

MOKELUMNE HILL FIRE PROTECTION DISTRICT

ANNUAL FINANCIAL REPORT

For the Years Ending June 30, 2012 and 2011

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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 Mokelumne Hill Fire Protection District as of June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I express no such opinion. 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. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of the Mokelumne Hill Fire Protection District, as of June 30, 2012 and 2011, and its revenues and expenditures and changes in net assets for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

Mokelumne Hill Fire Protection District has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the basic financial statements.

Cathy Castillo
Certified Public Accountant

November 5, 2012
Sutter Creek, California

MOKELUMNE HILL FIRE PROTECTION DISTRICT
STATEMENTS OF NET ASSETS
As of June 30, 2012 and 2011

	2012	2011
ASSETS		
Cash		
County Treasury	\$ 200,016	\$ 155,773
Prepaid insurance	2,128	1,971
Total current assets	202,144	157,744
Due from state government	6,237	6,237
Capital assets		
Land	375,000	375,000
Buildings	510,157	502,152
Equipment	82,539	80,558
Vehicles and engines	710,660	576,660
	1,678,356	1,534,370
Accumulated depreciation	(505,927)	(398,134)
Total capital assets	1,172,429	1,136,236
Loan fees	-	2,150
Accumulated amortization	-	(161)
Total Assets	\$ 1,380,810	\$ 1,302,206
LIABILITIES		
Accrued payroll taxes	997	1,233
Accrued interest payable	4,877	-
Current portion of long-term debt	9,449	21,101
Non-current liabilities:		
Long-term debt due in more than one year	105,301	207,922
Total Liabilities	120,624	230,256
NET ASSETS		
Invested in capital assets, net of related debt	1,057,678	907,212
Unrestricted	202,508	164,738
Total Net Assets	1,260,186	1,071,950
Total Liabilities and Net Assets	\$ 1,380,810	\$ 1,302,206

See accompanying notes and accountant's report.

MOKELUMNE HILL FIRE PROTECTION DISTRICT
STATEMENTS OF ACTIVITIES
For the Fiscal Years Ended June 30, 2012 and 2011

	2012	2011
PROGRAM EXPENSES		
Clothing and personal supplies	\$ 282	\$ 1,069
Communications	1,986	2,794
Contribution to LAFCO	118	86
Depreciation and amortization	107,813	66,356
Equipment expenditures	5,142	14,372
Food and household expenses	335	512
Gas and oil expense	6,152	4,500
General liability insurance	6,228	6,476
Group health insurance	2,720	3,313
Interest expense-debt service	8,149	5,893
Maintenance-buildings	2,977	2,032
Maintenance-equipment	2,124	1,028
Medical/dental /lab	330	-
Memberships and dues	85	85
Office supplies	639	1,213
Reimbursement for mileage	5,492	5,188
Professional services	23,779	22,881
Small tools and equipment	458	961
Special department expense	3,343	57
Station wages	11,204	19,216
Strike team wages	12,591	-
Taxes-payroll	3,085	2,471
Training	1,108	2,299
Utilities	3,231	2,118
Worker's compensation insurance	8,190	4,512
Total Program Expenses	217,561	169,432
PROGRAM REVENUES		
Assessments for fire protection service	66,156	65,197
Special assessment	46,725	46,258
Total Program Revenues	112,881	111,455
Net Program Revenues (Expenses)	(104,680)	(57,977)
GENERAL REVENUES		
State firefighter reimbursements	20,102	1,073
Donations-cash and non cash	137,869	1,423
State and federal grants	118,250	36,734
Gain(loss) on asset dispositions	(1,969)	2,940
Miscellaneous revenue	17,336	1,631
Interest income	1,328	2,269
Total General Revenues	292,916	46,070
Change in Net Assets	188,236	(11,907)
NET ASSETS-beginning of year	1,071,950	1,083,857
NET ASSETS-end of year	\$ 1,260,186	\$ 1,071,950

See accompanying notes and accountant's report.

MOKELUMNE HILL FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2012 and 2011

	<u>2012 General Fund</u>	<u>2011 General Fund</u>
ASSETS		
Cash		
County Treasury	\$ 200,016	\$ 155,773
Prepaid insurance	2,128	1,971
Total Assets	<u><u>\$ 202,144</u></u>	<u><u>\$ 157,744</u></u>
 LIABILITIES		
Accrued payroll taxes	997	1,233
Accrued interest payable	4,877	-
Total Liabilities	<u>5,874</u>	<u>1,233</u>
 FUND BALANCE		
Unassigned	196,270	156,511
Total Fund Balance	<u>196,270</u>	<u>156,511</u>
Total Liabilities and Fund Balances	<u><u>\$ 202,144</u></u>	<u><u>\$ 157,744</u></u>

See accompanying notes and accountant's report.

