

## MEMO

TO: Board of Directors

FROM: Finance Manager

SUBJECT: INVESTMENT REPORT PERIOD ENDING JUNE 30, 2007

DATE: July 16, 2007

### **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 June 30, 2007 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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Karen Alvarez  
Finance Manager

KA  
Attachment

# Bill Lockyer, 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>November 2006</b>	\$54,224,796	5.125	185
<b>November 2005</b>	\$52,999,227	3.636	204
<b>Change</b>	\$1,225,569	+1.489	-19
<b>December 2006</b>	\$54,439,522	5.129	183
<b>December 2005</b>	\$54,545,590	3.808	192
<b>Change</b>	-\$106,068	+1.321	-9
<b>January 2007</b>	\$57,956,340	5.156	183
<b>January 2006</b>	\$58,086,223	3.955	175
<b>Change</b>	-\$129,883	+1.201	+8
<b>February 2007</b>	\$59,468,500	5.181	184
<b>February 2006</b>	\$57,817,453	4.043	177
<b>Change</b>	\$1,651,047	+1.138	+7
<b>March 2007</b>	\$57,580,012	5.214	170
<b>March 2006</b>	\$53,828,826	4.142	181
<b>Change</b>	\$3,751,186	+1.072	-11
<b>April 2007</b>	\$58,660,031	5.222	166
<b>April 2006</b>	\$54,555,166	4.305	162
<b>Change</b>	\$4,104,865	+0.917	+4
<b>May 2007</b>	\$63,222,005	5.248	170
<b>May 2006</b>	\$62,884,541	4.563	151
<b>Change</b>	\$337,464	+0.685	+19
<b>June 2007</b>	\$62,380,261	5.250	176
<b>June 2006</b>	\$63,221,434	4.700	152
<b>Change</b>	-\$841,173	+0.550	+24

**State of California**  
**Pooled Money Investment Account**  
**Market Valuation**  
**6/30/2007**

Carrying Cost Plus								
Description	Accrued Interest	Purch.	Amortized Cost	Fair Value	Accrued Interest			
United States Treasury:								
Bills	\$	3,326,633,305.52	\$	3,360,418,277.71	\$	3,362,656,000.00	NA	
Notes	\$	-	\$	-	\$	-	\$	-
Federal Agency:								
SBA	\$	635,339,810.23	\$	635,281,502.24	\$	629,833,742.63	\$	5,913,571.51
MBS	\$	865,081,578.32	\$	865,081,578.32	\$	840,265,076.40	\$	4,003,110.03
Bonds	\$	6,852,130,698.55	\$	6,849,034,842.98	\$	6,842,817,374.20	\$	103,190,047.10
Floaters	\$	644,880,098.19	\$	644,830,951.97	\$	644,970,550.00	\$	5,589,041.50
Discount Notes	\$	5,718,179,845.68	\$	5,738,024,059.62	\$	5,740,085,600.00		NA
FHLMC PC	\$	473,457.83	\$	473,457.83	\$	487,775.23	\$	7,691.36
GNMA	\$	208,808.04	\$	208,808.04	\$	231,054.14	\$	2,074.80
Bankers Acceptances	\$	-	\$	-	\$	-		NA
Bank Notes	\$	1,300,000,000.00	\$	1,300,000,000.00	\$	1,299,968,025.00	\$	15,556,486.11
CDs	\$	15,594,464,281.53	\$	15,594,088,516.53	\$	15,594,616,237.35	\$	155,558,942.14
Commercial Paper	\$	14,375,797,759.63	\$	14,470,094,812.93	\$	14,471,656,844.17		NA
Corporate:								
Floaters	\$	129,032,594.05	\$	129,032,594.05	\$	129,028,000.00	\$	705,096.94
Bonds	\$	256,017,471.12	\$	254,778,688.02	\$	254,800,326.96	\$	4,059,292.06
Repurchase Agreement	\$	-	\$	-	\$	-		NA
Reverse Repurchase	\$	-	\$	-	\$	-	\$	-
Time Deposits	\$	8,740,495,000.00	\$	8,740,495,000.00	\$	8,740,495,000.00		NA
AB 55 & GF Loans	\$	7,204,754,327.40	\$	7,204,754,327.40	\$	7,204,754,327.40		NA
TOTAL	\$	65,643,489,036.09	\$	65,786,597,417.65	\$	65,756,665,933.48	\$	294,585,353.55

Fair Value Including Accrued Interest

\$ 66,051,251,287.03

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 (**.999545022**). 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 \$19,990,900.43 or \$20,000,000.00 x .999545022.

