

## M E M O

TO: Board of Directors

FROM: Finance Manager

SUBJECT: INVESTMENT REPORT PERIOD ENDING JUNE 30, 2006

DATE: August 21, 2006

### **RECOMMENDATION:**

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

### **BACKGROUND:**

At the December 15, 2004 Board of Directors Meeting your Board adopted Resolution No. 17 (05-06) 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 July 31, 2006 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.

---

Karen Alvarez  
Finance Manager

KA  
Attachment

**OFFICE OF THE TREASURER**

SACRAMENTO



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

July, 2006 Statement

SAN LORENZO VALLEY WATER DISTRICT

Attn: DISTRICT MANAGER

13060 HIGHWAY 9

BOULDER CREEK CA 95006

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

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
07-07-2006	07-06-2006	RW	1080379	KAREN ALVAREZ	- 140,000.00
07-14-2006	07-13-2006	QRD	1081750	SYSTEM	9,273.28
07-26-2006	07-26-2006	RD	1084924	KAREN ALVAREZ	250,000.00

**Account Summary**

Total Deposit :	259,273.28	Beginning Balance :	610,292.70
Total Withdrawal :	- 140,000.00	Ending Balance :	<b>729,565.98</b>

**RECEIVED****AUG 11 2006****SAN LORENZO VALLEY  
WATER DISTRICT**

# POOLED MONEY INVESTMENT ACCOUNT

## SUMMARY OF INVESTMENT DATA

### A COMPARISON OF JUNE 2006 WITH JUNE 2005

(DOLLARS IN THOUSANDS)

	JUNE 2006	JUNE 2005	CHANGE
Average Daily Portfolio	\$ 63,221,434	\$ 62,955,506	\$ +265,928
Accrued Earnings	\$ 244,211	\$ 153,523	\$ +90,688
Effective Yield	4.700	2.967	+1.733
Average Life-Month End (In Days)	152	165	-13
Total Security Transactions			
Amount	\$ 34,216,523	\$ 30,725,808	\$ +3,490,715
Number	712	628	+84
Total Time Deposit Transactions			
Amount	\$ 3,603,500	\$ 2,993,500	\$ +610,000
Number	173	154	+19
Average Workday Investment Activity	\$ 1,719,092	\$ 1,532,696	\$ +186,396
Prescribed Demand Account Balances			
For Services	\$ 269,143	\$ 417,656	\$ -148,513
For Uncollected Funds	\$ 198,973	\$ 164,958	\$ +34,015

**PHIL ANGELIDES  
TREASURER  
STATE OF CALIFORNIA**

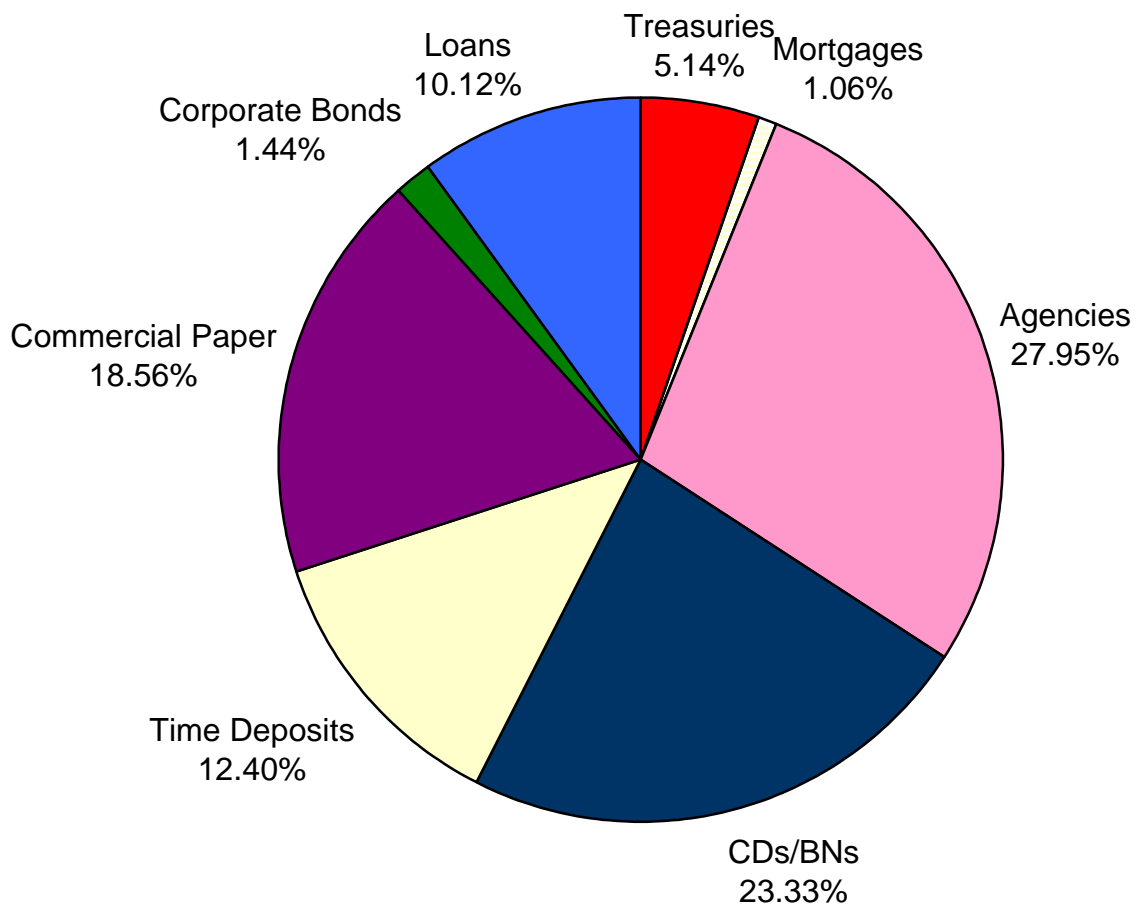
**INVESTMENT DIVISION SELECTED INVESTMENT DATA  
ANALYSIS OF THE POOLED MONEY INVESTMENT ACCOUNT PORTFOLIO  
(000 OMITTED)**

