

**NEWCASTLE FIRE
PROTECTION DISTRICT**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
for the year ended June 30, 2016**

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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, 2016, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits 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 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.

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, 2016, and the results of its operations for the year then ended in conformity 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

The Management's Discussion and Analysis is not a required part of the financial statements but is supplemental information required by the Government Auditing Standards Board. Management has elected to omit the Management's Discussion and Analysis.

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 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 financial statements.

The information has been subjected to the auditing procedures applied in the audit of the 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 Accountancy Compact

Citrus Heights, California
January 31, 2017

NEWCASTLE FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
June 30, 2016

ASSETS	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Cash with County (Note 3)	\$ 853,807	\$ -	\$ 853,807
Interest receivable	862	-	862
Capital assets (Notes 4 and 5)	-	931,514	931,514
Less, accumulated depreciation	<u>-</u>	<u>(348,923)</u>	<u>(348,923)</u>
 Total assets	 <u>\$ 854,669</u>	 <u>\$ 582,591</u>	 <u>\$ 1,437,260</u>
 LIABILITIES AND FUND BALANCES/NET POSITION			
 Vouchers payable	 \$ 22,044	 \$ -	 \$ 22,044
Salaries payable	12,858	-	12,858
Long term debt (Note 5)			
Due within one year	-	20,698	20,698
Due after one year	<u>-</u>	<u>176,658</u>	<u>176,658</u>
 Total liabilities	 <u>34,902</u>	 <u>197,356</u>	 <u>232,258</u>
 Fund balances/net position (Note 6):			
Fund balances:			
Restricted (Note 10)	161,331	(161,331)	-
Committed	-	-	-
Unassigned	<u>658,436</u>	<u>(658,436)</u>	<u>-</u>
Total fund balances	<u>819,767</u>	<u>(819,767)</u>	<u>-</u>
 Total liabilities and fund balances	 <u>\$ 854,669</u>		
 Net position (Note 6):			
Net investment in capital assets		385,235	385,235
Restricted		161,331	161,331
Unrestricted		<u>658,436</u>	<u>658,436</u>
 Total net position		 <u>\$1,205,002</u>	 <u>\$1,205,002</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, 2016

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Program expenditures/expenses:			
Public protection	\$ 483,435	\$ -	\$ 483,435
Support services	15,000	-	15,000
Capital outlay	75,351	(75,351)	-
Debt service:			
- principal	20,698	(20,698)	-
- interest	8,482	-	8,482
Depreciation	<u>-</u>	<u>41,292</u>	<u>41,292</u>
Total program expenditures/expenses	<u>602,966</u>	<u>(54,757)</u>	<u>548,209</u>
Program revenues:			
Charges for services	<u>55,501</u>	<u>-</u>	<u>55,501</u>
Total program revenues	<u>55,501</u>	<u>-</u>	<u>55,501</u>
General revenues:			
Taxes	227,662	-	227,662
Direct charges	442,653	-	442,653
Development fees	28,186	-	28,186
Interest	8,216	-	8,216
Miscellaneous	<u>17,866</u>	<u>-</u>	<u>17,866</u>
Total general revenues	<u>724,583</u>	<u>-</u>	<u>724,583</u>
Excess of revenues (expenditures)/ change in net position	177,118	54,757	231,875
Beginning fund balances/ net position	630,491	330,478	960,969
Add, prior year adjustment	<u>12,158</u>	<u>-</u>	<u>12,158</u>
Ending fund balances/net position	<u>\$ 819,767</u>	<u>\$ 385,235</u>	<u>\$1,205,002</u>

See notes to financial statements

NEWCASTLE FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
COMPARED TO BUDGET
for the year ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
General tax revenue	\$ 228,793	\$ 227,662	\$(1,131)
Direct charges	443,674	442,653	(1,021)
Development fees	15,000	28,186	13,186
Interest income	4,600	8,216	3,616
Other services	21,300	55,501	34,201
Miscellaneous revenues	<u>5,000</u>	<u>17,866</u>	<u>12,866</u>
 Total revenues	 <u>718,367</u>	 <u>780,084</u>	 <u>61,717</u>
Expenditures:			
Salaries and wages	315,000	236,924	78,076
Benefits	83,000	59,046	23,954
Uniforms	4,000	2,683	1,317
Communication	5,000	1,758	3,242
Insurance – general	8,500	7,315	1,185
Maintenance – equipment	22,000	25,601	(3,601)
Materials – bldgs.	144,000	70,487	73,513
Medical supplies	720	357	363
Dues	1,800	1,357	443
Miscellaneous	3,000	1,141	1,859
Collection	6,700	4,442	2,258
Printing	200	-	200
SB 2557	4,950	4,947	3
Other supplies	11,000	8,529	2,471
Office supplies	4,000	1,667	2,333
Services	105,000	98,528	6,472
Prof./spec. services	45,000	15,603	29,397
Fuel	12,000	6,081	5,919
Special dept. expense	20,000	8,095	11,905
Training	4,000	1,796	2,204
Travel	<u>-</u>	<u>-</u>	<u>-</u>
 Sub-total (carried forward)	 <u>799,870</u>	 <u>556,357</u>	 <u>243,513</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, 2016

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Sub-total (brought forward)	\$ 799,870	\$ 556,357	\$ 243,513
Commission reimb't.	2,200	1,335	865
Utilities	10,000	7,749	2,251
LAFCO fees	488	488	-
Fixed assets	44,100	7,857	36,243
Debt service – principal	-	20,698	(20,698)
– interest	<u>-</u>	<u>8,482</u>	<u>(8,482)</u>
Total expenditures	<u>856,658</u>	<u>602,966</u>	<u>253,692</u>
Excess revenues (expenditures)	<u>\$(138,291)</u>	<u>\$ 177,118</u>	<u>\$ 315,409</u>

See notes to financial statements

NEWCASTLE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS

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 36 square miles, serves approximately 2,000 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 a neighboring fire agency) oversees 6 full time firefighters and 2-3 part-time firefighters.