# POOLED MONEY INVESTMENT ACCOUNT

## SUMMARY OF INVESTMENT DATA A COMPARISON OF MAY 2007 WITH MAY 2006 (DOLLARS IN THOUSANDS)

	MAY 2007	MAY 2006	CHANGE
Average Daily Portfolio	\$ 63,222,005	\$ 62,884,541	\$ +337,464
Accrued Earnings	\$ 281,796	\$ 243,715	\$ +38,081
Effective Yield	5.248	4.563	+0.685
Average Life-Month End (In Days)	170	151	+19
Total Security Transactions			
Amount	\$ 34,467,716	\$ 27,496,447	\$ +6,971,269
Number	713	577	+136
Total Time Deposit Transactions			
Amount	\$ 3,294,300	\$ 2,713,300	\$ +581,000
Number	154	144	+10
Average Workday Investment Activity	\$ 1,716,455	\$ 1,373,170	\$ +343,285
Prescribed Demand Account Balances			
For Services	\$ 248,657	\$ 281,421	\$ -32,764
For Uncollected Funds	\$ 220,068	\$ 308,585	\$ -86,697

**BILL LOCKYER  
TREASURER  
STATE OF CALIFORNIA**

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

		MAY 31, 2007	
<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	\$ 2,646,414	4.22	-2.62
Bonds	0	0.00	0
Notes	0	0.00	0
Strips	0	0.00	0
<b>Total Government</b>	<b>\$ 2,646,414</b>	<b>4.22</b>	<b>-2.62</b>
<b>Federal Agency Coupons</b>	<b>\$ 8,087,996</b>	<b>12.91</b>	<b>+0.86</b>
<b>Certificates of Deposit</b>	<b>15,619,557</b>	<b>24.93</b>	<b>+0.13</b>
<b>Bank Notes</b>	<b>1,550,007</b>	<b>2.47</b>	<b>-0.34</b>
<b>Bankers' Acceptances</b>	<b>0</b>	<b>0.00</b>	<b>0</b>
<b>Repurchases</b>	<b>0</b>	<b>0.00</b>	<b>0</b>
<b>Federal Agency Discount Notes</b>	<b>3,975,057</b>	<b>6.34</b>	<b>-1.04</b>
<b>Time Deposits</b>	<b>8,656,995</b>	<b>13.81</b>	<b>+0.56</b>
<b>GNMAs</b>	<b>211</b>	<b>0.00</b>	<b>0</b>
<b>Commercial Paper</b>	<b>13,762,633</b>	<b>21.96</b>	<b>+1.71</b>
<b>FHLMC/Remics</b>	<b>879,210</b>	<b>1.40</b>	<b>+0.02</b>
<b>Corporate Bonds</b>	<b>441,490</b>	<b>0.71</b>	<b>-0.01</b>
<b>AB 55 Loans</b>	<b>7,748,623</b>	<b>12.36</b>	<b>+0.92</b>
<b>GF Loans</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
<b>Reversed Repurchases</b>	<b>-694,835</b>	<b>-1.11</b>	<b>+0.19</b>
<b>Total (All Types)</b>	<b>\$ 62,673,358</b>	<b>100.00</b>	

**INVESTMENT ACTIVITY**

	MAY 2007		APRIL 2007	
	<u>NUMBER</u>	<u>AMOUNT</u>	<u>NUMBER</u>	<u>AMOUNT</u>
Pooled Money	713	\$ 34,467,716	645	\$ 30,905,064
Other	21	125,928	126	4,602,784
Time Deposits	154	3,294,300	198	5,494,190
<b>Totals</b>	<b>888</b>	<b>\$ 37,887,944</b>	<b>969</b>	<b>\$ 41,002,038</b>
 PMIA Monthly Average Effective Yield	 5.248		 5.222	
 Year to Date Yield Last Day of Month	 5.108		 5.093	