		June 30, 2006	
<u>TYPE OF SECURITY</u>	<u>AMOUNT</u>	<u>PERCENT OF PORTFOLIO</u>	<u>DIFFERENCE IN PERCENT OF PORTFOLIO FROM PRIOR MONTH</u>
<b>Government</b>			
Bills	\$ 1,662,496	2.62	-0.18
Bonds	0	0.00	0
Notes	1,596,680	2.52	-0.48
Strips	0	0.00	0.00
<b>Total Government</b>	<b>\$ 3,259,176</b>	<b>5.14</b>	<b>-0.66</b>
<b>Federal Agency Coupons</b>	<b>\$ 9,948,438</b>	<b>15.71</b>	<b>+0.32</b>
<b>Certificates of Deposit</b>	<b>13,642,402</b>	<b>21.54</b>	<b>+0.35</b>
<b>Bank Notes</b>	<b>1,135,045</b>	<b>1.79</b>	<b>-1.16</b>
<b>Bankers' Acceptances</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
<b>Repurchases</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
<b>Federal Agency Discount Notes</b>	<b>7,754,099</b>	<b>12.24</b>	<b>+1.58</b>
<b>Time Deposits</b>	<b>7,853,495</b>	<b>12.40</b>	<b>+0.11</b>
<b>GNMAs</b>	<b>242</b>	<b>0.00</b>	<b>0.00</b>
<b>Commercial Paper</b>	<b>11,751,579</b>	<b>18.56</b>	<b>-0.66</b>
<b>FHLMC/Remics</b>	<b>673,737</b>	<b>1.06</b>	<b>-0.03</b>
<b>Corporate Bonds</b>	<b>910,665</b>	<b>1.44</b>	<b>+0.06</b>
<b>AB 55 Loans</b>	<b>6,409,082</b>	<b>10.12</b>	<b>-0.22</b>
<b>GF Loans</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
<b>Reversed Repurchases</b>	<b>0</b>	<b>0.00</b>	<b>-0.31</b>
<b>Total (All Types)</b>	<b>\$ 63,337,960</b>	<b>100.00</b>	

**INVESTMENT ACTIVITY**

	JUNE 2006		MAY 2006	
	<u>NUMBER</u>	<u>AMOUNT</u>	<u>NUMBER</u>	<u>AMOUNT</u>
Pooled Money	712	\$ 34,216,523	577	\$ 27,496,447
Other	58	554,540	19	138,979
Time Deposits	173	3,603,500	144	2,713,300
<b>Totals</b>	<b>943</b>	<b>\$ 38,374,563</b>	<b>740</b>	<b>\$ 30,348,726</b>
 PMIA Monthly Average Effective Yield	 4.700		 4.563	
 Year to Date Yield Last Day of Month	 3.873		 3.788	