MOKELUMNE HILL FIRE PROTECTION DISTRICT
 Reconciliation of the Balance Sheet of
GOVERNMENTAL FUNDS to the STATEMENT OF NET ASSETS
 As of June 30, 2012 and 2011

	2012	2011
Fund balance of Governmental Funds	\$ 196,270	\$ 156,511
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	1,057,679	907,213
Loan fees, net of accumulated amortization, are not current financial resources and are not included in governmental funds	-	1,989
Due from state government funds are not receivable in the current period and therefore are not reported as assets in the funds	6,237	6,237
Net Assets of Governmental Activities	\$ 1,260,186	\$ 1,071,950

See accompanying notes and accountant's report.

MOKELUMNE HILL FIRE PROTECTION DISTRICT
Statements of Revenues, Expenditures and Changes in Fund Balance
GOVERNMENTAL FUNDS

For the Fiscal Years Ended June 30, 2012 and 2011

	2012	2011
REVENUES		
Assessments for fire protection service	\$ 66,156	\$ 65,197
Donations-cash and non cash	137,869	1,423
Sale of surplus property	-	2,940
Special assessment	46,725	46,258
State and federal grants	118,250	36,734
State firefighter reimbursements	20,102	1,073
Miscellaneous revenue	17,336	1,630
Interest income	1,328	2,269
Total Revenues	407,766	157,524
EXPENDITURES		
Capital outlay	143,986	371,304
Clothing and personal supplies	282	1,069
Communications	1,986	2,794
Contribution to LAFCO	118	86
Equipment expenditures	5,142	14,372
Food and household expenses	335	512
Gas and oil expense	6,152	4,500
General liability insurance	6,228	6,476
Group health insurance	2,720	3,313
Maintenance-buildings	2,977	2,032
Maintenance-equipment	2,124	1,028
Medical/dental /lab	330	-
Memberships and dues	85	85
Office supplies	639	1,213
Reimbursement for mileage	5,492	5,188
Professional services	23,779	22,881
Small tools and equipment	458	961
Special department expense	3,343	57
Station wages	11,204	19,216
Strike team wages	12,591	-
Taxes-payroll	3,085	2,471
Training	1,108	2,299
Utilities	3,231	2,118
Worker's compensation insurance	8,190	4,512
Total Expenditures	245,585	468,487
OTHER FINANCING SOURCES (USES)		
Proceeds from long term debt	114,750	252,675
Principal	(229,023)	(25,802)
Interest expense	(8,149)	(5,892)
Total Financial Sources (Uses)	(122,422)	220,981
Net Change in Fund Balance	39,759	(89,982)
FUND BALANCES		
Beginning of year	156,511	246,493
End of year	\$ 196,270	\$ 156,511

See accompanying notes and accountant's report.

MOKELUMNE HILL FIRE PROTECTION DISTRICT
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances-
GOVERNMENTAL FUNDS to the STATEMENT OF ACTIVITIES
For the Fiscal Years Ended June 30, 2012 and 2011

	2012	2011
Net Change in Fund Balances-Governmental Funds	\$ 39,759	\$ (89,982)
Amounts reported for governmental activities in the Statement of Activities are different because:		
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.		
Capital outlay expenditures are therefore added back to fund balances.	143,986	371,304
Depreciation expense not reported in governmental funds	(107,793)	(66,195)
Amortization of loan fees not reported in governmental funds	(20)	(161)
Proceeds of long term debt	(114,750)	(252,675)
The net effect of financing transactions involving long-term debt is to increase net assets.		
Principal payment	229,023	25,802
Loan fees written off in full on loan payoff-net of amortization	(1,969)	-
Change in Net assets of Governmental Activities	\$ 188,236	\$ (11,907)

See accompanying notes and accountant's report.

