

## M E M O

TO: Board of Directors

FROM: District Manager

SUBJECT: INVESTMENT REPORT PERIOD ENDING OCTOBER 31, 2005

DATE: November 9, 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

October, 2005 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
10-13-2005	10-13-2005	RW	1045172	KAREN ALVAREZ	- 20,000.00
10-14-2005	10-13-2005	QRD	1046080	SYSTEM	11,438.49

**Account Summary**

Total Deposit :	11,438.49	Beginning Balance :	1,385,947.44
Total Withdrawal :	- 20,000.00	Ending Balance :	<b>1,377,385.93</b>

## STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING OCTOBER 31, 2005

PAGE 1 OF 10

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

Householding Anniv. Date:  
03/08/2003  
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
95000	ALLSTATE BANK CD	2100	06MH27	99.137	94,180.15	1,995.00	2.11%
95000	BSB BANK & TR CD	2650	06AU29	98.497	93,572.15	2,517.50	2.69%
95000	MIDFIRST BANK CD	3250	06SP05	98.950	94,002.50	3,087.50	3.28%
90000	FIRST BANK CA CD	4250	08AP28	98.613	88,751.70	3,825.00	4.30%
95000	DISCOVER BANK CD	3500	08DE03	96.013	91,212.35	3,325.00	3.64%
95000	WEBSTER BANK CD	3300	09MH03	95.031	90,279.45	3,135.00	3.47%
95000	1ST SIGNATURE CD	3300	09MH03	95.031	90,279.45	3,135.00	3.47%
95000	LEHMAN BROS CD	3500	09MH03	95.638	90,856.10	3,325.00	3.65%
85000	NEVADA SEC BK CD	4600	09AU24	98.686	83,883.10	3,910.00	4.66%
95000	PROVIDIAN NATL CD	4000	09SP15	101.473	96,399.35	3,800.00	3.94%
95000	COLE TAYLOR FID	41250*	09NV24	98.302	93,386.90	3,918.75	4.19%
95000	SOVEREIGN BK CD	42500*	09DE09	99.171	94,212.45	4,037.50	4.28%
95000	TOWER BANK CD	4150	10FB23	96.596	91,766.20	3,942.50	4.29%
95000	NEW SOUTH FSB CD	3500	*10MY12	96.995	92,145.25	3,325.00	3.60%
95000	CAROLINA FIRST CD	3500	*10MY26	97.253	92,390.35	3,325.00	3.59%
95000	M&I BANK FSB FID	3500	*10JL10	97.604	92,723.80	3,325.00	3.58%
95000	WASHINGTON MUT CD	4400	10SP21	97.049	92,196.55	4,180.00	4.53%
95000	GEAUGA SVGS BK CD	4700	*11JA28	98.056	93,153.20	4,465.00	4.79%
85000	NOVA SVGS BK CD	4500	11JN08	96.823	82,299.55	3,825.00	4.64%
250000	FHLB	4375	05NV15	99.969	249,922.50	10,937.50	4.37%
1200000	FNMA	4375	06OC15	99.906	1,198,872.00	52,500.00	4.37%
850000	US TSY NOTE	3500	06NV15	99.133	842,630.50	29,750.00	3.53%
750000	US TSY NOTE	2250	07FB15	97.340	730,050.00	16,875.00	2.31%
850000	US TSY NOTE	3250	07AU15	98.059	833,501.50	27,625.00	3.31%
100000	CAPITAL JUMBO CD	4550	07SP04	99.465	99,465.00	4,550.00	4.57%
700000	US TSY NOTE	3000	07NV15	97.336	681,352.00	21,000.00	3.08%
925000	FNMA	5750	08FB15	102.313	946,395.25	53,187.50	5.62%
1300000	FHLMC MTN	3000	08MH24	96.283	1,251,679.00	39,000.00	3.11%
850000	US TSY NOTE	4750	08NV15	100.871	857,403.50	40,375.00	4.70%