**Pooled Money Investment Account  
Portfolio Composition  
\$63.3 Billion  
06/30/06**



**State of California**  
**Pooled Money Investment Account**  
**Market Valuation**  
**7/31/2006**

Carrying Cost Plus			
Description	Accrued Interest Purch.	Fair Value	Accrued Interest
United States Treasury:			
Bills	\$ 1,765,463,516.64	\$ 1,777,781,500.00	NA
Notes	\$ 899,546,795.50	\$ 895,182,000.00	\$ 6,646,821.00
Federal Agency:			
SBA	\$ 715,359,822.08	\$ 708,974,298.07	\$ 6,068,174.97
MBS	\$ 656,822,604.51	\$ 629,418,781.73	\$ 2,902,681.22
Bonds	\$ 9,374,210,405.26	\$ 9,332,873,524.30	\$ 109,015,947.07
Floaters	\$ -	\$ -	\$ -
Discount Notes	\$ 7,656,164,898.72	\$ 7,733,232,500.00	NA
FHLMC PC	\$ 1,077,423.87	\$ 1,113,919.67	\$ 17,411.59
GNMA	\$ 237,569.17	\$ 261,854.79	\$ 2,363.56
Bankers Acceptances	\$ -	\$ -	NA
Bank Notes	\$ 1,100,000,000.00	\$ 1,099,833,556.00	\$ 9,601,750.01
CDs	\$ 12,787,406,155.46	\$ 12,783,282,026.34	\$ 121,485,466.24
Commercial Paper	\$ 7,589,067,569.44	\$ 7,639,715,696.67	NA
Corporate:			
Floaters	\$ 250,482,704.39	\$ 250,114,100.00	\$ 1,841,745.89
Bonds	\$ 722,601,325.71	\$ 716,938,765.75	\$ 14,399,314.17
Repurchase Agreements		\$ -	NA
Reverse Repurchase	\$ (248,065,000.00)	\$ (248,065,000.00)	\$ (729,476.92)
Time Deposits	\$ 8,000,495,000.00	\$ 8,000,495,000.00	NA
AB 55 & GF Loans	\$ 8,248,846,875.95	\$ 8,248,846,875.95	NA
TOTAL	\$ 59,519,717,666.70	\$ 59,569,999,399.27	\$ 271,252,198.80

Fair Value Including Accrued Interest	\$	59,841,251,598.07
---------------------------------------	----	-------------------

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

# Phil Angelides, State Treasurer

## Inside the State Treasurer's Office



### Local Agency Investment Fund (LAIF)

#### PMIA Performance Report

Date	Daily Yield	Quarter to Date Yield	Average Maturity (in days)
8/2/2006	4.90	4.85	167
8/3/2006	4.91	4.85	167
8/4/2006	4.91	4.86	167
8/5/2006	4.91	4.86	167
8/6/2006	4.91	4.86	167
8/7/2006	4.91	4.86	165
8/8/2006	4.91	4.86	165
8/9/2006	4.91	4.86	163
8/10/2006	4.91	4.86	162
8/11/2006	4.91	4.86	162
8/12/2006	4.91	4.86	162
8/13/2006	4.91	4.86	162
8/14/2006	4.91	4.87	160
8/15/2006	4.96	4.87	161

#### LAIF Performance Report

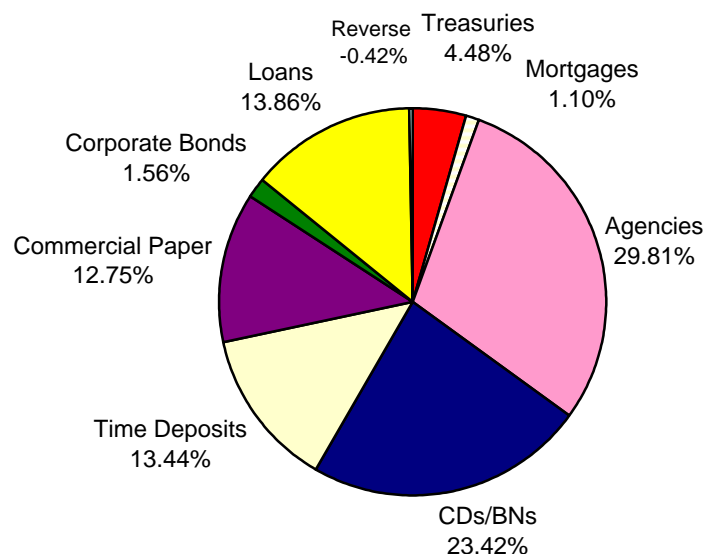
##### Quarter ending 6/30/06

Apportionment Rate: 4.53%  
 Earnings Ratio: .00012403658695943  
 Fair Value Factor: .998185821

