

MOKELUMNE HILL FIRE PROTECTION DISTRICT

**ANNUAL FINANCIAL STATEMENTS**

For the Fiscal Year Ended  
June 30, 2013 with Comparative Totals for the  
Fiscal Year Ended June 30, 2012

## TABLE OF CONTENTS

Independent Auditor's Report	1
<i>General Purpose Financial Statements:</i>	
Statement of Net Assets	3
Statement of Activities	4
<i>Fund Financial Statements:</i>	
Governmental Funds Balance Sheet	5
Reconciliation of the Balance Sheet- Governmental Funds to the Statement of Net Assets	
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds- Budgets and Actual	8
Notes to Financial Statements	9
Report on Internal Control over Financial Reporting	17

✦ CATHY CASTILLO  
CERTIFIED PUBLIC ACCOUNTANT  
✦ 460 Sutter Hill Road P.O. Box 1355  
Sutter Creek, California 95685  
✦ (209) 267-5119 Fax: (209) 267-0885  
ccastillocpa@sbcglobal.net

Accountants on Staff:  
Toni Heppie, CPA  
Susan Bordwell, Staff Accountant

Member of the American Institute of Certified Public  
Accountants, California Society of CPA's and AICPA Peer Review Program

---

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Mokelumne Hill Fire Protection District  
Mokelumne Hill, California

I have audited the accompanying financial statements of the governmental activities of the Mokelumne Hill Fire Protection District as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The prior year summarized comparative information has been derived from Mokelumne Hill Fire Protection District's financial statements for the fiscal year ended June 30, 2012 and, in my report dated, November 5, 2012, I expressed an unqualified opinion on those financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my audit opinions.

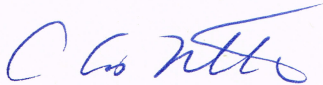
## **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Mokelumne Hill Fire Protection District as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) and budgetary comparison information be presented to supplement the basic financial statements. Management has omitted MD&A that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information. Management has elected to include the budgetary comparison as part of the financial statements.



Cathy Castillo, Certified Public Accountant

Sutter Creek, California

January 24, 2014

**MOKELUMNE HILL FIRE PROTECTION DISTRICT**  
**STATEMENT OF NET ASSETS**  
**As of June 30, 2013 with Comparative Totals as of June 30, 2012**

	2013	2012
<b>ASSETS</b>		
Cash		
County Treasury	\$ 229,999	\$ 200,016
Cash in Checking	1,434	
Prepaid insurance	2,374	2,128
Total current assets	233,807	202,144
Due from state government	-	6,237
Capital assets		
Land	375,000	375,000
Buildings	510,156	510,157
Equipment	102,730	82,539
Vehicles and engines	710,660	710,660
	1,698,546	1,678,356
Accumulated depreciation	(621,802)	(505,927)
Total capital assets	1,076,744	1,172,429
<b>Total Assets</b>	<b>\$ 1,310,551</b>	<b>\$ 1,380,810</b>
<b>LIABILITIES</b>		
Accrued payroll taxes	\$ 2,490	\$ 997
Accrued interest payable	4,475	4,877
Current portion of long-term debt	9,851	9,449
Non-current liabilities:		
Long-term debt due in more than one year	95,450	105,301
Total Liabilities	112,266	120,624
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	971,443	1,057,678
Unrestricted	226,842	202,508
Total Net Assets	1,198,285	1,260,186
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,310,551</b>	<b>\$ 1,380,810</b>

See accompanying notes and independent auditor's report.

**MOKELUMNE HILL FIRE PROTECTION DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2013 with the Comparative Totals**  
**for the Fiscal Year Ended June 30, 2012**

