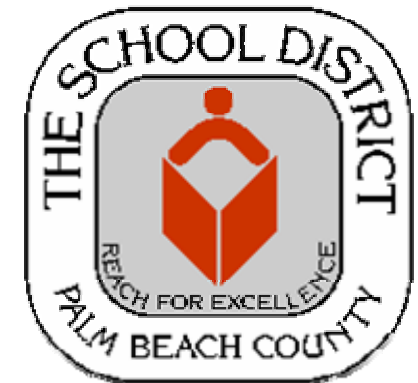


Palm Beach County School District

Investment Performance Review
Quarter Ended September 30, 2006



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This material is based on information obtained from sources generally believed to be reliable and available to the public, however PFM Asset Management LLC cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or recommendation. The information contained in this report is not an offer to purchase or sell any securities.

MARKET REVIEW

With the economy in transition to slower growth and inflation pressures somewhat in check, fixed income portfolios put in their best return in nearly four years in the third quarter. The sharp decline in intermediate and long term interest rates boosted market prices and longer portfolios out-performed cash for only the second quarter in two years.

INTEREST RATES

Interest rates dropped across most of the yield curve with intermediate term rates reaching rates not seen since February. Rates for cash and cash equivalent investments were essentially unchanged as the Federal Reserve held the benchmark overnight rate unchanged at 5.25% through the quarter. After having raised the Federal Funds rate at 17 consecutive meetings beginning in June 2004, the Federal Open Market Committee declared a halt to its effort to remove monetary accommodation in deference to evidence of slower growth. The FOMC observed that "inflation pressures seem likely to moderate over time," yet maintained a bias toward further tightening—if needed—due to concerns "that some inflation risks remain."

Bond investors seemingly discounted these cautionary words, choosing to believe instead that slower growth would tame inflation and lead to still lower interest rates across the board in coming months. Thus, the Treasury yield curve ended the quarter significantly inverted, with the spread between Federal Funds and five year Treasuries at -70 basis points.

U.S. Treasury Market

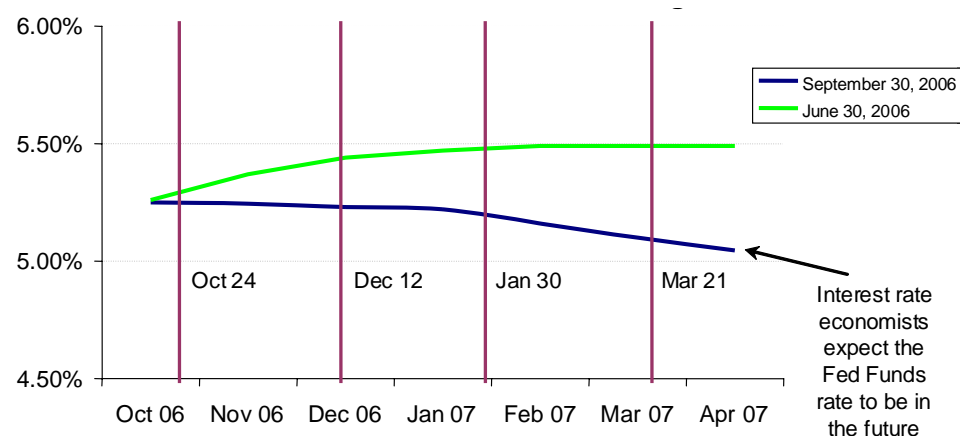
Maturity	9/30/05	6/30/06	9/30/06	Change over Quarter	Change over Year
3 Month	3.54%	4.99%	4.88%	-0.11%	1.34%
6 Month	3.92%	5.24%	5.00%	-0.24%	1.08%
2 Year	4.18%	5.16%	4.68%	-0.48%	0.5%
3 Year	4.18%	5.13%	4.61%	-0.52%	0.43%
5 Year	4.19%	5.10%	4.58%	-0.52%	0.39%
10 Year	4.33%	5.14%	4.63%	-0.51%	0.30%
30 Year	4.57%	5.19%	4.76%	-0.43%	0.19%

Source: Bloomberg

Even after this rally, intermediate term rates remain at the high end of their five year historic averages. Two-Year Treasuries, which closed the quarter at 4.69%, were in the range of 1.50% as recently as March of 2004.

The bullish outlook for bonds is demonstrated by activity in the Federal Funds futures market. As the following chart shows, at quarter end the Fed Funds futures market forecast an overnight rate of about 5.00% at the end of the first quarter of 2007, a big change from the outlook in June 2006.

Fed Funds Futures and FOMC Meeting Dates



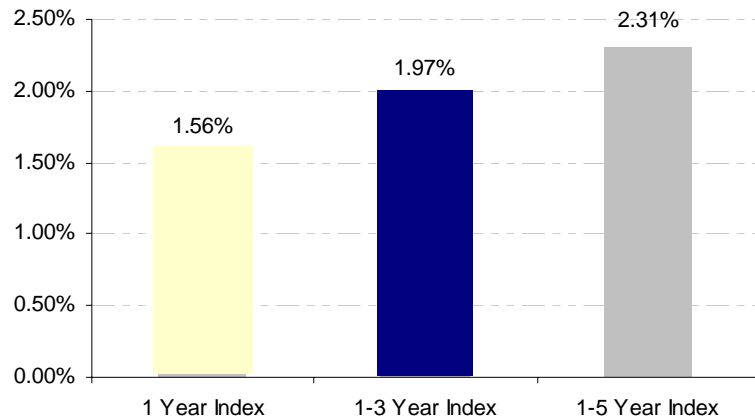
Implied Fed Funds rates are based on Fed Funds futures prices, which indicate the yield anticipated by the market at different points in time and describe the markets' expectations of rates in the future.

Source: Bloomberg; FOMC Feds Futures

MARKET PERFORMANCE

As the following chart shows, the bond market rally boosted returns across the yield curve, with longer-duration portfolios significantly out-performing. The periodic return of 2.31% on the Merrill Lynch 1-5 year Treasury index equates to annualized performance of 9.48%. Although posting strong quarterly returns, longer-term bonds still underperformed cash on a year-to-date basis.

**Merrill Lynch Treasury Index Quarterly Returns
as of September 30, 2006**



As shown on the table below, the quarter marked only the second time since the beginning of the Fed tightening campaign, that longer-term instruments outperformed cash. The 2nd quarter of 2005 was the only other quarter with a similar result.

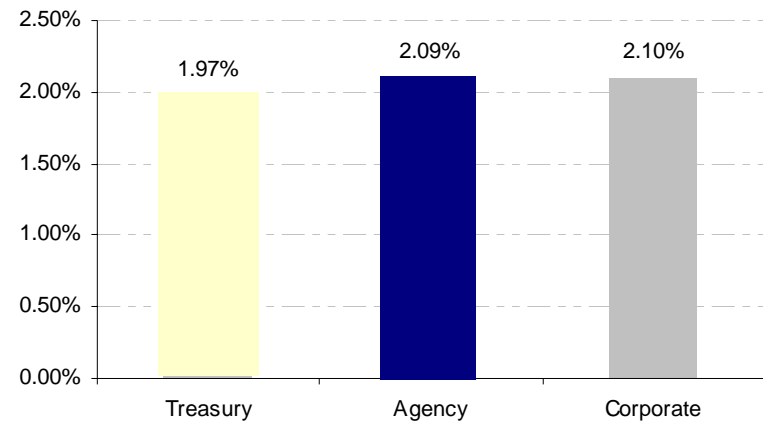
**Merrill Lynch Treasury Indices
Quarterly Returns Comparison (Unannualized)**

Quarters	3-Month	1-3 Year	1-5 Year	Best Return
3Q04	0.37%	0.97%	1.50%	1-5 Year Index
4Q04	0.48%	0.02%	-0.01%	3-Month
1Q05	0.57%	-0.26%	-0.60%	3-Month
2Q05	0.72%	1.14%	1.58%	1-5 Year Index
3Q05	0.83%	0.09%	-0.22%	3-Month
4Q05	0.92%	0.70%	0.63%	3-Month
1Q06	1.02%	0.39%	0.09%	3-Month
2Q06	1.16%	0.65%	0.52%	3-Month
3Q06	1.33%	1.97%	2.31%	1-5 Year Index

Source: Bloomberg; Merrill Lynch Global Indices

Federal Agency and Corporate obligations still provided better returns than Treasury instruments. As corporate profits soared during the quarter, spreads between Corporate investments and Treasuries narrowed significantly, causing Treasuries to under-perform. Agencies also outperformed Treasuries of comparable duration.

**Merrill Lynch 1-3 Year Benchmark Quarterly Returns
as of September 30, 2006**



Source: Bloomberg; Merrill Lynch Global Indices
Returns are duration- adjusted

THE ECONOMY

A continued slowdown in housing, muted retail sales, modest new job creation and somewhat slower growth in real consumer incomes all point to moderating expansion through the balance of the year and into 2007. Thereafter the crystal ball becomes somewhat clouded, with some seers expecting a pick-up in the pace of growth while others foresee Gross Domestic Product (GDP) expanding at only 2-2.5% next year. The pick-up would be fueled by lower oil and commodity prices—they fell significantly in the quarter—strong business investments and robust corporate earnings. The first scenario, which many would consider to be a “soft landing” after the torrid pace of growth early this year, is buttressed by the performance of the U.S. stock markets. The three major stock indices all posted robust returns for the quarter, particularly the Dow Jones Industrial Average which closed the quarter approaching the 12,000 mark, the highest level since its inception in 1922. It is up 11% this

year, having rallied over the last weeks of the quarter on good earnings reports, lower oil prices, and moderate inflation expectations. This trend appears to be sustainable going into the fourth quarter, as the S&P 500, which represents a broader market index, is up 9.5% this calendar year, and nearly 16% over the past twelve months. Clearly, the stock market is not worried about a slowing economy.

