

IDYLLWILD FIRE PROTECTION DISTRICT



FINANCIAL STATEMENTS AND AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2004



SMITH MARION & CO.
CERTIFIED PUBLIC ACCOUNTANTS

IDYLLWILD FIRE PROTECTION DISTRICT
FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2004

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SMITH MARION & CO.
AN ACCOUNTANCY CORPORATION

22365 Barton Road, Suite 108
Grand Terrace, CA 92313
Telephone (909) 825-6600
Facsimile (909) 825-9900

38605 Calistoga Drive, Suite 120
Murrieta, CA, 92563
Telephone (951) 461-2045
Facsimile (951) 461-2095

Board of Directors
Idyllwild Fire Protection District
Idyllwild, CA 92549

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities of the Idyllwild Fire Protection District as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities of the Idyllwild Fire Protection District as of June 30, 2004, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the District has implemented a new financial reporting model, as required by the provision of GASB Statement 34, *Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments*, as of June 30, 2004.

The Management Discussion and Analysis (MD&A) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The management of the Idyllwild Fire Protection District has elected to omit this information.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Idyllwild Fire Protection District's basic financial statements. The supplementary information on page 13 and 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


November 21, 2008

BASIC FINANCIAL STATEMENTS

IDYLLWILD FIRE PROTECTION DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 3,714	\$ -	\$ 3,714
Investments	1,415,439		1,415,439
Taxes receivable			-
Ambulance receivable			-
Prepaid insurance	3,002		3,002
Capital assets (Net)	637,031		637,031
TOTAL ASSETS	2,059,186	-	2,059,186
LIABILITIES			
Accounts Payable	-		-
Accrued vacation	125,811		125,811
TOTAL LIABILITIES	125,811	-	125,811
NET ASSETS			
Investment in capital assets, net of related debt			-
Restricted			-
Unrestricted	1,933,375		1,933,375
TOTAL NET ASSETS	\$ 1,933,375	\$ -	\$ 1,933,375

The accompanying notes are an integral part of this statement

WYLLWILD FIRE PROTECTION DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Primary Government					Primary Gov't
Governmental Activities:					Governmental
					Activities
General government	\$ 1,313,859	\$ 144,161	\$ 57,335	\$ 500,000	\$ (612,363)
Interest on long-term debt	4,217				(4,217)
Total Governmental Activities	1,318,076	144,161	57,335	500,000	(616,580)
Business-type activities:	-				-
Total Business-Type Activities	-	-	-	-	-
Total Primary Government	\$ 1,318,076	\$ 144,161	\$ 57,335	\$ 500,000	(616,580)

General revenues:

Property taxes	832,246
State aid	17,388
Interest income	21,301
Other revenues	21,061
Donations	520
Total General Revenues	892,516
Change in Net Assets	275,936
Net Assets - beginning	1,657,439
Net Assets - ending	\$ 1,933,375

IDYLLWILD FIRE PROTECTION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2004

	General Fund	Capital Outlay Fund	Accrued Benefits Fund	Total Governmental Funds
ASSETS				
Cash	\$ 3,714			\$ 3,714
Investments	260,598	656,215	498,626	1,415,439
Taxes receivable				-
Ambulance receivable				-
Prepaid insurance	3,002			3,002
TOTAL ASSETS AND OTHER DEBITS	\$ 267,314	\$ 656,215	\$ 498,626	\$ 1,422,155
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued vacation				-
TOTAL LIABILITIES	-	-	-	-
EQUITY AND OTHER CREDITS				
Fund Balances				
Unreserved, Undesignated	264,312			264,312
Reserved	3,002	656,215	498,626	1,157,843
TOTAL EQUITY AND OTHER CREDITS	267,314	656,215	498,626	1,422,155
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$ 267,314	\$ 656,215	\$ 498,626	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	637,031
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds	(125,811)

Net Assets of governmental activities

\$ 1,933,375

'DYLLWILD FIRE PROTECTION DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004**