	2013	2012
<b>PROGRAM EXPENSES</b>		
Clothing and personal supplies	\$ 4,665	\$ 282
Communications	3,725	1,986
Contribution to LAFCO	116	118
Depreciation and amortization	115,875	107,813
Equipment expenditures	-	5,142
Food and household expenses	448	335
Gas and oil expense	5,037	6,152
General liability insurance	7,122	6,228
Group health insurance	2,290	2,720
Interest expense-debt service	4,475	8,149
Maintenance-buildings	1,823	2,977
Maintenance-equipment	6,010	2,124
Medical/dental /lab	1,720	330
Memberships and dues	50	85
Office supplies	1,721	639
Reimbursement for mileage	6,024	5,492
Professional services	19,911	23,779
Small tools and equipment	434	458
Special department expense	1,181	3,343
Station wages	19,858	11,204
Strike team wages	36,767	12,591
Taxes-payroll	7,665	3,085
Training	1,516	1,108
Utilities	3,204	3,231
Worker's compensation insurance	6,806	8,190
Total Program Expenses	<u>258,443</u>	<u>217,561</u>
<b>PROGRAM REVENUES</b>		
Assessments for fire protection service	63,476	66,156
Special assessment	46,875	46,725
Total Program Revenues	<u>110,351</u>	<u>112,881</u>
Net Program Revenues (Expenses)	<u>(148,092)</u>	<u>(104,680)</u>
<b>GENERAL REVENUES</b>		
State firefighter reimbursements	82,947	20,102
Donations-cash and non cash	-	137,869
State and federal grants	-	118,250
Gain(loss) on asset dispositions	-	(1,969)
Miscellaneous revenue	1,705	17,336
Interest income	1,539	1,328
Total General Revenues	<u>86,191</u>	<u>292,916</u>
Change in Net Assets	(61,901)	188,236
<b>NET ASSETS-beginning of year</b>	1,260,186	1,071,950
<b>NET ASSETS-end of year</b>	<u>\$ 1,198,285</u>	<u>\$ 1,260,186</u>

See accompanying notes and independent auditor's report.

**MOKELUMNE HILL FIRE PROTECTION DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of June 30, 2013 with Comparative Totals as of June 30, 2012**

	2013 General Fund	2012 General Fund
<b>ASSETS</b>		
Cash		
County Treasury	\$ 229,999	\$ 200,016
Checking	1,434	-
Prepaid insurance	2,374	2,128
<b>Total Assets</b>	<b>\$ 233,807</b>	<b>\$ 202,144</b>
<b>LIABILITIES</b>		
Accrued payroll taxes	\$ 2,490	\$ 997
Accrued interest payable	4,475	4,877
<b>Total Liabilities</b>	<b>6,965</b>	<b>5,874</b>
<b>FUND BALANCE</b>		
Unassigned	226,842	196,270
<b>Total Fund Balance</b>	<b>226,842</b>	<b>196,270</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 233,807</b>	<b>\$ 202,144</b>

**MOKELUMNE HILL FIRE PROTECTION DISTRICT  
RECONCILIATION OF THE BALANCE SHEET- GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
As of June 30, 2013 with Comparative Totals as of June 30, 2012**

	2013	2012
Fund balance of Governmental Funds	\$ 226,842	\$ 196,270
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets, net of accumulated depreciation and related debt are not current financial resources and are not included in governmental funds	971,443	1,057,679
Due from state government funds are not receivable in the current period and therefore are not reported as assets in the funds	-	6,237
<b>Net Assets of Governmental Activities</b>	<b>\$ 1,198,285</b>	<b>\$ 1,260,186</b>

See accompanying notes and independent auditor's report

**MOKELUMNE HILL FIRE PROTECTION DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**

For the Fiscal Year Ended June 30, 2013  
with Comparative Totals for the Fiscal Year Ended June 30, 2012

	2013 General Fund	2012 General Fund
<b>REVENUES</b>		
Assessments for fire protection service	\$ 63,476	\$ 66,156
Donations-cash and non cash	-	137,869
Sale of surplus property	-	-
Special assessment	46,875	46,725
State and federal grants	-	118,250
State firefighter reimbursements	82,947	20,102
Miscellaneous revenue	1,705	17,336
Interest income	1,539	1,328
Total Revenues	196,542	407,766
<b>EXPENDITURES</b>		
Capital outlay	20,191	143,986
Clothing and personal supplies	4,665	282
Communications	3,725	1,986
Contribution to LAFCO	116	118
Equipment expenditures	-	5,142
Food and household expenses	448	335
Gas and oil expense	5,037	6,152
General liability insurance	7,122	6,228
Group health insurance	2,290	2,720
Maintenance-buildings	1,823	2,977
Maintenance-equipment	6,010	2,124
Medical/dental /lab	1,720	330
Memberships and dues	50	85
Office supplies	1,721	639
Reimbursement for mileage	6,024	5,492
Professional services	19,910	23,779
Small tools and equipment	434	458
Special department expense	1,181	3,343
Station wages	19,858	11,204
Strike team wages	36,767	12,591
Taxes-payroll	7,665	3,085
Training	1,516	1,108
Utilities	3,204	3,231
Worker's compensation insurance	6,806	8,190
Total Expenditures	158,283	245,585
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from state loan	6,237	-
Proceeds from long term debt	-	114,750
Principal	(9,449)	(229,023)
Interest expense	(4,475)	(8,149)
Total Financial Sources (Uses)	(7,687)	(122,422)
Net Change in Fund Balance	30,572	39,759
<b>FUND BALANCES</b>		
Beginning of year	196,270	156,511
End of year	\$ 226,842	\$ 196,270