The Newcastle Fire Protection District responds to wildland and structure fires, medical/rescue, hazardous materials and vehicle accidents. The Department also provides fire safety information to the local schools as well as providing the community with public education and safety awareness.

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

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. Amortization of assets acquired under capital lease is included in depreciation. 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 Invested

The District invests cash balances with the Treasurer of Placer County in an interest-bearing pooled investment account.

NEWCASTLE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

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 100% 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

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

3. Cash and Investments:

The District maintains its funds with Placer County. The County is authorized to deposit cash and invest excess funds by the California Government code Section 53648 et. seq. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

	<u>Balance June 30, 2016</u>
Cash with County:	
General	\$ 692,640
Development fees	<u>161,167</u>
	<u>\$ 853,807</u>

4. Capital Assets:

Changes in capital assets for year ended June 30, 2016:

	<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	53,986	-	-	53,986
Vehicles	481,845	-	-	481,845
Equipment	<u>212,697</u>	<u>7,857</u>	<u>-</u>	<u>220,554</u>
	<u>\$ 751,528</u>	<u>\$ 7,857</u>	<u>\$ -</u>	<u>\$ 759,385</u>
Work in progress:				
New station construction	<u>\$ 104,635</u>	<u>\$ 67,494</u>	<u>\$ -</u>	<u>\$ 172,129</u>
Total	<u>\$ 856,163</u>	<u>\$ 75,351</u>	<u>\$ -</u>	<u>\$ 931,514</u>

NEWCASTLE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

5. Long-term Debt:

Long-term debt activities for the year ended June 30, 2016 consist of:

	<u>Balance</u> <u>6/30/2015</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/2016</u>	<u>Current</u> <u>Portion</u>
Oshkosh Capital	\$ <u>218,054</u>	\$ <u>-</u>	\$ <u>20,698</u>	\$ <u>197,356</u>	\$ <u>21,503</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>
2017	\$ 21,503	\$ 7,677	\$ 29,180
2018	22,339	6,841	29,180
2019	23,208	5,972	29,180
2020	24,111	5,069	29,180
2021	25,049	4,131	29,180
2022-2024	<u>81,146</u>	<u>6,394</u>	<u>87,540</u>
	<u>\$ 197,356</u>	<u>\$ 36,084</u>	<u>\$ 233,440</u>

NEWCASTLE FIRE PROTECTION DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued

6. Equity:

Fund Balance:

Restricted – Development fees	\$ 161,331
Committed	-
Unassigned	<u>658,436</u>
	<u>\$ 819,767</u>

Statement of Net Position:

Net investment in capital assets	\$ 385,235
Restricted	161,331
Unrestricted:	
Board designated	\$ -
Undesignated	<u>658,436</u>
	<u>658,436</u>
	<u>\$1,205,002</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 2016 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

8. Subsequent Events:

Management has evaluated subsequent events through January 31, 2017, the date these June 30, 2016 financial statements were available to be issued.

NEWCASTLE FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

9. Management Agreements:

The District entered into an agreement November 1, 2013 with Penryn Fire Protection District (Penryn) for Chief and Administrative Services. The District is to pay Penryn \$75,000 a year plus reimbursement of direct expenses. This agreement terminated on August 22, 2016.

The District subsequently entered into an agreement with Placer Hills Fire Protection District (Placer Hills) for Fire Chief, Duty Chief and Administrative Services for the period November 1, 2016 through June 30, 2018. The District is to pay Placer Hills \$89,000 a year plus reimbursement of direct expenses.

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, 2016 this reserve is analyzed as follows:

Balance, beginning of year	\$ 168,083
Add, development fees and interest	30,285
Deduct, qualified expenditures	<u>(37,037)</u>
Balance, end of year	\$ <u>161,331</u>

SUPPLEMENTAL DATA

NEWCASTLE FIRE PROTECTION DISTRICT
PRINCIPAL OFFICIALS

Board of Directors:

Jim Jordan

Chairman

Eric Sprouse

Vice Chairman

Jonita Elder

Rocky Robinson

Robin Enos

NEWCASTLE FIRE PROTECTION DISTRICT
SCHEDULE OF CASH FLOWS
for the year ended June 30, 2016

Cash flows from operating activities:

Change in net position (net income)		\$ 231,875
Adjustments to reconcile change in net position to net cash provided by operating activities		
Depreciation	\$ 41,292	
Prior period adjustment	12,158	
(Increase) decrease in:		
Accounts receivable	(391)	
(Decrease) increase in:		
Accounts payable and accrued liabilities	<u>3,327</u>	<u>56,386</u>
Net cash provided by operating activities		288,261
Cash flows from investing activities:		
Purchase of equipment/property	<u>(75,351)</u>	
Net cash used by investing activities		(75,351)
Cash flows from financing activities:		
Principal payments of long-term debt	<u>(20,698)</u>	
Net cash used by financing activities		<u>(20,698)</u>
Net increase in cash		192,212
Cash at beginning of year		<u>661,595</u>
Cash at end of year		<u>\$ 853,807</u>