#### PMIA Average Monthly Effective Yields

**July 2006 4.849%**  
 June 2006 4.700%  
 May 2006 4.563%

### Pooled Money Investment Account Portfolio Composition \$59.5 Billion 07/31/06



**STATEMENT OF YOUR ACCOUNT**  
**FOR MONTH ENDING JULY 31, 2006**

PAGE 1 OF 11

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**

Your Investments				<i>Current Price</i>	<i>Value</i>	<i>Est Yrly Income</i>	<i>Current Yield</i>
75000	MIDFIRST BANK CD	3250	06SP05	99.813	74,859.75	2,437.50	3.25%
85000	IRWIN UNION BK CD	5050	08MH24	98.913	84,076.05	4,292.50	5.10%
90000	FIRST BANK CA CD	4250	08AP28	97.550	87,795.00	3,825.00	4.35%
95000	DISCOVER BANK CD	3500	08DE03	95.104	90,348.80	3,325.00	3.68%
95000	WEBSTER BANK CD	3300	09MH03	94.121	89,414.95	3,135.00	3.50%
95000	1ST SIGNATURE CD	3300	09MH03	94.121	89,414.95	3,135.00	3.50%
95000	LEHMAN BROS CD	3500	09MH03	94.594	89,864.30	3,325.00	3.70%
95000	CIT BANK CD	4900	09MH06	97.897	93,002.15	4,655.00	5.00%
95000	AMERICAN WEST CD	5400	09JN29	98.948	94,000.60	5,130.00	5.45%
85000	NEVADA SEC BK CD	4600	09AU24	96.663	82,163.55	3,910.00	4.75%
95000	PROVIDIAN NATL CD	4000	09SP15	99.137	94,180.15	3,800.00	4.03%
95000	COLE TAYLOR FID	42500	*09NV24	96.796	91,956.20	4,037.50	4.39%
95000	SOVEREIGN BK CD	45000	*09DE09	97.997	93,097.15	4,275.00	4.59%
95000	TOWER BANK CD	4150	10FB23	94.611	89,880.45	3,942.50	4.38%
95000	NEW SOUTH FSB CD	3500	*10MY12	95.766	90,977.70	3,325.00	3.65%
95000	CAROLINA FIRST CD	3500	*10MY26	96.273	91,459.35	3,325.00	3.63%
95000	M&I BANK FSB FID	37500	*10JL10	96.522	91,695.90	3,562.50	3.88%
90000	FRONTIER BANK FID	4500	*10SP14	95.077	85,569.30	4,050.00	4.73%
95000	WASHINGTON MUT CD	4400	10SP21	94.741	90,003.95	4,180.00	4.64%
80000	NATL REP BANK CD	4900	11JA13	96.327	77,061.60	3,920.00	5.08%
95000	GEAUGA SVGS BK CD	4700	*11JA28	95.474	90,700.30	4,465.00	4.92%
85000	NOVA SVGS BK CD	4500	11JN08	94.367	80,211.95	3,825.00	4.76%
95000	CITIZENS NB CD	5750	*11JL28	99.572	94,593.40	5,462.50	5.77%
750000	US TSY NOTE	2250	07FB15	98.453	738,397.50	16,875.00	2.28%
100000	CAPITAL JUMBO CD	4550	07SP04	98.657	98,657.00	4,550.00	4.61%
700000	US TSY NOTE	3000	07NV15	97.445	682,115.00	21,000.00	3.07%
925000	FNMA	5750	08FB15	100.625	930,781.25	53,187.50	5.71%
1300000	FHLMC MTN	3000	08MH24	96.419	1,253,447.00	39,000.00	3.11%
850000	US TSY NOTE	4750	08NV15	99.547	846,149.50	40,375.00	4.77%



STATEMENT OF YOUR ACCOUNT  
FOR MONTH ENDING JULY 31, 2006

SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 014

Your Investments				Current Price	Value	Est Yrly Income	Current Yield
350000	US TSY NOTE	3000	09FB15	95.410	333,935.00	10,500.00	3.14%
850000	US TSY NOTE	2625	09MH15	94.387	802,289.50	22,312.50	2.78%
1200000	FHLB	5500	*09AP24	99.719	1,196,628.00	66,000.00	5.51%
500000	US TSY NOTE	4875	09MY15	99.867	499,335.00	24,375.00	4.88%
450000	FNMA	3270	*09JN16	94.844	426,798.00	14,715.00	3.44%
500000	FNMA	3500	*09SP04	95.094	475,470.00	17,500.00	3.68%
500000	FNMA	2900	*09OC14	98.250	491,250.00	14,500.00	2.95%
525000	FNMA	40000	*09DE17	97.375	511,218.75	21,000.00	4.10%
100000	FFCB	4950	*10FB01	98.313	98,313.00	4,950.00	5.03%
150000	FNMA	3000	*10AU26	98.031	147,046.50	4,500.00	3.06%
250000	FNMA	4750	*10DE02	98.438	246,095.00	11,875.00	4.82%
500000	US TSY NOTE	4875	11MY31	99.805	499,025.00	24,375.00	4.88%
170000	FNMA	3750	*12MH16	96.875	164,687.50	6,375.00	3.87%
Total Value of Priced Investments					\$12,477,966.00	\$507,305.00	4.06%

