

## M E M O

TO: Board of Directors

FROM: District Manager

SUBJECT: INVESTMENT REPORT PERIOD ENDING SEPTEMBER 30, 2005

DATE: October 14, 2005

### **RECOMMENDATION:**

It is recommended that the Board of Directors review and file this report.

### **BACKGROUND:**

At the December 2, 2004 Board of Directors Meeting your Board adopted Resolution No. 16 (04-05) which established an Investment Policy for the San Lorenzo Valley Water District. The Investment Policy and California Government Code, Section 53646, states that the Board of Directors shall receive investment reports at least quarterly.

Attached are account statements for the period ending September 30, 2005 from the District's Local Agency Investment Fund (LAIF) Account (See Attachment 1) and Morgan Stanley Investment Account (See Attachment 2).

It is recommended that the Board of Directors review and file this report.

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James A. Mueller  
District Manager

JAM/kas  
Attachment

**OFFICE OF THE TREASURER**  
SACRAMENTO



Local Agency Investment Fund  
PO Box 942809  
Sacramento, CA 94209-0001  
(916) 653-3001

September, 2005 Statement

SAN LORENZO VALLEY WATER DISTRICT  
Attn: DISTRICT MANAGER  
13060 HIGHWAY 9  
BOULDER CREEK CA 95006

**Account Number : 90-44-001**

Account Summary

Total Deposit :	0.00	Beginning Balance :	1,385,947.44
Total Withdrawal :	0.00	Ending Balance :	<b>1,385,947.44</b>

**RECEIVED**  
OCT - 7 2005  
SAN LORENZO VALLEY  
WATER DISTRICT

**STATEMENT OF YOUR ACCOUNT  
FOR MONTH ENDING SEPTEMBER 30, 2005**

Your Financial Advisor  
**JAMES M BARGETTO**  
 SENIOR VICE PRESIDENT  
 MORGAN STANLEY  
 716 OCEAN STREET  
 SANTA CRUZ, CA 95060  
 (831) 457-4314

(950069119604)  
 SAN LORENZO VALLEY WATER DIST  
 INVESTMENT BROKERAGE ACCT  
 ATTENTION: JAMES A MUELLER  
 13060 HIGHWAY 9  
 BOULDER CREEK CA 95006-9119

Account Number  
 136 022962 014

Householding Anniv. Date:  
 03/08/2003  
 Access your account at:  
[www.morganstanley.com/online](http://www.morganstanley.com/online)

## ASSET DETAILS

<b>Your Investments</b>				<i>Current Price</i>	<i>Value</i>	<i>Est Yrly Income</i>	<i>Current Yield</i>
95000	ALLSTATE BANK CD	2100	06MH27	99.019	94,068.05	1,995.00	2.12%
95000	BSB BANK & TR CD	2650	06AU29	98.493	93,568.35	2,517.50	2.69%
95000	MIDFIRST BANK CD	3250	06SP05	98.996	94,046.20	3,087.50	3.28%
90000	FIRST BANK CA CD	4250	08AP28	99.262	89,335.80	3,825.00	4.28%
95000	DISCOVER BANK CD	3500	08DE03	96.724	91,887.80	3,325.00	3.61%
95000	WEBSTER BANK CD	3300	09MH03	95.755	90,967.25	3,135.00	3.44%
95000	1ST SIGNATURE CD	3300	09MH03	95.755	90,967.25	3,135.00	3.44%
95000	LEHMAN BROS CD	3500	09MH03	96.379	91,560.05	3,325.00	3.63%
85000	NEVADA SEC BK CD	4600	09AU24	99.525	84,596.25	3,910.00	4.62%
95000	PROVIDIAN NATL CD	4000	09SP15	102.406	97,285.70	3,800.00	3.90%
95000	COLE TAYLOR FID	41250*	09NV24	98.979	94,030.05	3,918.75	4.16%
95000	SOVEREIGN BK CD	42500*	09DE09	99.658	94,675.10	4,037.50	4.26%
95000	TOWER BANK CD	4150	10FB23	97.552	92,674.40	3,942.50	4.25%
95000	NEW SOUTH FSB CD	3500	*10MY12	97.693	92,808.35	3,325.00	3.58%
95000	CAROLINA FIRST CD	3500	*10MY26	97.921	93,024.95	3,325.00	3.57%
95000	M&I BANK FSB FID	3500	*10JL10	98.248	93,335.60	3,325.00	3.56%
95000	WASHINGTON MUT CD	4400	10SP21	98.256	93,343.20	4,180.00	4.47%
95000	GEAUGA SVGS BK CD	4700	*11JA28	99.379	94,410.05	4,465.00	4.72%
85000	NOVA SVGS BK CD	4500	11JN08	98.185	83,457.25	3,825.00	4.58%
250000	FHLB	4375	05NV15	100	250,000.00	10,937.50	4.37%
1200000	FNMA	4375	06OC15	100	1,200,000.00	52,500.00	4.37%
850000	US TSY NOTE	3500	06NV15	99.309	844,126.50	29,750.00	3.52%
750000	US TSY NOTE	2250	07FB15	97.465	730,987.50	16,875.00	2.30%
850000	US TSY NOTE	3250	07AU15	98.375	836,187.50	27,625.00	3.30%
100000	CAPITAL JUMBO CD	4550	07SP04	100.005	100,005.00	4,550.00	4.54%
700000	US TSY NOTE	3000	07NV15	97.656	683,592.00	21,000.00	3.07%
925000	FNMA	5750	08FB15	102.938	952,176.50	53,187.50	5.58%
1300000	FHLMC MTN	3000	08MH24	96.778	1,258,114.00	39,000.00	3.09%
850000	US TSY NOTE	4750	08NV15	101.605	863,642.50	40,375.00	4.67%

## STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING SEPTEMBER 30, 2005

SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 014

<b>Your Investments</b>				<i>Current Price</i>	<i>Value</i>	<i>Est Yrly Income</i>	<i>Current Yield</i>
350000	US TSY NOTE	3000	09FB15	96.234	336,819.00	10,500.00	3.11%
850000	US TSY NOTE	2625	09MH15	94.969	807,236.50	22,312.50	2.76%
450000	FNMA	3270	*09JN16	95.688	430,596.00	14,715.00	3.41%
500000	FNMA	3500	*09SP04	95.375	476,875.00	17,500.00	3.66%
500000	FNMA	2900	*09OC14	97.781	488,905.00	14,500.00	2.96%
525000	FNMA	3500	*09DE17	98.375	516,468.75	18,375.00	3.55%
150000	FNMA	3000	*10AU26	98.156	147,234.00	4,500.00	3.05%
170000	FNMA	3750	*12MH16	97.969	166,547.30	6,375.00	3.82%
<b>Total Value of Priced Investments</b>					\$12,839,554.70	\$470,976.25	3.66%

<b>Custodial Holdings</b>				<i>Current Price</i>	<i>Date</i>	<i>Value</i>	<i>Custodian</i>	<i>Dividend Cap Gains Option</i>	<i>Fund Plan Number</i>
51194.83	U.S. GOV'T MONEY MARKET TR	SGMT	1.00	09/30/05	51,194.83	MSDWT	Reinv/ N/A	519953650	
<b>Total Custodial Holdings</b>					\$51,194.83				

<b>Asset Summary</b>		<i>Value</i>	<i>Est Yrly Income</i>
Cash		379.22	
<b>Total Account Valuation</b>		\$12,891,128.75	\$470,976.25

## DAILY ACTIVITY DETAILS

<i>Date</i>	<i>Activity</i>	<i>Quantity</i>	<i>Description</i>	<i>Price</i>	<i>Amount</i>	<i>Cash Balance</i>
			CLOSING BALANCE AS OF 8/31			.00
9/02	Taxable Interest		CAPITAL JUMBO CD 4550 07SP04		+386.44	+386.44
9/03	Taxable Interest		WEBSTER BANK CD 3300 09MH03		+1,580.38	+1,966.82
	Taxable Interest		1ST SIGNATURE CD 3300 09MH03		+1,580.38	+3,547.20

**STATEMENT OF YOUR ACCOUNT  
FOR MONTH ENDING SEPTEMBER 30, 2005**

SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 014

## DAILY ACTIVITY DETAILS

<i>Date</i>	<i>Activity</i>	<i>Quantity</i>	<i>Description</i>	<i>Price</i>	<i>Amount</i>	<i>Cash Balance</i>
9/03	Taxable Interest		LEHMAN BROS CD 3500 09MH03		+1,676.16	+5,223.36
9/04	Taxable Interest		FNMA 3500 *09SP04		+1,458.34	+6,681.70
	Taxable Interest		MIDFIRST BANK CD 3250 06SP05		+1,556.44	+8,238.14
9/06	Bought	386.44	U.S. GOV'T MONEY MARKET TR	1.00	-386.44	+7,851.70
9/07	Bought	7851.70	U.S. GOV'T MONEY MARKET TR	1.00	-7,851.70	.00
9/13	Sold	95000	HUNTINGTON NATL 2850 05DE12	99.80	+95,502.02	+95,502.02
			AMOUNT INCLUDES ACCRUED		+.00	
			INTEREST OF \$697.27		+.00	
9/14	Bought	95502.02	U.S. GOV'T MONEY MARKET TR	1.00	-95,502.02	.00
9/15	Taxable Interest		US TSY NOTE 2625 09MH15		+11,156.25	+11,156.25
	Taxable Interest		PROVIDIAN NATL CD 4000 09SP15		+1,915.62	+13,071.87
9/16	Taxable Interest		FNMA 3750 *12MH16		+3,187.50	+16,259.37
	Bought	13071.87	U.S. GOV'T MONEY MARKET TR	1.00	-13,071.87	+3,187.50
9/19	Bought	3187.50	U.S. GOV'T MONEY MARKET TR	1.00	-3,187.50	.00
9/21	Bought	95000	WASHINGTON MUT CD 4400 10SP21	100.00	-95,000.00	-95,000.00
	Sold	95000.00	U.S. GOV'T MONEY MARKET TR	1.00	+95,000.00	.00
9/23	Taxable Interest		TOWER BANK CD 4150 10FB23		+334.84	+334.84
9/24	Taxable Interest		FHLMC MTN 3000 08MH24		+19,500.00	+19,834.84
9/26	Taxable Interest		ALLSTATE BANK CD 2100 06MH27		+1,005.70	+20,840.54
	Bought	334.84	U.S. GOV'T MONEY MARKET TR	1.00	-334.84	+20,505.70
9/27	Bought	20505.70	U.S. GOV'T MONEY MARKET TR	1.00	-20,505.70	.00
9/28	Taxable Interest		GEAUGA SVGS BK CD 4700 *11JA28		+379.22	+379.22
9/30	Dividend		U.S. GOV'T MONEY MARKET TR		+95.49	+379.22
	Direct Purchase	95.490	U.S. GOV'T MONEY MARKET TR	1.00	-95.49	+379.22
			REINVESTMENT			+379.22
			CLOSING BALANCE AS OF 9/30			+379.22