See accompanying notes and independent auditor's report



**MOKELUMNE HILL FIRE PROTECTION DISTRICT**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES-**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Years Ended June 30, 2013**  
**with Comparative Totals for the Fiscal Year Ended June 30, 2012**

	2012	2011
<b>Net Change in Fund Balances-Governmental Funds</b>	<b>\$ 30,572</b>	<b>\$ 39,759</b>
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>Government funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their useful lives and reported as depreciation expense.</p> <p>Capital outlay expenditures are therefore added back to fund balances.</p>		
	20,191	143,986
Depreciation expense not reported in governmental funds	(115,875)	(107,793)
Amortization of loan fees not reported in governmental funds	-	(20)
Proceeds of long term debt	-	(114,750)
Proceeds of state loan	(6,238)	-
<p>The net effect of financing transactions involving long-term debt is to increase net assets.</p>		
	9,449	229,023
Loan fees written off in full on loan payoff-net of amortization		(1,969)
<b>Change in Net assets of Governmental Activities</b>	<b>\$ (61,901)</b>	<b>\$ 188,236</b>

**MOKELUMNE HILL FIRE PROTECTION DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-**  
**GOVERNMENTAL FUNDS-BUDGETS AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2013**

	Original Budget Amount	Final Budget Amount	Actual	Variance (unfavorable)
<b>REVENUES</b>				
Assessments for fire protection service	\$ 69,950	\$ 61,668	\$ 63,476	\$ 1,808
Donations-cash and non cash	-	-	-	-
Sale of surplus property	-	-	-	-
Special assessment	46,000	46,000	46,875	875
State and federal grants	-	-	-	-
State firefighter reimbursements	15,000	15,000	82,947	67,947
Miscellaneous revenue	-	-	1,705	1,705
Interest income	2,000	2,000	1,539	(461)
Total Revenues	<u>132,950</u>	<u>124,668</u>	<u>196,542</u>	<u>71,874</u>
<b>EXPENDITURES</b>				
Capital outlay	11,500	18,000	20,191	(2,191)
Clothing and personal supplies	1,300	1,316	1,316	-
Clothing and equipment-Safety	2,000	3,349	3,349	-
Communications	1,500	3,725	3,725	-
Contribution to LAFCO	170	287	116	171
Food and household expenses	800	800	448	352
Gas and oil expense	7,000	6,476	5,037	1,439
General liability insurance	7,500	7,500	7,122	378
Group health insurance	3,000	2,841	2,290	551
Maintenance-buildings	1,500	1,500	1,823	(323)
Maintenance-equipment	4,100	6,451	6,010	441
Medical, dental , lab	250	1,720	1,721	(1)
Memberships and dues	150	150	50	100
Office supplies	1,000	1,579	1,720	(141)
Reimbursement for mileage	5,500	6,024	6,024	-
Rents and leases	100	100	-	100
Professional services	25,000	21,722	19,910	1,812
Small tools and equipment	500	500	434	66
Special department expense	500	4,122	1,181	2,941
Station wages	17,000	18,539	19,858	(1,319)
Strike team wages	13,000	36,509	36,767	(258)
Taxes-payroll	4,100	8,711	7,665	1,046
Training	1,500	1,516	1,516	-
Travel expense	100	100	-	100
Utilities	3,500	3,500	3,204	296
Worker's compensation insurance	7,500	7,500	6,806	694
Debt service-principal	-	-	9,449	(9,449)
interest	-	-	4,475	(4,475)
Total Expenditures	<u>120,070</u>	<u>164,537</u>	<u>172,207</u>	<u>(7,670)</u>
Proceeds from state loan	-	-	6,237	6,237
Net Change in Fund Balances	<u>\$ 12,880</u>	<u>\$ (39,869)</u>	<u>\$ 30,572</u>	<u>\$ 70,441</u>