Custodial Holdings		Symbol	Current Price	Date	Value	Custodian	Dividend Cap Gains Option	Fund Plan Number
409651.94	U.S. GOV'T MONEY MARKET TR	SGMT	1.00	07/31/06	409,651.94	MSDWT	Reinv/ N/A	519953650
Total Custodial Holdings					\$409,651.94			

Asset Summary	Value	Est Yrly Income
Cash	0.00	
Total Account Valuation	\$12,887,617.94	\$507,305.00

DAILY ACTIVITY DETAILS

Date	Activity	Quantity	Description	Price	Amount	Cash Balance
CLOSING BALANCE AS OF 6/30						.00

**STATEMENT OF YOUR ACCOUNT**  
**FOR MONTH ENDING JULY 31, 2006**

PAGE 3 OF 11

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>
7/02	Taxable Interest		CAPITAL JUMBO CD 4550 07SP04		+373.97	+373.97
7/04	Taxable Interest		FNMA 3500 *09SP04		+1,458.34	+1,832.31
7/06	Bought	1832.31	U.S. GOV'T MONEY MARKET TR	1.00	-1,832.31	.00
7/10	Taxable Interest		M&I BANK FSB FID 37500*10JL10		+1,648.84	+1,648.84
	Taxable Interest		M&I BANK FSB FID 37500*10JL10		+117.77	+1,766.61
			ADDITIONAL INT. FOR 7 10 06			+1,766.61
7/11	Bought	1648.84	U.S. GOV'T MONEY MARKET TR	1.00	-1,648.84	+117.77
7/13	Taxable Interest		NATL REP BANK CD 4900 11JA13		+1,943.89	+2,061.66
7/14	Taxable Interest		FRONTIER BANK FID 4500 *10SP14		+332.88	+2,394.54
	Bought	1943.89	U.S. GOV'T MONEY MARKET TR	1.00	-1,943.89	+450.65
7/17	Charge		BUSINESS ACCOUNT FEE		-90.00	+360.65
	Bought	332.88	U.S. GOV'T MONEY MARKET TR	1.00	-332.88	+27.77
7/18	Deposit		WIRED FUNDS RECEIVED		+1,750,000.00	+1,750,027.77
7/19	Bought	1750027	U.S. GOV'T MONEY MARKET TR	1.00	-1,750,027.77	.00
7/23	Taxable Interest		TOWER BANK CD 4150 10FB23		+324.04	+324.04
7/25	Withdrawal		WIRED FUNDS SENT		-250,000.00	-249,675.96
			BENE: SAN LORENZO VALLEY WATE			-249,675.96
			ACCT: 8672481358			-249,675.96
	Bought	500000	US TSY NOTE 4875 09MY15	100.244	-505,928.04	-755,604.00
	Bought	500000	US TSY NOTE 4875 11MY31	100.187	-504,603.16	-1,260,207.16
	Sold	250000	U.S. GOV'T MONEY MARKET TR	1.00	+250,000.00	-1,010,207.16
7/26	Sold	760207	U.S. GOV'T MONEY MARKET TR	1.00	+760,207.16	-250,000.00
7/27	Late Payment Fee		LATE PAYMENT CHARGE		-84.20	-250,084.20
			FOR 1 DAYS FROM 07/26/06			-250,084.20
	Sold	250000	U.S. GOV'T MONEY MARKET TR	1.00	+250,000.00	-84.20
7/28	Taxable Interest		GEAUGA SVGS BK CD 4700 *11JA28		+366.99	+282.79
	Bought	95000	CITIZENS NB CD 5750 *11JL28	100.00	-95,005.25	-94,722.46
	Sold	95005.25	U.S. GOV'T MONEY MARKET TR	1.00	+95,005.25	+282.79
7/31	Dividend		U.S. GOV'T MONEY MARKET TR		+1,688.57	+282.79
	Direct Purchase	1688.570	U.S. GOV'T MONEY MARKET TR	1.00	-1,688.57	+282.79
			REINVESTMENT			+282.79
	Bought	282.79	U.S. GOV'T MONEY MARKET TR	1.00	-282.79	.00
			CLOSING BALANCE AS OF 7/31			+ .00

*Additional information concerning these transactions is available upon request.*

STATEMENT OF YOUR ACCOUNT  
FOR MONTH ENDING JULY 31, 2006

SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 014

Morgan Stanley Fund Summary	YTD Dividends	YTD Cap Gains	YTD Taxes	Features
U.S. GOV'T MONEY MARKET TR	4,136.80	0.00	0.00	Reinvest Dividends
<b>Totals</b>	\$4,136.80	\$0.00	\$0.00	

Income Summary	This Month	Year-to-Date	This Month	Year-to-Date
Dividends	1,688.57	4,136.80	Interest	6,566.72
Accrued Bond Interest	.00	21,443.91	Margin Interest	246,322.09
			.00	.00

Tax Information	This Month	Year-to-Date
U.S. Treasury Coupon Interest	.00	84,218.75