The second outlook for continued slowing is predicated on additional weakening of housing and retail sales, the huge domestic debt burden on consumers and governments, and stagnation in real wages.

It is notable that the Fed's central tendency forecast for GDP growth of 3.5% for 2006 would be met even if the economy expanded at only a pace of around 2.3% for the third and fourth quarters.

EMPLOYMENT

The economy added a total of about 365,000 jobs in the quarter, continuing a trend of slower labor market growth that has been in place for all of 2006. The lower pace of job creation represents employer reluctance to add jobs given the uncertain outlook, but it has not adversely impacted the unemployment rate which, at 4.7% in September, is also a touch over the five-year low of 4.6%. The labor market is strong enough to put some pressure on labor costs which rose 3.4% in the quarter.

CONSUMERS

Consumer confidence was down throughout most of the quarter, only to rebound in September, helped by a drop in gasoline prices and a more positive outlook on the job market. The report countered the impact of a plummeting housing market on consumers. Retail sales rose by 1.4% in July, the most in 6 months, and the price of imported goods climbed 0.9% after no change in June. Retail sales also grew in August by 0.2%, despite an expected drop; excluding autos, retail sales increased by the same margin.

HOUSING

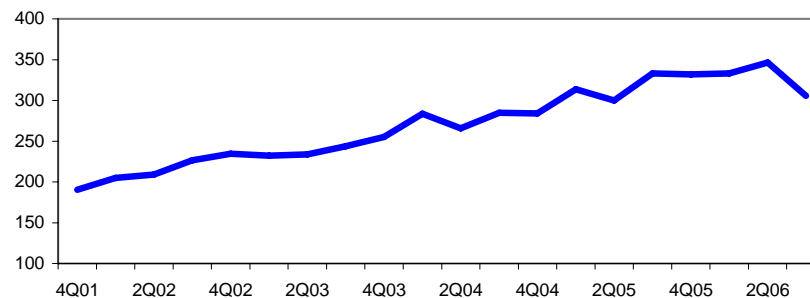
The housing market further weakened through the third quarter with declines in housing starts and existing home sales. Indeed, housing construction fell to a three-year low in August, and building permits fell for seven straight months, the longest span in almost 20 years. Inventory of unsold homes continued to rise to a record, forcing builders to offer incentives to spur demand. Moreover, prices of existing homes fell in August for the first time in 11 years. Falling

home prices inhibit consumers' capacity to tap into the equity in their homes, a significant source of spending in recent years. Economists view this as a major brake on consumer spending, which accounts for about 70% of GDP. However, the cooling of the housing market appears to be a gradual one, in part due to a slight decrease in the 30-year fixed rate mortgage from 6.71% in June to 6.43% in September. Even with the fall in rates, housing activity continues to wane, leading Fed Chairman Bernanke to comment that "the housing market is in a substantial correction that will lop about a percentage point off economic growth in the second half and restrain expansion next year."

COMMODITIES

Oil prices hit all-time records in the third quarter, reaching nearly \$80 a barrel in mid-August, amid geopolitical tensions crippling supply, a higher demand from the summer driving season and booming international economies. A sharp reversal drew prices down by as much as 22% to about \$60 a barrel in mid- to -late September, marking the lowest figure in 6 months. The fall in oil prices is chiefly attributed to increased national supply and alleviated tensions in global oil markets.

**Commodity Research Bureau Index
4th Quarter 2001 – 3rd Quarter 2006**



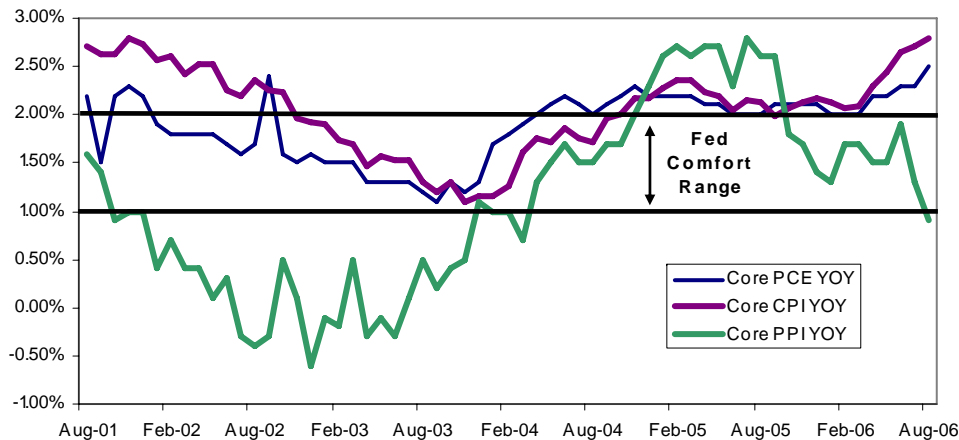
Source: Bloomberg

The Commodity Research Bureau's commodity price index, an arithmetic measure of average commodity future prices dropped by as much as 12% in the quarter. The index fell from 346 to 305, the lowest level in 15 months and the largest quarterly decline since the second quarter of 1998. The significant dive in commodity prices is expected to have a major impact on the cost of production materials and should dampen inflationary tendencies.

INFLATION

Inflation remains a focal point for investors concerned about the purchasing power of their assets. Policy makers have established an inflation comfort range of 1-2 percent. The Personal Consumption Expenditure price index, a Fed preferred measure, rose 0.2% in August and was up 2.5% for the year, the fastest pace since April 2005, clearly above the Fed's central tendency forecast. However, the overall consumer price index rose at 3.8%, down from 4.2% last quarter. Lower energy and home prices are the principal factors of the downturn.

**Core Inflation (Year-Over-Year)
August 2001- August 2006**



Source: Bloomberg

The Core Producer Price Index, which excluding food and energy declined 0.4% in August and was up only 0.9% year-over-year. The decline in August and September marked the first consecutive monthly drop since the end of 2002, largely due to ebbing energy costs.

Other signs, however, suggested some moderation.

OUTLOOK AND STRATEGY

The third quarter was a time of affirmation for the Fed and the markets with the outlook of a soft landing for the economy. The Fed's decision to hold rates steady in the face of worrisome inflation trends may turn out to have been the appropriate move in the face of the tumbling housing market and fitful consumer demand. If lower energy and commodity prices prevail, they could buttress consumer purchasing power enough to keep markets from drowning. As long as bond investors believe in this outlook, long term interest rates will remain near current levels, and the Fed will not be forced to intervene.

Fed Fund futures provide support to this outlook, indicating no Fed move through the rest of the year, and a high likelihood of a modest rate cut in the first quarter of 2007.

With the risk for a further spike in rates waning, and rates at or near five year highs, we foresee some value in longer-maturity investments and have extended portfolio durations to capture returns.

Investment Portfolio Portfolio Summary¹

Total Portfolio Value ²	September 30, 2006	June 30, 2006
Market Value	\$84,653,135.87	\$84,493,615.84
Amortized Cost	\$84,985,449.30	\$85,848,468.59

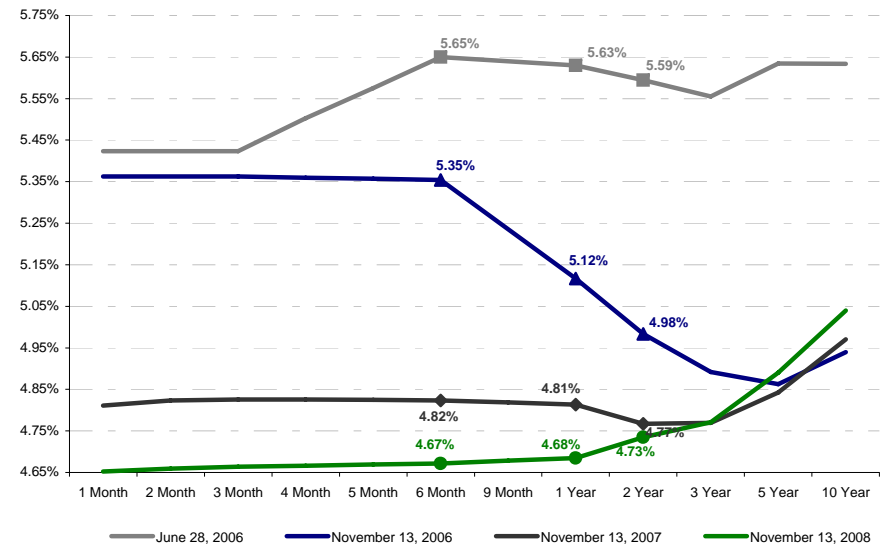
PORTFOLIO STRATEGY

- The economy showed more signs of slowdown during the third quarter of 2006 led by lackluster housing market indicators which began showing signs of weakness during the second quarter. The housing market has been the primary focus for many market participants in recent months as home prices have leveled off and interest rates have increased. Second quarter GDP of 2.6% was less than half the 5.6% growth experienced during the first quarter of 2006.
- After 24 months and 17 consecutive Federal Funds rate increases, the FOMC held steady at 5.25% during the August and September meetings, but stated that with any considerable inflationary data, additional tightening may be necessary. Most economists believe this cycle of federal funds rate increases has ended based on recent economic data.
- As expected the SBA held rather steady during the quarter and provided a quarterly return of 5.38% as the Federal Funds rate remained at 5.25%. The SBA has increased more than 394 basis points since the low of 1.19% in March 2004.
- The District's Investment portfolio quarterly return of 2.05% outperformed the Merrill Lynch 1-3 Year U.S. Treasury Note Index benchmark quarterly return of 1.97% by 8 basis points.
- PFM's extension trades for the portfolio have paid off dramatically as rates have steadily declined since late June/early July. The District's portfolio return for the last 12 months and 24 months has outperformed the benchmark by 29 basis points and 34 basis points, respectively.
- PFM maintained the District's Investment Portfolio duration of 94% of the benchmark duration as interest rates decreased considerably during the quarter. PFM executed selective extension trades for the portfolio to lock in rates in the 1-3 year area of the curve.
- PFM successfully bid a flexible repurchase agreement for the District's 2006 COPS proceeds, locking in an investment rate of 4.95%, 45 basis points above the arbitrage yield.