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, 2012

	Original Budget Amount	Final Budget Amount	Actual	Variance (unfavorable)
REVENUES				
Assessments for fire protection service	\$ 67,850	\$ 67,850	\$ 66,156	\$ (1,694)
Donations-cash and non cash	-	-	137,869	137,869
Sale of surplus property	5,000	1,000	-	(1,000)
Special assessment	46,000	46,000	46,725	725
State and federal grants	118,250	118,250	118,250	-
State firefighter reimbursements	10,000	17,030	20,102	3,072
Miscellaneous revenue	117,750	117,750	17,336	(100,414)
Interest income	2,000	2,000	1,328	(672)
Total Revenues	366,850	369,880	407,766	37,886
EXPENDITURES				
Capital outlay	11,000	18,420	143,986	(125,566)
Clothing and personal supplies	1,500	500	282	218
Clothing and equipment-Safety	2,500	1,500	5,142	(3,642)
Communications	1,500	1,986	1,986	-
Contribution to LAFCO	170	170	118	52
Food and household expenses	800	800	335	465
Gas and oil expense	5,000	7,100	6,152	948
General liability insurance	7,500	7,500	6,228	1,272
Group health insurance	4,000	4,000	2,720	1,280
Maintenance-buildings	1,500	1,500	2,977	(1,477)
Maintenance-equipment	3,240	4,110	2,124	1,986
Medical, dental , lab	250	250	330	(80)
Memberships and dues	200	200	85	115
Office supplies	1,250	1,250	639	611
Reimbursement for mileage	5,500	5,500	5,492	8
Rents and leases	100	100	-	100
Professional services	25,000	25,000	23,779	1,221
Small tools and equipment	500	-	458	(458)
Special department expense	500	3,534	3,343	191
Station wages	17,000	17,000	11,204	5,796
Strike team wages	8,000	13,030	12,591	439
Taxes-payroll	3,000	3,760	3,085	675
Training	2,500	1,500	1,108	392
Travel expense	100	100	-	100
Utilities	3,000	3,500	3,231	269
Worker's compensation insurance	7,500	7,500	8,190	(690)
Debt service-principal	248,760	248,760	229,023	19,737
interest	-	-	8,149	(8,149)
Total Expenditures	361,870	378,570	482,757	(104,187)
Proceeds from long term debt	-	-	114,750	114,750
Net Change in Fund Balances	\$ 4,980	\$ (8,690)	\$ 39,759	\$ 48,449

See accompanying notes and accountant's report.

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, 2011

	Original Budget Amount	Final Budget Amount	Actual	Variance (unfavorable)
REVENUES				
Assessments for fire protection service	\$ 74,890	\$ 67,850	\$ 65,197	\$ (2,653)
Donations-cash and non cash	-	-	1,423	1,423
Sale of surplus property	7,000	5,000	2,940	(2,060)
Special assessment	40,000	46,000	46,258	258
State and federal grants	-	-	36,734	36,734
State firefighter reimbursements	15,000	10,000	1,073	(8,927)
Miscellaneous revenue	14,000	3,000	1,630	(1,370)
Interest income	2,000	2,000	2,269	269
Total Revenues	<u>152,890</u>	<u>133,850</u>	<u>157,524</u>	<u>23,674</u>
EXPENDITURES				
Capital outlay	-	43,742	371,304	327,562
Clothing and personal supplies	1,500	1,500	1,069	431
Communications	1,000	2,608	2,794	(186)
Contribution to LAFCO	125	170	86	84
Equipment expenditures	3,500	2,375	14,372	(11,997)
Food and household expenses	1,000	617	512	105
Gas and oil expense	5,000	4,500	4,500	-
General liability insurance	7,500	7,500	6,476	1,024
Group health insurance	3,500	3,500	3,313	187
Maintenance-buildings	2,000	1,500	2,032	(532)
Maintenance-equipment	4,500	5,000	1,028	3,972
Medical, dental , lab	500	250	-	250
Memberships and dues	200	200	85	115
Office supplies	1,250	1,250	1,213	37
Reimbursement for mileage	4,000	5,000	5,188	(188)
Rents and leases	150	100	-	100
Professional services	25,000	25,000	22,881	2,119
Small tools and equipment	1,500	500	961	(461)
Special department expense	500	200	57	143
Station wages	15,000	21,000	19,216	1,784
Strike team wages	-	1,768	-	1,768
Taxes-payroll	2,300	2,800	2,471	329
Training	3,000	2,300	2,299	1
Travel expense	100	100	-	100
Utilities	3,000	3,000	2,118	882
Worker's compensation insurance	7,500	7,500	4,512	2,988
Debt service-principal	-	131,600	(226,873)	(95,273)
interest	-	-	5,892	(5,892)
Total Expenditures	<u>93,625</u>	<u>275,580</u>	<u>247,506</u>	<u>28,074</u>
Net Change in Fund Balances	<u>\$ 59,265</u>	<u>\$ (141,730)</u>	<u>\$ (89,982)</u>	<u>\$ 51,748</u>

See accompanying notes and accountant's report.

**MOKELUMNE HILL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011**

NOTE 1- ORGANIZATION AND PURPOSE

Nature of Activities:

The Mokelumne Hill Fire Protection District (herein after known as the District) was established in June 1939 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 and encompasses an area of approximately 34 square miles. 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 statements of activities) report information on all the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately.

The statement of activities demonstrates 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 and first responder service as noted above.

MOKELUMNE HILL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -Continued

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.

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 legally or administratively required to be accounted for in other funds.

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 governmental 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.

MOKELUMNE HILL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -Continued

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 10th and April 10th. Calaveras County is responsible for assessing, collecting and distributing the assessments. Liens on real property are established on March 1 for the ensuing year.

