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**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2010 and 2009**

# SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.

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**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.**

**LIST OF PRINCIPAL OFFICIALS**

**DECEMBER 31, 2010**

BOARD OF DIRECTORS

Berry Parks

Ellbert Pigg

Steve Young

FIRE CHIEF

John Callahan

ADMINISTRATIVE ASSISTANT

Connie Massie

**BRUCE D. CULLEY C.P.A., P.C.**  
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Independent Auditor's Report

Board of Directors  
Smithville Area Fire Protection District, Inc.  
Smithville, MO 64089

I have audited the basic financial statements of the Smithville Area Fire Protection District, Inc. as of and for the years ended December 31, 2010 and 2009, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the Smithville Area Fire Protection District's management. My responsibility is to express an opinion on these basic financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

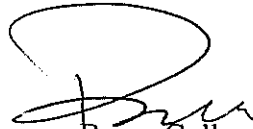

As described in Note 1, the basic financial statements were prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the District's assets, liabilities, net assets/fund equity and revenues and expenditures/expenses arising from modified cash basis transactions as of and for the years ended December 31, 2010 and 2009, on the modified cash basis of accounting described in Note 1, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Board of Directors  
Smithville Area Fire Protection District, Inc.

My audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplementary information as listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Smithville Area Fire Protection District. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole on the modified cash basis of accounting as described in Note 1.

The required supplementary information, as listed in the accompanying table of contents, including Management's Discussion and Analysis and the General Fund Budgetary Comparison Schedule and Notes, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and do not express an opinion on it.

  
Bruce Culley  
Certified Public Accountant 

Gladstone, Missouri  
May 25, 2011

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

An objective and easily readable analysis of the District's financial activities. The Management's Discussion and Analysis presents an analytical overview of both short-term and long-term financial information.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.  
SMITHVILLE, MISSOURI 64089**

**Management's Discussion and Analysis**

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2010. Please read it in conjunction with the District's financial statements that begin on Page 14.

**FINANCIAL HIGHLIGHTS**

- The District's revenue exceeded expenses by \$109,185 as shown in the Statement of Activities. This compares favorably with an excess of revenues over expenses of \$38,416 in 2009.
- The change in operating income was caused by the new tax levy for the debt service. A new debt service tax levy was implemented in 2010 to fund the new general obligation bonds.
- The District's capital assets total \$2,624,571. There was an increase in capital assets of \$206,638. Capital assets of \$240,979 were sold during the year.
- Money for capital expenditures went for the completion of the building renovation and some smaller equipment purchases. Two trucks were sold after new vehicles were purchased in 2009.
- Sales and property taxes are the major sources of revenue to the District. Property tax increased by \$4,088 and sales tax increased \$22,647.
- The net assets of the District increased \$109,185 to \$1,051,017.

**USING THIS ANNUAL REPORT**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB Statement 34 implements a new model of financial reporting for government bodies designed to enhance the usefulness of the District's annual report. The District management has elected to implement the new model financial statement format and content using the District's modified cash basis of accounting.

## **Report Components**

This annual report consists of four parts as follows:

**Government-wide Financial Statements:** The Statement of Net Assets and the Statement of Activities (on pages 14 through 16) provide information about the activities of the District government-wide statements (or “as a whole”) and present a longer-term view of the District’s finances.

**Fund Financial Statements:** Fund financial statements (starting on page 17) focus on the individual parts of the District. For *governmental activities*, these statements tell how these services were financed in the short term as well as what remains for future spending.

**Notes to the Financial Statements:** The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Required Supplementary Information:** This Management Discussion and Analysis and the General Fund Budgetary Comparison Schedule (page 35) represent financial information required to be presented by the GASB. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as “the basic financial statements”).

## **Basis of Accounting**

The District has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the District’s modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions, except for the recording of depreciation expense on capital assets in the government-wide financial statements for all activities.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues and certain liabilities and their related expenses are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

## **Reporting the Smithville Area Fire Protection District as a Whole**

### *The District’s Reporting Entity Presentation*

This annual report includes all activities for which the Smithville Area Fire Protection District is fiscally responsible.



The primary government includes the following legal entities:

- The District

*The Government-wide Statement of Net Assets and the Statement of Activities*

Our financial analysis of the District as a whole begins on page 14. The government-wide financial statements are presented on pages 14 through 16. One of the most important questions about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all of the District's assets and liabilities resulting from the use of the modified cash basis of accounting.