PORTFOLIO STRATEGY

- Federal Funds futures contracts for early 2007 are well below 5.25%, signaling the belief from many market participants that the FOMC will actually lower the Federal Funds in the coming months.
- Although the first quarter of 2006 had strong growth of 5.6%, the economy has slowed considerably and growth expectations have been lowered to be approximately 2.0% - 2.5% for the year.
- PFM will continue to work closely with the District's staff and recommend selected trades for the District's Investment Portfolio to lock in yields as forward yield curves suggest further declines in interest rates in the overnight to three year area of the yield curve.

Forward Yield Curve
June 28, 2006 to September 30, 2008



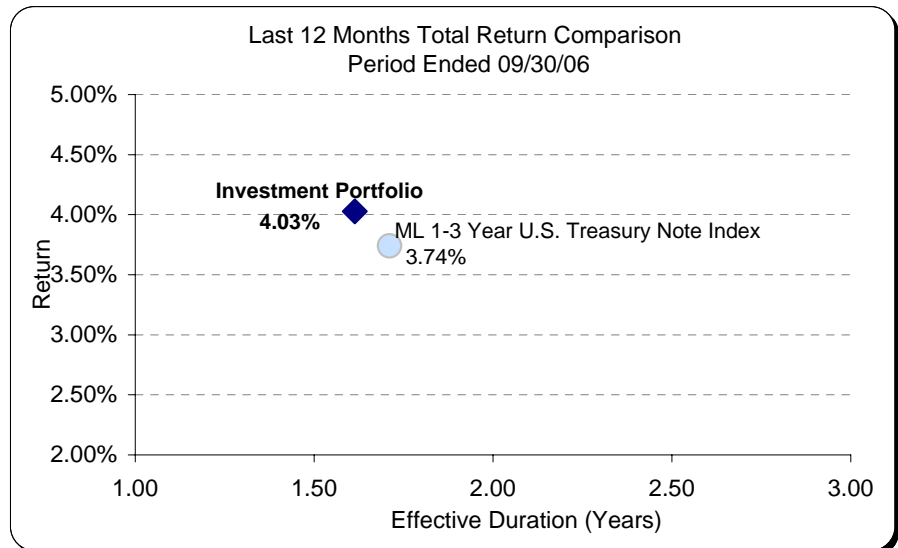
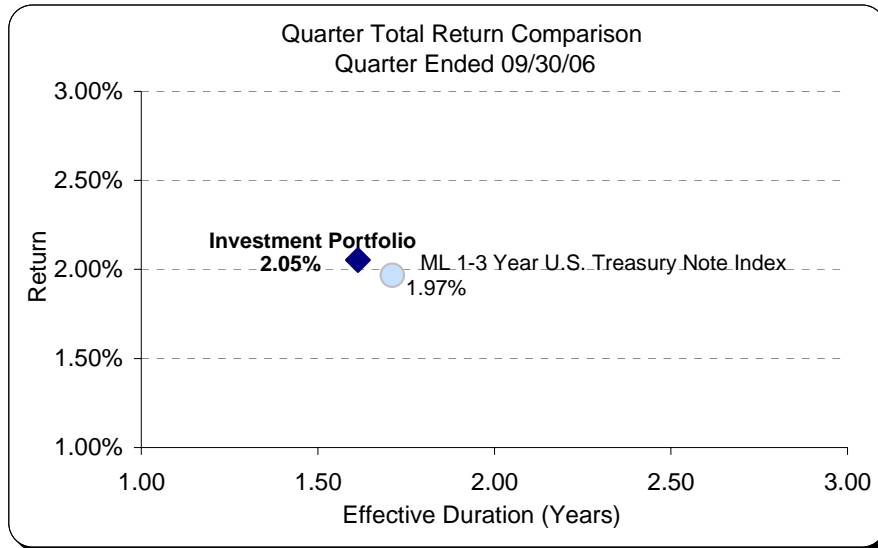
Notes:

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

Investment Portfolio Performance

Total Return ^{1,2,3,4,5,6}	Quarterly Return September 30, 2006	Annualized Quarter	Last 12 Months	Last 24 Months	Since Inception on 12/31/98
Investment Portfolio	2.05%	8.40%	4.03%	2.70%	4.33%
Merrill Lynch 1-3 Year U.S. Treasury Note Index	1.97%	8.04%	3.74%	2.35%	4.17%

<u>Effective Duration (Years)⁴</u>	<u>September 30, 2006</u>	<u>June 30, 2006</u>	<u>Yields</u>	<u>September 30, 2006</u>	<u>June 30, 2006</u>
Investment Portfolio	1.61	1.54	Yield at Market	5.05%	5.60%
ML 1-3 Year U.S. Treasury Note Index	1.71	1.68	Yield at Cost	4.67%	4.30%

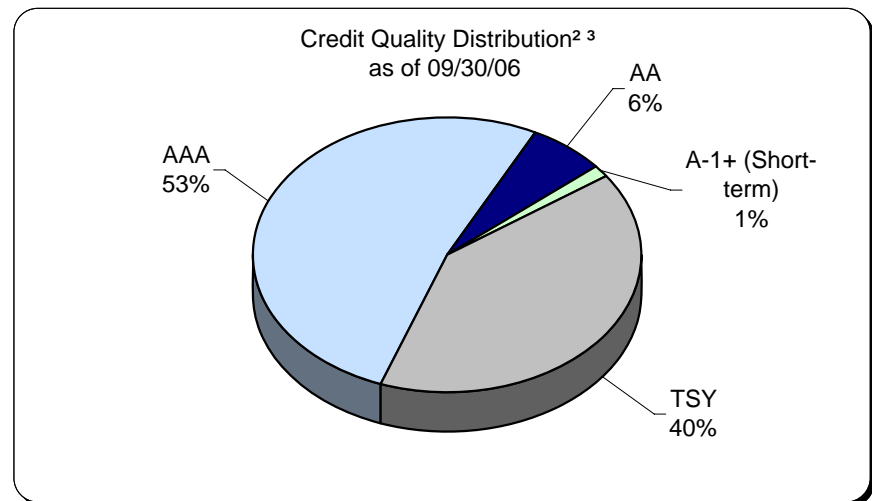
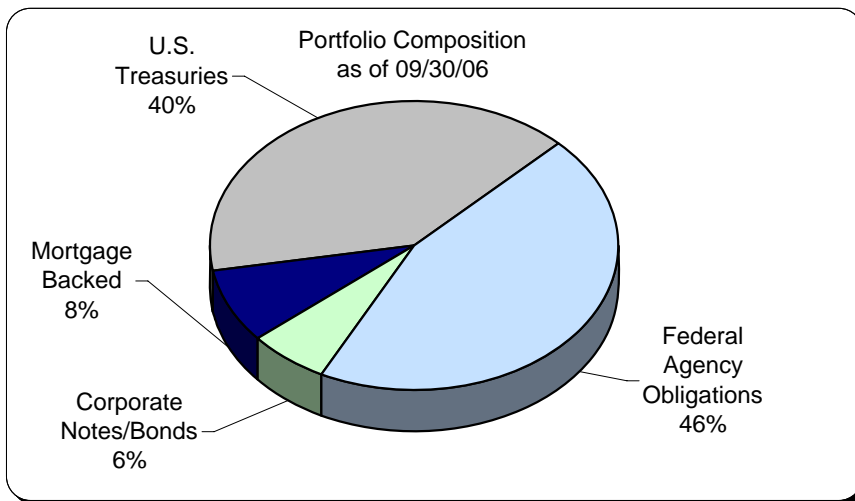


Notes:

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.
6. Past performance is not indicative of future results.