**Bill Lockyer, 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)
6/29/2007	5.25	5.24	176
6/30/2007	5.25	5.24	176
7/1/2007	5.26	5.26	175
7/2/2007	5.26	5.26	181
7/3/2007	5.26	5.26	182
7/4/2007	5.26	5.26	182
7/5/2007	5.26	5.26	180
7/6/2007	5.26	5.26	178
7/7/2007	5.26	5.26	178
7/8/2007	5.26	5.26	178
7/9/2007	5.26	5.26	176
7/10/2007	5.26	5.26	180
7/11/2007	5.26	5.26	180
7/12/2007	5.26	5.26	185

**LAIF Performance Report**

**Quarter ending 6/30/2007**

Apportionment Rate: 5.23%  
 Earnings Ratio: .00014325574266716  
 Fair Value Factor: .999545022

**PMIA Average Monthly Effective Yields**

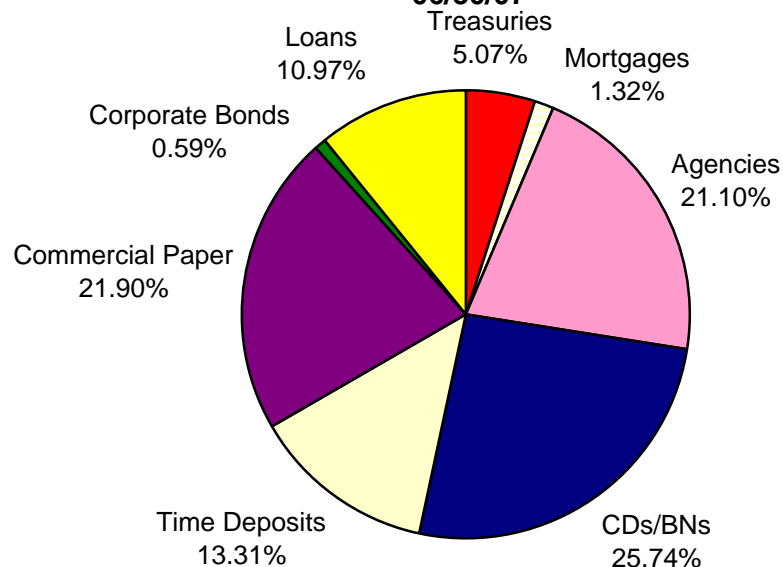
**June 2007** 5.250%  
 May 2007 5.248%  
 Apr 2007 5.222%

**Pooled Money Investment Account**

**Portfolio Composition**

**\$65.6 Billion**

**06/30/07**



## STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING JUNE 30, 2007

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

Account Number  
136 022962 014

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

Access your account at:  
[www.morganstanley.com/online](http://www.morganstanley.com/online)