These two statements report the District's net assets and changes in them. Keeping in mind the limitations of the modified cash basis of accounting, you can think of the District's net assets – the difference between assets and liabilities – as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's sales tax base to assess the overall health of the District.

Changes from 2010 in the Statement of Net Assets are:

	<u>2010</u>	<u>2009</u>	Increase (Decrease)
Unrestricted Checking and Savings	\$ 313,079	\$ 268,548	\$ 44,531
Restricted Checking and Savings	665,096	519,032	146,064
Other Assets	193	193	-
Fixed Assets	2,624,571	2,688,825	(64,254)
Bond Issue Costs	<u>31,762</u>	<u>34,114</u>	<u>(2,352)</u>
Total Assets	<u>\$3,634,701</u>	<u>\$3,510,712</u>	<u>\$ 123,989</u>
Deferred Revenue	\$ 83,684	\$ 68,880	\$ 14,804
Bonds Payable	2,500,000	2,500,000	-
Net Assets	<u>1,051,017</u>	<u>941,832</u>	<u>109,185</u>
Total Liabilities and Net Assets	<u>\$3,634,701</u>	<u>\$3,510,712</u>	<u>\$ 123,989</u>

The above analysis of changes in the Statement of Activities discloses the following significant changes:

- The unencumbered cash balance increased \$44,531.
- Liabilities increased by \$14,804. Deferred revenue representing 2011 taxes received in 2010.
- The only required payment on the general obligation bonds was for interest.

Comparative changes in the Statement of Activities are as follows:

	2010	2009	Increase (Decrease)
County Property Taxes – General	\$ 633,634	\$ 629,546	\$ 4,088
County Property Taxes – Debt Service	224,528	-	224,528
Sales Taxes	388,378	365,731	22,647
Gain on Sale of Equipment	23,848	24,257	(409)
Other Income	26,905	18,349	8,556
Total Revenue	1,297,293	1,037,883	259,410
Personnel Services	525,337	469,953	55,384
Taxes and Benefits	167,266	171,051	(3,785)
Interest	139,575	38,242	

*General Fund Balance Sheet Comparison*

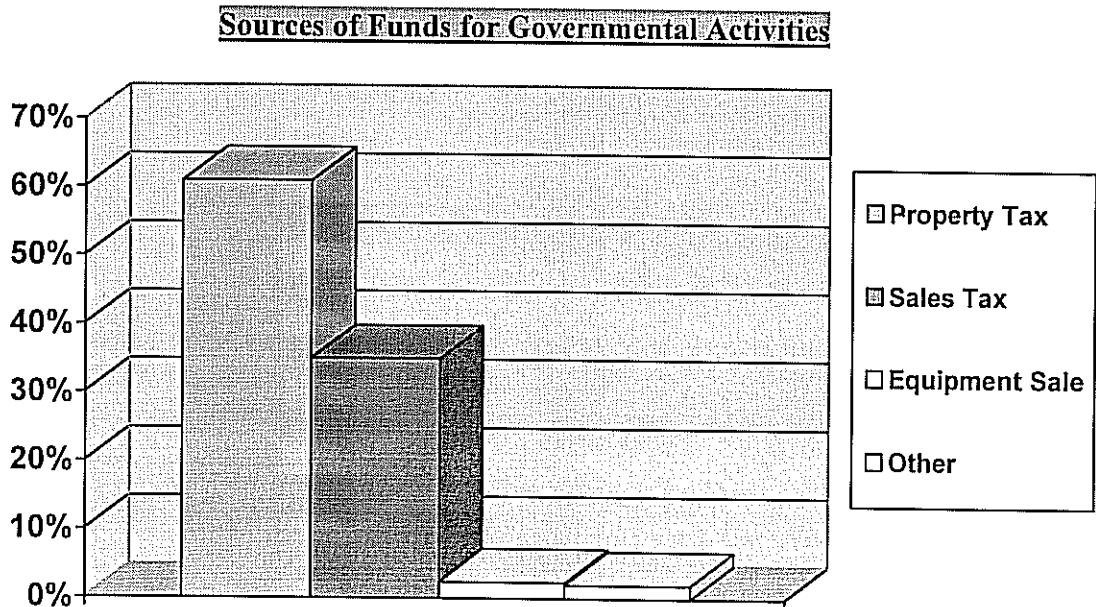
	<u>2010</u>	<u>2009</u>	Increase (Decrease)
Cash – Checking and Savings		\$ 268,548	
Other Assets		193	
Restricted – Checking and Savings		<u>519,032</u>	
Total Assets		<u>\$ 787,773</u>	
Current Liabilities		\$ 68,880	
Fund Balance		<u>718,893</u>	
Total Liabilities and Fund Balance		<u>\$ 787,773</u>	