See accompanying notes and independent auditor's report

**MOKELUMNE HILL FIRE PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1-      ORGANIZATION AND PURPOSE**

*Nature of Activities:*

The Mokelumne Hill Fire Protection District (herein after known as the District) was established in 1929 for the purpose of providing fire protection for the residents of the District. The District is considered an independent Special District of the State of California. The District acts and operates under, and is governed by, the statutory authority known as the Health and Safety Code, State of California, Division 12, Part 2.7, Fire Protection District Law of 1961.

The District's revenue is generated by levying taxes upon all taxable property within its boundaries for general purposes. The assessed valuation of the District is determined by the assessor of the County of Calaveras and the taxes are collected by the tax collector. The District is a separate reporting entity of Calaveras County.

A five member Board of Directors, who serve a four year term, governs the District. Governing activities include administration of the District.

**NOTE 2-      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation:*

**Government-wide Statements:**

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all non-fiduciary activities of the primary government. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately.

The statement of activities demonstrates to the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include grants and assessments that are restricted to meeting the operational requirements of a particular function or activity.

*Fund Financial Statements:*

The District is a special purpose government entity, which is engaged in a single governmental program of providing fire protection as noted above.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, and reserves, fund equity, revenues and expenditures.

**MOKELUMNE HILL FIRE PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**Note 2:        SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -Continued**

The following funds are used by the District:

*Governmental Funds:*

The focus of governmental funds' measurement is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

*General Fund-* The general fund is the primary operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. This fund measures economic resources using the modified cash basis of accounting.

*Basis of Accounting:*

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 the related cash flows.

The fund financial statement is presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recorded when susceptible to accrual; both measurable and available. "Available" means collectible within the current period or within 60 days after the year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to the general rule is that principal and interest on general obligation long-term debt is recognized when due.

*Budgetary Control:*

The District establishes the fiscal year as the twelve month period beginning July 1. This budget is prepared on the cash basis of accounting, which does not vary significantly from the modified accrual basis of accounting used in the financial statements. By State Law, the District's governing board must approve a tentative budget no later than June 30 and adopt a final budget no later than August 31. A public hearing must be conducted to receive comments prior to adoption. The District complied with this requirement.

The Board of Directors monitors monthly expenses using the budget as a control device.

The budgets can be revised by the District's governing board during the year to give consideration to unanticipated income and expenditures.

*Revenue:*

*Assessments-* The District's general operations are funded primarily by assessments on all parcels that comprise the District. Assessments are billed by the County on secured property tax bills in two installments on secured property tax bills, which become delinquent after December 10<sup>th</sup> and April 10<sup>th</sup>. Calaveras County is responsible for assessing, collecting and distributing the assessments. Liens on real property are established on March 1 for the ensuing year.

**MOKELUMNE HILL FIRE PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**Note 2:            SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -Continued**

The Building Department of Calaveras County may collect an Exaction fee for the District, which is a fee assessed on all new construction in the District for purposes of funding and providing for water delivery. The use of this fee is restricted, it may be used for the purchase of trucks but not hoses, and it could be used for the purchase and installation of fire hydrants. Because of the restrictions on this fee and the small nature of the collections; collection has been suspended by the board of directors, there are no plans to reactivate it.

The District collects a Special Assessment Fee from all 1,288 parcels within the district. This Special Assessment revenue is not restricted in any way so as such is used exactly as if it were part of the general fund.

*Donations* - The district occasionally receives donations from either private organizations or individuals. The Board approves how donations will be spent.

*Miscellaneous Revenue* - Consists of the sale of surplus equipment, originally expensed, and miscellaneous refunds and reimbursements.

***Capital Assets:***

Fixed assets, which include equipment and buildings, are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized that exceed \$5,000 in cost. When capital assets are disposed of, the related cost and accumulated depreciation are removed from the accounts and gains or losses are reported as part of change in net assets.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	15-40 years
Vehicles	5 years
Machinery & equipment	5 years

Depreciation expense for June 30, 2013 was \$115,875.