	General Fund	Capital Outlay Fund	Accrued Benefits Fund	Total Governmental Funds
REVENUES				
Tax assessments	\$ 832,246	\$ -	\$ -	\$ 832,246
State aid	17,388			17,388
Grant Income	557,335			557,335
Interest	2,687	10,508	8,106	21,301
Charges for services and fees	144,161			144,161
Donations	520			520
Other Revenue	21,061			21,061
TOTAL REVENUES	<u>1,575,398</u>	<u>10,508</u>	<u>8,106</u>	<u>1,594,012</u>
EXPENDITURES				
Current:				
General Government	1,111,202			1,111,202
Debt service:				
Interest expense	4,217			4,217
Capital Outlay:				
Equipment	194,597			194,597
TOTAL EXPENDITURES	<u>1,310,016</u>	<u>-</u>	<u>-</u>	<u>1,310,016</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	265,382	10,508	8,106	283,996
OTHER FINANCING SOURCES AND (USES)				
Transfers in from other funds		301,259		301,259
Transfers out to other funds	(274,248)		(27,011)	(301,259)
Net Other Financing Sources and (Uses)	<u>(274,248)</u>	<u>301,259</u>	<u>(27,011)</u>	<u>-</u>
Net change in fund balances	(8,866)	311,767	(18,905)	283,996
FUND BALANCE - BEGINNING OF YEAR	276,180	344,448	517,531	1,138,159
FUND BALANCE - END OF YEAR	<u>\$ 267,314</u>	<u>\$ 656,215</u>	<u>\$ 498,626</u>	<u>\$ 1,422,155</u>

IDYLLWILD FIRE PROTECTION DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in fund balances-total governmental funds	\$	283,996
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period

		(8,060)
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Change in net assets of governmental activities	\$	<u>275,936</u>
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IDYLLWILD FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	Governmental Funds		
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Tax assessments	\$ 817,955	\$ 832,246	\$ 14,291
State aid	14,100	17,388	3,288
Grant Income	76,942	557,335	480,393
Interest	30,000	21,301	(8,699)
Charges for services and fees	80,000	144,161	64,161
Donations	-	520	520
Other Revenue	10,000	21,061	11,061
TOTAL REVENUES	1,028,997	1,594,012	565,015
EXPENDITURES			
General Government			
Salaries and benefits	639,981	711,158	(71,177)
Retirement	99,250	86,857	12,393
Insurance	58,307	60,682	(2,375)
Payroll taxes	6,200	6,291	(91)
Utilities	13,500	12,853	647
Administrative	107,700	133,565	(25,865)
Operating	56,100	77,770	(21,670)
Other	44,959	26,243	18,716
Total General Government	1,025,997	1,115,419	(89,422)
Capital Outlay			
Capital Outlay	3,000	194,597	(191,597)
Total Capital Outlay	3,000	194,597	(191,597)
TOTAL EXPENDITURES	1,028,997	1,310,016	(281,019)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	283,996	283,996
OTHER FINANCING SOURCES AND (USES)			
Transfers to/from other funds	-	-	-
Net Other Financing Sources and (Uses)	-	-	-
Net Change in Fund Balances	-	283,996	283,996
FUND BALANCE - BEGINNING	1,138,159	1,138,159	-
FUND BALANCE - ENDING	\$ 1,138,159	\$ 1,422,155	\$ 283,996

The accompanying notes are an integral part of this statement

IDYLLWILD FIRE PROTECTION DISTRICT
IDYLLWILD, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1. NATURE OF ORGANIZATION

Idyllwild Fire Protection District, Idyllwild, CA was formed in 1946 for the purpose of providing fire protection services for the businesses and residents of Idyllwild, California.

The District records are located at 21460 Marantha Drive, Idyllwild, California 92549.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District has implemented a new financial reporting model, as required by the provision of GASB Statement 34, *Basic Financial Statements – Management’s Discussion and Analysis – For State and Local Governments*, as of June 30, 2004.

The financial statements of Idyllwild Fire Protection District (the District) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District has no component units and is not a component unit of another primary government.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligible requirements imposed by the provider have been met.

Governmental fund financial statements are reported as the current *financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *General Fund* is the government's primary operation fund. It accounts for all financial resources of the general government, except those required to be accounted in another fund.

The *Accumulated Capital Outlay fund (ACO)* is used to account for construction and equipment acquisition purposes.

