

**NEWCASTLE FIRE  
PROTECTION DISTRICT**

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**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
for the year ended June 30, 2021**

**ROBERT W. JOHNSON**  
**Certified Public Accountant**

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**Robert W. Johnson**  
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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of Newcastle Fire Protection District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**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**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 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 District'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 District'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.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Newcastle Fire Protection District as of June 30, 2021, and the respective change in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

### **Other Matters**

#### *Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis 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.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Robert W. Johnson, An Accounting Corporation*

Citrus Heights, California  
June 10, 2022

NEWCASTLE FIRE PROTECTION DISTRICT  
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET  
June 30, 2021

ASSETS	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Cash (Note 3)	\$ 437,442	\$ -	\$ 437,442
Interest receivable	65	-	65
Accounts receivable	-	-	-
Capital assets (Notes 4 and 5)	-	1,755,090	1,755,090
Less, accumulated depreciation	<u>-</u>	<u>( 432,014)</u>	<u>( 432,014)</u>
Total assets	<u>\$ 437,507</u>	<u>\$ 1,323,076</u>	<u>\$ 1,760,583</u>
<b>LIABILITIES AND FUND BALANCES/NET POSITION</b>			
Vouchers payable	\$ -	\$ -	\$ -
Salaries payable	28,269	-	28,269
Accrued vacation	18,680	-	18,680
Long term debt (Note 5)			
Due within one year	-	26,023	26,023
Due after one year	<u>-</u>	<u>55,123</u>	<u>55,123</u>
Total liabilities	<u>46,949</u>	<u>81,146</u>	<u>128,095</u>
Fund balances/net position (Note 6):			
Fund balances:			
Restricted (Note 10)	122,082	( 122,082)	-
Committed	-	-	-
Unassigned	<u>268,476</u>	<u>( 268,476)</u>	<u>-</u>
Total fund balances	<u>390,558</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 437,507</u>		
Net position (Note 6):			
Net investment in capital assets		1,241,930	1,241,930
Restricted		122,082	122,082
Unrestricted		<u>268,476</u>	<u>268,476</u>
Total net position		<u>\$1,632,488</u>	<u>\$1,632,488</u>

See notes to financial statements



NEWCASTLE FIRE PROTECTION DISTRICT  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
for the year ended June 30, 2021

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Program expenditures/expenses:			
Public protection	\$ 801,964	\$ -	\$ 801,964
Support services	11,700	-	11,700
Capital outlay	24,953	( 24,953)	-
Debt service:			
- principal	25,049	( 25,049)	-
- interest	4,131	-	4,131
Depreciation	<u>-</u>	<u>34,035</u>	<u>34,035</u>
Total program expenditures/expenses	<u>867,797</u>	<u>( 15,967)</u>	<u>851,830</u>
Program revenues:			
Charges for services	<u>78,923</u>	<u>-</u>	<u>78,923</u>
Total program revenues	<u>78,923</u>	<u>-</u>	<u>78,923</u>
General revenues:			
Taxes	281,543	-	281,543
Direct charges	508,197	-	508,197
Development fees	76,137	-	76,137
Interest	989	-	989
Donations	-	-	-
Miscellaneous	<u>17,562</u>	<u>-</u>	<u>17,562</u>
Total general revenues	<u>884,428</u>	<u>-</u>	<u>884,428</u>
Excess of revenues (expenditures)/ change in net position	95,554	15,967	111,521
Beginning fund balances/ net position	<u>295,004</u>	<u>1,225,963</u>	<u>1,520,967</u>
Ending fund balances/net position	<u>\$ 390,558</u>	<u>\$1,241,930</u>	<u>\$1,632,488</u>