***Prepaid Items:***

Prepaid balances are for payments made by the District in the current year to provide services occurring in the subsequent fiscal year. The prepaid item has been recorded to signify that a portion of the fund balance is not available for other subsequent expenditures. The prepaid item for the District represents insurance expenditures allocable between fiscal years.

**MOKELUMNE HILL FIRE PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**Note 2:        SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -Continued**

***Comparative Financial Information:***

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements from the fiscal year ended June 30, 2012, from which the summarized information was derived. Certain amounts have been restated to conform with current year presentation.

***Equity Classifications:***

**Government-wide Statements**

Equity is classified as net assets, which comprise the various net earnings from operating income, non-operating revenues and expenses and capital contributions. Net assets are classified in the following three components:

*Invested in capital asset, net of related debt* - This component of net assets consists of capital asset, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

*Restricted* - This component of net assets consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The District had no restricted net assets at June 30, 2013.

*Unrestricted net assets* - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

***Fund Financial Statements***

Government fund equity is classified as fund balance. Fund balance is further classified as follows:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can only be spent for specific purposes because of enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of government

**MOKELUMNE HILL FIRE PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

Committed: amounts that can only be used for specific purposes determined by a formal action of the Board. The Board is the highest level of decision making authority for Mokelumne Hill Fire Protection District. Commitments may be established, modified, or rescinded only through an action of the Board.

Assigned: amount that does not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Only the Board has authority to assign amounts for those purposes.

Unassigned: all other spendable amounts.

***Estimates and Assumptions:***

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

***Income Taxes:***

The District is a Special Purpose Governmental District and has no filing requirements with the Internal Revenue Service or the Franchise Tax Board for Income Taxes. It is required to file a Special Districts Financial Report with the California State Controller's Office. This report was electronically filed on October 5, 2013.

**NOTE 3- CASH**

The District maintains its general cash amount with the Calaveras County Treasurer's office. The County maintains the cash of the District in a "pooled" cash fund for special districts. The County sponsors an investment pool that is managed by the County Treasurer. All monies held by the Calaveras County Treasurer receive quarterly allocations of County investment income based on the District's share of cash in relation to the total invested cash by the County.

Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County's financial statements may be obtained by contacting the County of Calaveras Auditor-Controller's Office at 891 Mountain Ranch Road, San Andreas, CA 95249.

The District also maintains a non-interest bearing checking account to facilitate the electronic payment on the District's USDA Rural Development Loan. This account is held at the US Bank branch located at 580 S Main St. in Angels Camp, California.

**MOKELUMNE HILL FIRE PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 4- CAPITAL ASSETS**

Capital assets at June 30, 2013 consisted of the following:

	Balance June 30, 2012	Additions	Dispositions	Balance June 30, 2013
Land	\$ 375,000	\$ -	\$ -	\$ 375,000
Buildings	510,157	-	-	510,157
Equipment	82,539	20,191	-	102,730
Vehicles and Engines	710,660	-	-	710,660
Total Capital assets	<u>1,678,356</u>	<u>20,191</u>	<u>-</u>	<u>1,698,546</u>
Accumulated depreciation	(505,927)	115,875	-	(621,802)
Total Capital Assets	<u>\$ 1,172,429</u>	<u>\$ (95,684)</u>	<u>\$ -</u>	<u>\$ 1,076,744</u>

**NOTE 5- PREPAID EXPENSE**

As of June 30, 2013 the prepaid insurance consisted of general liability insurance. The policy period is from November 1 to October 31 for the general liability insurance. The premiums are accordingly expensed over the period covered.

**NOTE 6- DUE FROM STATE GOVERNMENT**

The California legislature passed and the Governor signed ABX4 14 and ABX4 15 as part of the 2009-2010 budget package. These two bills effectively mandated that 8% of property tax collections for the District be 'loaned' to the state. The state repaid the loan during the fiscal year ending June 30, 2013 with interest of 6%. The District received the principal amount due from the state of \$6,237 and interest in the amount of \$415.

**NOTE 7- LONG TERM DEBT**

The District received a loan from the United States Department of Agriculture (USDA), Rural Development in 2012. The original loan amount of \$114,750 is requires annual payments over ten years, with annual interest rate of 4.25%. The annual payment of \$14,326 is due each July.