### Morgan Stanley Fund Summary

	<i>YTD Dividends</i>	<i>YTD Cap Gains</i>	<i>YTD Taxes</i>	<i>Features</i>
U.S. GOV'T MONEY MARKET TR	822.07	0.00	0.00	Reinvest Dividends

**STATEMENT OF YOUR ACCOUNT  
FOR MONTH ENDING SEPTEMBER 30, 2005**

SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 014

<b>Morgan Stanley Fund Summary</b>	<i>YTD Dividends</i>	<i>YTD Cap Gains</i>	<i>YTD Taxes</i>	<i>Features</i>
<b>Totals</b>	\$822.07	\$0.00	\$0.00	

*U.S. GOV'T MONEYMARKET TR*

*Following are the Fund's 30-day average annualized yields during the past quarter: July 2.55%, August 2.74%, and September 2.87%.*

<b>Income Summary</b>	<i>This Month</i>	<i>Year-to-Date</i>		<i>This Month</i>	<i>Year-to-Date</i>
Dividends	95.49	822.07	Interest	45,717.27	337,143.56
Accrued Bond Interest	697.27	2,964.52	Margin Interest	.00	.00

<b>Tax Information</b>	<i>This Month</i>	<i>Year-to-Date</i>
U.S. Treasury Coupon Interest	11,156.25	122,875.00

## STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING SEPTEMBER 30, 2005

SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 014

### Margin Loan Rates

<u>Loan Amount</u>	<u>Rate</u>	
\$0 - 9,999 .....	10.625%	EFFECTIVE DATE: September 21, 2005
\$10,000 - 24,999 .....	10.500%	PREVIOUS CHANGE: August 10, 2005
\$25,000 - 49,999 .....	9.500%	
\$50,000 - 99,999 .....	9.375%	
\$100,000 - 499,999 .....	8.125%	
\$500,000 - 999,999 .....	7.875%	
\$1,000,000 - 4,999,999 .....	7.250%	
\$5,000,000 - 9,999,999 .....	6.750%	
\$10,000,000 & over .....	6.500%	

### Messages

*The following information is provided in accordance with regulatory obligations:  
If you have a complaint that you wish to mail to Morgan Stanley, you may send it to: Law Division, Morgan Stanley, 2000 Westchester Avenue, Purchase, N.Y. 10577. You may also call (212) 762-5588.*

*As part of the National Association of Securities Dealer's (NASD) Public Disclosure Program, the NASD is making available to the public its hotline (800) 289-9999 and website address ([www.nasdr.com](http://www.nasdr.com)) for making inquiries and to obtain a brochure that includes information detailing the Public Disclosure Program.*

*As a reminder: If a trade payment is late, you will be charged the higher of \$25 or the highest margin interest rate on the amount owed beginning one day after settlement. Note that all deposits to your account, including trade payments, will first be used to satisfy existing debits. You may therefore be charged a late fee on a trade if the payment is insufficient to cover both the trade and any existing debits.*

## STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING SEPTEMBER 30, 2005

PAGE 6 OF 10

Your Financial Advisor  
JAMES M BARGETTO  
SENIOR VICE PRESIDENT  
MORGAN STANLEY  
716 OCEAN STREET  
SANTA CRUZ, CA 95060  
(831) 457-4314

(950069119604)  
SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT  
ATTENTION: JAMES A MUELLER  
13060 HIGHWAY 9  
BOULDER CREEK CA 95006-9119

Account Number  
136 022962 014

Householding Anniv. Date:  
03/08/2003  
Access your account at:  
[www.morganstanley.com/online](http://www.morganstanley.com/online)

### GAIN AND LOSS SUMMARY

*The Estimated Gain and Loss information is provided for informational purposes only and may not be relied upon in making any tax, accounting or regulatory filing or report. We recommend that you contact your tax advisor to determine the appropriate information to be used in the preparation of your tax return. This Estimated Gain and Loss Summary is not a substitute 1099 form (or any other appropriate tax form) and should not be filed with your taxes. The figures should be independently verified. Estimated Gain and Loss information does not take into account a taxpayer's particular circumstances such as the existence of hedging transactions, constructive sales or marked-to-market pricing adjustments on certain options held at year-end.*

*Please note that although Morgan Stanley DW Inc. makes every effort to adjust the cost basis for such securities' capital changes, it does not adjust the cost basis for all events, including amortization of non-municipal bond premiums; exercise of unlisted stock options; securities deemed to have been sold and simultaneously repurchased; receipt of cash in lieu of fractional shares; or the net effect of wash sales and/or short sales against the box.*

