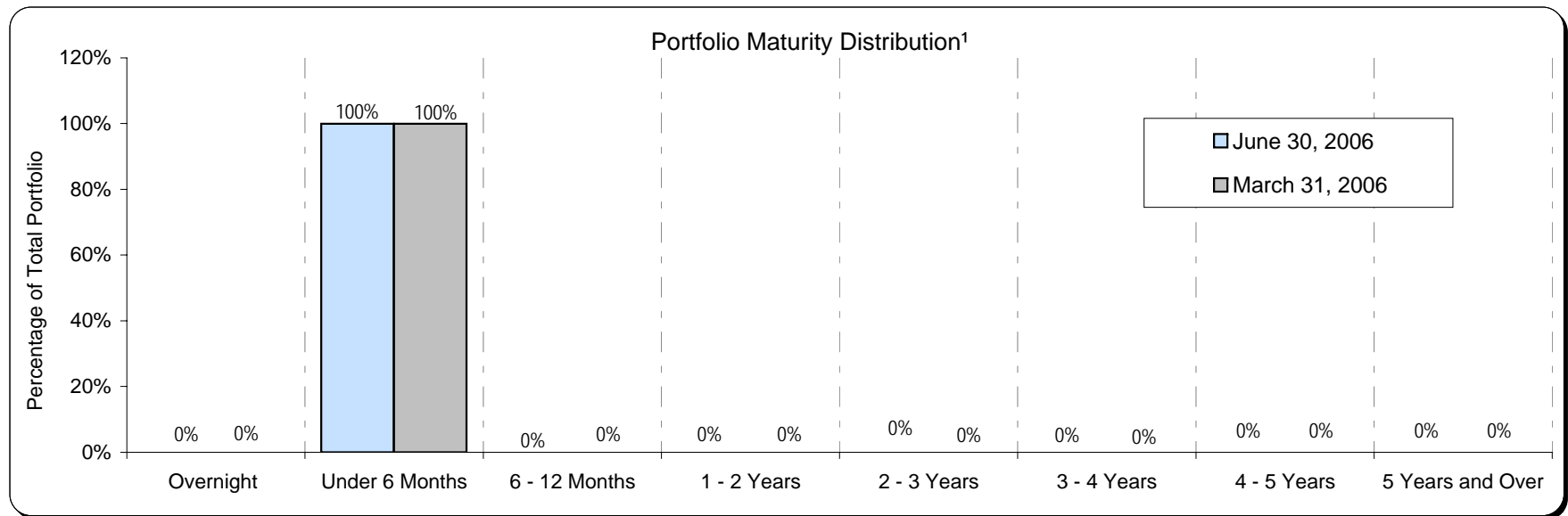


Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Credit rating of securities held in portfolio, exclusive of money market fund/LGIP.

Sales Tax Portfolio Maturity Distribution

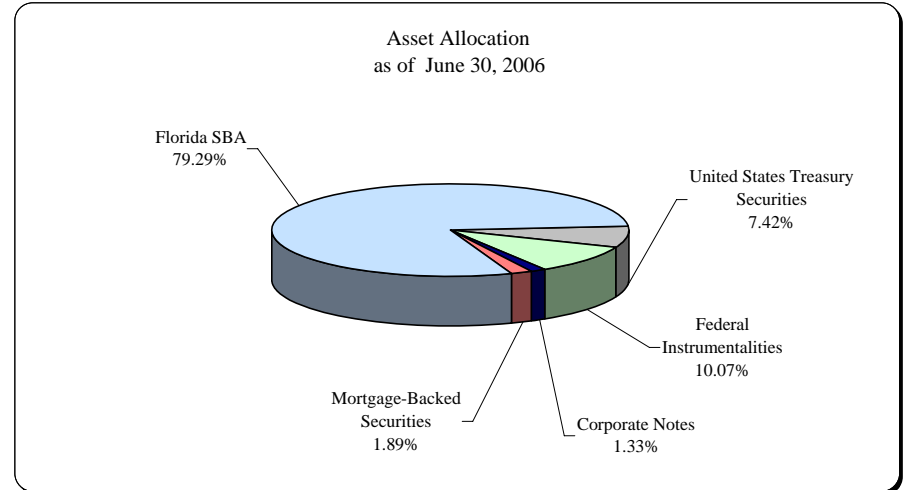
<u>Maturity Distribution¹</u>	<u>June 30, 2006</u>	<u>March 31, 2006</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	36,043,372.38	71,240,050.03
6 - 12 Months	0.00	0.00
1 - 2 Years	0.00	0.00
2 - 3 Years	0.00	0.00
3 - 4 Years	0.00	0.00
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$36,043,372.38	\$71,240,050.03



Notes:

1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

Security Type	June 30, 2006	Notes	Permitted by Policy
Florida SBA	79.29%		100%
United States Treasury Securities	7.42%		100%
United States Government Agency Securities	0.00%		50%
Federal Instrumentalities	10.07%	1	80%
Certificates of Deposit	0.00%		25%
Repurchase Agreements	0.00%		50%
Commercial Paper	0.00%		35%
Corporate Notes	1.33%		15%
Mortgage-Backed Securities	1.89%	1	25%
Bankers' Acceptances	0.00%		35%
State and/or Local Government Debt	0.00%		20%
Fixed Income Money Market Mutual Funds	0.00%		50%
Intergovernmental Investment Pool	0.00%		0%



Individual Issuer Breakdown	June 30, 2006	Notes	Permitted by Policy
General National Mortgage Association (GNMA)	0.00%		25%
US Export-Import Bank (Ex-Im)	0.00%		25%
Farmer Home Administration (FHDA)	0.00%		25%
Federal Financing Bank	0.00%		25%
Federal Housing Administration (FHA)	0.00%		25%
General Services Administration	0.00%		25%
New Communities Act Debentures	0.00%		25%
US Public Housing Notes & Bonds	0.00%		25%
US Dept. of Housing and Urban Development	0.00%		25%
Federal Farm Credit Bank (FFCB)	0.49%		50%
Federal Home Loan Bank (FHLB)	2.52%		50%
Federal National Mortgage Association (FNMA)	3.78%		50%
Federal Home Loan Mortgage Corporation (FHLMC)	5.18%		50%
Student Loan Marketing Association (SLMA)	0.00%		50%

Individual Issuer Breakdown	June 30, 2006	Notes	Permitted by Policy
CD - Bank A	0.00%		15%
CD - Bank B	0.00%		15%
Fully collateralized Repo - A	0.00%		25%
Fully collateralized Repo - B	0.00%		25%
CP A	0.00%		10%
CP B	0.00%		10%
CP C	0.00%		10%
CP D	0.00%		10%
CP E	0.00%		10%
Wells Fargo	0.97%		10%
Bank of America	0.36%		10%
Corporate Notes C	0.00%		10%
Corporate Notes D	0.00%		5%
Corporate Notes E	0.00%		10%
BA Bank A	0.00%		20%
BA Bank B	0.00%		25%
Municipal Notes/Bonds	0.00%		25%
Money Market Fund A	0.00%		0%

Notes:

1. The combined total of Federal Instrumentalities and Mortgage Backed Securities can not be more than 80%. The combined total as of June 30, 2006 is 11.96%.
 * No Bond Proceeds.