Investment Portfolio Portfolio Composition and Credit Quality Characteristics

<u>Security Type¹</u>	<u>September 30, 2006</u>	<u>% of Portfolio</u>	<u>June 30, 2006</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$34,203,810.23	40.4%	\$30,372,524.59	35.9%
Federal Agencies	37,981,411.71	44.9%	41,192,245.12	48.8%
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	5,414,192.85	6.4%	5,423,413.32	6.4%
Mortgage Backed	7,053,721.08	8.3%	7,505,432.81	8.9%
Money Market Fund/Cash	0.00	0.0%	0.00	0.0%
Totals	\$84,653,135.87	100.0%	\$84,493,615.84	100.0%

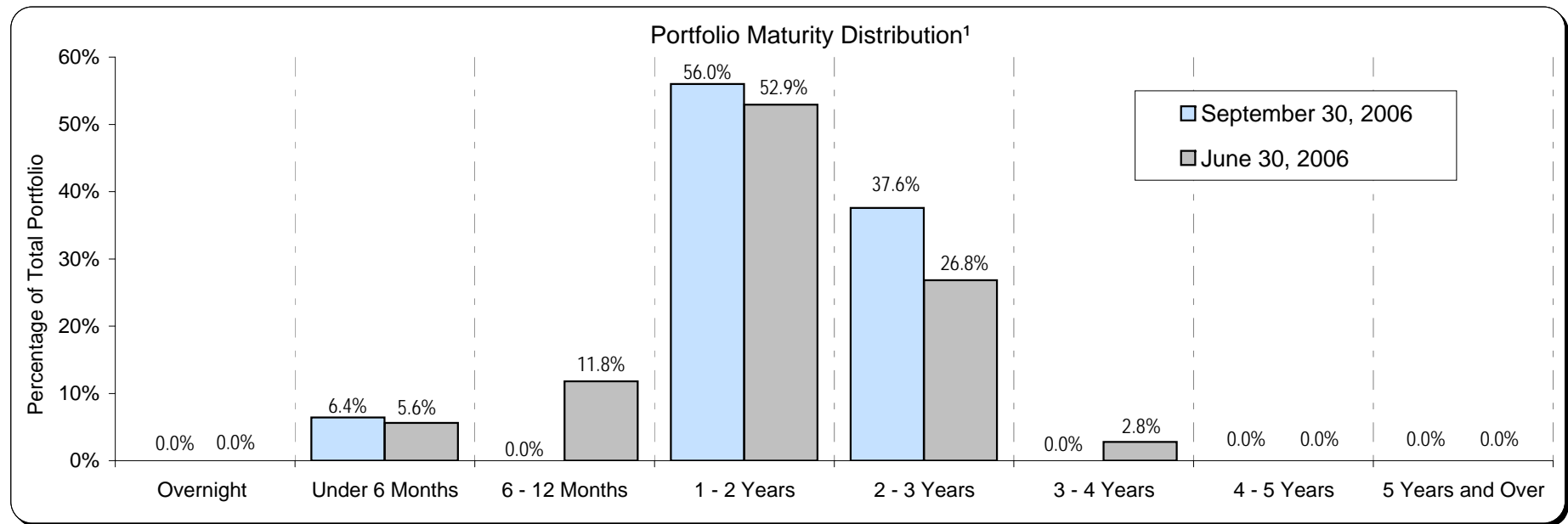


Notes:

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>September 30, 2006</u>	<u>June 30, 2006</u>
Overnight (Money Market Fund)	\$0.00	\$0.00
Under 6 Months	5,439,031.06	4,757,700.00
6 - 12 Months	0.00	9,979,112.39
1 - 2 Years	47,410,783.43	44,711,537.82
2 - 3 Years	31,803,321.38	22,675,088.54
3 - 4 Years	0.00	2,370,177.09
4 - 5 Years	0.00	0.00
5 Years and Over	0.00	0.00
Totals	\$84,653,135.87	\$84,493,615.84



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 July 6, 2006

Transaction Date: July 6, 2006

Transaction	Security	Par Value	Price	Yield at Market	Benefit	Gain/Loss	Additional Earnings
Sold	U.S. Treasury Notes (4/30/07)	\$1,650,000.00	\$98.6055	5.384%		22,907.44	
Purchased	FFCB Global Notes (1/15/09)	\$1,650,000.00	\$95.9188	5.503%	0.119%		1,625.34
Total Estimated Benefit from Transaction to Original Maturity							\$1,625.34

Transaction	Security	Par Value	Price	Yield at Market	Benefit	Gain/Loss	Additional Earnings
Sold	U.S. Treasury Notes (12/31/07)	\$2,600,000.00	\$98.6914	5.303%		32,963.40	
Purchased	FFCB Global Notes (1/15/09)	\$2,600,000.00	\$95.9188	5.503%	0.200%		7,843.33
Total Estimated Benefit from Transaction to Original Maturity							\$7,843.33

Total Estimated Benefit from Transactions							\$9,468.68
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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 July 20, 2006

Transaction Date: July 20, 2006

Transaction	Security	Par Value	Price	Yield at Market	Benefit	Gain/Loss	Additional Earnings
Sold	FNMA Notes (6/15/08)	\$2,200,000.00	\$94.7744	5.426%		(51,998.14)	
Purchased	FHLB Notes (4/18/08)	\$2,200,000.00	\$97.7708	5.478%	0.052%		2,027.42
Total Estimated Benefit from Transaction to Original Maturity							\$2,027.42

Transaction	Security	Par Value	Price	Yield at Market	Benefit	Gain/Loss	Additional Earnings
Sold	U.S. Treasury Notes (2/15/07)	\$1,650,000.00	\$98.2695	5.360%		(23,808.90)	
Purchased	U.S. Treasury Notes (9/15/08)	\$1,650,000.00	\$95.8828	5.166%	-0.194%		-1,867.25
Total Estimated Benefit from Transaction to Original Maturity							-\$1,867.25

Transaction	Security	Par Value	Price	Yield at Market	Benefit	Gain/Loss	Additional Earnings
Sold	FHLMC Notes (2/15/07)	\$1,725,000.00	\$98.1970	5.633%		32,095.08	
Purchased	U.S. Treasury Notes (9/15/08)	\$1,725,000.00	\$95.8828	5.166%	-0.467%		-4,699.19
Total Estimated Benefit from Transaction to Original Maturity							-\$4,699.19

Transaction	Security	Par Value	Price	Yield at Market	Benefit	Gain/Loss	Additional Earnings
Sold	FHLMC Notes (2/15/07)	\$225,000.00	\$98.1970	5.633%		4,186.31	
Purchased	FNMA Notes (8/1/06)	\$225,000.00	\$99.8290	5.210%	-0.423%		-31.73
Total Estimated Benefit from Transaction to Original Maturity							-\$31.73

Transaction	Security	Par Value	Price	Yield at Market	Benefit	Gain/Loss	Additional Earnings
Sold	FNMA Notes (12/22/06)	\$4,800,000.00	\$99.1340	5.584%		(41,568.00)	
Purchased	FNMA Notes (8/1/06)	\$4,770,000.00	\$99.8290	5.210%	-0.374%		-594.66
Total Estimated Benefit from Transaction to Original Maturity							-\$594.66

Total Estimated Benefit from Transactions							-\$4,570.74
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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 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.

Trade Analysis for August 31, 2006

Transaction Date: August 31, 2006

Transaction	Security	Par Value	Price	Yield at Market	Benefit	Gain/Loss	Additional Earnings
Sold	FHLB Tap Notes (6/8/07)	\$2,500,000.00	\$98.9020	5.322%		(27,212.68)	
Purchased	FHLMC Notes (9/15/09)	\$2,115,000.00	\$104.5120	4.999%	-0.323%		-6,302.99
Total Estimated Benefit from Transaction to Original Maturity							-\$6,302.99

Transaction	Security	Par Value	Price	Yield at Market	Benefit	Gain/Loss	Additional Earnings
Sold	FHLMC Notes (8/17/07)	\$4,250,000.00	\$98.7850	5.296%		(21,853.03)	
Purchased	U.S. Treasury Notes (8/15/09)	\$4,230,000.00	\$100.4297	4.716%	-0.580%		-24,033.75
Total Estimated Benefit from Transaction to Original Maturity							-\$24,033.75

Transaction	Security	Par Value	Price	Yield at Market	Benefit	Gain/Loss	Additional Earnings
Sold	FNMA Notes (6/7/07)	\$2,335,000.00	\$98.9930	5.322%		(23,513.45)	
Purchased	FNMA Notes (9/15/09)	\$2,115,000.00	\$104.5034	5.002%	-0.320%		-5,811.56
Total Estimated Benefit from Transaction to Original Maturity							-\$5,811.56

Total Estimated Benefit from Transactions							-\$36,148.29
--	--	--	--	--	--	--	---------------------

Transaction Commentary:

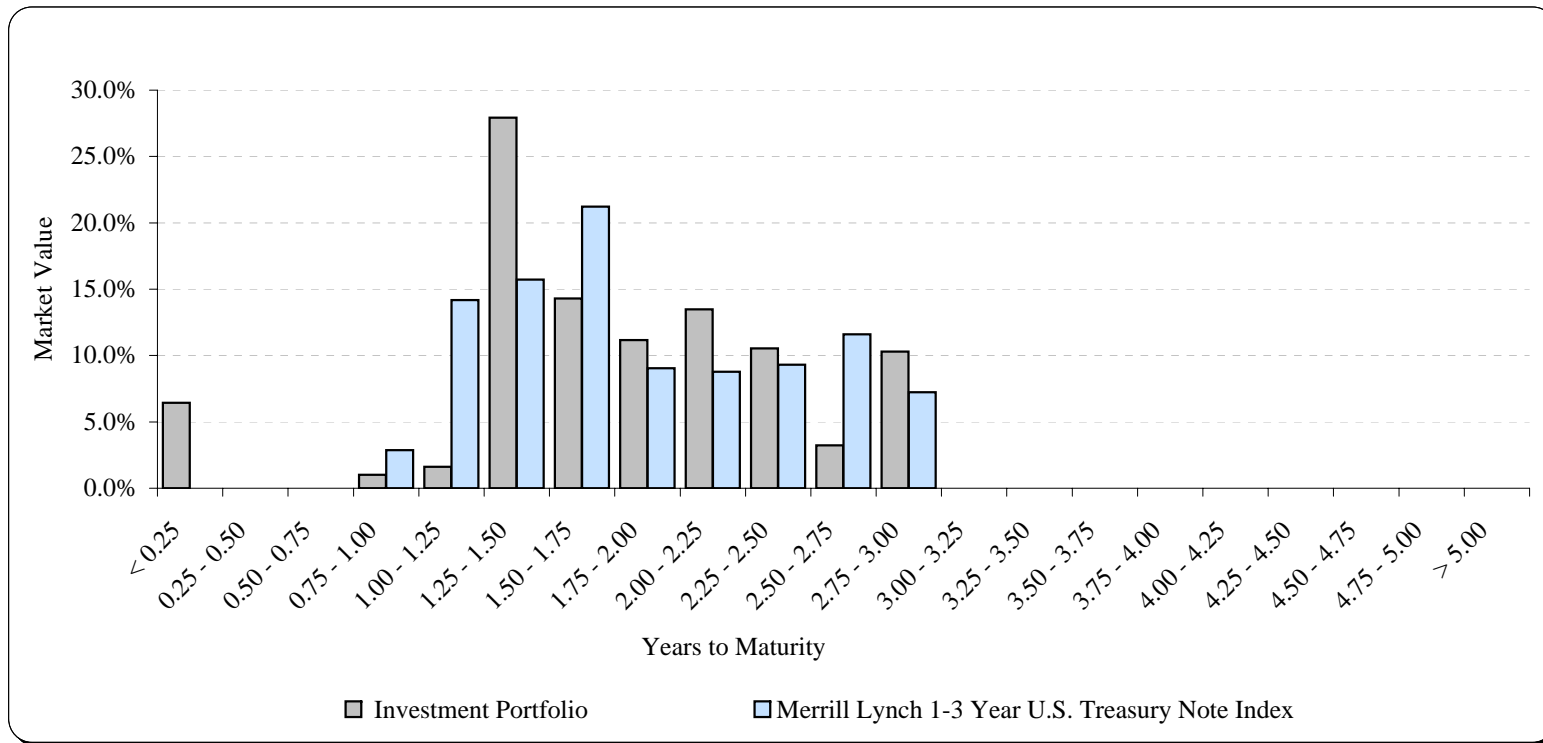
In accordance with Section III. Investment Objectives, of the District's Investment Policy, from time to time, securities may be traded for other similar securities to improve yield, maturity, or credit risk. For these transactions, a loss may be incurred for accounting purposes, provided any of the 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 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.

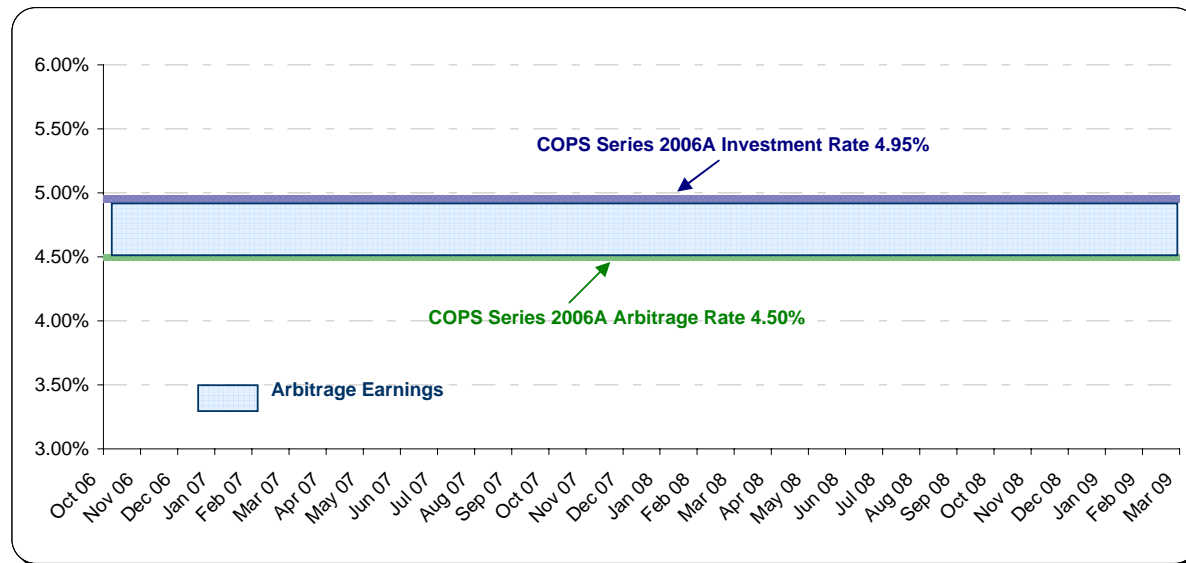
COPS Series 2006A Investment Strategy Recap and Results

Investment Strategy Recap

- PFM analyzed various investment structures and alternatives for the Palm Beach County School District's Certificates of Participation Series 2006A.
- The Guaranteed Investment Contract option optimizes the earnings on the Series 2006A project funds given the anticipated project draw schedules, current interest rates and expected market conditions.
- This GIC structure locks in an interest rate of 4.93% well above the arbitrage rate (45.5 basis points higher) allowing the District to earn the maximum allowed on the 2006A proceeds, while providing the District flexibility for draws which typically change as project schedules are adjusted for a variety of reasons.

Investment Strategy Results

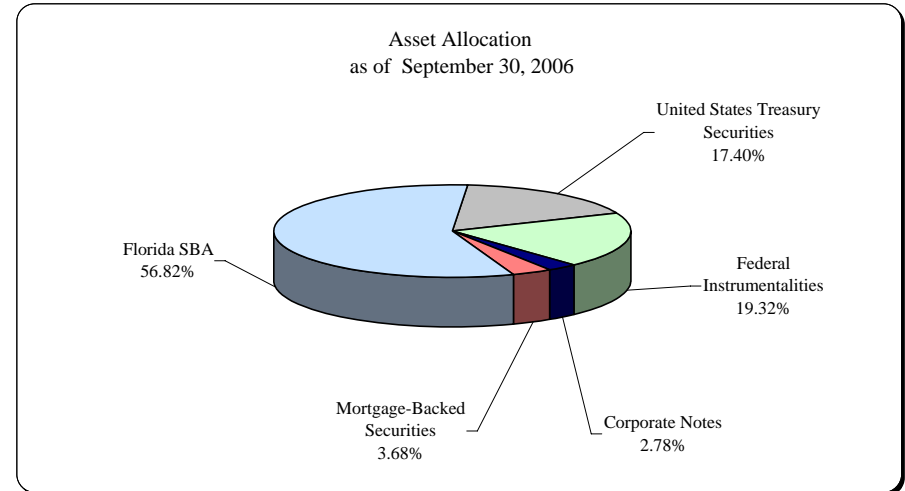
<u>Account Name</u>	COPS Series 2006A Earnings Analysis
COPS Series 2006A Investment Rate	4.953%
COPS Series 2006A Arbitrage Rate	4.498%
Investment Earnings Benefit¹	0.455%



Notes:

1. The GIC locks in the earnings rate for the life of the proceeds. Interest earnings above the arbitrage yield are allowable only if IRS established project spend down requirements are met.

Security Type	September 30, 2006	Notes	Permitted by Policy
Florida SBA	56.82%		100%
United States Treasury Securities	17.40%		100%
United States Government Agency Securities	0.00%		50%
Federal Instrumentalities	19.32%	1	80%
Certificates of Deposit	0.00%		25%
Repurchase Agreements	0.00%		50%
Commercial Paper	0.00%		35%
Corporate Notes	2.78%		15%
Mortgage-Backed Securities	3.68%	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	September 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)	3.11%		50%
Federal Home Loan Bank (FHLB)	5.16%		50%
Federal National Mortgage Association (FNMA)	6.11%		50%
Federal Home Loan Mortgage Corporation (FHLMC)	8.62%		50%
Student Loan Marketing Association (SLMA)	0.00%		50%

Individual Issuer Breakdown	September 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	2.03%		10%
Bank of America	0.74%		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 September 30, 2006 is 23%.
 * No Bond Proceeds.