*Findings*

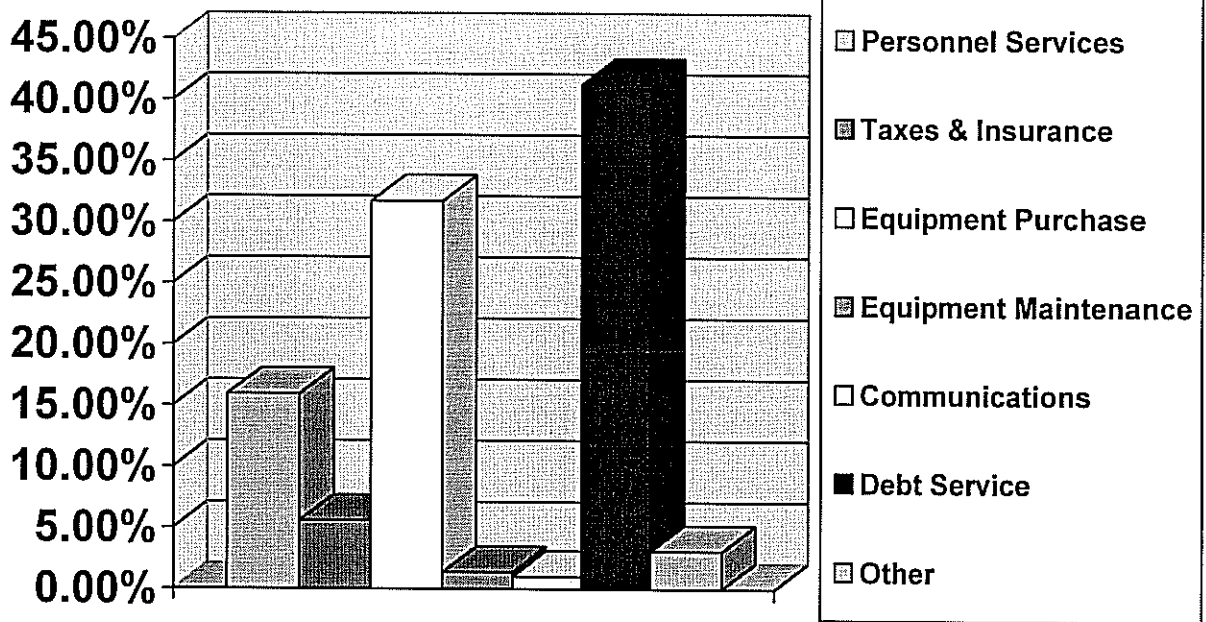
- The cash available to meet future expenditures increased \$105,127.
- The increase in the current liabilities was caused mainly by the recognition of property taxes received in advance of the year end as a liability (deferred taxes).
- The fund balance increased \$589,883.

**Governmental Activities**

For the year ended December 31, 2010, the District’s governmental activities were funded as follows:



**Use of Funds in Governmental Activities**



The following schedule shows a comparison of General Government Fund expenditures for 2010 and 2009.

	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>
Operating Costs			
Personnel Services		\$ 469,953	
Taxes and Benefits		164,074	
Office		38,988	
Supplies and Chemicals		1,724	
Petroleum Products		10,204	
Professional Services		7,861	
Communications		29,430	
Personnel Development		6,977	
Public Utilities		18,859	
County Charges		2,010	
Other Expenditures		5,466	
Equipment Maintenance		<u>40,036</u>	
Total Operating Costs		795,582	

Debt Service and Equipment Purchases	
Principal	-
Interest	38,242
Bond Issue Costs	35,291
Lease Payments	1,143,821
Equipment Purchase	<u>935,064</u>
Total Debt Service and Equipment Purchases	<u>2,152,418</u>
Total Expenditures	<u>\$2,948,000</u>

Expenditures increased by \$1,884,312 over 2009.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES**

With the unfavorable economic trends, it is likely that sales tax collection will continue to decline. There are certain pressures for cost increases so the District will remain vigilant in controlling costs. These factors are considered by District leaders and management in preparation of the District's budget for future years. The Board is committed to maintaining fiscal responsibility.

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

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's office at 341 Park Drive, Smithville, Missouri.