See notes to financial statements

NEWCASTLE FIRE PROTECTION DISTRICT  
STATEMENT OF REVENUES AND EXPENDITURES  
COMPARED TO BUDGET  
for the year ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
General tax revenue	\$ 278,173	\$ 281,543	\$ 3,370
Direct charges	507,851	508,197	346
Development fees	90,000	76,137	( 13,863)
Interest income	5,500	989	( 4,511)
Other services	30,000	78,923	48,923
Donations	-	-	-
Miscellaneous revenues	<u>15,500</u>	<u>17,562</u>	<u>2,062</u>
 Total revenues	 <u>927,024</u>	 <u>963,351</u>	 <u>36,327</u>
Expenditures:			
Salaries and wages	458,450	460,669	( 2,219)
Benefits	45,000	46,748	( 1,748)
Payroll taxes	36,000	35,138	862
Workers comp	38,800	42,717	( 3,917)
Uniforms	6,000	4,722	1,278
Communication	4,000	2,321	1,679
Insurance – general	7,800	8,224	( 424)
Maintenance – equipment	15,000	20,242	( 5,242)
Materials – bldgs.	2,000	2,423	( 423)
Medical supplies	750	-	750
Dues	360	-	360
Miscellaneous	1,000	2,169	( 1,169)
Station/household expense	3,000	2,349	651
Other supplies	2,000	1,556	444
Training/education	-	12,251	( 12,251)
Services (Note 9)	146,570	112,300	34,270
Prof./spec. services	3,000	35,077	( 32,077)
Fuel	6,000	5,825	175
Special dept. expense	<u>3,700</u>	<u>3,112</u>	<u>588</u>
 Sub-total (carried forward)	 <u>779,430</u>	 <u>797,843</u>	 <u>( 18,413)</u>

See notes to financial statements



NEWCASTLE FIRE PROTECTION DISTRICT  
 STATEMENT OF REVENUES AND EXPENDITURES  
 COMPARED TO BUDGET, continued  
 for the year ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Sub-total (brought forward)	\$ 779,430	\$ 797,843	\$( 18,413)
Utilities	12,000	15,374	( 3,374)
LAFCO fees	-	-	-
Publications/legal notices	500	125	375
Fixed assets	-	-	-
Small equipment	4,000	322	3,678
New fire station	108,000	24,953	83,047
Debt service – principal	25,049	25,049	-
– interest	<u>4,151</u>	<u>4,131</u>	<u>20</u>
Total expenditures	<u>933,130</u>	<u>867,797</u>	<u>65,333</u>
Excess revenues (expenditures)	\$( <u>6,106</u> )	\$ <u>95,554</u>	\$ <u>101,660</u>

See notes to financial statements



NEWCASTLE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
for the year ended June 30, 2021

1. Organization:

Newcastle Fire Protection District (the "District") is located in the Sierra Foothills of Placer County, California. The District was established in 1868 and has been located in the same building since 1922 in the heart of the town of Newcastle. The District covers 15 square miles, serves approximately 6,200 people and responds to over 600 calls every year.

The District is governed by a five member Board of Directors which is elected by voters of the District. The Fire Chief (currently shared with one neighboring fire agency) oversees 6 full time firefighters and 2-3 active volunteer firefighters.

The Newcastle Fire Protection District cross staffs both a Type 1 and Type 3 Wildland Interface Engine with a minimum staffing of two personnel. Both personnel are trained to a minimum of EMT-1 with an advanced scope of skills. One captain and one engineer is our minimum staffing with intern, seasonal and volunteer personnel augmenting staffing to provide three personnel when possible. We are an "All-Risk" Fire Department that provides a timely response to all types of fires, medical emergencies, rescues and hazardous material incidents. Additional services we deliver include a year-round Fire Prevention program incorporating building occupancy inspections, new building plan reviews and an aggressive risk reduction and Public Education delivery model.

2. Summary of Significant Accounting Policies:

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report as follows:

Governmental Funds:

General Fund - The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

NEWCASTLE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
for the year ended June 30, 2021

2. Summary of Significant Accounting Policies (continued):

Basis of Accounting

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All government funds are accounted for using the current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) as changes in net current assets.

Governmental funds are maintained on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period they become measurable and available. The District considers revenues as available if they are collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues considered susceptible to accrual include property taxes, interest and certain other intergovernmental revenues. Expenditures are recognized in the accounting period in which the liability is incurred.

Capital Assets

Capital assets are recorded at historical cost if purchased or constructed. Structures and equipment are depreciated using the straight-line method over the estimated useful lives.