Tab II. September 30, 2006 PFM Month-End Statement

Investment Portfolio Information For
PALM BEACH CNTY FL S/D

Portfolio #
68890100

Section / Report Title

- A. Account Summary
- B. Detail of Securities Held
- C. Fair Market Values & Analytics
- D. Security Transactions & Interest
- E. Cash Transactions Report
- F. Realized Gains & Losses
- G. Cash Balance Report

For The Month Ending
September 30, 2006

PALM BEACH COUNTY, FL
LEANNE EVANS, TREASURY DEPARTMENT
PALM BEACH COUNTY SCHOOL DISTRICT
3300 FOREST HILLS BLVD, A-334
WEST PALM BEACH FL 33406-5813

PFM Asset Management LLC

Account Summary: 68890100 PALM BEACH CNTY FL S/D

(Excluding Cash)

MONTH ENDED: September 30, 2006

SECURITY TYPE	PAR VALUE	AMORTIZED COST	MARKET VALUE	MARKET % OF PORTFOLIO	YTM AT COST	YTM AT MARKET	DURATION TO WORST
CORPORATE NOTE	5,429,000.00	5,442,963.53	5,393,840.43	6.430	4.527	5.177	1.595
FED AGY BOND/NOTE	36,780,000.00	36,558,027.84	36,515,349.59	43.531	4.975	5.021	1.682
FED AGY DN	1,075,000.00	1,074,846.21	1,074,694.58	1.281	5.169	5.115	0.005
FED AGY MBS	7,180,379.27	7,219,393.23	7,028,686.80	8.379	3.525	6.659	0.921
US TSY BOND/NOTE	34,180,000.00	33,921,318.67	33,871,664.65	40.379	4.590	4.733	1.754
TOTAL SECURITIES	84,644,379.27	84,216,549.48	83,884,236.05	100.000	4.672 %	5.053 %	1.621
TOTAL INVESTMENTS	84,644,379.27	84,216,549.48	83,884,236.05	100.000 %			
ACCRUED INTEREST		768,899.82	768,899.82				
TOTAL PORTFOLIO	\$84,644,379.27	\$84,985,449.30	\$84,653,135.87				

Disclosure Statement: PFM's monthly statement is intended to detail our investment advisory activity. The custodian bank maintains the control of assets and executes (i.e. settles) all investment transactions. The custodian statement is the official record of security and cash holdings and transactions. Only the client has the authority to withdraw funds from or deposit funds to the custodian and to direct the movement of securities. Clients retain responsibility for their internal accounting policies, implementing and enforcing internal controls and generating ledger entries or otherwise recording transactions. PFM recognizes that our clients may use these reports to facilitate record keeping, therefore the custodian bank statement and the PFM statement should be reconciled and differences resolved. PFM's market prices are derived from closing bid prices as of the last business day of the month as supplied by F.T. Interactive Data, Bloomberg or Telerate. Prices that fall between data points are interpolated. Non-negotiable FDIC insured bank certificates of deposit are priced at par.

PFM Asset Management LLC

Detail of Securities Held: 68890100 PALM BEACH CNTY FL S/D

(Excluding Cash)

MONTH ENDED: September 30, 2006

SECURITY TYPE		PAR	COUPON	MATURITY DATE	S&P RATING	TRADE DATE	SETTLE DATE	ORIGINAL COST	YTM AT COST	ACCRUED INTEREST	AMORTIZED COST	MARKET VALUE
CORPORATE NOTE												
949746JQ5	WELLS FARGO & COMPANY GLOBA	4,000,000	4.125	03/10/08	AA	03/15/05	03/18/05	3,978,480.00	4.319	9,625.00	3,989,261.88	3,940,556.00
066050CV5	BANK OF AMERICA CORP GLOBAL S	1,429,000	5.875	02/15/09	AA-	02/28/06	03/03/06	1,459,251.93	5.092	10,727.42	1,453,701.65	1,453,284.43
		5,429,000						5,437,731.93	4.527	20,352.42	5,442,963.53	5,393,840.43
FED AGY BOND/NOTE												
3128X42H3	FHLMC GLOBAL NOTES (CALLABLE	4,255,000	5.400	10/10/06	AAA	04/27/06	05/02/06	4,247,511.20	5.476	109,140.75	4,254,573.43	4,255,195.73
31359MXP3	FNMA NOTES	3,065,000	3.875	02/01/08	AAA	05/09/06	05/10/06	2,994,734.88	5.279	19,794.79	3,010,346.26	3,019,025.00
3133MVZA4	FHLB TAP NOTES	2,835,000	3.375	02/15/08	AAA	05/04/05	05/05/05	2,788,990.79	3.997	12,225.94	2,811,714.30	2,772,098.44
3133XBJQ9	FHLB GLOBAL NOTES	2,200,000	4.125	04/18/08	AAA	07/18/06	07/20/06	2,150,957.60	5.478	41,089.58	2,156,387.00	2,171,812.50
3133XBSV8	FHLB TAP NOTES	3,070,000	4.000	06/13/08	AAA	05/31/05	06/02/05	3,078,810.90	3.898	36,840.00	3,075,085.36	3,020,112.50
31359MSQ7	FNMA GLOBAL BENCHMARK NOTES	2,500,000	3.250	08/15/08	AAA	07/31/06	08/01/06	2,404,652.50	5.246	10,381.94	2,412,164.55	2,423,437.50
31359MTF0	FNMA NOTES (CALLABLE)	2,000,000	3.750	09/15/08	AAA	11/30/05	12/05/05	1,948,156.00	4.755	3,333.33	1,962,889.84	1,954,375.00
3128X4UV1	FHLMC NOTES (CALLABLE)	3,090,000	5.125	11/28/08	AAA	11/30/05	12/05/05	3,089,752.80	5.127	54,107.19	3,089,844.94	3,085,383.54
3133XDT76	FHLB TAP NOTES	2,000,000	4.750	12/12/08	AAA	01/27/06	01/30/06	1,998,972.00	4.764	28,763.89	1,999,285.26	1,990,000.00
31331SNF6	FFCB GLOBAL DESIGNATED BONDS	4,250,000	3.750	01/15/09	AAA	07/05/06	07/06/06	4,076,549.00	5.503	33,645.83	4,091,934.08	4,138,437.50
31359MEK5	FNMA GLOBAL BENCHMARK NOTES	1,285,000	5.250	01/15/09	AAA	01/03/06	01/06/06	1,304,334.11	4.710	14,242.08	1,299,882.49	1,293,031.25
31331ST78	FFCB BONDS	2,000,000	4.250	01/26/09	AAA	01/27/06	01/30/06	1,971,118.00	4.774	15,347.22	1,977,258.90	1,968,125.00
3134A3M78	FHLMC GLOBAL REFERENCE NOTES	2,115,000	6.625	09/15/09	AAA	08/31/06	09/06/06	2,210,428.80	4.999	6,227.50	2,208,419.63	2,210,835.94
31359MEY5	FNMA GLOBAL BENCHMARK NOTES	2,115,000	6.625	09/15/09	AAA	08/31/06	09/06/06	2,210,246.91	5.002	6,227.50	2,208,241.80	2,213,479.69
		36,780,000						36,475,215.49	4.975	391,367.54	36,558,027.84	36,515,349.59
FED AGY DN												
313589H97	FNMA DISC NOTE	1,075,000		10/02/06	A-1+	09/05/06	09/06/06	1,071,001.60	5.169	0.00	1,074,846.21	1,074,694.58
		1,075,000						1,071,001.60	5.169	0.00	1,074,846.21	1,074,694.58
FED AGY MBS												
31282U2B2	FHLMC MBS GOLD 5 YR BALLOON P	855,143	4.500	12/01/07	AAA	12/03/02	12/23/02	872,913.58	3.583	3,206.78	858,810.23	847,514.30
31282U2Y2	FHLMC GOLD MBS POOL #M90791	1,408,095	4.000	01/01/08	AAA	01/14/03	01/27/03	1,430,536.30	3.286	4,693.65	1,412,942.77	1,374,919.26
31282U4E4	FHLMC MBS 5YR POOL #M90821	2,683,393	3.500	05/01/08	AAA	07/28/03	07/30/03	2,699,744.76	3.184	7,826.56	2,687,071.50	2,589,929.09
31282VBE4	FHLMC MBS NOTES 5YR BALLOON P	2,233,749	5.000	08/01/09	AAA	02/01/05	02/22/05	2,276,329.80	4.051	9,307.29	2,260,568.73	2,216,324.15
		7,180,379						7,279,524.44	3.525	25,034.28	7,219,393.23	7,028,686.80
US TSY BOND/NOTE												
912828ER7	US TREASURY NOTES	2,455,000	4.375	12/31/07	TSY	01/03/06	01/06/06	2,453,657.42	4.404	27,143.43	2,454,155.08	2,440,520.41
912828EU0	US TREASURY NOTES	1,800,000	4.375	01/31/08	TSY	02/17/06	02/23/06	1,790,156.25	4.672	13,267.66	1,793,178.86	1,789,311.60
912828AT7	US TREASURY NOTES	4,045,000	3.000	02/15/08	TSY	03/15/06	03/16/06	3,919,067.78	4.714	15,498.51	3,953,986.52	3,949,089.26
912828DK3	US TREASURY NOTES	3,070,000	3.375	02/15/08	TSY	05/31/05	06/02/05	3,048,893.75	3.643	13,233.12	3,059,098.24	3,012,078.31
912828DT4	US TREASURY NOTES	3,465,000	3.750	05/15/08	TSY	08/30/05	09/01/05	3,440,907.42	4.022	49,079.65	3,450,338.16	3,410,994.73
912828DT4	US TREASURY NOTES	660,000	3.750	05/15/08	TSY	10/14/05	10/17/05	651,182.81	4.302	9,348.51	654,355.44	649,713.28
912828FG0	US TREASURY NOTES	2,665,000	4.875	05/31/08	TSY	06/01/06	06/05/06	2,656,880.08	5.038	43,661.22	2,658,160.09	2,669,996.88

PFM Asset Management LLC

Detail of Securities Held: 68890100 PALM BEACH CNTY FL S/D

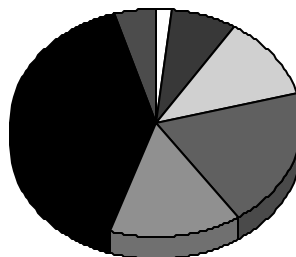
(Excluding Cash)