**MOKELUMNE HILL FIRE PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 7- LONG TERM DEBT- continued**

	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2014	\$ 9,851	\$ 4,475	\$ 14,326
2015	10,269	4,056	14,326
2016	10,706	3,620	14,326
2017	11,161	3,165	14,326
2018	11,635	2,691	14,326
Thereafter	51,679		
Total	<u>\$ 105,301</u>		

Accrued interest payable on the above loan at June 30, 2013 is \$4,475, and was paid July 2013.

**NOTE 8 - SUBSEQUENT EVENTS**

The District has evaluated subsequent events through January 24, 2014, the date which the financial statements were available to be issued. The following are significant items to report:

The District purchased a parcel of land located at 6219 Main Street in Valley Springs, California on October 15, 2013. The cost of the land is \$15,965. The District plans to use the land to build a second fire station.

**NOTE 9- RISK FINANCING**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There were no significant reductions in insurance coverage from coverage in the prior year.

**NOTE 10- COMMITMENTS AND CONTIGENCIES**

The Mokelumne Hill Fire Protection District is unaware of any other claims against it, which may have a material effect on the financial statement as of June 30, 2013.

**MOKELUMNE HILL FIRE PROTECTION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 11- GOVERNING BOARD**

The powers of the District are exercised by its Board of Directors, which consist of the following members as of June 30, 2013:

<b>Member</b>	<b>Position</b>
Suzie Coe	Board President
Walt Wight	Vice President
Larry Robertson	Secretary/Treasurer
Del Albright	Director
John Dell'Orto	Director

✦ CATHY CASTILLO  
CERTIFIED PUBLIC ACCOUNTANT  
✦ 460 Sutter Hill Road P.O. Box 1355  
Sutter Creek, California 95685  
✦ (209) 267-5119 Fax: (209) 267-0885  
ccastillocpa@sbcglobal.net

Accountants on Staff:  
Toni Heppe, CPA  
Susan Bordwell, Staff Accountant

Member of the American Institute of Certified Public  
Accountants, California Society of CPA's and AICPA Peer Review Program

---

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors  
Mokelumne Hill Fire Protection District

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mokelumne Hill Fire Protection District, as of and for the fiscal year ended June 30, 2013, and have issued my report thereon dated January 24, 2014.

### Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies, and therefore material weaknesses or significant weaknesses may exist that were not identified.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency, 13-01, as described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. There are no significant deficiencies to report.

### Compliance and Other Matters

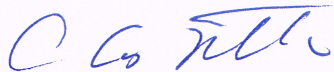
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements (if any), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Mokelumne Fire Protection District's Response to Findings

District's response to the findings identified in my audit is described in the accompanying schedule of findings. The response was not subjected to auditing procedures applied in the audit of the financial statements and accordingly, I express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing. This report is intended solely for the information of management, the Board of Trustees, Calaveras County Auditor Controller's Office and the California State Controller's office and is not intended to be and should not be used by anyone other than these specified parties.



Cathy Castillo,  
Certified Public Accountant  
January 24, 2014

Mokelumne Hill Fire Protection District  
Schedule of Findings and Responses  
June 30, 2013

**13-01 (Material Weakness in Internal Control)**

**CONDITION**

A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures. The District does not have a person with the skills and knowledge to prepare financial statements that include all the disclosures required by generally accepted accounting principles (GAAP).

**CRITERIA**

Statement of Auditing Standards No. 115, states that the auditor may not be a part of the organization's internal control system. Someone from the organization should be knowledgeable in generally accepted accounting principles and capable of preparing the financial statements in conformity with generally accepted accounting principles.

**CAUSE**

The organization does not have either an employee educated in generally accepted accounting principles or an accounting firm engaged in preparing financial statements in conformity with GAAP.

**RECOMMENDATION**

The auditor recommended the District should consider the cost benefit of hiring an accountant familiar with GAAP or hiring an independent CPA firm to compile financial statements in conformity with GAAP

**RESPONSE**

The Organization believes that the interim financial statements provided by management are adequate to meet the decision making needs of the organization and has determined there is no cost benefit to hiring an accountant to prepare financial statements in conformity with generally accepted accounting principles prior to the annual audit of the financial statements. If the organization issues interim financial statements to an outside entity, it will consult with an accountant familiar with generally accepted accounting principles to assure accurate financial statements prepared in conformity with generally accepted accounting principles.