Budgets

In accordance with the provisions of Sections 13901 through 13906 of the California Health & Safety Code and other statutory provisions, commonly known as the Budget Act, the District prepares and legally adopts a final budget for each fiscal year.

Cash and Cash Equivalents

The District has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with its fiscal agent (County of Placer).



NEWCASTLE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
for the year ended June 30, 2021

2. Summary of Significant Accounting Policies (continued):

Compensated Absences

Vested or accumulated vacation and overtime that is expected to be liquidated with expendable available financial resources is reported as an expense and as a current liability. Sick pay is not vested.

Property Taxes

The District receives property taxes from Placer County. Property taxes receivable are recorded in the fiscal year for which the tax is levied based on the assessed value as of September 1 of the preceding fiscal year. They become a lien on the first day of the year they are levied. Secured property tax is levied on September 1 and due in two installments, on November 1 and March 1. They become delinquent on December 10 and April 10, respectively. Unsecured property taxes are due on July 1, and become delinquent on August 31. The District elected to receive the property taxes from the County under the Teeter Bill Program. Under this Program, the District receives 95% of the levied property taxes in periodic payments, with the County assuming responsibility for delinquencies.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

NEWCASTLE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
for the year ended June 30, 2021

2. Summary of Significant Accounting Policies (continued):

Government-wide Financial Statements

The Statement of net position and statement of activities display information about the primary activities of the District. These statements include the financial activities of the overall District.

The statement of activities present direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program, and are clearly identifiable to a particular function. Program revenues include 1) charges for services and 2) grant and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

Fund Financial Statements

The fund financial statements provide information about the District's funds, which include only governmental funds.

The District has combined the statements of net position and the statement of activities, with the balance sheet and the statement of revenues, expenditures, and changes in fund balances, into two statements, the statement of net position and governmental funds balance sheet and the statement of activities and governmental fund revenues, expenditures, and changes in fund balances, for simplicity.

The District reports a General Fund that is used to account for all financial resources except those required or designated by the Board of Directors to be accounted for in another fund.



NEWCASTLE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
for the year ended June 30, 2021

2. Summary of Significant Accounting Policies (continued):

Net Position

Net position is classified in the following categories:

Net Investment in capital assets – 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 this category.

Restricted – presents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted – represents the net position of the District, which are not restricted or invested in capital assets net of related debt.

Fund Balance

Fund balance is classified in the following categories:

Restricted – includes fund balance amounts that are subject to externally enforceable legal restrictions or constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed – includes fund balance amount that can only be used for specific purposes pursuant to constraints imposed by the formal actions of the District's Board of Directors.

Unassigned – includes fund balance which has not been classified within the above mentioned categories.

NEWCASTLE FIRE PROTECTION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 for the year ended June 30, 2021

2. Summary of Significant Accounting Policies (continued):

Recent Accounting Pronouncement

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases*, (Topic 842). ASU 2016-02 improves transparency and comparability among organizations by requiring recognition of lease assets and lease liabilities in the statement of financial position, except for leases with lease term of 12 months or less. Lease assets represent the right to use the underlying asset for the lease term, and lease liabilities represent the liability to make lease payments. Organizations are also required to disclose key information about lease arrangements. ASU 2016-02 is effective for the District's year ending June 30, 2022.

3. Cash and Cash Equivalents:

	Balance June 30, <u>2021</u>
Checking – general	\$ 9,693
Cash with County:	
General	\$ 305,684
Development fees (restricted)	<u>122,065</u>
	<u>\$ 437,442</u>

At year-end the carrying amount of the District's deposits was \$9,693 and the bank balance was \$20,098. The deposits are secured by federal depository insurance or are collateralized with securities held by the pledging or financial institution's trust department or agent, but not in the District's name.

The District maintains most of its funds in the County of Placer pooled investment fund for the purpose of increasing interest earnings through pooled investment activities. Interest earned on the investment pool is allocated monthly.



NEWCASTLE FIRE PROTECTION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 for the year ended June 30, 2021

3. Cash and Cash Equivalents, continued:

The Placer County Pooled Investment Fund is a pooled investment fund program governed by the County which monitors and reviews the management of public funds maintained in the investment pool in accordance with the County investment policy and the California Government Code. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements.