The *Accrued Benefits Fund* represents district funds accumulated for future benefits.

As a general rule, the effect of inter-fund activity has been eliminated from the governmental-wide financial statements. Direct expenses have not been eliminated from the functional categories; indirect expenses and internal payments have been eliminated.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, service, or privileges provided, 2) operation grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then use unrestricted resources as they are required.

Revenue

Revenue consists primarily of property tax assessments, grants, and fees for services.

Federal and State Grant Revenue

Grant revenue is recognized when the program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

Budgets

Prior to the beginning of each year, the District's Board of Trustees adopts and files an itemized statement of anticipated revenues, reserve requirements and estimated operating expenditures, with the Riverside County Auditor-Controller. The source of financing for these operating costs and reserves requirements are (a) available fund balance carried forward from the preceding year, (b) revenues other than property taxes and (c) property taxes. These fund sources are a permanent balance and do not lapse at year end. The District's policy is to prepare its budget on the cash basis, which recognizes revenues when they are received in cash and expenditures when other than the general fund. For purposes of presenting the accompanying statement of revenue and expenditures-budget to actual, adjustments have been made to actual amounts to bring them in conformity with the method of accounting used for budgetary purposes. These adjustments are described in Note 7 below. The District does not use encumbrance accounting.

Compensated Absences

The District's employees may accumulate unused vacation, sick, and comp-time leave as follows: sick leave may be accumulated indefinitely and may be applied toward retirement credit only. Pursuant to GASB Statement 16, the accompanying financial statements present accrued vacation and sick pay benefits due employees at year-end.

Cash and Cash Equivalents

Cash and investments with a maturity of 3 months or less are treated as cash and cash equivalents.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property Taxes

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	January 1 st		
Levy Date	July 1 st to June 30 th		
Due Date	November 1 st	-	1 st Installment
	February 1 st	-	2 nd Installment
Delinquent Date	December 10 th	-	1 st Installment
	April 10 th	-	2 nd Installment

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the agencies based on complex formulas prescribed by the state statutes.

Investments

Amounts reported as investments consist primarily of State of California Local Agency Investment Fund (LAIF). LAIF average investment yield was 1.65%. All investments are valued at cost which approximates market value.

Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g. vehicles, equipment, office equipment and furniture), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Structures	30
Improvements	10
Vehicles	7
Office equipment	5

Tax and Revenue Anticipation Note (TRAN)

A tax and revenue anticipation note (TRAN) is a short term obligation issued by local governments to provide funds to meet cash flow deficits. The TRAN is repaid from current year tax revenue. The primary benefits of a TRAN are to provide cash during periods of cash shortages and to increase cash balances available for investments.

3. CAPITAL ASSETS

The following is a summary of changes in the capital fixed assets during the fiscal year:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Land	\$ 100,336	\$ -	\$ -	\$ 100,336
Structures	546,991	-	-	546,991
Vehicles	1,168,580	184,200	-	1,352,780
Equipment	153,291	17,764	-	171,055
Total Capital Assets	1,969,198	201,964	-	2,171,162
Less Accumulated Depreciation:				
Structures	(474,487)	(15,001)	-	(489,488)
Vehicles	(751,230)	(172,044)	-	(923,274)
Equipment	(98,390)	(22,979)	-	(121,369)
Total Accumulated depreciation	(1,324,107)	(210,024)	-	(1,534,131)
Net Governmental Activities Capital Assets	\$ 645,091	\$ (8,060)	\$ -	\$ 637,031

Depreciation for the year amounted to: \$ 210,024

In April of 2000 the District received a 1980 USFS Type III fire engine, with an estimated fair value of \$45,000 on loan from the Federal Government. The loan is for an indefinite period, renewable yearly, and requires the District to pay for all maintenance and other costs associated with the truck's use.

4. INTERFUND RECEIVABLES/PAYABLES

The following is a summary of interfund receivables and payables at June 30, 2004.

FUND	Due from other funds	Due to other funds
General	\$ -	\$ -
Capital Outlay	-	-
Accrued Benefits	-	-
Total	\$ -	\$ -

5. AMBULANCE RECEIVABLES

The District provides ambulance services to the community on a fee-for-service basis. The amount shown on the balance sheet net of allowance for uncollectible fees.

