

# **NEWCASTLE FIRE PROTECTION DISTRICT**

Management's Discussion and Analysis,  
Basic Financial Statements and  
Required Supplementary Information

For the Fiscal Year Ended June 30, 2014

NEWCASTLE FIRE PROTECTION DISTRICT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

Independent Auditor’s Report.....	1-2
Management’s Discussion and Analysis.....	3-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	7
Statement of Activities.....	8
Fund Financial Statements:	
Balance Sheet.....	9
Statement of Revenues, Expenditures and Changes in Fund Balance.....	10-11
Notes to the Basic Financial Statements.....	12-19
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual.....	20
Note to the Required Supplementary Information.....	21

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Newcastle Fire Protection District  
Newcastle, CA

I have audited the accompanying financial statements of Newcastle Fire Protection District, a California special district, as of June 30, 2014 and the related notes to the financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

The District's 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 an opinion on these 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 California State Controller's Minimum Audit Requirements for California Special Districts. 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 involves performing procedures to obtain 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Newcastle Fire Protection District as of June 30, 2014, and the respective changes in financial position, thereof, for the fiscal year ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the California State Controller's Office and state regulations governing special districts.

**Other Matter**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 and schedules of revenues, expenditures and changes in fund balance – budget to actual on page 19 be presented to supplement the basic financial statements. Such 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

  
Elsie Mancebo, CPA

Auburn, California  
January 20, 2015

NEWCASTLE FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Newcastle Fire Protection District (District) provide readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$767,850 (net position).
- As of the close of the current fiscal year, the District's governmental fund reported ending fund balance of \$575,780.
- The District had combined program and general revenues of \$797,569 and program expenses of \$571,682 for the fiscal year ended June 30, 2014.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements report on the function of the District that is principally supported by property tax and assessment revenues. The District's objectives are to provide all-risk fire protection and fire prevention within the boundaries of the District.

## FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

Governmental funds are used to account for essentially the same function reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The District maintains a major governmental fund for its special revenue fund in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental funds and *governmental activities*.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$767,850 at the close of the most recent fiscal year. The District's net position consists of the following at June 30, 2014 and 2013:

#### District's Net Position

	<u>FY 2014</u>	<u>FY 2013</u>
Current and other assets	\$ 604,590	\$ 490,194
Capital assets, net	<u>430,046</u>	<u>87,753</u>
Total assets	<u>1,034,636</u>	<u>577,947</u>
Current and other liabilities	28,810	9,218
Long-term liabilities	<u>237,976</u>	<u>26,766</u>
Total liabilities	<u>266,786</u>	<u>35,984</u>

Invested in capital assets	192,070	60,987
Restricted	477,828	264,590
Unrestricted	<u>97,952</u>	<u>216,386</u>
Total net position	<u>\$ 767,850</u>	<u>\$ 541,963</u>

The net position of the District increased by \$225,887 during the fiscal year ended June 30, 2014. For the fiscal years ending June 30, 2014 and 2013, the District's change in net position is as follows:

#### District's Change in Net Position

	<u>FY 2014</u>	<u>FY 2013</u>
Program Expenses:		
General government	\$ 567,589	\$ 604,237
Interest on long-term debt	<u>4,093</u>	<u>1,931</u>
Total program expenses	571,682	<u>606,168</u>
Program Revenue:		
Assessments	422,540	437,952
Development fees	<u>76,483</u>	<u>16,523</u>
Total program revenue	<u>499,023</u>	<u>454,475</u>
Net Program Expense	(72,659)	<u>(151,693)</u>
General Revenue:		
Property taxes	190,983	183,230
Investment earnings	5,287	5,110
Charges for other services	17,615	96,596
Donations	35,000	
Gain on sale of assets	38,298	
Miscellaneous	<u>11,363</u>	<u>6,942</u>
Total general revenues	<u>298,546</u>	<u>291,878</u>
Change in net position	225,887	140,185
Net position, beginning of year	<u>541,963</u>	<u>401,778</u>
Net position, end of year	<u>\$ 767,850</u>	<u>\$ 541,963</u>

#### Fund Financial Analysis

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's governmental funds are discussed below.

#### GOVERNMENTAL FUNDS

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported an ending fund balance of \$575,780, which is a 19.7% increase over the prior year fund balance of \$480,976.

### **General Fund Budgetary Highlights**

A budget is prepared annually and includes proposed expenditures and the means of financing them for the upcoming year. This includes estimates for the current year and actual data for the preceding year. The budget is reviewed at a properly noticed Board meeting to obtain public comment. The budget is legally enacted through passage of a resolution. The District's Board of Directors reviews reports of operations and examines any variance from approved budget at least monthly. Appropriations lapse at the end of each fiscal year. The District may authorize supplemental appropriations during the year.