### ASSET DETAILS

Your Investments				Current Price	Value	Est Yrly Income	Current Yield
85000	IRWIN UNION BK CD	5050	08MH24	99.647	84,699.95	4,292.50	5.06%
90000	FIRST BANK CA CD	4250	08AP28	98.973	89,075.70	3,825.00	4.29%
95000	DISCOVER BANK CD	3500	08DE03	97.248	92,385.60	3,325.00	3.59%
95000	BANKWEST INC CD	5500	*09FB17	99.923	94,926.85	5,225.00	5.50%
95000	WEBSTER BANK CD	3300	09MH03	96.473	91,649.35	3,135.00	3.42%
95000	1ST SIGNATURE CD	3300	09MH03	96.473	91,649.35	3,135.00	3.42%
95000	LEHMAN BROS CD	3500	09MH03	96.786	91,946.70	3,325.00	3.61%
95000	CIT BANK CD	4900	09MH06	98.970	94,021.50	4,655.00	4.95%
95000	AMERICAN WEST CD	5400	09JN29	99.721	94,734.95	5,130.00	5.41%
85000	NEVADA SEC BK CD	4600	09AU24	98.100	83,385.00	3,910.00	4.68%
95000	PROVIDIAN NATL CD	4000	09SP15	99.912	94,916.40	3,800.00	4.00%
95000	COLE TAYLOR FID	45000	*09NV24	98.546	93,618.70	4,275.00	4.56%
95000	SOVEREIGN BK CD	50000	*09DE09	99.453	94,480.35	4,750.00	5.02%
95000	TOWER BANK CD	4150	10FB23	96.577	91,748.15	3,942.50	4.29%
95000	FIRST BUSINESS CD	5000	10MY07	98.566	93,637.70	4,750.00	5.07%
95000	NEW SOUTH FSB CD	40000	*10MY12	97.953	93,055.35	3,800.00	4.08%
95000	CAROLINA FIRST CD	40000	*10MY26	98.348	93,430.60	3,800.00	4.06%
95000	M&I BANK FSB FID	4000	*10JL10	98.630	93,698.50	3,800.00	4.05%
90000	FRONTIER BANK FID	4500	*10SP14	96.934	87,240.60	4,050.00	4.64%
95000	WASHINGTON MUT CD	4400	10SP21	96.654	91,821.30	4,180.00	4.55%
80000	NATL REP BANK CD	4900	11JA13	97.929	78,343.20	3,920.00	5.00%
95000	GEAUGA SVGS BK CD	4700	*11JA28	97.230	92,368.50	4,465.00	4.83%
95000	EVERBANK FLA CD	5000	11MY09	97.990	93,090.50	4,750.00	5.10%
85000	NOVA SVGS BK CD	4500	11JN08	96.186	81,758.10	3,825.00	4.67%
95000	CITIZENS NB CD	5750	*11JL28	100.520	95,494.00	5,462.50	5.72%
95000	LASALLE BANK CD	5150	11AU09	98.346	93,428.70	4,892.50	5.23%
95000	FIRESIDE BANK	5300	11AU09	98.888	93,943.60	5,035.00	5.35%
95000	BANKWEST PIERR CD	5500	*11AU30	99.145	94,187.75	5,225.00	5.54%
85000	GUNNISON BANK CD	5050	11OC31	97.844	83,167.40	4,292.50	5.16%
95000	OCEANIC BK CD	5000	12MY09	97.279	92,415.05	4,750.00	5.13%

## STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING JUNE 30, 2007

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SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 014

Your Investments				Current Price	Value	Est Yrly Income	Current Yield
95000	GOLF SVGS BANK CD	5000	12MY09	97.279	92,415.05	4,750.00	5.13%
95000	FRIEDNSHIP ST CD	5000	12MY09	97.279	92,415.05	4,750.00	5.13%
95000	COUNTRYWIDE BK CD	6000	*13AU23	99.498	94,523.10	5,700.00	6.03%
700000	US TSY NOTE	3000	07NV15	99.297	695,079.00	21,000.00	3.02%
925000	FNMA	5750	08FB15	100.219	927,025.75	53,187.50	5.73%
1300000	FHLMC MIN	3000	08MH24	98.337	1,278,381.00	39,000.00	3.05%
850000	US TSY NOTE	4750	08NV15	99.680	847,280.00	40,375.00	4.76%
350000	US TSY NOTE	3000	09FB15	97	339,500.00	10,500.00	3.09%
850000	US TSY NOTE	2625	09MH15	96.273	818,320.50	22,312.50	2.72%
500000	US TSY NOTE	4875	09MY15	99.953	499,765.00	24,375.00	4.87%
450000	FNMA	3270	*09JN16	96.469	434,110.50	14,715.00	3.38%
500000	FNMA	3500	*09SP04	96.531	482,655.00	17,500.00	3.62%
525000	FNMA	40000	*09DE17	98.750	518,437.50	21,000.00	4.05%
100000	FFCB	4950	*10FB01	98.969	98,969.00	4,950.00	5.00%
750000	US TSY NOTE	4750	10FB15	99.633	747,247.50	35,625.00	4.76%
500000	FNMA	5080	*10JN18	99.313	496,565.00	25,400.00	5.11%
150000	FNMA	45000	*10AU26	99.125	148,687.50	6,750.00	4.53%
250000	FNMA	50000	*10DE02	99.313	248,282.50	12,500.00	5.03%
500000	US TSY NOTE	4875	11MY31	99.852	499,260.00	24,375.00	4.88%
70000	FHLMC MIN	5250	*11DE15	99.541	69,678.70	3,675.00	5.27%
500000	FHLB	52500	*11DE30	98.906	494,530.00	26,250.00	5.30%
170000	FNMA	45000	*12MH16	98.344	167,184.80	7,650.00	4.57%
<b>Total Value of Priced Investments</b>					\$12,824,631.85	\$554,062.50	4.32%