STATEMENT OF YOUR ACCOUNT  
FOR MONTH ENDING OCTOBER 31, 2005

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	95.625	334,687.50	10,500.00	3.13%
850000	US TSY NOTE	2625	09MH15	94.375	802,187.50	22,312.50	2.78%
450000	FNMA	3270	*09JN16	95.094	427,923.00	14,715.00	3.43%
500000	FNMA	3500	*09SP04	94.719	473,595.00	17,500.00	3.69%
500000	FNMA	2900	*09OC14	97.563	487,815.00	14,500.00	2.97%
525000	FNMA	3500	*09DE17	97.750	513,187.50	18,375.00	3.58%
150000	FNMA	3000	*10AU26	97.500	146,250.00	4,500.00	3.07%
170000	FNMA	3750	*12MH16	97.031	164,952.70	6,375.00	3.86%
Total Value of Priced Investments					\$12,779,560.00	\$470,976.25	3.68%

Custodial Holdings				Symbol	Current Price	Date	Value	Custodian	Dividend Cap Gains Option	Fund Plan Number
89687.03	U.S. GOV'T MONEY MARKET TR			SGMT	1.00	10/31/05	89,687.03	MSDWT	Reinv/ N/A	519953650
Total Custodial Holdings							\$89,687.03			

Asset Summary		Value	Est Yrly Income
Cash		0.00	
Total Account Valuation		\$12,869,247.03	\$470,976.25

DAILY ACTIVITY DETAILS

Date	Activity	Quantity	Description	Price	Amount	Cash Balance
			CLOSING BALANCE AS OF 9/30			379.22
10/02	Taxable Interest		CAPITAL JUMBO CD 4550 07SP04		+373.97	+753.19
10/03	Bought	379.22	U.S. GOV'T MONEY MARKET TR	1.00	-379.22	+373.97
10/04	Taxable Interest		FNMA 3500 *09SP04		+1,458.34	+1,832.31

STATEMENT OF YOUR ACCOUNT  
FOR MONTH ENDING OCTOBER 31, 2005

SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 014

DAILY ACTIVITY DETAILS

Date	Activity	Quantity	Description	Price	Amount	Cash Balance
10/05	Bought	1832.31	U.S. GOV'T MONEY MARKET TR	1.00	-1,832.31	.00
10/14	Taxable Interest		FNMA 2900 *09OC14		+7,250.00	+7,250.00
10/15	Taxable Interest		FNMA 4375 06OC15		+26,250.00	+33,500.00
10/17	Bought	7250.00	U.S. GOV'T MONEY MARKET TR	1.00	-7,250.00	+26,250.00
10/18	Bought	26250.00	U.S. GOV'T MONEY MARKET TR	1.00	-26,250.00	.00
10/23	Taxable Interest		TOWER BANK CD 4150 10FB23		+324.04	+324.04
10/28	Taxable Interest		GEAUGA SVGS BK CD 4700 *11JA28		+366.99	+691.03
	Taxable Interest		FIRST BANK CA CD 4250 08AP28		+1,917.74	+2,608.77
10/31	Dividend		U.S. GOV'T MONEY MARKET TR		+171.90	+2,608.77
	Direct Purchase	171.900	U.S. GOV'T MONEY MARKET TR	1.00	-171.90	+2,608.77
			REINVESTMENT			+2,608.77
	Bought	2608.77	U.S. GOV'T MONEY MARKET TR	1.00	-2,608.77	.00
			CLOSING BALANCE AS OF 10/31			+.00

Morgan Stanley Fund Summary	YTD	YTD	YTD	Features
	Dividends	Cap Gains	Taxes	
U.S. GOV'T MONEY MARKET TR	993.97	0.00	0.00	Reinvest Dividends
Totals	\$993.97	\$0.00	\$0.00	

STATEMENT OF YOUR ACCOUNT  
FOR MONTH ENDING OCTOBER 31, 2005

SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
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Income Summary	This Month	Year-to-Date	This Month	Year-to-Date
Dividends	171.90	993.97	Interest	37,941.08
Accrued Bond Interest	.00	2,964.52	Margin Interest	375,084.64
				.00

Tax Information	This Month	Year-to-Date
U.S. Treasury Coupon Interest	.00	122,875.00

Margin Loan Rates

Loan Amount	Rate	
\$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%	

## STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING OCTOBER 31, 2005

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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

Householding Anniv. Date:  
03/08/2003  
Access your account at:  
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## 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.*

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**STATEMENT OF YOUR ACCOUNT**  
**FOR MONTH ENDING OCTOBER 31, 2005**