### **CAPITAL ASSETS**

The District's investment in capital assets net of depreciation is \$430,046. See Note 3 for additional details on capital assets.

### **FUTURE EVENTS THAT WILL FINANCIALLY IMPACT THE DISTRICT**

The District entered into an agreement with Penryn Fire Protection District for chief and administrative services. This contract was effective November 1, 2013 and is in the amount of \$75,000 annually.

The District's Board of Directors recognizes the need for a new modern fire station to replace the old station in the center of Newcastle. The District expects to spend approximately \$1.6 million to build a new fire station on donated land next to Interstate 80 in Newcastle. The new fire station will be financed by proceeds from Measure B, a loan and donations.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Chief Mitch Higgins, Fire Chief of the Newcastle Fire Protection District, P. O. Box 262, Newcastle, CA 95658.



NEWCASTLE FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION  
JUNE 30, 2014

Assets

Cash and investments	\$ 604,060
Interest receivable	530
Prepaid expenses	
Capital assets:	
Nondepreciable	3,000
Depreciable, net	<u>427,046</u>
Total assets	<u>1,034,636</u>

Liabilities

Accounts payable	16,643
Interest payable	3,086
Salaries and benefits payable	9,081
Long-term liabilities:	
Due within one year	19,923
Due in more than one year	<u>218,053</u>
Total liabilities	<u>266,786</u>

Net Position

Invested in capital assets, net of related debt	192,070
Restricted	477,828
Unrestricted	<u>97,952</u>
	<u>\$ 767,850</u>

The notes to the basic financial statements are an integral part of this statement.

NEWCASTLE FIRE PROTECTION DISTRICT

STATEMENT OF ACTIVITIES

JUNE 30, 2014

Program Expenses:	
General government	\$ 567,589
Interest on long-term debt	4,093
Total program expenses	<u>571,682</u>
Program Revenue:	
Assessments	422,540
Development fees	76,483
Total program revenue	<u>499,023</u>
Net Program Revenue (Expense)	<u>(72,659)</u>
General Revenue:	
Property taxes, levied for general purpose	190,983
Investment earnings	5,287
Charges for other services	17,615
Gain on disposal of assets	38,298
Donations	35,000
Miscellaneous	11,363
Total general revenue	<u>298,546</u>
Change in net position	225,887
Net position, beginning of year	541,963
Net position, end of year	<u>\$ 767,850</u>

The notes to the basic financial statements are an integral part of this statement.

**NEWCASTLE FIRE PROTECTION DISTRICT**

**BALANCE SHEET  
JUNE 30, 2014**

**Assets**

Cash and investments	\$ 604,060
Interest receivable	530
Total assets	\$ 604,590

**Liabilities and fund balance**

**Liabilities:**

Accounts payable	16,643
Interest payable	3,086
Salaries and benefits payable	9,081
Total liabilities	28,810

**Fund balance:**

Restricted	477,828
Unassigned	97,952
Total fund balance	575,780
Total liabilities and fund balance	\$ 604,590

**RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

Fund balances - total governmental funds	\$ 575,780
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	430,046
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the District's fund.	(237,976)
Net position of governmental activities	\$ 767,850

The notes to the basic financial statements are an integral part of this statement.

NEWCASTLE FIRE PROTECTION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<b>Revenues:</b>	
Property taxes	\$ 190,982
Special assessments	422,540
Development fees	76,483
Investment income	5,287
Charges for other services	17,615
Donations	35,000
Miscellaneous	11,363
Total revenues	<u>759,270</u>
<b>Expenditures:</b>	
Fire protection:	
Salaries and benefits	295,780
Services and supplies	16,126
Maintenance and operations	29,951
General and administrative	37,706
Utilities	15,183
Professional fees	136,093
Debt service:	
Interest	4,093
Principal	26,766
Total expenditures	<u>561,698</u>
Net change in fund balance	197,572
Fund balance, July 1, 2013	480,976
Fund balance, June 30, 2014	<u><u>\$ 678,548</u></u>

The notes to the basic financial statements are an integral part of this statement.

NEWCASTLE FIRE PROTECTION DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Net change in fund balance	\$ 197,572
Amounts reported fo governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay 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.	
Depreciation expense	(36,750)
Loss on disposal of capital assets are reported as program expenses in the statement of activities.	
	(38,298)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Principal payments on long-term debt	<u>26,766</u>
Change in net position of governmental activities	<u>\$ 149,290</u>

The notes to the basic financial statements are an integral part of this statement.