Custodial Holdings	Symbol	Current Price	Date	Value	Custodian	Dividend Cap Gains Option	Fund Plan Number
Bank Deposit Program #							
	MORGAN STANLEY TRUST BANK			\$27,931.95			
Total Bank Deposits				\$27,931.95			
Total Custodial Holdings				\$27,931.95			

# Bank deposits are at Morgan Stanley Bank and Morgan Stanley Trust bank (Members FDIC), affiliates of Morgan Stanley & Co. Incorporated.  
Bank deposits are eligible for FDIC insurance up to applicable limits. Not SIPC insured.



## STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING JUNE 30, 2007

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SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 014

Asset Summary	Value	Est Yrly Income
Cash	13,125.00	
<b>Total Account Valuation</b>	<b>\$12,865,688.80</b>	<b>\$554,062.50</b>

### DAILY ACTIVITY DETAILS

Date	Activity	Quantity	Description	Price	Amount	Balance
			CLOSING BALANCE AS OF 5/31			12,187.50
6/01	Auto Investment		BANK DEPOSIT PROGRAM		-12,187.50	.00
6/02	Taxable Interest		FNMA 50000*10DE02		+6,250.00	+6,250.00
6/03	Taxable Interest		DISCOVER BANK CD 3500 08DE03		+1,657.95	+7,907.95
6/04	Taxable Interest		FNMA 3500 *09SP04		+1,458.34	+9,366.29
6/05	Auto Investment		BANK DEPOSIT PROGRAM		-9,366.29	.00
6/08	Taxable Interest		NOVA SVGS BK CD 4500 11JN08		+1,907.26	+1,907.26
6/09	Taxable Interest		OCEANIC BK CD 5000 12MY09		+403.42	+2,310.68
	Taxable Interest		GOLF SVGS BANK CD 5000 12MY09		+403.42	+2,714.10
	Taxable Interest		FRIEDNSHIP ST CD 5000 12MY09		+403.42	+3,117.52
	Taxable Interest		SOVEREIGN BK CD 50000*09DE09		+2,131.64	+5,249.16
6/11	Auto Investment		BANK DEPOSIT PROGRAM		-140.68	+5,108.48
	Auto Investment		BANK DEPOSIT PROGRAM		-1,907.26	+3,201.22
	Taxable Interest		DISCOVER BANK		+140.68	+3,341.90
			(Period 05/31-06/10)			+3,341.90
6/12	Auto Investment		BANK DEPOSIT PROGRAM		-3,341.90	.00
6/14	Taxable Interest		FRONTIER BANK FID 4500 *10SP14		+343.97	+343.97
6/15	Taxable Interest		FHLMC MTN 5250 *11DE15		+306.25	+650.22
6/16	Taxable Interest		FNMA 3270 *09JN16		+7,357.50	+8,007.72
	Taxable Interest		BANKWEST INC CD 5500 *09FB17		+443.77	+8,451.49
6/17	Taxable Interest		FNMA 40000*09DE17		+10,500.00	+18,951.49
6/18	Taxable Interest		FNMA 5080 *10JN18		+6,491.11	+25,442.60
	Auto Investment		BANK DEPOSIT PROGRAM		-650.22	+24,792.38
6/19	Auto Investment		BANK DEPOSIT PROGRAM		-24,792.38	.00
6/21	Withdrawal		WIRED FUNDS SENT		-150,000.00	-150,000.00
			BENE: SAN LORENZO VALLEY WATE			-150,000.00
			ACCT: 8672481358			-150,000.00
	Charge		WIRED FUNDS FEE		-30.00	-150,030.00
6/22	Auto Redemption		BANK DEPOSIT PROGRAM		+150,030.00	.00
6/23	Taxable Interest		TOWER BANK CD 4150 10FB23		+334.84	+334.84
6/27	Charge Adjustment		REV OUT WIRE TRF FEE		+30.00	+364.84
6/28	Taxable Interest		GEAUGA SVGS BK CD 4700 *11JA28		+379.22	+744.06

## STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING JUNE 30, 2007

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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>Balance</i>
6/28	Taxable Interest		AMERICAN WEST CD 5400 09JN29		+2,557.97	+3,302.03
	Auto Investment		BANK DEPOSIT PROGRAM		-138.41	+3,163.62
	Auto Investment		BANK DEPOSIT PROGRAM		-162.91	+3,000.71
	Taxable Interest		MORGAN STANLEY BANK		+138.41	+3,139.12
			(Period 05/31-06/28)			+3,139.12
	Taxable Interest		MORGAN STANLEY TRUST BANK		+162.91	+3,302.03
			(Period 06/11-06/28)			+3,302.03
6/29	Auto Investment		BANK DEPOSIT PROGRAM		-3,302.03	.00
6/30	Taxable Interest		FHLB 52500*11DE30		+13,125.00	+13,125.00
			CLOSING BALANCE AS OF 6/30			+13,125.00

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

### Yields on Bank Deposits and Money Market Funds

#### BANK DEPOSIT PROGRAM

A Bank Deposit Program APY of 4.85% was in effect for your deposits at the statement ending date.

<b>Income Summary</b>	<i>This Month</i>	<i>Year-to-Date</i>		<i>This Month</i>	<i>Year-to-Date</i>
Dividends/Bank Deposit Interest	442.00	1,712.60	Interest	56,455.08	292,597.26
Accrued Bond Interest	.00	274.25	Margin Interest	.00	.00

<b>Tax Information</b>	<i>This Month</i>	<i>Year-to-Date</i>
U.S. Treasury Coupon Interest	.00	79,906.25

## STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING JUNE 30, 2007

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SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 014

### Margin Loan Rates

<i>Loan Amount</i>	<i>Rate</i>	
\$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

Questions regarding your account may be directed to either your Financial Advisor or the Branch Manager for the branch office where you maintain your account. If you require further assistance, your inquiries may also be directed to Client Service at (800) 869-3326 or you may contact the Legal and Compliance Division at (914) 225-5870 with any account-related concerns.

*Consolidated Statement of Financial Condition (in thousands of dollars):*

At May 31, 2007, Morgan Stanley & Co. Incorporated had net capital of \$ 5,119,945 which exceeded the Securities and Exchange Commission's minimum requirement by \$ 3,299,499 and included excess net capital of \$ 931,182 of MS Securities Services Inc., a broker-dealer and a subsidiary of Morgan Stanley & Co. Incorporated. A copy of the Morgan Stanley & Co. Incorporated Consolidated Statement of Financial Condition at May 31, 2007 can be viewed online at the Morgan Stanley web site [http://www.morganstanley.com/about/ir/shareholder/morganstanley\\_co\\_inc.pdf](http://www.morganstanley.com/about/ir/shareholder/morganstanley_co_inc.pdf), or may be mailed to you at no cost by calling 1 (866) 825-1675, after August 14, 2007.

**STATEMENT OF YOUR ACCOUNT  
FOR MONTH ENDING JUNE 30, 2007**

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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

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 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, 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, 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 JUNE 30, 2007

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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
Government Securities**									
Treasury Securities									
US TSY NOTE	3.000	11-15-07	700,000	12-05-03	100.90600 100.08982	706,347.00 700,628.80	695,079.00	(5,549.80)	Long Term
US TSY NOTE	4 3/4	11-15-08	850,000	07-05-02	102.00687 100.64172	872,844.50 855,454.64	847,280.00	(8,174.64)	Long Term
US TSY NOTE	3.000	2-15-09	350,000	02-27-04	100.70600 100.24262	352,476.00 350,849.18	339,500.00	(11,349.18)	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	818,320.50	(31,684.50)	Long Term
US TSY NOTE	4 7/8	5-15-09	500,000	07-24-06	100.24505 100.16685	501,225.25 500,834.28	499,765.00	(1,069.28)	Short Term
US TSY NOTE	4 3/4	2-15-10	750,000	02-13-07	100.30120 100.26561	752,259.00 751,992.08	747,247.50	(4,744.58)	Short Term
US TSY NOTE	4 7/8	5-31-11	500,000	07-24-06	100.18805 100.15505	500,940.25 500,775.27	499,260.00	(1,515.27)	Short Term
Federal Agencies									
FNMA	5 3/4	2-15-08	925,000	07-05-02	106.00768 100.83281	987,615.94 932,703.54	927,025.75	(5,677.79)	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	1,278,381.00	(15,124.00)	Long Term
FNMA	3.270	6-16-09	450,000	03-12-04	99.87500 99.87500	449,442.50 449,442.50	434,110.50	(15,332.00)	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 JUNE 30, 2007