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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
<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			Long Term
					98.00873	840,425.50	842,630.50	2,205.00	
US TSY NOTE	2 1/4	2-15-07	750,000	02-26-04	100.71647	755,378.58			Long Term
					100.31636	752,372.77	730,050.00	(22,322.77)	
US TSY NOTE	3 1/4	8-15-07	850,000	08-28-02	100.00601	855,113.50			Long Term
					100.22725	851,931.65	833,501.50	(18,430.15)	
US TSY NOTE	3.000	11-15-07	700,000	12-05-03	100.90600	706,347.00			Long Term
					100.48149	703,370.43	681,352.00	(22,018.43)	
US TSY NOTE	4 3/4	11-15-08	850,000	07-05-02	102.00687	872,844.50			Long Term
					101.37319	861,672.14	857,403.50	(4,268.64)	
US TSY NOTE	3.000	2-15-09	350,000	02-27-04	100.70600	352,476.00			Long Term
					100.47991	351,679.71	334,687.50	(16,992.21)	
US TSY NOTE	2 5/8	3-15-09	850,000	03-26-04	100.00000	850,005.00			Long Term
					100.00000	850,005.00	802,187.50	(47,817.50)	
<b>Federal Agencies</b>									
FHLB	4 3/8	11-15-05	250,000	08-28-02	104.00156	260,395.00			Long Term
					104.00156	260,395.00	249,922.50	(10,472.50)	
FNMA	4 3/8	10-15-06	1,200,000	07-05-02	100.00800	1,209,605.00			Long Term
					100.00800	1,209,605.00	1,198,872.00	(10,733.00)	
FNMA	5 3/4	2-15-08	925,000	07-05-02	106.00768	987,615.94			Long Term
					106.00768	987,615.94	946,395.25	(41,220.69)	

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*\*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 OCTOBER 31, 2005**

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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*			
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	1,251,679.00	(41,826.00)	Long Term	
FNMA	3.270	6-16-09	450,000	03-12-04	99.87500 99.87500	449,442.50 449,442.50	427,923.00	(21,519.50)	Long Term	
FNMA	3 1/2	9-04-09	500,000	02-25-04	100.00000 100.00000	500,000.00 500,000.00	473,595.00	(26,405.00)	Long Term	
FNMA	2.900	10-14-09	500,000	01-25-05	99.00000 99.00000	495,005.00 495,005.00	487,815.00	(7,190.00)	Short Term	
FNMA	3 1/2	12-17-09	525,000	12-08-03	99.70000 99.70000	523,425.00 523,425.00	513,187.50	(10,237.50)	Long Term	
FNMA	3.000	8-26-10	150,000	08-16-04	100.00000 100.00000	150,000.00 150,000.00	146,250.00	(3,750.00)	Long Term	
FNMA	3 3/4	3-16-12	170,000	09-08-04	100.00000 100.00000	170,000.00 170,000.00	164,952.70	(5,047.30)	Long Term	
Certificates of Deposit**										
ALLSTATE BANK CD	2.100	3-27-06	95,000	03-20-03	100.00000 100.00000	95,000.00 95,000.00	94,180.15	(819.85)	Long Term	
BSB BANK & TR CD	2.650	8-29-06	95,000	08-26-03	100.00000 100.00000	95,000.00 95,000.00	93,572.15	(1,427.85)	Long Term	
MIDFIRST BANK CD	3 1/4	9-05-06	95,000	08-28-02	100.00000 100.00000	95,000.00 95,000.00	94,002.50	(997.50)	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	99,465.00	(535.00)	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 OCTOBER 31, 2005**

PAGE 8 OF 10

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*			
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	88,751.70	(1,248.30)	Short 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	91,212.35	(3,787.65)	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	90,279.45	(4,720.55)	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	90,279.45	(4,720.55)	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	90,856.10	(4,143.90)	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	83,883.10	(1,116.90)	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	96,399.35	1,399.35	Long Term	
COLE TAYLOR FID	4 1/8	11-24-09	95,000	05-10-04	100.00000 100.00000	95,000.00 95,000.00	93,386.90	(1,613.10)	Long Term	
SOVEREIGN BK CD	4 1/4	12-09-09	95,000	05-18-04	100.00000 100.00000	95,000.00 95,000.00	94,212.45	(787.55)	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	91,766.20	(3,233.80)	Short 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	92,145.25	(2,854.75)	Long Term	
CAROLINA FIRST CD	3 1/2	5-26-10	95,000	11-17-04	100.00000 100.00000	95,000.00 95,000.00	92,390.35	(2,609.65)	Short Term	
M&I BANK FSB FID	3 1/2	7-10-10	95,000	01-06-05	100.00000 100.00000	95,005.00 95,005.00	92,723.80	(2,281.20)	Short Term	

