

IDYLLWILD FIRE PROTECTION DISTRICT



FINANCIAL STATEMENTS AND AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2006



SMITH MARION & CO.
CERTIFIED PUBLIC ACCOUNTANTS

**IDYLLWILD FIRE PROTECTION DISTRICT
FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2006**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Assets	2
Statement of Activities	3
Fund Financial Statements:	
Balance Sheet – Governmental Funds	4
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Governmental Funds	7
Notes to Financial Statements	8-14



SMITH MARION & Co.
AN ACCOUNTANCY CORPORATION

Please respond to:
Grand Terrace Office
22365 Barton Road, Suite 108
Grand Terrace, CA 92313
Telephone (909) 825-6600
Facsimile (909) 825-9900

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, 2006, 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, 2006, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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.

Smith Marion & Co.
June 1, 2009

www.smcoipa.com

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

Lebanon Office
303 Antietam Court
Lebanon, TN 37087
Telephone (615) 453-7855
Facsimile (615) 453-7855

BASIC FINANCIAL STATEMENTS

IDYLLWILD FIRE PROTECTION DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 298,045	\$ -	\$ 298,045
Investments	370,961	-	370,961
Prepaid insurance	24,143	-	24,143
Capital assets (Net)	582,473	-	582,473
TOTAL ASSETS	1,275,622	-	1,275,622
LIABILITIES			
Accrued vacation	225,911	-	225,911
TOTAL LIABILITIES	225,911	-	225,911
NET ASSETS			
Investment in capital assets, net of related debt	582,473	-	582,473
Unrestricted	467,238	-	467,238
TOTAL NET ASSETS	\$ 1,049,711	\$ -	\$ 1,049,711

IDYLLWILD FIRE PROTECTION DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Governmental Activities:					
General government	\$ 1,760,025	\$ 153,870	\$ 15,587	\$ 85,504	\$ (1,505,064)
Total Governmental Activities	<u>1,760,025</u>	<u>153,870</u>	<u>15,587</u>	<u>85,504</u>	<u>(1,505,064)</u>
Business-type activities:	-				-
Total Business-Type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 1,760,025</u>	<u>\$ 153,870</u>	<u>\$ 15,587</u>	<u>\$ 85,504</u>	<u>(1,505,064)</u>

General revenues:

Property taxes	1,069,983
State aid	24,188
Interest income	13,228
Other revenues	35,051
Donations	1,100
Total General Revenues	<u>1,143,550</u>
Change in Net Assets	(361,514)
Net Assets - beginning	1,411,225
Net Assets - ending	<u>\$ 1,049,711</u>

IDYLLWILD FIRE PROTECTION DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2006

	General Fund	Capital Outlay Fund	Accrued Benefits Fund	Total Governmental Funds
ASSETS				
Cash	\$ 298,045			\$ 298,045
Restricted Cash	8,440	134,103	228,418	370,961
Prepaid insurance	24,143			24,143
TOTAL ASSETS AND OTHER DEBITS	\$ 330,628	\$ 134,103	\$ 228,418	\$ 693,149
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-	-
EQUITY AND OTHER CREDITS				
Fund Balances				
Unreserved, Undesignated	306,485			306,485
Reserved for prepaid insurance	24,143	134,103	228,418	386,664
TOTAL EQUITY AND OTHER CREDITS	330,628	134,103	228,418	693,149
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$ 330,628	\$ 134,103	\$ 228,418	

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	582,473
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds	(225,911)

Net Assets of governmental activities

\$ 1,049,711

IDYLLWILD FIRE PROTECTION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	Capital Outlay Fund	Accrued Benefits Fund	Total Governmental Funds
REVENUES				
Tax assessments	\$ 1,069,983	\$ -	\$ -	\$ 1,069,983
State aid	24,188			24,188
Grant Income	101,091			101,091
Interest	5,186	1,994	6,048	13,228
Charges for services and fees	153,870			153,870
Donations	1,100			1,100
Other Revenue	35,051			35,051
TOTAL REVENUES	1,390,469	1,994	6,048	1,398,511
EXPENDITURES				
Current:				
General Government	1,487,308			1,487,308
Debt service:				
Interest expense	-			-
Capital Outlay:				
Equipment	19,371			19,371
TOTAL EXPENDITURES	1,506,679	-	-	1,506,679
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(116,210)	1,994	6,048	(108,168)
OTHER FINANCING SOURCES AND (USES)				
Transfers in from other funds	188,178			188,178
Transfers out to other funds		(2,552)	(185,626)	(188,178)
Net Other Financing Sources and (Uses)	188,178	(2,552)	(185,626)	-
Net change in fund balances	71,968	(558)	(179,578)	(108,168)
FUND BALANCE - BEGINNING OF YEAR	258,660	134,661	407,996	801,317
FUND BALANCE - END OF YEAR	\$ 330,628	\$ 134,103	\$ 228,418	\$ 693,149