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements include integrated sets of financial statements as required by GASB. The sets of statements include:

- Government-wide Financial Statements
- Fund Financial Statements
  - Governmental Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.**  
**STATEMENTS OF NET ASSETS**  
**MODIFIED CASH BASIS**  
**DECEMBER 31,**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash - Checking and Savings	\$ 313,079	\$ 268,548
Employee Advance	193	193
Restricted Assets		
Cash - Checking and Savings	665,096	519,032
Land	102,671	102,671
Building and Equipment, Net of Depreciation	2,521,900	2,586,154
Bond Issue Costs, Net of Amortization	<u>31,762</u>	<u>34,114</u>
Total Assets	<u>\$ 3,634,701</u>	<u>\$ 3,510,712</u>
<b>LIABILITIES</b>		
Deferred Revenue	\$ 83,684	\$ 68,880
Bonds Payable	<u>2,500,000</u>	<u>2,500,000</u>
Total Liabilities	2,583,684	2,568,880
<b>NET ASSETS</b>		
Invested in Capital Assets Net of Related Debt	124,571	222,939
Restricted		
Capital Projects	127,525	22,457
Debt Service	87,445	2,197
Bond Funds	129,460	331,607
Reserve	320,667	162,772
Unrestricted	<u>261,349</u>	<u>199,860</u>
Total Net Assets	<u>1,051,017</u>	<u>941,832</u>
Total Liabilities and Net Assets	<u>\$ 3,634,701</u>	<u>\$ 3,510,712</u>

See Accompanying Notes to the Basic Financial Statements.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

Functions/Programs	Expenses	Program Revenue	Net Expenses Government Activities
Personnel Services	\$ 525,337	\$ -	\$ 525,337
Taxes and Insurance	105,392	-	105,392
Employee Benefits - Retirement	61,874	-	61,874
Uniforms	4,455	-	4,455
Grant Expenses	19,068	-	19,068
Health and Safety	1,994	-	1,994
Office	3,789	-	3,789
Prevention and Investigation	1,564	-	1,564
Supplies and Chemicals	318	-	318
Petroleum Products	14,748	-	14,748
Professional Services	18,827	-	18,827
Communications	27,791	-	27,791
Personnel Development	19,886	-	19,886
Public Utilities	21,230	-	21,230
Miscellaneous	5,751	-	5,751
Maintenance - Machinery and Equipment	12,231	-	12,231
Maintenance - Building and Grounds	12,058	-	12,058
Interest	139,575	-	139,575
Amortization - Bond Costs	2,353	-	2,353
Depreciation	189,867	-	189,867
Total Governmental Activities	\$ 1,188,108	\$ -	1,188,108
 <b>GENERAL REVENUE</b>			
Taxes			
County Property Tax - General			633,634
County Property Tax - Debt Service			224,528
Sales Tax			388,378
Grant			16,780
Sale of Capital Assets			23,848
Interest			3,103
Miscellaneous Income			7,022
Total General Revenues and Transfers			1,297,293
Change in Net Assets			109,185
Net Assets, Beginning of Year			941,832
Net Assets, End of Year			\$ 1,051,017

See Accompanying Notes to the Basic Financial Statements.



**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

Functions/Programs	Expenses	Program Revenue	Net Expenses Government Activities
Personnel Services	\$ 469,953	\$ -	\$ 469,953
Taxes and Insurance	95,547	-	95,547
Employee Benefits - Retirement	58,420	-	58,420
Uniforms	10,107	-	10,107
Office	38,988	-	38,988
Prevention and Investigation	1,565	-	1,565
Supplies and Chemicals	1,724	-	1,724
Petroleum Products	10,204	-	10,204
Professional Services	7,861	-	7,861
Communications	29,430	-	29,430
Personnel Development	6,977	-	6,977
Rent - Equipment	1,113	-	1,113
Public Utilities	18,859	-	18,859
Miscellaneous	4,799	-	4,799
Maintenance - Supplies	3,459	-	3,459
Maintenance - Machinery and Equipment	26,980	-	26,980
Maintenance - Building	9,597	-	9,597
Interest	38,242	-	38,242
Amortization	1,177	-	1,177
Depreciation	164,465	-	164,465
Total Governmental Activities	\$ 999,467	\$ -	999,467
<b>GENERAL REVENUE</b>			
Taxes			-
County Property Tax			629,546
Sales Tax			365,731
Rent Income			343
Grants			3,000
Sale of Capital Assets			24,257
Interest			6,666
Miscellaneous Income			8,340
Total General Revenues			1,037,883
Change in Net Assets			38,416
Net Assets, Beginning of Year			903,416
Net Assets, End of Year			\$ 941,832