*For securities not purchased through Morgan Stanley DW Inc., for example, securities purchased elsewhere and later transferred to it, any data included in the Estimated Gain and Loss information has been provided either by you or another financial institution. Whether provided by you, another financial institution or Morgan Stanley DW Inc., it is your responsibility to ensure the accuracy of all of the Estimated Gain and Loss information. Please contact your Financial Advisor with any questions or to correct any information.*

*For Managed Futures and alternative investments, there are likely to be restrictions on redemptions, please see applicable offering document.*

*With respect to estimated gains and losses for listed equity options, Morgan Stanley has taken into account option premiums paid or received and, in respect to multiple purchases and/or sales, calculated cost using an average unit price for all like positions. Morgan Stanley has made calculations using what appear to be off-setting positions; no assurance can be given that these positions are intended to off-set each other or that they are not intended to off-set other securities positions, in which case the analysis may be different. Morgan Stanley has obtained pricing information from independent sources it believes to be reliable. No assurance can be given that the values given are accurate. Values are subject to change and are as of a given point in time only. Past performance does not guarantee future returns.*

*This summary is not part of your account statement. It is for information purposes only and should not be used for tax preparation.*

**STATEMENT OF YOUR ACCOUNT  
FOR MONTH ENDING SEPTEMBER 30, 2005**

SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 014

<b>Unrealized Gain/(Loss)</b>	<b>Quantity</b>	<b>Date Acquired</b>	<b>Unit Cost</b>	<b>Adjusted Total Cost</b>	<b>Market Value</b>	<b>Unrealized Gain/(Loss)</b>	<b>Additional Information</b>		
<b>Government Securities**</b>									
<b>Treasury Securities</b>									
US TSY NOTE	3 1/2	11-15-06	850,000	07-05-02	98.00873	840,425.50	844,126.50	3,701.00	Long Term
US TSY NOTE	2 1/4	2-15-07	750,000	02-26-04	100.33682	752,526.15	730,987.50	(21,538.65)	Long Term
US TSY NOTE	3 1/4	8-15-07	850,000	08-28-02	100.23768	852,020.32	836,187.50	(15,832.82)	Long Term
US TSY NOTE	3.000	11-15-07	700,000	12-05-03	100.50073	703,505.12	683,592.00	(19,913.12)	Long Term
US TSY NOTE	4 3/4	11-15-08	850,000	07-05-02	101.40856	861,972.83	863,642.50	1,669.67	Long Term
US TSY NOTE	3.000	2-15-09	350,000	02-27-04	100.49166	351,720.83	336,819.00	(14,901.83)	Long Term
US TSY NOTE	2 5/8	3-15-09	850,000	03-26-04	100.00000	850,005.00	807,236.50	(42,768.50)	Long Term
<b>Federal Agencies</b>									
FHLB	4 3/8	11-15-05	250,000	08-28-02	104.00156	260,395.00	250,000.00	(10,395.00)	Long Term
FNMA	4 3/8	10-15-06	1,200,000	07-05-02	100.00800	1,209,605.00	1,200,000.00	(9,605.00)	Long Term
FNMA	5 3/4	2-15-08	925,000	07-05-02	106.00768	987,615.94	952,176.50	(35,439.44)	Long Term
FHLMC MTN	3.000	3-24-08	1,300,000	04-04-03	99.00500	1,293,505.00	1,258,114.00	(35,391.00)	Long Term
FNMA	3.270	6-16-09	450,000	03-12-04	99.87500	449,442.50	430,596.00	(18,846.50)	Long Term
FNMA	3 1/2	9-04-09	500,000	02-25-04	100.00000	500,000.00	476,875.00	(23,125.00)	Long Term
FNMA	2.900	10-14-09	500,000	01-25-05	99.00000	495,005.00	488,905.00	(6,100.00)	Short Term
FNMA	3 1/2	12-17-09	525,000	12-08-03	99.70000	523,425.00	516,468.75	(6,956.25)	Long Term
FNMA	3.000	8-26-10	150,000	08-16-04	100.00000	150,000.00	147,234.00	(2,766.00)	Long Term

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*\*\*The "Market Value" and "Unrealized Gain/(Loss)" figures shown for Fixed Income securities are representative values, which may not reflect the value that could actually be obtained in the market. See "Pricing of Securities" at the end of this statement.*