MONTH ENDED: September 30, 2006

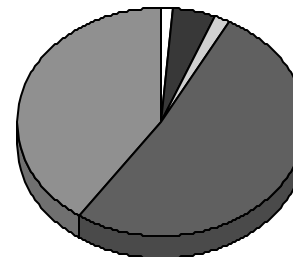
SECURITY TYPE		PAR	COUPON	MATURITY DATE	S&P RATING	TRADE DATE	SETTLE DATE	ORIGINAL COST	YTM AT COST	ACCRUED INTEREST	AMORTIZED COST	MARKET VALUE
912828FM7	US TREASURY NOTES	1,750,000	5.000	07/31/08	TSY	08/01/06	08/01/06	1,750,546.88	4.983	14,741.85	1,750,503.87	1,758,204.00
912828BK5	US TREASURY NOTES	3,375,000	3.125	09/15/08	TSY	07/18/06	07/20/06	3,236,044.92	5.166	4,661.60	3,248,415.39	3,277,442.25
912828EL0	US TREASURY NOTES	4,000,000	4.375	11/15/08	TSY	11/30/05	12/05/05	3,995,468.75	4.416	66,100.54	3,996,746.40	3,975,156.25
912828FE5	US TREASURY NOTES	2,665,000	4.875	05/15/09	TSY	06/01/06	06/05/06	2,653,340.63	5.036	49,072.57	2,654,584.00	2,680,406.37
912828FP0	US TREASURY NOTES	4,230,000	4.875	08/15/09	TSY	08/31/06	09/06/06	4,248,175.78	4.716	26,336.92	4,247,796.62	4,258,751.31
		34,180,000						33,844,322.47	4.590	332,145.58	33,921,318.67	33,871,664.65
TOTAL SECURITIES		\$84,644,379						\$84,107,795.93	4.672 %	\$768,899.82	\$84,216,549.48	\$83,884,236.05

Issuers by Market Value

■ BANK OF AMERICA	\$1,453,284	1.7%
■ FFCB	\$6,106,563	7.3%
■ FHLB	\$9,954,023	11.9%
■ FHLMC	\$16,580,102	19.8%
■ FNMA	\$11,978,043	14.3%
■ UNITED STATES TREASURY	\$33,871,665	40.4%
■ WELLS FARGO & CO	\$3,940,556	4.7%
Total:	\$83,884,236	100.0%



Ratings by Market Value



□ A-1+	\$1,074,695	1.3%
□ AA	\$3,940,556	4.7%
□ AA-	\$1,453,284	1.7%
□ AAA	\$43,544,036	51.9%
□ TSY	\$33,871,665	40.4%
Total:	\$83,884,236	100.0%

PFM Asset Management LLC

Fair Market Values & Analytics:

68890100

PALM BEACH CNTY FL S/D

(Excluding Cash)

MONTH ENDED: September 30, 2006

SECURITY TYPE				MATURITY	FIRST CALL	MARKET	MARKET	UNREAL G/(L)	UNREAL G/(L)	DURATION	YTM
CUSIP	DESCRIPTION	PAR	COUPON	DATE	DATE	PRICE	VALUE	ON AMORT COST	ON COST	TO WORST	AT MKT
CORPORATE NOTE											
949746JQ5	WELLS FARGO & COMPANY GLOBA	4,000,000	4.125	03/10/08		98.514	3,940,556.00	(48,705.88)	(37,924.00)	1.378	5.204
066050CV5	BANK OF AMERICA CORP GLOBAL S	1,429,000	5.875	02/15/09		101.699	1,453,284.43	(417.22)	(5,967.50)	2.182	5.103
FED AGY BOND/NOTE											
3128X42H3	FHLMC GLOBAL NOTES (CALLABLE	4,255,000	5.400	10/10/06	10/10/06	100.005	4,255,195.73	622.30	7,684.53	0.027	5.104
31359MXP3	FNMA NOTES	3,065,000	3.875	02/01/08		98.500	3,019,025.00	8,678.74	24,290.12	1.275	5.046
3133MVZA4	FHLB TAP NOTES	2,835,000	3.375	02/15/08		97.781	2,772,098.44	(39,615.86)	(16,892.35)	1.317	5.063
3133XBJQ9	FHLB GLOBAL NOTES	2,200,000	4.125	04/18/08		98.719	2,171,812.50	15,425.50	20,854.90	1.453	4.993
3133XBSV8	FHLB TAP NOTES	3,070,000	4.000	06/13/08		98.375	3,020,112.50	(54,972.86)	(58,698.40)	1.604	5.004
31359MSQ7	FNMA GLOBAL BENCHMARK NOTES	2,500,000	3.250	08/15/08		96.938	2,423,437.50	11,272.95	18,785.00	1.782	4.979
31359MTF0	FNMA NOTES (CALLABLE)	2,000,000	3.750	09/15/08		97.719	1,954,375.00	(8,514.84)	6,219.00	1.857	4.986
3128X4UV1	FHLMC NOTES (CALLABLE)	3,090,000	5.125	11/28/08	11/28/06	99.851	3,085,383.54	(4,461.40)	(4,369.26)	1.988	5.195
3133XDT76	FHLB TAP NOTES	2,000,000	4.750	12/12/08		99.500	1,990,000.00	(9,285.26)	(8,972.00)	2.036	4.989
31331SNF6	FFCB GLOBAL DESIGNATED BONDS	4,250,000	3.750	01/15/09		97.375	4,138,437.50	46,503.42	61,888.50	2.146	4.974
31359MEK5	FNMA GLOBAL BENCHMARK NOTES	1,285,000	5.250	01/15/09		100.625	1,293,031.25	(6,851.24)	(11,302.86)	2.115	4.954
31331ST78	FFCB BONDS	2,000,000	4.250	01/26/09		98.406	1,968,125.00	(9,133.90)	(2,993.00)	2.165	4.983
3134A3M78	FHLMC GLOBAL REFERENCE NOTES	2,115,000	6.625	09/15/09		104.531	2,210,835.94	2,416.31	407.14	2.668	4.958
31359MEY5	FNMA GLOBAL BENCHMARK NOTES	2,115,000	6.625	09/15/09		104.656	2,213,479.69	5,237.89	3,232.78	2.669	4.914
FED AGY DN											
313589H97	FNMA DISC NOTE	1,075,000		10/02/06		99.972	1,074,694.58	(151.63)	3,692.98	0.005	5.115
FED AGY MBS											
31282U2B2	FHLMC MBS GOLD 5 YR BALLOON P	855,143	4.500	12/01/07		99.108	847,514.30	(11,295.93)	(25,399.28)	0.600	5.666
31282U2Y2	FHLMC GOLD MBS POOL #M90791	1,408,095	4.000	01/01/08		97.644	1,374,919.26	(38,023.51)	(55,617.04)	0.632	7.390
31282U4E4	FHLMC MBS 5YR POOL #M90821	2,683,393	3.500	05/01/08		96.517	2,589,929.09	(97,142.41)	(109,815.67)	0.785	7.662
31282VBE4	FHLMC MBS NOTES 5YR BALLOON P	2,233,749	5.000	08/01/09		99.220	2,216,324.15	(44,244.58)	(60,005.65)	1.382	5.414
US TSY BOND/NOTE											
912828ER7	US TREASURY NOTES	2,455,000	4.375	12/31/07		99.410	2,440,520.41	(13,634.67)	(13,137.01)	1.189	4.862
912828EU0	US TREASURY NOTES	1,800,000	4.375	01/31/08		99.406	1,789,311.60	(3,867.26)	(844.65)	1.271	4.835
912828AT7	US TREASURY NOTES	4,045,000	3.000	02/15/08		97.629	3,949,089.26	(4,897.26)	30,021.48	1.321	4.800
912828DK3	US TREASURY NOTES	3,070,000	3.375	02/15/08		98.113	3,012,078.31	(47,019.93)	(36,815.44)	1.318	4.807
912828DT4	US TREASURY NOTES	3,465,000	3.750	05/15/08		98.441	3,410,994.73	(39,343.43)	(29,912.69)	1.533	4.755

PFM Asset Management LLC

Fair Market Values & Analytics: (Excluding Cash)

68890100 PALM BEACH CNTY FL S/D

MONTH ENDED: September 30, 2006

SECURITY TYPE		PAR	COUPON	MATURITY DATE	FIRST CALL DATE	MARKET PRICE	MARKET VALUE	UNREAL G/(L) ON AMORT COST	UNREAL G/(L) ON COST	DURATION TO WORST	YTM AT MKT
912828DT4	US TREASURY NOTES	660,000	3.750	05/15/08		98.441	649,713.28	(4,642.16)	(1,469.53)	1.533	4.755
912828FG0	US TREASURY NOTES	2,665,000	4.875	05/31/08		100.188	2,669,996.88	11,836.79	13,116.80	1.559	4.753
912828FM7	US TREASURY NOTES	1,750,000	5.000	07/31/08		100.469	1,758,204.00	7,700.13	7,657.12	1.722	4.726
912828BK5	US TREASURY NOTES	3,375,000	3.125	09/15/08		97.109	3,277,442.25	29,026.86	41,397.33	1.868	4.686
912828EL0	US TREASURY NOTES	4,000,000	4.375	11/15/08		99.379	3,975,156.25	(21,590.15)	(20,312.50)	1.974	4.683
912828FE5	US TREASURY NOTES	2,665,000	4.875	05/15/09		100.578	2,680,406.37	25,822.37	27,065.74	2.397	4.636
912828FP0	US TREASURY NOTES	4,230,000	4.875	08/15/09		100.680	4,258,751.31	10,954.69	10,575.53	2.642	4.618
SUBTOTALS							\$83,884,236.05	(\$332,313.43)	(\$223,559.88)	1.621	5.053 %
ACCRUED INTEREST ON INVESTMENT							768,899.82				
TOTAL MARKET VALUE OF INVESTMENTS							\$84,653,135.87				