Margin Loan Rates

Loan Amount	Rate	
\$0 - 9,999	12.125%	EFFECTIVE DATE: June 30, 2006
\$10,000 - 24,999	12.000%	PREVIOUS CHANGE: May 11, 2006
\$25,000 - 49,999	11.000%	
\$50,000 - 99,999	10.875%	
\$100,000 - 499,999	9.625%	
\$500,000 - 999,999	9.375%	
\$1,000,000 - 4,999,999	8.750%	
\$5,000,000 - 9,999,999	8.250%	
\$10,000,000 & over	8.000%	

Messages

STATEMENT OF YOUR ACCOUNT  
FOR MONTH ENDING JULY 31, 2006

SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 014

Messages

\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\* IMPORTANT NOTICE \*\*\*\*\*  
\*\*\*\*\* PLEASE READ \*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*

A DESCRIPTION OF MORGAN STANLEY'S MATERIAL AUCTION RATE SECURITIES PRACTICES AND PROCEDURES IS AVAILABLE AT THE FOLLOWING INTERNET ADDRESS: <http://www.morganstanley.com/about/inside/governance/ars.html?page=about>. TO REQUEST THAT A COPY OF THESE PRACTICES AND PROCEDURES BE SENT TO YOU, PLEASE CONTACT YOUR FINANCIAL ADVISOR.

\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\* IMPORTANT NOTICE \*\*\*\*\*  
\*\*\*\*\* PLEASE READ \*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*

If you have a complaint that you wish to mail to Morgan Stanley, you may send it to: Customer Complaint Unit, Morgan Stanley Law Division, 2000 Westchester Avenue, Purchase, New York 10577. You may also call (914) 225-5870 to lodge a complaint.

## STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING JULY 31, 2006

PAGE 6 OF 11

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 JULY 31, 2006

PAGE 7 OF 11

SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 014

Unrealized Gain/(Loss)		Quantity	Date Acquired		Unit Cost	Total Cost	Market Value	Unrealized Gain/(Loss)	Additional Information
					Original / Adjusted*	Original / Adjusted*			
Government Securities**									
Treasury Securities									
US TSY NOTE	2 1/4	2-15-07	750,000	02-26-04	100.71647 100.13331	755,378.58 750,999.86	738,397.50	(12,602.36)	Long Term
US TSY NOTE	3.000	11-15-07	700,000	12-05-03	100.90600 100.30726	706,347.00 702,150.82	682,115.00	(20,035.82)	Long Term
US TSY NOTE	4 3/4	11-15-08	850,000	07-05-02	102.00687 101.04993	872,844.50 858,924.41	846,149.50	(12,774.91)	Long Term
US TSY NOTE	3.000	2-15-09	350,000	02-27-04	100.70600 100.37449	352,476.00 351,310.73	333,935.00	(17,375.73)	Long Term
US TSY NOTE	2 5/8	3-15-09	850,000	03-26-04	100.00000 100.00000	850,005.00 850,005.00	802,289.50	(47,715.50)	Long Term
US TSY NOTE	4 7/8	5-15-09	500,000	07-24-06	100.24505 100.24348	501,225.25 501,217.40	499,335.00	(1,882.40)	Short Term
US TSY NOTE	4 7/8	5-31-11	500,000	07-24-06	100.18805 100.18738	500,940.25 500,936.92	499,025.00	(1,911.92)	Short Term
Federal Agencies									
FNMA	5 3/4	2-15-08	925,000	07-05-02	106.00768 106.00768	987,615.94 987,615.94	930,781.25	(56,834.69)	Long Term
FHLMC MTN	3.000	3-24-08	1,300,000	04-04-03	99.00500 99.00500	1,293,505.00 1,293,505.00	1,253,447.00	(40,058.00)	Long Term
FHLB	5 1/2	4-24-09	1,200,000	06-28-06	100.00044 100.00044	1,200,005.25 1,200,005.25	1,196,628.00	(3,377.25)	Short Term

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

*\*Adjusted Cost, Unit and Total, does not apply to all securities; it only applies to those securities whose terms can cause them to increase or reduce in value until maturity. Please contact your Financial Advisor for more information.*