**STATEMENT OF YOUR ACCOUNT**  
**FOR MONTH ENDING SEPTEMBER 30, 2005**

SAN LORENZO VALLEY WATER DIST  
 INVESTMENT BROKERAGE ACCT

Account Number  
 136 022962 014

<b>Unrealized Gain/(Loss)</b>	<b>Quantity</b>	<b>Date Acquired</b>	<b>Unit Cost</b>	<b>Adjusted Total Cost</b>	<b>Market Value</b>	<b>Unrealized Gain/(Loss)</b>	<b>Additional Information</b>
FNMA	3 3/4	3-16-12	170,000	09-08-04	100.00000	170,000.00	166,547.30 (3,452.70) Long Term
<b>Certificates of Deposit**</b>							
ALLSTATE BANK CD	2.100	3-27-06	95,000	03-20-03	100.00000	95,000.00	94,068.05 (931.95) Long Term
BSB BANK & TR CD	2.650	8-29-06	95,000	08-26-03	100.00000	95,000.00	93,568.35 (1,431.65) Long Term
MIDFIRST BANK CD	3 1/4	9-05-06	95,000	08-28-02	100.00000	95,000.00	94,046.20 (953.80) Long Term
CAPITAL JUMBO CD	4.550	9-04-07	100,000	08-28-02	100.00000	100,000.00	100,005.00 5.00 Long Term
FIRST BANK CA CD	4 1/4	4-28-08	90,000	04-15-05	100.00000	90,000.00	89,335.80 (664.20) Short Term
DISCOVER BANK CD	3 1/2	12-03-08	95,000	11-26-03	100.00000	95,000.00	91,887.80 (3,112.20) Long Term
WEBSTER BANK CD	3.300	3-03-09	95,000	02-25-04	100.00000	95,000.00	90,967.25 (4,032.75) Long Term
1ST SIGNATURE CD	3.300	3-03-09	95,000	02-25-04	100.00000	95,000.00	90,967.25 (4,032.75) Long Term
LEHMAN BROS CD	3 1/2	3-03-09	95,000	02-25-04	100.00000	95,000.00	91,560.05 (3,439.95) Long Term
NEVADA SEC BK CD	4.600	8-24-09	85,000	08-16-05	100.00000	85,000.00	84,596.25 (403.75) Short Term
PROVIDIAN NATL CD	4.000	9-15-09	95,000	09-08-04	100.00000	95,000.00	97,285.70 2,285.70 Long Term
COLE TAYLOR FID	4 1/8	11-24-09	95,000	05-10-04	100.00000	95,000.00	94,030.05 (969.95) Long Term
SOVEREIGN BK CD	4 1/4	12-09-09	95,000	05-18-04	100.00000	95,000.00	94,675.10 (324.90) Long Term
TOWER BANK CD	4.150	2-23-10	95,000	02-15-05	100.00000	95,000.00	92,674.40 (2,325.60) Short Term
NEW SOUTH FSB CD	3 1/2	5-12-10	95,000	10-27-04	100.00000	95,000.00	92,808.35 (2,191.65) Short Term
CAROLINA FIRST CD	3 1/2	5-26-10	95,000	11-17-04	100.00000	95,000.00	93,024.95 (1,975.05) Short Term

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*\*\*The "Market Value" and "Unrealized Gain/(Loss)" figures shown for Fixed Income securities are representative values, which may not reflect the value that could actually be obtained in the market. See "Pricing of Securities" at the end of this statement.*

## STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING SEPTEMBER 30, 2005

PAGE 9 OF 10

SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 014

Unrealized Gain/(Loss)	Quantity	Date Acquired	Unit Cost	Adjusted Total Cost	Market Value	Unrealized Gain/(Loss)	Additional Information		
M&I BANK FSB FID	3 1/2	7-10-10	95,000	01-06-05	100.00000	95,005.00	93,335.60	(1,669.40)	Short Term
WASHINGTON MUT CD	4.400	9-21-10	95,000	09-08-05	100.00000	95,000.00	93,343.20	(1,656.80)	Short Term
GEAUGA SVGS BK CD	4.700	1-28-11	95,000	08-05-05	100.00553	95,005.25	94,410.05	(595.20)	Short Term
NOVA SVGS BK CD	4 1/2	6-08-11	85,000	05-27-05	100.00000	85,000.00	83,457.25	(1,542.75)	Short Term
<b>Totals for positions with cost data available</b>						\$13,131,179.44	\$12,839,554.70	(\$291,624.74)	
<b>Total Market Value for all positions</b>							\$12,839,554.70		

The "Total Cost" and "Unit Cost" for Fixed Income Unit Trusts, Mortgage-Backed Securities, and Zero Coupon Bonds has been adjusted to reflect any partial return of principal or capital that may have been paid to you, or accreted interest earned, since your purchase date. In the event that the accumulated total return of principal or capital is greater than the provided original cost, the adjusted cost will be "0.00".

Realized Gain/(Loss)	Quantity	Date Acquired	Date Sold	Adjusted Total Cost	Proceeds	Realized Gain/(Loss)	Additional Information		
<b>Short Term</b>									
FNMA	5.000	12-30-10	500,000	06-14-04	01-28-05	500,000.00	500,000.00		
<b>Sub Total Short Term</b>						\$500,000.00	\$500,000.00	\$0.00	
<b>Long Term</b>									
ACACIA FED SVG CD	3.100	9-12-05	95,000	08-29-02	08-05-05	95,000.00	94,994.75	(5.25)	Long Term
E-TRADE BANK CD	3.100	9-06-05	95,000	08-29-02	01-06-05	95,000.00	94,995.00	(5.00)	Long Term
HUNTINGTON NATL	2.850	12-12-05	95,000	12-06-02	09-08-05	95,000.00	94,804.75	(195.25)	Long Term
<b>Sub Total Long Term</b>						\$285,000.00	\$284,794.50	(\$205.50)	
<b>Totals for closing transactions with cost data available</b>						\$785,000.00	\$784,794.50	(\$205.50)	
<b>Total Proceeds</b>							\$784,794.50		

This summary is not part of your account statement. It is for information purposes only and should not be used for tax preparation.