NEWCASTLE FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Newcastle Fire Protection District (District) was established in 1868. The District provides fire protection, emergency services and code enforcement to residents and businesses located in the Newcastle area of Placer County. As a California special district, they are not subject to income taxes but must file an annual report with the California State Controller. An independent five-member Board of Directors govern the District.

The Board of Directors (the “Board”) has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. There are no component units included with the reporting entity.

B. Basis of Presentation and Accounting

Accounting Policies

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing GAAP for state and local government organizations.

Government-Wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the District’s activities. The effect of interfund activity has been removed from these statements. The District is only engaged in governmental activities and is primarily supported by revenue generated from taxes and assessments.

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. When both restricted and unrestricted net positions are available, restricted resources are used only after the unrestricted resources are depleted.

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 cash flows.

NEWCASTLE FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

Separate financial statements are provided for the District's governmental fund. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available to financial expenditures of the current period. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) value in exchange, includes grants and contributions. On the modified accrual basis, revenues are recognized when the underlying transactions take place and have met the availability criteria. Revenues from grants and contributions are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

The governmental fund is the general operating fund of the District and is used to account for all of the District's financial resources. Reported fund balance is considered a measure of "available spendable resources."

Revenues

The County of Placer (County) administers the District's property tax and assessment revenue. The County bills and collects special assessments through property tax billing. Tax receipts are deposited directly into the County's "pooled" cash fund for special districts and transferred to the District's general account. Upon approval by the District's Board of Directors, the County disburses these funds. Revenue received directly by the District is forwarded to Placer County for deposit.

Development fees are received from new construction in the area. A fee is assessed on the square footage of the development. Once received, the fees are reflected as restricted net position/fund balance until qualifying capital expenditures are incurred.

Strike team fees are collected from other fire agencies, generally Cal Fire, when firefighters and equipment are requested to fight fires outside of their own district. The District is allowed to charge for both the use of the equipment and the hours that the firefighters work.

NEWCASTLE FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

The District received property taxes from the County, which has been assigned the responsibility for assessment, collection, and apportionment of property taxes for all taxing jurisdictions within the County. The District's property taxes are levied each July 1, on the assessed values as of the prior January 1, for all real and personal property located in the District. Secured property taxes are due in two installments on November 1 and February 1 and are delinquent if unpaid by August 31. Property tax revenues are recognized in the fiscal year they are received.

The County elected into the Teeter Plan for property tax distributions. Therefore, the District receives 100 percent of the secured property tax levies to which it is entitled, whether or not collected. Unsecured delinquent taxes are considered fully collectible and no allowance for uncollectible taxes is provided. Under the Teeter Plan, the County remits property taxes to the District based on assessments, not collections, according to the following schedule; 55 percent in December, 40 percent in April and 5 percent at the end of the fiscal year.

Capital Assets

Capital assets are stated at cost or estimated historical cost if purchased or constructed. Donated capital assets are stated at estimated fair market value at the date of donation. The District defines capital assets as assets with an individual cost of more than \$2,500 and an estimated useful life of one year.

Capital assets are depreciated using the straight-line method. The estimated useful lives are as follows: building and improvements – 40 years, equipment 3 to 15 years.

Compensated Absences

The District provides employees with paid vacation time. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expense and a fund liability.



NEWCASTLE FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislations of other governments that relate to specific projects of the District. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

*Invested in capital assets, net of related debt* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the net position balance.

*Restricted* – This category represents the portion of the District's net position which has been externally restricted by creditors, grantors, contributors, or laws or regulations of other governments or are imposed externally through constitutional provisions or enabling legislation.

*Unrestricted* – This category represents the net position of the District, not restricted for any project or other purpose.

Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

*Nonspendable fund balance* – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

*Restricted fund balance* -- amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance* – amounts that can only be used for specific purposes determined by formal action of the District's highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

NEWCASTLE FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Assigned fund balance* – amounts that are constrained by the District's *intent* to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose.

*Unassigned fund balance* – amounts that constitute the residual balances that have no restrictions placed on them.

C. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments shown on the statements of net position and the balance sheet represent the District's share of the County Treasurer's cash and investment pool. The District voluntarily participates in the County Treasurer's cash and investment pool. California Government Code Section 53600, et. Seq., and the County investment policy authorizes the following investments; local agency bonds, U.S. Treasury security, U.S. agency securities, mortgage backed securities, collateralized obligations, asset backed securities, bankers acceptances, commercial paper, certificates of deposit, repurchase agreements, reverse repurchase agreements, corporate notes, money market mutual funds and the California Local Agency Investment Fund (LAIF). The County has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27134. Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

However, the value of the pool shares in the County, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the District's position in the pool.