*\*\*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 JULY 31, 2006**

PAGE 8 OF 11

SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 014

Unrealized Gain/(Loss)				Date Acquired	<u>Unit Cost</u>	<u>Total Cost</u>	Market Value	Unrealized Gain/(Loss)	Additional Information
		Quantity			Original / Adjusted*	Original / Adjusted*			
FNMA	3.270	6-16-09	450,000	03-12-04	99.87500 99.87500	449,442.50 449,442.50	426,798.00	(22,644.50)	Long Term
FNMA	3 1/2	9-04-09	500,000	02-25-04	100.00000 100.00000	500,000.00 500,000.00	475,470.00	(24,530.00)	Long Term
FNMA	2.900	10-14-09	500,000	01-25-05	99.00000 99.00000	495,005.00 495,005.00	491,250.00	(3,755.00)	Long Term
FNMA	4.000	12-17-09	525,000	12-08-03	99.70000 99.70000	523,425.00 523,425.00	511,218.75	(12,206.25)	Long Term
FFCB	4.950	2-01-10	100,000	11-28-05	99.88025 99.88025	99,880.25 99,880.25	98,313.00	(1,567.25)	Short Term
FNMA	3.000	8-26-10	150,000	08-16-04	100.00000 100.00000	150,000.00 150,000.00	147,046.50	(2,953.50)	Long Term
FNMA	4 3/4	12-02-10	250,000	11-07-05	100.00000 100.00000	250,000.00 250,000.00	246,095.00	(3,905.00)	Short Term
FNMA	3 3/4	3-16-12	170,000	09-08-04	100.00000 100.00000	170,000.00 170,000.00	164,687.50	(5,312.50)	Long Term
Certificates of Deposit**									
MIDFIRST BANK CD	3 1/4	9-05-06	75,000	08-28-02	100.00000 100.00000	75,000.00 75,000.00	74,859.75	(140.25)	Long Term
CAPITAL JUMBO CD	4.550	9-04-07	100,000	08-28-02	100.00000 100.00000	100,000.00 100,000.00	98,657.00	(1,343.00)	Long Term
IRWIN UNION BK CD	5.050	3-24-08	85,000	03-16-06	100.00000 100.00000	85,000.00 85,000.00	84,076.05	(923.95)	Short Term

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

*\*Adjusted Cost, Unit and Total, does not apply to all securities; it only applies to those securities whose terms can cause them to increase or reduce in value until maturity. Please contact your Financial Advisor for more information.*

*\*\*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 JULY 31, 2006

PAGE 9 OF 11

SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 014

Unrealized Gain/(Loss)		Quantity	Date Acquired	Unit Cost Original / Adjusted*	Total Cost Original / Adjusted*	Market Value	Unrealized Gain/(Loss)	Additional Information	
FIRST BANK CA CD	4 1/4	4-28-08	90,000	04-15-05	100.00000 100.00000	90,000.00 90,000.00	87,795.00	(2,205.00)	Long Term
DISCOVER BANK CD	3 1/2	12-03-08	95,000	11-26-03	100.00000 100.00000	95,000.00 95,000.00	90,348.80	(4,651.20)	Long Term
CIT BANK CD	4.900	3-06-09	95,000	02-22-06	100.00000 100.00000	95,000.00 95,000.00	93,002.15	(1,997.85)	Short Term
WEBSTER BANK CD	3.300	3-03-09	95,000	02-25-04	100.00000 100.00000	95,000.00 95,000.00	89,414.95	(5,585.05)	Long Term
1ST SIGNATURE CD	3.300	3-03-09	95,000	02-25-04	100.00000 100.00000	95,000.00 95,000.00	89,414.95	(5,585.05)	Long Term
LEHMAN BROS CD	3 1/2	3-03-09	95,000	02-25-04	100.00000 100.00000	95,000.00 95,000.00	89,864.30	(5,135.70)	Long Term
AMERICAN WEST CD	5.400	6-29-09	95,000	06-19-06	100.00000 100.00000	95,000.00 95,000.00	94,000.60	(999.40)	Short Term
NEVADA SEC BK CD	4.600	8-24-09	85,000	08-16-05	100.00000 100.00000	85,000.00 85,000.00	82,163.55	(2,836.45)	Short Term
PROVIDIAN NATL CD	4.000	9-15-09	95,000	09-08-04	100.00000 100.00000	95,000.00 95,000.00	94,180.15	(819.85)	Long Term
COLE TAYLOR FID	4 1/4	11-24-09	95,000	05-10-04	100.00000 100.00000	95,000.00 95,000.00	91,956.20	(3,043.80)	Long Term
SOVEREIGN BK CD	4 1/2	12-09-09	95,000	05-18-04	100.00000 100.00000	95,000.00 95,000.00	93,097.15	(1,902.85)	Long Term
TOWER BANK CD	4.150	2-23-10	95,000	02-15-05	100.00000 100.00000	95,000.00 95,000.00	89,880.45	(5,119.55)	Long Term
NEW SOUTH FSB CD	3 1/2	5-12-10	95,000	10-27-04	100.00000 100.00000	95,000.00 95,000.00	90,977.70	(4,022.30)	Long Term

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

*\*Adjusted Cost, Unit and Total, does not apply to all securities; it only applies to those securities whose terms can cause them to increase or reduce in value until maturity. Please contact your Financial Advisor for more information.*