6. RISK MANAGEMENT

The District is insured with SDRMA for property, liability, auto liability and director's liability in amounts up to \$10,000,000 and with State Compensation Fund in statutory amounts for workers; compensation. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

7. BUDGET TO ACTUAL COMPARISON

As described in Note 1 to the financial statements, the District prepares its budget on the cash basis of accounting. The following adjustments have been made to bring the actual amounts on the statement of revenues and expenditures-budget-to-actual into conformity with this basis of accounting:

Total revenues-financial accounting basis	\$ 1,594,012
Accrual adjustments	-
Total revenues-budgetary basis	<u>\$ 1,594,012</u>
Total expenditures-financial accounting basis	\$ 1,310,016
Capital outlays	(201,964)
Accrual adjustments	
Total expenditures-budgetary basis	<u>\$ 1,108,052</u>

8. LONG-TERM DEBT

Long-term debt represents the obligation for earned but unused vacation. Due to the nature of the obligation for accrued vacation, the annual requirements to amortize such obligations are not determinable and have not been presented.

9. DEFERRED COMPENSATION PLAN

The District has made available to its eligible employees a deferred compensation plan under the terms of Section 457 of the Internal Revenue Code, whereby employees may elect to defer a portion of their salary to be invested in individual savings accounts, until certain circumstances are met. These circumstances are termination by reason of death, disability, resignation, retirement, or an unforeseeable emergency. Amounts accumulated by the District under the plan have been invested in either of two mutual funds at the direction of the employee. Amounts invested in the plan are held in trust for the benefit of the District's employees. As of June 30, 2004, the District's deferred compensation plan accumulated \$498,626 of assets including investment earnings payable to its employees.

10. CASH

The District has cash and demand deposits as follows:

	<u>Fair Value</u>
Deposits with financial institutions	\$ 3,714
Deposits with LAIF	<u>1,415,439</u>
Total Cash	<u>\$ 1,419,153</u>

The District invests all available funds in the Local Agency Investment Fund (LAIF).

Disclosure Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Disclosure Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. All funds are placed on deposit with LAIF.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government code and the District's investment policy do not contain legal or policy requirement that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposit.

The District's deposits with financial institutions do not exceed federal depository insurance limits.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of a mutual funds or government investment pool.

Investment in County Investment Pool

The District is a voluntary participant in LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

11. RETIREMENT PLAN

Plan Description

The District contributes to the CalPERS, a cost sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statutes, as legislatively amended, within the Public employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Funding Policy

Participants are required to contribute 7% of their annual covered salary. The District makes the contributions of District employees on their behalf and for their account. Also, the District is required to contribute at an actuarially determined rate; the current rate is 7.809% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by PERS.

The required contribution was determined as part of the June 30, 2000, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) and merit of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. Beginning on July 1, 1997, all changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology will be unamortized separately over a 20-year period. In addition, all gains or losses will be tracked and 10% of the net unamortized gain or loss will be amortized each year. Finally, if a plan's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30 year amortization of the unfunded liability.

THREE YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2002	\$ 19,745	100%	\$ -
6/30/2003	\$ 57,917	100%	\$ -
6/30/2004	\$ 84,341	100%	\$ -

12. FUND BALANCE RESERVES

The District's reserves at year end are as follows:

Reserved	General Fund	Capital Outlay Fund	Accrued Benefits Fund
Prepaid expenditures	\$ 3,002	\$ -	\$ -
Capital outlay		656,215	
Accrued benefits			498,626
Total	\$ 3,002	\$ 656,215	\$ 498,626

Reserved for Prepaid Expenditures

This reserve was established to represent amounts that were paid prior to June 30, 2004, for the subsequent fiscal year in such a manner they will not be considered as available spendable resources.

Reserved for Capital Outlay

This reserve was established for cash restrictions for future capital expenditures in such a manner they will not be considered as available spendable resources.

Reserved for Accrued Benefits

This reserve was established for future benefits in such a manner they will not be considered as available spendable resources.

13. COMMITMENTS AND CONTINGENCIES

In the opinion of the district there are no significant contingent liabilities.