**STATEMENT OF YOUR ACCOUNT**  
**FOR MONTH ENDING SEPTEMBER 30, 2005**

SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 014

**Summary**

	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
<b>Unrealized gain</b> .....	\$0.00	\$7,661.37	\$7,661.37
<b>Unrealized (loss)</b> .....	(\$19,124.40)	(\$280,161.71)	(\$299,286.11)
<b>Realized gain YTD</b> .....	\$0.00	\$0.00	\$0.00
<b>Realized (loss) YTD</b> .....	\$0.00	(\$205.50)	(\$205.50)

**Errors & Inquiries** If you do not understand an entry on your statement or suspect an error, it is essential that you immediately contact the manager of the office servicing your account or, if you have a self-directed account, please call 800-688-6896. We will consider your statement correct unless we receive a written inquiry from you about the suspected error within 10 calendar days from the day on which you received your statement. It is your responsibility to review your statement promptly and to seek immediate clarification about entries that you do not understand.

**SIPC Protection** Securities and cash held in Morgan Stanley accounts are protected up to their full net equity value by a combination of coverage provided by the Securities Investor Protection Corporation ("SIPC") a non-profit organization created by an Act of Congress and additional protection purchased from a private insurer by Morgan Stanley (the "Excess Coverage"). SIPC protects up to \$500,000 of each customer's securities of which up to \$100,000 may be uninvested cash. Excess Coverage provides additional protection up to the full net equity value of each account including unlimited coverage for uninvested cash. SIPC and Excess Coverage apply only to securities and cash in the exclusive possession and control of Morgan Stanley and do not protect against losses due to market fluctuations. Detailed information is available upon request.

**Transaction Dates** All transaction dates on this statement are the transactions' settlement dates. In the case of unsettled trades, we list the trade date instead of settlement date with a notation that the trade is unsettled.

**Pricing of Securities** The prices of securities displayed on your statement are derived from various sources and in some cases may be higher or lower than the price that you would actually receive in the market. For securities listed on an exchange or trading continually in an active marketplace, the price reflects the market quotations at the close of your statement period. The prices of securities not actively traded may not be available. These are indicated by "N/A" (not available).

For bonds trading less frequently, we rely on outside pricing services or a computerized pricing model, which cannot always give us actual market values. Similarly, some annuity values provided by outside sponsors are estimates.

The amounts on this statement for limited partnerships are typically obtained from a third party or from the investments' general partners unless Morgan Stanley DW Inc. has obtained other information such as an independent appraisal. Since many partnership valuations are provided only annually, they do not always represent current values.

Furthermore, limited partnerships and non-traded *Real Estate Investment Trusts* (REITs) are illiquid and have no public markets, so the amounts shown on this statement may not equal the amounts you would receive if you sold your investment.

The value of mutual fund shares is determined by multiplying the Net Asset Value (NAV) by the number of shares or units held as reported to Morgan Stanley DW Inc. by the correspondent custodian. If we cannot obtain a price or estimate, "N/A" appears.

For more detailed current information on prices, speak to your Financial Advisor or, if you have a self-directed account, please call 800-688-6896.

**Account Valuation** This figure represents the approximate value of your account on a settlement date basis and is computed by adding (1) the market value of all priced positions and (2) market values provided by pricing services and correspondent custodians for other positions: and by adding any credit or subtracting any debit to your closing cash or money market balance. Please note, this valuation may be adjusted for the net change in priced asset values for securities held or for the net change in money market balances in your account during the statement period. Your closing cash and/or money market balance represents the cash and/or money market funds available in your account and reflects the net month end balance of all deposits, credits and debits (including checking and MasterCard activity in Active Assets accounts).

**Margin Privileges** (not available for IRAs or retirement accounts)

If you have applied for margin privileges and have been approved, you may borrow money from Morgan Stanley DW Inc. in exchange for pledging assets in your account as collateral for any outstanding margin loan. The amount you may borrow is based on the value of the eligible securities in your margin account, which are identified by an asterisk (\*) on your statement.

**Margin Interest Charges**

We calculate interest charges on margin loans as follows:

- (1) Multiply the applicable margin interest rate times the average daily balance of your margin loan.
- (2) Multiply the result of Step (1) times the number of days your loan was outstanding.
- (3) Divide the result of Step (2) by 360 (days).

We add the accrued interest to your debit balance and start a new calculation each time the applicable interest rate changes and at the close of every statement month.

**Availability of Free Credit Balances and Financial Statements** Under the customer protection rules of the SEC [17 CFR §240.15c3-2 & -3], Morgan Stanley DW Inc. may use free credit balances in your account which are payable to you on demand, in the ordinary course of its business. We send summary Morgan Stanley DW Inc. financial statements to you semiannually: copies are also available on request, by mail.

**Taxes** Under Federal Income Tax law, we are required to report the gross proceeds of sales transactions, entering into short sales and redemptions done in your account. Although your statement may describe certain items as (federally) tax-free, this is for information purposes only: when reporting your taxes please rely exclusively on the 1099 forms you will receive at the end of the year. (For IRAs, 1099s report distributions from the account rather than income or proceeds from sales.) Federal law subjects you to penalties and withholding if you fail to provide us with your Social Security or Tax ID Number.

**Listed Options** Information with respect to commissions and to other charges related to the execution of options transactions has been included in confirmations of such transactions previously furnished to you. A summary of such information will be made available to you promptly at your request.

