

**NEWCASTLE FIRE
PROTECTION DISTRICT**

**REPORT ON ACCOUNTING CONTROLS
AND PROCEDURES**

for the year ended June 30, 2016

**ROBERT
W.
JOHNSON**
An Accountancy Corporation
Certified Public Accountant

6234 BIRDCAGE STREET • CITRUS HEIGHTS, CA 95610-5949 • (916) 723-2555

January 31, 2017

To the Board of Directors
Newcastle Fire Protection District
Newcastle, California

We have audited the financial statements of Newcastle Fire Protection District as of and for the year ended June 30, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts.

In planning and performing our audit of the financial statements of Newcastle Fire Protection District as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered Newcastle Fire Protection District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures but not for the purpose of expressing our opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we have enclosed other recommendations for your consideration.

This communication is intended solely for the information and use of management and Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Robert W. Johnson, An Accountancy Corporation

Robert W. Johnson, An Accountancy Corporation

1. Comparison of Operating Results:

	June 30,		Favorable (Unfavorable) Variance
	<u>2015</u>	<u>2016</u>	
Revenues	\$ 669,956	\$ 780,084	\$ 110,128
Expenses	<u>476,837</u>	<u>548,209</u>	(<u>71,372</u>)
Net income (loss)	\$ <u>193,119</u>	\$ <u>231,875</u>	\$ <u>38,756</u>
Cash	\$ <u>661,595</u>	\$ <u>853,807</u>	\$ <u>192,212</u>

Observations:

- Increase in net income is principally due to the increase in “charges for services” revenue.

2. Financial Policies:

Observation

District has no written policies.

Recommendation

Financial policies protect assets of the District and implement Board of Directors' directives. Examples of required policies includes:

- investment policy
- personnel policy
- use of computers
- retention of records

3. Property:

Observation

The property list/depreciation schedule does not identify individual vehicles.

Work in progress: new fire station

- no detail on 6-30-15 expenditures to date of \$104,635
- no entry made for land received as donation.

Recommendation

Establish more detailed accounting records for fixed assets. Perform physical inspection of all District property.