See Accompanying Notes to the Basic Financial Statements.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.**  
**BALANCE SHEETS - GOVERNMENTAL FUNDS**  
**MODIFIED CASH BASIS**  
**DECEMBER 31,**

	General Fund	Debt Service	Total 2010	2009
<b>ASSETS</b>				
Cash - Checking and Savings	\$ 313,079	\$ -	\$ 313,079	\$ 268,548
Employee Advance	<u>193</u>	<u>-</u>	<u>193</u>	<u>193</u>
	313,272	-	313,272	268,741
Restricted Assets				
Cash - Checking and Savings	<u>448,191</u>	<u>216,905</u>	<u>665,096</u>	<u>519,032</u>
Total Assets	<u>\$ 761,463</u>	<u>\$ 216,905</u>	<u>\$ 978,368</u>	<u>\$ 787,773</u>
<b>LIABILITIES</b>				
Deferred Revenue	<u>\$ 83,684</u>	<u>\$ -</u>	<u>\$ 83,684</u>	<u>\$ 68,880</u>
Total Liabilities	83,684	-	83,684	68,880
<b>FUND BALANCE</b>				
Reserved				
Capital Improvements	127,525	-	127,525	22,456
Debt Services	-	216,905	216,905	333,804
Unreserved	<u>550,254</u>	<u>-</u>	<u>550,254</u>	<u>362,633</u>
Total Fund Balance	<u>677,779</u>	<u>216,905</u>	<u>894,684</u>	<u>718,893</u>
Total Liabilities and Fund Balance	<u>\$ 761,463</u>	<u>\$ 216,905</u>	<u>\$ 978,368</u>	<u>\$ 787,773</u>

Reconciliation of Fund Balances Balance Sheet to the  
Government-wide Statement of Net Assets

Total Fund Balance	\$ 894,684	\$ 718,893
Capital assets used in government activities are not financial reserves and, therefore, are not reported in the funds.	2,656,333	2,722,939
Bonds payable are not due and payable in the current period and, therefore, are not reported in the current period.	<u>(2,500,000)</u>	<u>(2,500,000)</u>
Net Assets of Government Activities	<u>\$ 1,051,017</u>	<u>\$ 941,832</u>

See Accompanying Notes to the Basic Financial Statements.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**MODIFIED CASH BASIS**  
**FOR THE YEARS ENDED DECEMBER 31,**

	<u>General Fund</u>	<u>Debt Service</u>	<u>Total 2010</u>	<u>2009</u>
<b>REVENUE</b>				
Taxes				
County Property Tax - General	\$ 633,634	\$ -	\$ 633,634	\$ 629,546
County Property Tax - Debt Service	-	224,528	224,528	-
Sales Tax	388,378	-	388,378	365,731
Grants	16,780	-	16,780	3,000
Interest on Accounts	3,103	-	3,103	6,666
Rent Income	-	-	-	343
Miscellaneous Income	<u>7,022</u>	<u>-</u>	<u>7,022</u>	<u>8,340</u>
Total Cash Receipts	1,048,917	224,528	1,273,445	1,013,626
<b>EXPENDITURES</b>				
Personnel Services	525,337	-	525,337	469,953
Taxes and Insurance	105,392	-	105,392	95,547
Employee Benefits - Retirement	61,874	-	61,874	58,420
Uniforms	4,455	-	4,455	10,107
Grant Expenses	19,068	-	19,068	-
Health and Safety	1,994	-	1,994	-
Office	3,789	-	3,789	38,988
Prevention and Investigation	1,564	-	1,564	1,565
Supplies and Chemicals	318	-	318	1,724
Petroleum Products	14,748	-	14,748	10,204
Professional Services	18,827	-	18,827	7,861
Communications	27,791	-	27,791	29,430
Personnel Development	19,886	-	19,886	6,977
Rent - Equipment	-	-	-	1,113
Public Utilities	21,230	-	21,230	18,859
Miscellaneous	5,751	-	5,751	2,788
Maintenance - Supplies	-	-	-	3,459
Maintenance - Machinery and Equipment	12,231	-	12,231	26,980
Maintenance - Building and Grounds	12,058	-	12,058	9,597
Capital Equipment Expenses from Special Account	4,786	201,852	206,638	935,064
County Charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,010</u>
Total Expenditures	<u>861,099</u>	<u>201,852</u>	<u>1,062,951</u>	<u>1,730,646</u>
Excess (Deficiency) of Cash Receipts over Cash Expenditures	187,818	22,676	210,494	(717,020)
<b>FINANCING</b>				
Bond Proceeds	-	-	-	2,500,000
Proceeds from Sale of Capital Assets	<u>104,872</u>	<u>-</u>	<u>104,872</u>	<u>24,257</u>
Total Financing Receipts	104,872	-	104,872	2,524,257
Debt Service				
Interest	-	139,575	139,575	38,242
Real Estate Lease Retirement	-	-	-	900,728
Pumper Truck Lease Retirement	-	-	-	243,093
Bond Issue Cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,291</u>
Total Financing Disbursements	<u>-</u>	<u>139,575</u>	<u>139,575</u>	<u>1,217,354</u>
Net Financing	<u>104,872</u>	<u>(139,575)</u>	<u>(34,703)</u>	<u>1,306,903</u>
Net Change in Fund Balance	292,690	(116,899)	175,791	589,883
Fund Balance, Beginning of Year	<u>385,089</u>	<u>333,804</u>	<u>718,893</u>	<u>129,010</u>
Fund Balance, End of Year	<u>\$ 677,779</u>	<u>\$ 216,905</u>	<u>\$ 894,684</u>	<u>\$ 718,893</u>