**Estimated Annual Income and Yields** Estimated annual income and yields are calculated by annualizing the most recent distribution and do not reflect historic experience or projected future results. Since the rates are subject to change at any time, they should not be entirely relied on for making investment or trading decisions. You are advised to consult with your Financial Advisor before making decisions. Your Financial Advisor will be able to assist you with accurate up-to-date information so that you can make an informed decision. If you have a self-directed account, please call 800-688-6896.

**Accrued Bond Interest YTD** This figure represents the taxable accrued interest received on bond sale transactions and credited to your account during the calendar year. As required by law, Morgan Stanley DW Inc. will report to the Internal Revenue Service the total year-to-date figure indicated on the last statement you receive for the calendar year.

**Dividend/Interest (Month/YTD)** These figures represent dividends and/or interest on securities received by Morgan Stanley DW Inc. and credited to your account during the calendar year. As required by law, Morgan Stanley DW Inc. reports taxable dividends and bond interest credited to your account to the Internal Revenue Service. The totals reported are indicated as the year-to-date figures on the last statement for the calendar year. In the case of REITs, Real Estate Limited Partnerships and Regulated Investment Company Unit Investment Trusts, the Sponsor may reclassify income and return of principal into a different ratio for the prior year.

**Certain Assets Not Held at Morgan Stanley DW Inc.** You may purchase certain assets through Morgan Stanley DW Inc. which will be held at a custodial institution other than Morgan Stanley DW Inc. Assets held in custodial positions are not covered by SIPC protection. Where available, we include information about these assets on your Morgan Stanley DW Inc. statement. The custodial institution is responsible for providing year-end tax reporting (1099s) and separate periodic statements, which may vary from our information due to different reporting periods. In the case of Morgan Stanley, Van Kampen and external networked mutual funds, Morgan Stanley DW Inc. will provide all year-end tax reporting (1099's). In the case of IRA accounts, Morgan Stanley DW Inc. performs all tax reporting.

**Client's Investment Objectives and Financial Situation** It is essential to advise your Financial Advisor or for self-directed accounts, call 800-688-6896, immediately if there is a material change in your investment objectives or financial situation.

Investments and services are offered through Morgan Stanley DW Inc., member SIPC.

**State of California  
Pooled Money Investment Account  
Market Valuation  
06/30/05**

Description	Carrying Cost Plus		Fair Value	Accrued Interest
	Accrued Interest	Purch.		
United States Treasury:				
Bills	\$ 2,076,821,569.24	\$ 2,084,443,374.85	\$ 2,084,475,000.00	NA
Notes	\$ 3,624,779,901.99	\$ 3,623,838,303.63	\$ 3,595,823,750.00	\$ 18,764,344.75
Federal Agency:				
SBA	\$ 726,196,636.25	\$ 726,070,136.40	\$ 718,198,624.23	\$ 3,746,837.89
MBS	\$ 542,967,640.22	\$ 542,967,640.22	\$ 529,282,427.10	\$ 2,409,871.25
Bonds	\$ 6,015,002,354.43	\$ 6,014,157,215.53	\$ 5,955,375,872.20	\$ 48,157,629.28
Floater	\$ -	\$ -	\$ -	\$ -
Discount Notes	\$ 7,335,761,196.18	\$ 7,368,412,872.58	\$ 7,366,170,904.20	NA
FHLMC PC	\$ 2,058,269.71	\$ 2,058,269.71	\$ 2,183,677.52	\$ 33,164.69
GNMA	\$ 317,107.10	\$ 317,107.10	\$ 355,963.12	\$ 3,128.68
Bankers Acceptances	\$ -	\$ -	\$ -	NA
Bank Notes	\$ 1,625,246,104.39	\$ 1,624,989,159.95	\$ 1,624,416,428.50	\$ 8,488,868.06
CDs	\$ 14,440,129,508.32	\$ 14,440,107,741.65	\$ 14,434,036,527.10	\$ 80,560,683.29
Commercial Paper	\$ 10,548,799,180.30	\$ 10,593,347,816.84	\$ 10,591,838,430.56	NA
Corporate:				
Floater	\$ 184,537,364.21	\$ 184,537,364.21	\$ 184,318,283.80	\$ 4,244,256.10
Bonds	\$ 1,103,749,799.71	\$ 1,103,749,799.71	\$ 1,086,053,913.67	\$ 19,618,620.30
Repurchase Agreements	\$ -	\$ -	\$ -	NA
Reverse Repurchase	\$ -	\$ -	\$ -	\$ -
Time Deposits	\$ 7,115,995,000.00	\$ 7,115,995,000.00	\$ 7,115,995,000.00	NA
AB 55 & GF Loans	\$ 5,161,112,138.35	\$ 5,161,112,138.35	\$ 5,161,112,138.35	NA
<b>TOTAL</b>	<b>\$ 60,503,473,770.40</b>	<b>\$ 60,586,103,940.73</b>	<b>\$ 60,449,636,940.35</b>	<b>\$ 186,027,404.29</b>

Fair Value Including Accrued Interest \$ 60,635,664,344.64

Repurchase Agreements, Time Deposits, AB 55 & General Fund loans, and Reverse Repurchase agreements are carried at portfolio book value (carrying cost).

The value of each participating dollar equals the fair value divided by the amortized cost (**.997747553**).  
As an example: if an agency has an account balance of \$20,000,000.00, then the agency would report its participation in the LAIF valued at \$19,954,951.06 or \$20,000,000.00 x .997747553.