4. Capital Assets:

Changes in capital assets for year ended June 30, 2021:

	<u>Balance, beginning of year</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance, end of year</u>
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
Structures and improvements	71,584	-	-	71,584
Vehicles	383,076	-	-	383,076
Equipment	<u>255,371</u>	<u>-</u>	<u>-</u>	<u>255,371</u>
	<u>\$ 713,031</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 713,031</u>
Work in progress:				
New station construction	<u>\$1,017,106</u>	<u>\$ 24,953</u>	<u>\$ -</u>	<u>\$1,042,059</u>
Total	<u>\$1,730,137</u>	<u>\$ 24,953</u>	<u>\$ -</u>	<u>\$1,755,090</u>

NEWCASTLE FIRE PROTECTION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 for the year ended June 30, 2021

5. Long-term Debt:

Long-term debt activities for the year ended June 30, 2021 consist of:

	<u>Balance</u> <u>6/30/2020</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/2021</u>	<u>Current</u> <u>Portion</u>
Oshkosh Capital	\$ <u>106,195</u>	\$ <u>-</u>	\$ <u>25,049</u>	\$ <u>81,146</u>	\$ <u>26,023</u>

In February 2014 the District purchased a 2014 Windland Type III Contender. The ten year lease-purchase agreement requires an annual payment of \$29,180 including an interest rate of 3.89%.

The future annual maturities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 26,023	\$ 3,157	\$ 29,180
2023	27,036	2,144	29,180
2024	<u>28,087</u>	<u>1,093</u>	<u>29,180</u>
	<u>\$ 81,146</u>	<u>\$ 6,394</u>	<u>\$ 87,540</u>



NEWCASTLE FIRE PROTECTION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 for the year ended June 30, 2021

6. Equity:

Fund Balance:

Restricted – Development fees	\$ 122,082
Committed	-
Unassigned	<u>268,476</u>
	<u>\$ 390,558</u>

Statement of Net Position:

Net investment in capital assets	\$1,241,930
Restricted	122,082
Unrestricted:	
Board designated	\$ -
Undesignated	<u>268,476</u>
	<u>268,476</u>
	<u>\$1,632,488</u>

7. Risk of Loss:

Newcastle Fire Protection District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During the 2021 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

8. Subsequent Events:

Management has evaluated subsequent events through June 10, 2022, the date these June 30, 2021 financial statements were available to be issued.

NEWCASTLE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
for the year ended June 30, 2021

9. Management Agreements:

In 2016, the District entered into an agreement with Placer Hills Fire Protection District for Fire Chief, Duty Chief and Administrative Services. The District subsequently renewed this annual agreement through June 30, 2021. Fire Chief contract services expense for 2020-21 was \$112,300.

10. Reserve:

Reserve for Development Fees

The District has created this Reserve to ensure that development fees received and designated for capital expansion projects are properly accounted for. At June 30, 2021 this reserve is analyzed as follows:

Balance, beginning of year	\$ 74,743
Add, development fees and interest	76,519
Deduct, qualified expenditures	<u>( 29,180)</u>
Balance, end of year	<u>\$ 122,082</u>

11. Deferred Compensation:

The District provides each employee with the ability to contribute to a 457 deferred compensation account. The District will contribute matching funds up to a maximum of \$2,800 annually for each employee's contribution. Also, the District provides the option to contribute \$1,800 annually to the plan in lieu of health benefits. At June 30, 2021, the District's expense for these two benefits was \$20,052.



NEWCASTLE FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
for the year ended June 30, 2021

12. COVID-19:

In March 2020, the World Health Organization declared a global health pandemic of the Coronavirus Disease COVID-19. The District is committed to maintaining emergency services response and other essential services to Newcastle Fire Protection District.

Administration and staff immediately implemented protocols to combat the effects of COVID-19 on staff, their families and the communities they serve. Interaction between shift personnel were reduced to a minimum and the fire stations were closed to the public. Strict procedures were put in place to disinfect both the stations and the equipment. The responders wore the appropriate protective personal equipment at all time during calls for service. With these policies in place, there was minimal financial impact to the Fire District during the fiscal year.