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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*					
FNMA	3 1/2	9-04-09	500,000	02-25-04	100.00000 100.00000	500,000.00 500,000.00	482,655.00	(17,345.00)	Long Term	
FNMA	4.000	12-17-09	525,000	12-08-03	99.70000 99.70000	523,425.00 523,425.00	518,437.50	(4,987.50)	Long Term	
FFCB	4.950	2-01-10	100,000	11-28-05	99.88025 99.88025	99,880.25 99,880.25	98,969.00	(911.25)	Long Term	
FNMA	5.080	6-18-10	500,000	04-05-07	99.95000 99.95000	499,750.00 499,750.00	496,565.00	(3,185.00)	Short Term	
FNMA	4 1/2	8-26-10	150,000	08-16-04	100.00000 100.00000	150,000.00 150,000.00	148,687.50	(1,312.50)	Long Term	
FNMA	5.000	12-02-10	250,000	11-07-05	100.00000 100.00000	250,000.00 250,000.00	248,282.50	(1,717.50)	Long Term	
FHLMC MTN	5 1/4	12-15-11	70,000	09-11-06	100.00750 100.00647	70,005.25 70,004.53	69,678.70	(325.83)	Short Term	
FHLE	5 1/4	12-30-11	500,000	04-30-07	100.00005 100.00005	500,000.25 500,000.25	494,530.00	(5,470.25)	Short Term	
FNMA	4 1/2	3-16-12	170,000	09-08-04	100.00000 100.00000	170,000.00 170,000.00	167,184.80	(2,815.20)	Long Term	

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## STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING JUNE 30, 2007

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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*					
Certificates of Deposit**										
IRWIN UNION BK CD	5.050	3-24-08	85,000	03-16-06	100.00000 100.00000	85,000.00 85,000.00	84,699.95	(300.05)	Long Term	
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	89,075.70	(924.30)	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	92,385.60	(2,614.40)	Long Term	
BANKWEST INC CD	5 1/2	2-17-09	95,000	07-26-06	100.00000 100.00000	95,000.00 95,000.00	94,926.85	(73.15)	Short Term	
CIT BANK CD	4.900	3-06-09	95,000	02-22-06	100.00000 100.00000	95,000.00 95,000.00	94,021.50	(978.50)	Long Term	
WEBSTER BANK CD	3.300	3-03-09	95,000	02-25-04	100.00000 100.00000	95,000.00 95,000.00	91,649.35	(3,350.65)	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	91,649.35	(3,350.65)	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	91,946.70	(3,053.30)	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	94,734.95	(265.05)	Long 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	83,385.00	(1,615.00)	Long Term	
PROVIDIAN NATL CD	4.000	9-15-09	95,000	09-08-04	100.00000 100.00000	95,000.00 95,000.00	94,916.40	(83.60)	Long Term	

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## STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING JUNE 30, 2007

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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*	Original / Adjusted*	Original / Adjusted*			
COLE TAYLOR FID	4 1/2	11-24-09	95,000	05-10-04	100.00000 100.00000	95,000.00 95,000.00	93,618.70	(1,381.30)	Long Term	
SOVEREIGN BK CD	5.000	12-09-09	95,000	05-18-04	100.00000 100.00000	95,000.00 95,000.00	94,480.35	(519.65)	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	91,748.15	(3,251.85)	Long Term	
FIRST BUSINESS CD	5.000	5-07-10	95,000	05-01-07	100.00553 100.00553	95,005.25 95,005.25	93,637.70	(1,367.55)	Short Term	
NEW SOUTH FSB CD	4.000	5-12-10	95,000	10-27-04	100.00000 100.00000	95,000.00 95,000.00	93,055.35	(1,944.65)	Long Term	
CAROLINA FIRST CD	4.000	5-26-10	95,000	11-17-04	100.00000 100.00000	95,000.00 95,000.00	93,430.60	(1,569.40)	Long Term	
M&I BANK FSB FID	4.000	7-10-10	95,000	01-06-05	100.00000 100.00000	95,005.00 95,005.00	93,698.50	(1,306.50)	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	91,821.30	(3,178.70)	Long 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	87,240.60	(1,556.12)	Long 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	92,368.50	(2,636.75)	Long 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	78,343.20	(1,656.80)	Long Term	
EVERBANK FLA CD	5.000	5-09-11	95,000	05-01-07	100.00553 100.00553	95,005.25 95,005.25	93,090.50	(1,914.75)	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	81,758.10	(3,241.90)	Long Term	