Phil Angelides, State Treasurer  
 Inside the State Treasurer's Office



Pooled Money Investment Account  
 Summary of Investment Data

	Average Daily Portfolio	Effective Yield	Average Life (Month End in Days)
<b>January 2005</b>	\$54,363,641	2.264	202
<b>January 2004</b>	\$53,485,127	1.528	179
<b>Change</b>	+\$878,514	+0.736	+23
<b>February 2005</b>	\$54,497,333	2.368	219
<b>February 2004</b>	\$53,973,554	1.440	168
<b>Change</b>	+\$523,779	+0.928	+51
<b>March 2005</b>	\$49,765,179	2.542	217
<b>March 2004</b>	\$52,164,802	1.474	159
<b>Change</b>	-\$2,399,623	+1.068	+58
<b>April 2005</b>	\$54,857,398	2.724	183
<b>April 2004</b>	\$53,669,110	1.445	145
<b>Change</b>	+\$1,188,288	+1.279	+38
<b>May 2005</b>	\$61,691,707	2.856	170
<b>May 2004</b>	\$64,255,880	1.426	155
<b>Change</b>	-\$2,564,173	+1.43	+15
<b>June 2005</b>	\$62,955,506	2.967	165
<b>June 2004</b>	\$61,516,790	1.469	196
<b>Change</b>	+\$1,438,716	+1.498	-31
<b>July 2005</b>	\$55,782,241	3.083	183
<b>July 2004</b>	\$53,183,962	1.604	201
<b>Change</b>	+\$2,598,279	+1.479	-18
<b>August 2005</b>	\$52,830,344	3.179	183
<b>August 2004</b>	\$50,462,951	1.672	193
<b>Change</b>	+\$2,367,393	+1.507	-10

**PHIL ANGELIDES  
TREASURER  
STATE OF CALIFORNIA**

**INVESTMENT DIVISION SELECTED INVESTMENT DATA  
ANALYSIS OF THE POOLED MONEY INVESTMENT ACCOUNT PORTFOLIO  
(000 OMITTED)**

June 30, 2005

<u>TYPE OF SECURITY</u>	AMOUNT	PERCENT	PERCENTAGE CHANGE FROM PRIOR MONTH
<b>Government</b>			
Bills	\$ 2,076,822	3.43	-2.02
Bonds	0	0	
Notes	3,624,780	5.99	-1.76
Strips	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Governments</b>	<b>\$ 5,701,602</b>	<b>9.42</b>	<b>-3.78</b>
<b>Federal Agency Coupons</b>	<b>\$ 6,741,199</b>	<b>11.14</b>	<b>+0.33</b>
<b>Certificate of Deposits</b>	<b>14,440,130</b>	<b>23.87</b>	<b>+0.74</b>
<b>Bank Notes</b>	<b>1,625,246</b>	<b>2.69</b>	<b>-0.57</b>
<b>Bankers' Acceptances</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Repurchases</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Federal Agency Discount Notes</b>	<b>7,335,761</b>	<b>12.12</b>	<b>+0.84</b>
<b>Time Deposits</b>	<b>7,115,995</b>	<b>11.76</b>	<b>+0.50</b>
<b>GNMAs</b>	<b>317</b>	<b>0</b>	<b>0</b>
<b>Commerical Paper</b>	<b>10,548,799</b>	<b>17.43</b>	<b>+0.59</b>
<b>FHLMC/REMICS</b>	<b>545,026</b>	<b>0.90</b>	<b>0</b>
<b>Corporate Bonds</b>	<b>1,288,287</b>	<b>2.14</b>	<b>-0.06</b>
<b>AB55 Loans</b>	<b>5,161,112</b>	<b>8.53</b>	<b>+0.37</b>
<b>GF Loans</b>			
<b>Reversed Repurchases</b>	<u>0</u>	<u>0</u>	<b>-1.04</b>
<b>Total (All Types)</b>	<b>\$ 60,503,474</b>	<b>100.00</b>	

Average Life of Portfolio as of June 30, 2005 is 165 Days

Phil Angelides, State Treasurer  
 Inside the State Treasurer's Office



Local Agency Investment Fund (LAIF)

**PMIA Performance Report**

**LAIF Performance Report**

Date	Daily Yield	Quarter to Date Yield	Average Maturity (in days)
09/30/05	3.39	3.19	169
10/01/05	3.40	3.40	169
10/02/05	3.40	3.40	169
10/03/05	3.41	3.40	175
10/04/05	3.41	3.40	174
10/05/05	3.41	3.40	176
10/06/05	3.42	3.41	177
10/07/05	3.43	3.41	179
10/08/05	3.43	3.41	179
10/09/05	3.43	3.41	179
10/10/05	3.43	3.42	179
10/11/05	3.43	3.42	180
10/12/05	3.43	3.42	181
10/13/05	3.44	3.42	179

**Quarter Ending 9/30/05**

Apportionment Rate: 3.18%  
 Earnings Ratio: .00008712246785713  
 Fair Value Factor: not available

**PMIA Average Monthly Effective Yields**

**September 2005 3.324%**  
 August 2005 3.179%  
 July 2005 3.083%

**Pooled Money Investment Account  
 Portfolio Composition  
 \$52.2 Billion  
 9/30/05**