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, 2012 and 2011 was \$107,793 and \$66,195 respectively.

MOKELUMNE HILL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -Continued

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.

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, 2012 and 2011.

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 be spent only 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 other governments.

**MOKELUMNE HILL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011**

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or motions approved by the Board.

Assigned - amount that do 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 the authority to assign amounts for specific purposes.

Unassigned - all other spendable amounts.

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 annually a Special Districts Financial Report and a Local Government Compensation Report with the California State Controller's Office. This report was electronically filed on October 16, 2012.

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.

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. Cash held in the County's Treasury on June 30, 2012 and 2011 was \$200,016 and \$155,773 respectively.

NOTE 4- PREPAID EXPENSE

As of June 30, 2012 and 2011 the prepaid insurance consisted of general liability insurance and equipment insurance, in the amounts of \$2,128 and \$1,971 respectively. The policy period is from November 1 to October 31 for the general liability insurance and equipment insurance; the premiums are accordingly expensed over the period covered.

**MOKELUMNE HILL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011**

NOTE 5- CAPITAL ASSETS

Activity for capital assets at June 30, 2012 consisted of the following:

	Balance June 30, 2011	Additions	Dispositions	Balance June 30, 2012
Land	\$ 375,000	\$ -	\$ -	\$ 375,000
Buildings	502,152	8,005	-	510,157
Equipment	80,558	1,981	-	82,539
Vehicles and Engines	576,660	134,000	-	710,660
Total Capital assets	<u>1,534,370</u>	<u>143,986</u>	<u>-</u>	<u>1,678,356</u>
Accumulated depreciation	(398,134)	107,793	-	(505,927)
Total Capital Assets	<u><u>\$ 1,136,236</u></u>	<u><u>\$ 36,193</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,172,429</u></u>

Activity for capital assets at June 30, 2011 consisted of the following:

	Balance June 30, 2010	Additions	Dispositions	Balance June 30, 2011
Land	\$ 375,000	\$ -	\$ -	\$ 375,000
Buildings	502,152	-	-	502,152
Equipment	102,667	6,214	28,323	80,558
Vehicles and Engines	221,570	365,090	10,000	576,660
	<u>1,201,389</u>	<u>371,304</u>	<u>38,323</u>	<u>1,534,370</u>
Accumulated Depreciation	(370,262)	66,195	38,323	(398,134)
Total Capital Assets	<u><u>\$ 831,127</u></u>	<u><u>\$437,499</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,136,236</u></u>

**MOKELUMNE HILL FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011**

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 must repay that loan within a three year period with interest of 6%. The state's deadline to repay the loan is June 30, 2013. The County auditor-controllers were tasked with transferring the loan amount in two equal shares at the same time as regular property tax allocations were to occur. This was done for the District during January 2010. The amount transferred for the District amounted to \$6,237.

NOTE 7- LONG TERM DEBT

On October 20, 2010 the District entered into a loan agreement with WestAmerica Bank for the purchase of a HME Wildland Fire Truck in the amount of \$254,825 which includes loan fees of \$2,150. The term of the loan is for 10 years at 4.625%. Payments, in the amount of \$31,697.59 are due annually on April 22nd of that year. This loan was paid off in full on August 10, 2011. Interest paid on this loan for the year ended June 30, 2012 amounted to \$3,272.

The District was able to pay this loan off due to the receipt of a combination of a grant and loan from the United States Department of Agriculture (USDA), Rural Development. The grant received was in the amount of \$118,250. The loan is in the amount of \$114,750, payable over 10 years at 4.25% annually. A payment in the amount of \$14,326 is due in July of each year, beginning in 2012. The schedule of future payments for this loan are as follows:

<u>fiscal year</u>	<u>principal payment</u>
2013	\$ 9,449
2014	9,851
2015	10,269
2016	10,706
2017	11,161
thereafter	63,314
	<u>\$ 114,750</u>

Accrued interest on the above loan at June 30, 2012 is \$4,877, and was paid July 2012.

**MOKELUMNE HILL FIRE PROTECTION DISTRICT
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NOTE 8- NONMONETARY TRANSACTIONS

Mokelumne Hill Fire Protection District received noncash donations in 2012 and 2011 valued at \$134,000 and \$1,333, respectively. In 2012, the District received title to a 1996 Kenworth Water Tender from Calaveras County, with a fair market value of \$134,000. The 2011 noncash donations were in the nature of the Mokelumne Hill Volunteer Firefighter's auxiliary reimbursing the District for safety equipment purchases.

NOTE 9 SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 5, 2012, the date the financial statements were available to be issued, and determined that there were no events occurring subsequent to June 30, 2012 that would have a material impact on the results of operations or financial position.

NOTE 10 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 11- 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 statements as of June 30, 2012 and 2011.