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**STATEMENT OF YOUR ACCOUNT  
FOR MONTH ENDING OCTOBER 31, 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		Total Cost		Market Value	Unrealized Gain/(Loss)	Additional Information
				Original/ Adjusted*	Original/ Adjusted*					
WASHINGTON MUT CD	4.400	9-21-10	95,000	09-08-05	100.00000 100.00000	95,000.00 95,000.00	92,196.55	(2,803.45)	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	93,153.20	(1,852.05)	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	82,299.55	(2,700.45)	Short Term	
Totals for positions with cost data available						\$13,130,460.89	\$12,779,560.00	(\$350,900.89)		
Total Market Value for all positions							\$12,779,560.00			

*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".*

Realized Gain/(Loss)			Quantity	Date Acquired	Date Sold	Total Cost	Proceeds	Realized Gain/(Loss)	Additional Information
						Original/ Adjusted*			
Short Term									
FNMA	5.000	12-30-10	500,000	06-14-04	01-28-05	500,000.00	500,000.00		
Sub Total Short Term						\$500,000.00	\$500,000.00	\$0.00	
Long Term									
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
Sub Total Long Term						\$285,000.00	\$284,794.50	(\$205.50)	

*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 OCTOBER 31, 2005

PAGE 10 OF 10

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
<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		

Summary	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
Unrealized gain.....	\$0.00	\$3,604.35	\$3,604.35
Unrealized (loss).....	(\$25,035.80)	(\$329,469.44)	(\$354,505.24)
Realized gain YTD.....	\$0.00	\$0.00	\$0.00
Realized (loss) YTD.....	\$0.00	(\$205.50)	(\$205.50)

\*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.

**State of California**  
**Pooled Money Investment Account**  
**Market Valuation**  
**09/30/05**

Carrying Cost Plus								
Description	Accrued Interest	Purch.	Amortized Cost	Fair Value	Accrued Interest			
United States Treasury:								
Bills	\$	1,677,217,124.94	\$	1,693,202,319.48	\$	1,693,605,000.00	NA	
Notes	\$	3,222,906,890.41	\$	3,221,913,037.97	\$	3,193,815,500.00	\$	24,424,651.75
Federal Agency:								
SBA	\$	730,075,758.39	\$	729,992,527.55	\$	721,922,860.97	\$	4,371,263.50
MBS	\$	478,388,978.34	\$	478,388,978.34	\$	461,680,794.60	\$	2,122,141.05
Bonds	\$	6,782,731,958.48	\$	6,780,896,993.21	\$	6,707,879,711.40	\$	45,287,666.99
Floaters	\$	-	\$	-	\$	-	\$	-
Discount Notes	\$	5,692,948,198.08	\$	5,746,168,683.17	\$	5,746,195,078.00		NA
FHLMC PC	\$	1,807,347.37	\$	1,807,347.37	\$	1,910,240.91	\$	29,129.78
GNMA	\$	267,641.90	\$	267,641.90	\$	297,818.13	\$	2,669.26
Bankers Acceptances	\$	-	\$	-	\$	-		NA
Bank Notes	\$	1,350,000,000.00	\$	1,350,000,000.00	\$	1,348,956,977.00	\$	8,688,416.67
CDs	\$	10,930,113,461.14	\$	10,930,113,461.14	\$	10,921,707,104.75	\$	70,094,420.79
Commercial Paper	\$	8,206,669,185.95	\$	8,245,085,176.16	\$	8,242,655,210.72		NA
Corporate:								
Floaters	\$	151,490,283.30	\$	151,490,283.30	\$	151,284,278.05	\$	5,669,960.89
Bonds	\$	869,973,366.97	\$	869,973,366.97	\$	854,751,389.26	\$	9,386,699.42
Repurchase Agreements	\$	-	\$	-	\$	-		NA
Reverse Repurchase	\$	(99,600,000.00)	\$	(99,600,000.00)	\$	(99,600,000.00)	\$	(91,300.00)
Time Deposits	\$	7,475,495,000.00	\$	7,475,495,000.00	\$	7,475,495,000.00		NA
AB 55 & GF Loans	\$	4,752,520,064.65	\$	4,752,520,064.65	\$	4,752,520,064.65		NA
TOTAL	\$	52,223,005,259.92	\$	52,327,714,881.22	\$	52,175,077,028.44	\$	169,985,720.10