13. New Fire Station:

Newcastle Fire Protection District managed to secure a Community Facilities Direct Loan from USDA to construct the new fire station on Old State Highway. CNW Construction Inc. was awarded the bid and Western Alliance Bank is providing the Interim financing of the loan. Some modifications were made to the original plans to accommodate the cost and availability of building materials. Construction of the underground utilities began in February 2022 and a groundbreaking celebration took place in April of 2022. It is anticipated the new fire station will be in service by the end of calendar year 2022. The District has spent \$1,042,059 as of June 30, 2021 on initial planning and costs of the fire station. The future anticipated cost of the construction of the fire station is \$3,770,000.

SUPPLEMENTAL DATA



NEWCASTLE FIRE PROTECTION DISTRICT  
PRINCIPAL OFFICIALS  
for the year ended June 30, 2021

Board of Directors:

William Kahrl	Chairman
Jonita Elder	Vice Chairman
James Heisterkamp	Secretary
Robin Enos	
Lawrence Bettencourt	

Operations:

Ian Gow	Fire Chief
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**NEWCASTLE FIRE  
PROTECTION DISTRICT**

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**REPORT ON ACCOUNTING CONTROLS  
AND PROCEDURES**

**for the year ended June 30, 2021**

**ROBERT W. JOHNSON**  
**Certified Public Accountant**





Robert W. Johnson  
*an accountancy corporation*

6234 Birdcage Street, Citrus Heights, California 95610 | robertwjohncpagroup@gmail.com | 916.723.2555  
www.bob-johnson-cpa.com

June 10, 2022

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, 2021. 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, 2021, 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 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, we do not express an opinion on the effectiveness of the District's internal control.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the second paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. 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 others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Robert W. Johnson, An Accountancy Corporation". The signature is written in a cursive style with a large, stylized initial "R".

Robert W. Johnson, An Accountancy Corporation



1. Comparison of Operating Results:

Statement of Activities – “Business Basis”

	June 30,		Favorable (Unfavorable) Variance
	<u>2020</u>	<u>2021</u>	
Revenues	\$ 874,334	\$ 963,351	\$ 89,017
Expenses	<u>824,977</u>	<u>851,830</u>	( 26,853)
Net income (loss)	\$ <u>49,357</u>	\$ <u>111,521</u>	\$ <u>62,164</u>
Cash	\$ <u>363,471</u>	\$ <u>437,442</u>	\$ <u>73,971</u>

Observations:

- Increase in revenue is primarily due to the strike team revenue.
- Labor costs were the major increase in expenses.
- This year’s investment in new station construction was \$24,953.
- The District improved its cash position with a surplus of the net income.

2. Current Year Recommendations:

A. Single Audit Requirement:

Observation:

The District will be funding the construction of the new fire station with a \$3,700,000 loan from USDA. The new fire station construction started in December 2021. Expenditures of more than more than \$750,000 in federal awards in any given year are subject to a Single Audit. A Single Audit includes an audit of both the financial statements and the federal award. The Single Audit reviews how the District managed the federal funds and ensures the District followed the rules for dollars associated with the federal funds.

Recommendation:

Confirm the Single Audit requirement and timing with USDA. Contact and hire a CPA firm that performs Single Audits in accordance with Uniform Guidance (formerly OMB Circular A-133) as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements.

B. Financial Statements:

Observation:

In order to present financial statements to the auditors for June 30, 2021, the contract Office Manager had to combine summary financial transactions from three sources- County Fire Newcastle Fund report, County Mitigation Newcastle Fund report and QuickBooks Newcastle FPD checking account register. For June 30, 2022, we understand there is an additional County Fund accounting for interim loan and project fire station expenditures. Thus, there are four sources that report financial transactions for Newcastle Fire Protection District for year ending June 30, 2022.

Recommendation:

Work with the June 30, 2022 auditors to determine how the financials should be combined and presented. This will enable District staff to plan and prepare for the upcoming financial and Single Audit.