See Accompanying Notes to the Basic Financial Statements.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.  
RECONCILIATION OF THE STATEMENTS OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31,**

	2010	2009
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in Fund Balances - Total Governmental Funds	\$ 175,791	\$ 589,883
Governmental funds report capital outlays 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.		
Capital Equipment Outlay	206,638	935,064
Depreciation and Amortization	(192,220)	(165,640)
Net Capital Outlay	14,418	769,424
In the statement of activities, only the gain on sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.		
Cost of Assets Sold	(81,024)	-
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources.		
Lease Debt Retirement - Pumper Truck	-	243,093
Lease Debt Retirement - Real Estate Loan	-	900,727
Bond Proceeds, Net	-	(2,464,709)
Other	-	(2)
Total Long Term Debt Financial Resources	-	(1,320,891)
Change in Net Assets - Statement of Activities	\$ 109,185	\$ 38,416

See Accompanying Notes to the Basic Financial Statements.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Smithville Area Fire Protection District (the “District”) was created in April 1989 by a vote of the people of Clay and Platte Counties. The Smithville Area Fire Protection District’s function is to provide fire protection to residents of Clay and Platte Counties. This service was previously performed by the Smithville Community Firefighters Association. The assets of the Smithville Community Firefighters Association were transferred to the Smithville Area Fire Protection District on July 12, 1989, as a successor organization.

Except for the use of a modified cash basis of accounting as discussed in Note 1, the District complies with accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended December 31, 2006, the District implemented the new financial reporting requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions* and implemented the new financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis – for State and Local Governments*.

***Financial Reporting Entity***

The District’s financial reporting entity is comprised of the following:

Primary Government: Smithville Area Fire Protection District

***Basis of Presentation***

**Governmental-wide Financial Statements**

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED  
DECEMBER 31, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

*Basis of Presentation – Continued*

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below.

*Governmental Funds*

General Fund

The General Fund is the primary operating fund of the District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Major and Nonmajor Funds

The funds are classified as major or nonmajor as follows:

<u>Major Funds</u>	<u>Nonmajor Funds</u>
General Fund	None
Debt Service Fund	

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

*Governmental Funds – Continued*

Debt Service Fund

The Debt Service Fund is used to account for the following:

- a. Remaining general obligation bond proceeds whose use is restricted by land covenants.
- b. Property tax receipts to be used for payment of the general obligation bonds.

*Measurement Focus*

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied. In the government-wide Statement of Net Assets and the Statement of Activities governmental activities are presented using the economic resources measurement.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of a period.

*Basis of Accounting*

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

*Basis of Accounting – Continued*

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Beginning in 2009, the District began deferring property taxes to the year it applied. A portion of the property taxes received late in the calendar year are recorded as deferred income when received and recorded as revenue in the following year to which the taxes apply.

Modified Accrual Basis – Revenues would be recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities.

Expenditures (including capital outlay) would be recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

Accrual Basis – Revenues would be recognized when earned.

Expenses (including depreciation and amortization) would be recorded when the liability was incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions would be recognized when the exchange took place.



SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED  
DECEMBER 31, 2010

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

*Reclassifications*

Certain reclassifications have been made to the 2009 comparative totals to conform to the 2010 presentation.

**ASSETS, LIABILITIES AND EQUITY**

*Cash and Cash Equivalents*

For the purpose of financial reporting, “cash and cash equivalents” includes all checking and savings accounts.