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, 2006**

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

Net Change in fund balances-total governmental funds	\$ (108,168)
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	(280,115)
Decrease in accrued vacation liability	26,769
Change in net assets of governmental activities	<u>\$ (361,514)</u>

IDYLLWILD FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Governmental Funds		
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Tax assessments	\$ 992,750	\$ 1,069,983	\$ 77,233
State aid	20,000	24,188	4,188
Grant Income	164,680	101,091	(63,589)
Interest	18,000	13,228	(4,772)
Charges for services and fees	133,852	153,870	20,018
Donations	-	1,100	1,100
Other Revenue	8,000	35,051	27,051
TOTAL REVENUES	1,337,282	1,398,511	61,229
EXPENDITURES			
General Government			
Salaries and benefits	715,025	898,728	(183,703)
Retirement	173,800	169,729	4,071
Insurance	67,350	66,483	867
Payroll taxes	6,700	7,471	(771)
Utilities	14,200	20,400	(6,200)
Administrative	168,600	181,178	(12,578)
Operating	160,000	134,048	25,952
Other	31,607	9,271	22,336
Total General Government	1,337,282	1,487,308	(150,026)
Capital Outlay			
Capital Outlay	-	19,371	(19,371)
Total Capital Outlay	-	19,371	(19,371)
TOTAL EXPENDITURES	1,337,282	1,506,679	(169,397)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(108,168)	(108,168)
OTHER FINANCING SOURCES AND (USES)			
Transfers to/from other funds	-	-	-
Net Other Financing Sources and (Uses)	-	-	-
Net Change in Fund Balances	-	(108,168)	(108,168)
FUND BALANCE - BEGINNING	801,317	801,317	-
FUND BALANCE - ENDING	\$ 801,317	\$ 693,149	\$ (108,168)

IDYLLWILD FIRE PROTECTION DISTRICT
IDYLLWILD, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

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 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*. This is the third year of reporting under that format.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

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. 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 6 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

Cash and Cash Equivalents

Cash and investments with a maturity of three 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 are 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

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:				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 100,336	\$ -	\$ -	\$ 100,336
<i>Capital Assets, being depreciated:</i>				
Structures & improvements	551,896	-	-	551,896
Vehicles	1,713,296	-	-	1,713,296
Equipment, furniture & fixtures	330,680	19,371	-	350,051
Totals, Capital Assets being depreciated	2,595,872	19,371	-	2,615,243
Less Accumulated Depreciation for:				
Structures & improvements	(497,202)	(7,991)		(505,193)
Vehicles	(998,503)	(222,739)		(1,221,242)
Equipment, furniture & fixtures	(337,915)	(68,756)		(406,671)
Total Accumulated depreciation	(1,833,620)	(299,486)	-	(2,133,106)
Net Capital Assets being depreciated	762,252	(280,115)	-	482,137
Net Governmental Activities Capital Assets	\$ 862,588	\$ (280,115)	\$ -	\$ 582,473
Depreciation for the year amounted to:				<u>\$ 299,486</u>

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, 2006.

FUND	Due from other funds	Due to other funds
General	\$ 188,178	\$ -
Capital Outlay		2,552
Accrued Benefits	-	185,626
Total	\$ 188,178	\$ 188,178

5. RISK MANAGEMENT

The District is insured with Special District Risk Management Authority (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.

6. 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:

NOTES TO FINANCIAL STATEMENTS (Continued)

Total revenues-financial accounting basis	\$ 1,398,511
Accrual adjustments	-
Total revenues-budgetary basis	<u>\$ 1,398,511</u>
Total expenditures-financial accounting basis	\$ 1,487,308
Capital outlays	19,371
Accrual adjustments	-
Total expenditures-budgetary basis	<u>\$ 1,506,679</u>

7. 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.

8. 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, 2006, the District's deferred compensation plan accumulated \$228,418 of assets including investment earnings payable to its employees.

9. CASH

The District has cash and demand deposits as follows:

	<u>Fair Value</u>
Deposits with financial institutions	\$ 298,045
Deposits with LAIF	370,961
Total Cash	<u>\$ 669,006</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.

10. 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

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) 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
6/30/04	\$ 84,341	100%	\$ -
6/30/05	\$ 182,743	100%	\$ -
6/30/06	\$ 169,729	100%	\$ -

11. FUND BALANCE RESERVES

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

	General Fund	Capital Outlay Fund	Accrued Benefits Fund
Reserved			
Prepaid expenditures	\$ 24,143	\$ -	\$ -
Capital outlay		134,103	
Accrued benefits			228,418
Total	\$ 24,143	\$ 134,103	\$ 228,418

Reserved for Prepaid Expenditures

This reserve was established to represent amounts that were paid prior to June 30, 2006, 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.

12. COMMITMENTS AND CONTINGENCIES

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

* * *