GASB Statement No. 40, *Deposit and Investment Risk Disclosure – an amendment of GASB Statement No. 3*, requires additional disclosures about a government's deposit and investment risks that include credit risk, custodial credit risk, concentration of credit risk and interest rate risk. The District does not have an investment policy that addresses these specific types of risk.

NEWCASTLE FIRE PROTECTION DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 – CASH AND INVESTMENTS (Continued)

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 is to changes in market interest rates. The weighted average to maturity of the County's external investment pool as of June 30, 2014 was 1,362 days.

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. The District's investment in the County external investment pool is not rated.

Custodial Credit Risk and Concentration of Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District is not exposed to custodial credit risk or concentration of credit risk as it participates in the County's external investment pool, and therefore, is not subject to such risks.

NEWCASTLE FIRE PROTECTION DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>
Capital assets, not being depreciated:				
Land	<u>\$ 3,000</u>			<u>\$ 3,000</u>
Capital assets, being depreciated:				
Structures and improvements	53,986			53,986
Equipment	<u>470,149</u>	<u>396,745</u>	<u>224,320</u>	<u>642,574</u>
Total capital assets, being depreciated	<u>524,135</u>	<u>396,745</u>	<u>224,320</u>	<u>696,560</u>
Less accumulated depreciation for:				
Structures and improvements	(52,897)	(544)		(53,441)
Equipment	<u>(386,485)</u>	<u>(36,206)</u>	<u>(206,618)</u>	<u>(216,073)</u>
Total capital assets being depreciated, net	<u>84,753</u>	<u>359,995</u>	<u>17,702</u>	<u>427,046</u>
Capital assets - net	<u><u>\$ 87,753</u></u>	<u><u>\$ 359,995</u></u>	<u><u>\$ 17,702</u></u>	<u><u>\$ 430,046</u></u>

NEWCASTLE FIRE PROTECTION DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 – LONG-TERM DEBT

Changes in the long-term debt during the fiscal year ended June 30, 2014, were as follows:

At June 30, 2014 the District had one loan payable to Oshkosh Capital, secured by the Wildland Type III Contender Engine. Annual payments are due in February in the amount of \$29,180, which includes interest at a fixed rate of 3.89% per annum.

Scheduled maturities of long-term debt are as follows at June 30, 2014:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 19,923	\$ 9,257
2016	20,698	8,482
2017	21,503	7,677
2018	22,339	6,841
2019	23,208	5,972
Thereafter	<u>130,305</u>	<u>15,593</u>
Total	<u>\$237,976</u>	<u>\$53,822</u>

NOTE 5 – SELF-INSURANCE

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District purchases commercial general liability insurance and public officials errors and omissions insurance to cover liability arising out of the operations of the District. During the past four years, there has been no significant reduction in any of the District's insurance coverage and no settlement amounts have exceeded commercial insurance coverage.

REQUIRED SUPPLEMENTARY INFORMATION

NEWCASTLE FIRE PROTECTION DISTRICT  
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

The Governing Board adopts an annual budget each fiscal year. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgetary control is exercised at the fund level. All amendments to the budget are reflected in the financial statements and require the approval of the Governing Board. All unencumbered annual appropriations lapse at the end of each fiscal year.

NEWCASTLE FIRE PROTECTION DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 192,338	\$ 192,338	\$ 190,982	\$ (1,356)
Special assessments	432,020	432,020	422,540	(9,480)
Development fees	22,800	22,800	76,483	53,683
Investment income	1,453	1,453	5,287	3,834
Charges for other services		-	17,615	17,615
Donations			35,000	35,000
Miscellaneous	35,000	35,000	11,363	(23,637)
<b>Total revenues</b>	<b>683,611</b>	<b>683,611</b>	<b>759,270</b>	<b>75,659</b>
Expenditures:				
Fire protection:				
Salaries and benefits	340,000	340,000	295,780	(44,220)
Services and supplies	21,500	21,500	16,126	(5,374)
Maintenance and operations	39,000	39,000	29,951	(9,049)
General and administrative	36,000	36,000	37,706	1,706
Utilities	13,000	13,000	15,183	2,183
Professional fees	106,735	106,735	136,093	29,358
Debt service:				
Interest		-	4,093	4,093
Principal	25,949	25,949	26,766	817
Capital outlay	206,123	206,123	158,769	(47,354)
<b>Total expenditures</b>	<b>788,307</b>	<b>788,307</b>	<b>720,467</b>	<b>(67,840)</b>
Net change in fund balance	<u>(104,696)</u>	<u>(104,696)</u>	38,803	<u>143,499</u>
Fund balance, July 1, 2013			480976	
Fund balance, June 30, 2014			<u>519779</u>	

The note to the required supplementary information is an integral part of this statement.