*Accounts Receivable*

As a result of the use of the modified cash basis of accounting, accounts receivable and other revenue related receivables are not reported in the financial statements.

*Capital Assets*

The accounting treatment of property, plant and equipment (capital assets) follows GAAP in that assets with a remaining useful life are capitalized and written off over the assets useful life in the statement of activities. Capital assets are expensed in the statement of revenues, expense and changes in fund.

*Government-Wide Statements*

In the government-wide financial statements, capital assets are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$1,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Machinery, Furniture and Equipment	5-10 years
Vehicles - Special	20 years

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED  
DECEMBER 31, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

*Fund Financial Statements*

In the fund financial statements, capital assets acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

*Deferred Revenue*

Deferred revenue represents tax receipts collected at the end of the year that are for the following years. The amounts received are recognized as revenue in the following year. At December 31, 2010, \$68,880 had been received that pertained to 2010.

**EQUITY CLASSIFICATIONS**

*Government-Wide Statements*

Equity is classified as net assets and displayed in three components:

- a. Restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation. The District has no restricted net assets.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

*Fund Financial Statements*

Governmental fund equity is classified as fund balance.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED  
DECEMBER 31, 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**REVENUE, EXPENDITURES AND EXPENSES**

*Sales Tax*

During 2000 the voters of the fire district approved a half-cent sales tax which is collected on all retail sales in the district. Sales tax collected for the year totaled \$388,378 in 2010 and \$365,731 in 2009.

*Property Tax*

Taxes are collected by the respective counties of Clay and Platte which are served by the fire district and remitted to the district. The bulk of the taxes collected in 2010 are for taxes assessed in 2009. The tax levy set for the Smithville Area Fire Protection District is set at the maximum allowed rate of \$.2862 per \$100 of assessed valuation in Clay County. The tax levy was set at \$.2699 per \$100 of assessed valuation in Platte County. The debt services levy has been set at \$.10 per \$100 of assessed valuation. The assessed valuation for fiscal 2010 was \$~~220,981,802~~ Property taxes collected during the year were as follows:

	<u>2010</u>	<u>2009</u>
Platte County	\$ 130,326	\$ 85,713
Clay County	<u>727,835</u>	<u>543,833</u>
Total	<u>\$ 858,161</u>	<u>\$ 629,546</u>

*Use of Estimates*

The preparation of financial statements in conformity with the other comprehensive basis of accounting used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

*Compensated Absences*

As a result of the District’s use of a modified cash basis of accounting, accrued liabilities related to compensated absences (vacation only; sick leave does not vest) is not reflected in the government-wide or fund financial statements. As of December 31, 2010, the District had not set aside or reserved any fund balance or net assets for the commitment.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.  
 NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED  
 DECEMBER 31, 2010**

**NOTE 2 – COMMITMENTS AND CONTINGENCIES – LAW SUITS – CONTINUED**

*Deferred Revenue*

Deferred revenue represents tax receipts collected at the end of the year that are for the following year. The amounts received are recognized as revenue in the following year. At December 31, 2010, \$92,417 had been received that pertained to 2011.

*Lawsuits*

There are no claims for lawsuits to which the District is a part as a result of certain injuries and various other matters and complaints arising in the ordinary course of District activities. The District’s management and legal counsel anticipate that any unknown potential claims, if any, against the District not covered by insurance would not have a material effect on the financial position of the District.

*Insurance*

The District is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee’s health and life; and natural disasters.

The District manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
a. Torts, errors and omissions health and life	Purchased commercial insurance	None
b. Workers Compensation: Employee injuries	Purchased commercial insurance	None
c. Physical property loss and natural disasters	Purchased commercial insurance	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED  
DECEMBER 31, 2010**

**NOTE 3 – BONDS AND CAPITAL LEASE OBLIGATIONS**

**BONDS**

*General Obligation Bonds*

During 2009 the Smithville Fire Protection District issued \$2,500,000 of General Obligation Fire Protection Bonds. The bonds are general obligation bonds of the District payable from taxes levied on real and personal property. The bonds mature in 2024 and pay interest at rates varying from a low of 3% to a high of 4.2%. The interest is paid semiannually on March 1 and September 1.

The maturities on the bonds are as follows:

	<u>Principal</u>	<u>Interest</u>
2011	\$ 125,000	\$ 86,900
2012	150,000	82,775
2013	150,000	78,275
2014	150,000	73,775
2015	150,000	69,088
2016 – 2020	850,000	263,925
2021 – 2024	<u>925,000</u>	<u>78,175</u>
Total	<u>\$2,500,000</u>	<u>\$ 732,913</u>

The bonds are being issued for the purpose of paying off two lease obligations involving fire station improvements and the acquisition of a pumper truck. The proceeds will also be used to make improvements to one of the fire stations and purchasing two new fire trucks and equipment that meet the minimum national safety standards for firefighter safety.