Fair Value Including Accrued Interest \$ 52,345,062,748.54

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 (**.99708304**).

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 \$19,941,660.80 or \$20,000,000.00 x .99708304.

# 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>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
<b>September 2005</b>	\$51,811,038	3.324	169
<b>September 2004</b>	\$49,406,088	1.771	182
<b>Change</b>	+\$2,404,950	+1.553	-13
<b>October 2005</b>	\$50,410,419	3.458	177
<b>October 2004</b>	\$51,789,742	1.890	189
<b>Change</b>	-\$1,379,323	+1.568	-12

PHIL ANGELIDES  
TREASURER  
STATE OF CALIFORNIA

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

September 30, 2005			
<u>TYPE OF SECURITY</u>	AMOUNT	PERCENT	PERCENTAGE CHANGE FROM PRIOR MONTH
<b>Government</b>			
Bills	\$ 1,677,217	3.21	-2.59
Bonds	0	0	
Notes	3,222,907	6.17	-1.68
Strips	0	0	0
<b>Total Governments</b>	<b>\$ 4,900,124</b>	<b>9.38</b>	<b>-4.27</b>
<b>Federal Agency Coupons</b>	<b>\$ 7,512,808</b>	<b>14.39</b>	<b>-0.08</b>
<b>Certificate of Deposits</b>	<b>10,930,113</b>	<b>20.93</b>	<b>+0.67</b>
<b>Bank Notes</b>	<b>1,350,000</b>	<b>2.59</b>	<b>+0.83</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>5,692,948</b>	<b>10.90</b>	<b>-1.63</b>
<b>Time Deposits</b>	<b>7,475,495</b>	<b>14.31</b>	<b>-0.05</b>
<b>GNMAs</b>	<b>268</b>	<b>0</b>	<b>0</b>
<b>Commerical Paper</b>	<b>8,206,669</b>	<b>15.71</b>	<b>+5.00</b>
<b>FHLMC/REMICS</b>	<b>480,196</b>	<b>0.92</b>	<b>-0.06</b>
<b>Corporate Bonds</b>	<b>1,021,464</b>	<b>1.96</b>	<b>-0.17</b>
<b>AB55 Loans</b>	<b>4,752,520</b>	<b>9.10</b>	<b>-0.83</b>
<b>GF Loans</b>			
<b>Reversed Repurchases</b>	<b>(99,600)</b>	<b>(0.19)</b>	<b>-0.59</b>
<b>Total (All Types)</b>	<b>\$ 52,223,005</b>	<b>100.00</b>	

Average Life of Portfolio as of September 30, 2005 is 169 Days



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)
10/27/2005	3.51	3.45	189
10/28/2005	3.53	3.45	188
10/29/2005	3.53	3.45	188
10/30/2005	3.53	3.45	188
10/31/2005	3.54	3.46	177
11/1/2005	3.55	3.46	182
11/2/2005	3.55	3.46	182
11/3/2005	3.55	3.46	182
11/4/2005	3.56	3.47	185
11/5/2005	3.56	3.47	185
11/6/2005	3.56	3.47	185
11/7/2005	3.56	3.48	181
11/8/2005	3.56	3.48	183
11/9/2005	3.56	3.48	181

### LAIF Performance Report

#### Quarter Ending 9/30/05

Apportionment Rate: 3.18%  
 Earnings Ratio: .00008712246785713  
 Fair Value Factor: .99708304

### PMIA Average Monthly Effective Yields

October 2005 **3.458%**  
 September 2005 3.324%  
 August 2005 3.179%

### Pooled Money Investment Account Portfolio Composition \$52.0 Billion 10/31/05