PFM Asset Management LLC

Security Transactions & Interest:

68890100

PALM BEACH CNTY FL S/D

(Excluding Cash)

MONTH ENDED: September 30, 2006

TRADE	SETTLE	TRAN TYPE	SECURITY DESCRIPTION	CUSIP	S&P RATING	PAR	COUPON	MATURITY DATE	PRINCIPAL AMOUNT	ACCRUED INTEREST	TOTAL
09/01/06	09/15/06	INTEREST	FHLMC MBS GOLD 5 YR BALLOON POO	31282U2B2	AAA	888,914	4.500	12/01/07	0.00	3,333.43	3,333.43
09/01/06	09/15/06	INTEREST	FHLMC GOLD MBS POOL #M90791	31282U2Y2	AAA	1,450,824	4.000	01/01/08	0.00	4,836.08	4,836.08
09/01/06	09/15/06	INTEREST	FHLMC MBS 5YR POOL #M90821	31282U4E4	AAA	2,762,221	3.500	05/01/08	0.00	8,056.48	8,056.48
09/01/06	09/15/06	INTEREST	FHLMC MBS NOTES 5YR BALLOON POO	31282VBE4	AAA	2,315,232	5.000	08/01/09	0.00	9,646.80	9,646.80
09/10/06	09/10/06	INTEREST	WELLS FARGO & COMPANY GLOBAL N	949746JQ5	AA	4,000,000	4.125	03/10/08	0.00	82,500.00	82,500.00
09/15/06	09/15/06	INTEREST	FHLMC GLOBAL REFERENCE NOTES	3134A3M78	AAA	2,115,000	6.625	09/15/09	0.00	70,059.38	70,059.38
09/15/06	09/15/06	INTEREST	FNMA GLOBAL BENCHMARK NOTES	31359MEY5	AAA	2,115,000	6.625	09/15/09	0.00	70,059.38	70,059.38
09/15/06	09/15/06	INTEREST	FNMA NOTES (CALLABLE)	31359MTF0	AAA	2,000,000	3.750	09/15/08	0.00	37,500.00	37,500.00
09/15/06	09/15/06	INTEREST	US TREASURY NOTES	912828BK5	TSY	3,375,000	3.125	09/15/08	0.00	52,734.38	52,734.38
						21,022,191			0.00	338,725.93	338,725.93
08/31/06	09/06/06	BUY	FHLMC GLOBAL REFERENCE NOTES	3134A3M78	AAA	2,115,000	6.625	09/15/09	(2,210,428.80)	(66,556.41)	(2,276,985.21)
08/31/06	09/06/06	BUY	FNMA GLOBAL BENCHMARK NOTES	31359MEY5	AAA	2,115,000	6.625	09/15/09	(2,210,246.91)	(66,556.41)	(2,276,803.32)
08/31/06	09/06/06	BUY	US TREASURY NOTES	912828FP0	TSY	4,230,000	4.875	08/15/09	(4,248,175.78)	(12,327.92)	(4,260,503.70)
09/05/06	09/05/06	BUY	FHLB DISC NOTE	313385E77	A-1+	9,893,000	0.000	09/06/06	(9,891,593.00)	0.00	(9,891,593.00)
09/05/06	09/06/06	BUY	FNMA DISC NOTE	313589H97	A-1+	1,075,000	0.000	10/02/06	(1,071,001.60)	0.00	(1,071,001.60)
						19,428,000			(19,631,446.09)	(145,440.74)	(19,776,886.83)
09/05/06	09/05/06	MATURITY	FHLMC DISC NOTE	313397E64	A-1+	860,000	0.000	09/05/06	860,000.00	0.00	860,000.00
09/06/06	09/06/06	MATURITY	FHLB DISC NOTE	313385E77	A-1+	9,893,000	0.000	09/06/06	9,893,000.00	0.00	9,893,000.00
						10,753,000			10,753,000.00	0.00	10,753,000.00
09/01/06	09/15/06	MBS PMT	FHLMC MBS GOLD 5 YR BALLOON POO	31282U2B2	AAA	33,771	4.500	12/01/07	33,771.10	0.00	33,771.10
09/01/06	09/15/06	MBS PMT	FHLMC GOLD MBS POOL #M90791	31282U2Y2	AAA	42,729	4.000	01/01/08	42,729.20	0.00	42,729.20
09/01/06	09/15/06	MBS PMT	FHLMC MBS 5YR POOL #M90821	31282U4E4	AAA	78,828	3.500	05/01/08	78,828.36	0.00	78,828.36
09/01/06	09/15/06	MBS PMT	FHLMC MBS NOTES 5YR BALLOON POO	31282VBE4	AAA	81,483	5.000	08/01/09	81,483.11	0.00	81,483.11
						236,812			236,811.77	0.00	236,811.77
TOTAL SECURITY TRANSACTIONS										<u>(8,448,349.13)</u>	

PFM Asset Management LLC

Cash Transactions Report: 68890100 PALM BEACH CNTY FL S/D

MONTH ENDED: September 30, 2006

CASH DATE	TRANSACTION CODE	TRANSACTION DESCRIPTION	TOTAL AMOUNT
09/05/06	CC	CONTRIB	9,891,593.00
			<hr/>
			9,891,593.00
09/05/06	CW	WITHDRAW	(860,000.00)
09/06/06	CW	WITHDRAW	(7,706.17)
09/10/06	CW	WITHDRAW	(82,500.00)
09/15/06	CW	WITHDRAW	(493,037.70)
			<hr/>
			(1,443,243.87)
NET CASH CONTRIBUTIONS/(WITHDRAWS)			<hr/> \$8,448,349.13 <hr/>

PFM Asset Management LLC

Realized Gains and Losses: 68890100 PALM BEACH CNTY FL S/D

(Excluding Cash)

MONTH ENDED: September 30, 2006

TRADE DATE	SETTLE DATE	TRAN TYPE	SALE METHOD	SECURITY DESCRIPTION	CUSIP	PAR VALUE	COUPON	PRINCIPAL PROCEEDS	REALIZED G/(L) COST	REALIZED G/(L) AMORT CST
09/01/06	09/15/06	MBS PMT		FHLMC MBS GOLD 5 YR BALLOON POOL #M	31282U2B2	33,771	4.500	33,771.10	(701.81)	0.00
09/01/06	09/15/06	MBS PMT		FHLMC GOLD MBS POOL #M90791	31282U2Y2	42,729	4.000	42,729.20	(681.00)	0.00
09/01/06	09/15/06	MBS PMT		FHLMC MBS 5YR POOL #M90821	31282U4E4	78,828	3.500	78,828.36	(480.36)	0.00
09/01/06	09/15/06	MBS PMT		FHLMC MBS NOTES 5YR BALLOON POOL# M	31282VBE4	81,483	5.000	81,483.11	(1,553.27)	0.00
09/05/06	09/05/06	MATURITY		FHLMC DISC NOTE	313397E64	860,000	0.000	860,000.00	3,334.65	0.00
09/06/06	09/06/06	MATURITY		FHLB DISC NOTE	313385E77	9,893,000	0.000	9,893,000.00	1,407.00	0.00
TOTAL GAINS AND LOSSES									\$1,325.21	\$0.00

PFM Asset Management LLC

Cash Balance Report:

68890100

PALM BEACH CNTY FL S/D

MONTH ENDED: September 30, 2006

CASH BALANCE: \$0.00

Earnings Calculation Templates

Current Month-End Book Value	+			Add Coupon Interest Received	+	
Current Month-End Accrued Interest	+			Less Purchased Interest Related to Coupons	-	
Less Purchases	-			Add/Subtract Gains or Losses on Cost For The Mth	+/-	
Less Purchased Interest	-			Total Cost Basis Earnings For The Month		
Add Disposals (Sales, Maturities, Paydowns, Sinks, etc.)	+					
Add Coupon Interest Received	+					
Less Previous Month-End Book Value	-					
Less Previous Month-End Accrued Interest	-					
Total Accrual Basis Earnings For The Month						

Economic Calendar

10/06/06 Change in Nonfarm Payrolls	10/18/06 Housing Starts
10/06/06 Unemployment Rate	10/18/06 Building Permits
10/11/06 FOMC Minutes	10/25/06 Existing Home Sales
10/12/06 Beige Book	10/25/06 FOMC Meeting
10/13/06 Retail Sales	10/26/06 Durable Goods Orders
10/17/06 Producer Price Index	10/26/06 New Home Sales
10/18/06 Consumer Price Index	10/26/06 Third Quarter GDP

Market Commentary

The Fed remained on hold at their September meeting leaving the Fed Funds rate at 5.25%. The markets expected the Fed to leave rates unchanged and the reaction to the decision was limited. Both the equity and bond markets did react to weaker than expected economic data though. Disappointing economic data and contained inflation expectations have convinced the market that the Fed doesn't need to increase rates further and may need to lower rates in the future. Housing data took center stage in September. Both new homes sales and housing starts were lower than expected signaling the potential for further slowing in the residential real estate market. The prices of most commodities declined in September with crude oil and gold leading the way. Crude oil traded below \$65 a barrel for the first time since February 2006 and gold is trading \$150 below its peak seen in May 2006. Meanwhile the equity and bond markets performed well. The Dow Jones Industrial Average reached its all time high for a period in September. Treasury yields continued to decline pushing their prices higher as bond investors bought bonds of all maturities on expectations of future rate cuts. Although the markets are expecting a rate cut the Fed hasn't signaled its intention to do so yet.