**STATEMENT OF YOUR ACCOUNT  
FOR MONTH ENDING JULY 31, 2006**

PAGE 10 OF 11

SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 014

Unrealized Gain/(Loss)			<u>Quantity</u>	<u>Date Acquired</u>	<u>Unit Cost Original / Adjusted*</u>	<u>Total Cost Original / Adjusted*</u>	<u>Market Value</u>	<u>Unrealized Gain/(Loss)</u>	<u>Additional Information</u>
CAROLINA FIRST CD	3 1/2	5-26-10	95,000	11-17-04	100.00000 100.00000	95,000.00 95,000.00	91,459.35	(3,540.65)	Long Term
M&I BANK FSB FID	3 3/4	7-10-10	95,000	01-06-05	100.00000 100.00000	95,005.00 95,005.00	91,695.90	(3,309.10)	Long Term
WASHINGTON MUT CD	4.400	9-21-10	95,000	09-08-05	100.00000 100.00000	95,000.00 95,000.00	90,003.95	(4,996.05)	Short Term
FRONTIER BANK FID	4 1/2	9-14-10	90,000	11-01-05	98.66302 98.66302	88,796.72 88,796.72	85,569.30	(3,227.42)	Short Term
GEAUGA SVGS BK CD	4.700	1-28-11	95,000	08-05-05	100.00553 100.00553	95,005.25 95,005.25	90,700.30	(4,304.95)	Short Term
NATL REP BANK CD	4.900	1-13-11	80,000	01-05-06	100.00000 100.00000	80,000.00 80,000.00	77,061.60	(2,938.40)	Short Term
NOVA SVGS BK CD	4 1/2	6-08-11	85,000	05-27-05	100.00000 100.00000	85,000.00 85,000.00	80,211.95	(4,788.05)	Long Term
CITIZENS NB CD	5 3/4	7-28-11	95,000	07-26-06	100.00553 100.00553	95,005.25 95,005.25	94,593.40	(411.85)	Short Term
<b>Totals for positions with cost data available</b>						\$12,843,236.30	\$12,477,966.00	(\$365,270.30)	
<b>Total Market Value for all positions</b>							\$12,477,966.00		

*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".*

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

*\*Adjusted Cost, Unit and Total, does not apply to all securities; it only applies to those securities whose terms can cause them to increase or reduce in value until maturity. Please contact your Financial Advisor for more information.*

## STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING JULY 31, 2006

PAGE 11 OF 11

SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 014

Realized Gain/(Loss)						<u>Total Cost</u>				
		<u>Quantity</u>		<u>Date</u>	<u>Date</u>	<u>Original /</u>		<u>Proceeds</u>	<u>Realized</u>	<u>Additional</u>
				<u>Acquired</u>	<u>Sold</u>	<u>Adjusted*</u>			<u>Gain/(Loss)</u>	<u>Information</u>
Long Term										
ALLSTATE BANK CD	2.100	3-27-06	45,000	03-20-03	01-05-06	45,000.00	44,735.55	(264.45)	Long	Term
BSB BANK & TR CD	2.650	8-29-06	35,000	08-26-03	02-22-06	35,000.00	34,577.55	(422.45)	Long	Term
BSB BANK & TR CD	2.650	8-29-06	60,000	08-26-03	03-16-06	60,000.00	59,309.55	(690.45)	Long	Term
FNMA	4 3/8	10-15-06	1200,000	07-05-02	06-28-06	1,209,605.00	1,195,494.75	(14,110.25)	Long	Term
MIDFIRST BANK CD	3 1/4	9-05-06	20,000	08-28-02	06-29-06	20,000.00	19,920.55	(79.45)	Long	Term
US TSY NOTE	3 1/2	11-15-06	850,000	07-05-02	06-01-06	840,425.50	843,534.75	3,109.25	Long	Term
US TSY NOTE	3 1/4	8-15-07	850,000	08-28-02	06-01-06	855,113.50			Long	Term
						851,312.59	831,379.75	(19,932.84)		
Sub Total Long Term						\$3,061,343.09	\$3,028,952.45	(\$32,390.64)		
Totals for closing transactions with cost data available						\$3,061,343.09	\$3,028,952.45	(\$32,390.64)		
Total Proceeds							\$3,028,952.45			

Summary	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
Unrealized gain.....	\$0.00	\$0.00	\$0.00
Unrealized (loss).....	(\$35,280.14)	(\$329,990.16)	(\$365,270.30)
Realized gain YTD.....	\$0.00	\$3,109.25	\$3,109.25
Realized (loss) YTD.....	\$0.00	(\$35,499.89)	(\$35,499.89)

\*Adjusted Cost, Unit and Total, does not apply to all securities; it only applies to those securities whose terms can cause them to increase or reduce in value until maturity. Please contact your Financial Advisor for more information.

## 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.