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## STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING JUNE 30, 2007

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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
CITIZENS NB CD	5 3/4	7-28-11	95,000	07-26-06	100.00553	95,005.25	Short Term
					100.00553	95,005.25	
						95,494.00	488.75
LASALLE BANK CD	5.150	8-09-11	95,000	07-31-06	100.00000	95,000.00	Short Term
					100.00000	95,000.00	
						93,428.70	(1,571.30)
FIRESIDE BANK	5.300	8-09-11	95,000	08-01-06	100.00000	95,000.00	Short Term
					100.00000	95,000.00	
						93,943.60	(1,056.40)
BANKWEST PIERR CD	5 1/2	8-30-11	95,000	08-30-06	99.98471	94,985.47	Short Term
					99.98471	94,985.47	
						94,187.75	(797.72)
GUNNISON BANK CD	5.050	10-31-11	85,000	10-25-06	100.00000	85,000.00	Short Term
					100.00000	85,000.00	
						83,167.40	(1,832.60)
OCEANIC BK CD	5.000	5-09-12	95,000	05-01-07	100.00553	95,005.25	Short Term
					100.00553	95,005.25	
						92,415.05	(2,590.20)
GOLF SVGS BANK CD	5.000	5-09-12	95,000	05-01-07	100.00000	95,000.00	Short Term
					100.00000	95,000.00	
						92,415.05	(2,584.95)
FRIEDNDSHIP ST CD	5.000	5-09-12	95,000	05-01-07	100.00553	95,005.25	Short Term
					100.00553	95,005.25	
						92,415.05	(2,590.20)
COUNTRYWIDE BK CD	6.000	8-23-13	95,000	07-31-06	100.00000	95,000.00	Short Term
					100.00000	95,000.00	
						94,523.10	(476.90)
<b>Totals for positions with cost data available</b>					\$13,018,069.01	\$12,824,631.85	(\$193,437.16)
<b>Total Market Value for all positions</b>						\$12,824,631.85	

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".

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## STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING JUNE 30, 2007

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SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 014

Realized Gain/(Loss)			Quantity	Date Acquired	Date Sold	<u>Total Cost</u> Original / Adjusted*	Proceeds	Realized Gain/(Loss)	Additional Information
Short Term									
FHLB	5 1/2	4-24-09	1200,000	06-28-06	05-01-07	1,200,005.25	1,200,000.00	(5.25)	Short Term
Sub Total Short Term						\$1,200,005.25	\$1,200,000.00	(\$5.25)	
Long Term									
CAPITAL JUMBO CD	4.550	9-04-07	100,000	08-28-02	04-23-07	100,000.00	99,683.75	(316.25)	Long Term
FNMA	7.000	10-14-09	500,000	01-25-05	04-16-07	495,005.00	500,000.00	4,995.00	Long Term
US TSY NOTE	2 1/4	2-15-07	750,000	02-26-04	02-13-07	755,378.58			
						750,000.00	750,000.00		
Sub Total Long Term						\$1,345,005.00	\$1,349,683.75	\$4,678.75	
Totals for closing transactions with cost data available						\$2,545,010.25	\$2,549,683.75	\$4,673.50	
Total Proceeds							\$2,549,683.75		

Summary	Short Term	Long Term	Total
Unrealized gain.....	\$488.75	\$0.00	\$488.75
Unrealized (loss).....	(\$33,165.93)	(\$160,759.98)	(\$193,925.91)
Realized gain YTD.....	\$0.00	\$4,995.00	\$4,995.00
Realized (loss) YTD.....	(\$5.25)	(\$316.25)	(\$321.50)

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