**CAPITAL LEASE OBLIGATIONS**

*Real Estate Lease – Pay-off 2009*

In May 2001, the Smithville Area Fire Protection District entered into a lease with the Platte Valley Real Estate Development. The following is a summary of the lease-purchase transaction during 2009:

Lease-Purchase Payable, Beginning of Year	\$ 900,728
Lease-Purchase Obligations Retired	<u>(900,728)</u>
Lease-Purchase Payable, End of Year	<u>\$ -</u>

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2010**

**NOTE 3 – CAPITAL LEASE OBLIGATIONS – CONTINUED**

*Pumper Truck Lease – Pay-off 2009*

In August 2004, the Smithville Area Fire Protection District entered into a lease with Platte Valley Bank. Financing for the truck is provided by Platte Valley Bank under a lease-purchase agreement at an interest rate of 4.28%.

The following is a summary of the lease-purchase transaction during 2009:

Lease-Purchase Payable, Beginning of Year	\$ 243,092
Lease-Purchase Obligations Retired	<u>(243,092)</u>
Lease-Purchase Payable, End of Year	<u>\$ -</u>

**NOTE 4 – RETIREMENT PLAN**

The Smithville Fire Protection District participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, section RSMo. 70.600-70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax exempt. The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing LAGERS, P. O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

Smithville Fire Protection District's full-time employees do not contribute to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rate is 19.5% (general) and 11.5% (fire) of the annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED  
DECEMBER 31, 2010**

**NOTE 4 – RETIREMENT PLAN – CONTINUED**

For 2010, the political subdivision’s annual pension cost of \$43,717 was equal to the required and actual contributions. The required contribution was determined as part of the February 29, 2008 and/or February 28, 2009, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2009 included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age, attributable to seniority/merit, and (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 setback 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period as of February 28, 2009, was 26 years for the general division and 26 years for the fire division. The amortization period as of February 28, 2009, was 29 years for the general division and 25 years for the fire division.

Three-Year Trend Information			
Year Ended <u>June 30</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2008	\$ 50,124	100%	\$ –
2009	\$ 45,406	100%	\$ –
2010	\$ 43,717	100%	\$ –

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED  
DECEMBER 31, 2010**

**NOTE 4 – RETIREMENT PLAN – CONTINUED**

**REQUIRED SUPPLEMENTARY INFORMATION  
Schedule of Funding Progress**

	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age	Unfunded Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
02-29-08	\$ 270,694	\$ 363,587	\$ 192,893	74%	\$ 365,623	25%
02-28-09	\$ 269,325	\$ 408,543	\$ 139,218	66%	\$ 371,103	38%
02-28-10	\$ 326,842	\$ 473,063	\$ 146,221	69%	\$ 347,683	42%

The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2006, annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS' office in Jefferson City, Missouri.

**NOTE 5 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*Deposits and Investments Laws and Regulations*

In accordance with state law, all uninsured deposits of government funds in financial institutions must be secured with acceptable collateral valued at market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Missouri or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A. Section 1823(e), all financial institutions pledging collateral to the District must have a written collateral agreement approved by the board of directors or loan committee. All deposits were fully insured or collateralized as follows:

FDIC Insurance	\$ 250,000
Pledged Securities	1,625,000
Total Deposits	<u>(833,095)</u>
Excess of Insured and Collateralized Deposits Over Bank Balances	<u>\$1,041,905</u>



**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2010**

**NOTE 6 – CAPITAL ASSETS**

Capital Asset activity for the year ended December 31, 2010, was as follows:

	<u>2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>2010</u>
Governmental Activities				
Land	\$ 102,671	\$ -	\$ -	\$
Buildings	1,321,366			
Vehicles	2,035,458		-	
Machinery and Equipment	<u>633,405</u>	—	—	
Total at Historical Cost	4,092,900		-	
Less Accumulated Depreciation	<u>(1,404,075)</u>	<u>0</u>	—	<u>0</u>
Governmental Activities				
Capital Assets, Net	<u>\$2,688,825</u>	<u>\$</u>	<u>\$ -</u>	<u>\$</u>

Capital Asset activity for the year ended December 31, 2009, was as follows:

	<u>2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>2009</u>
Governmental Activities				
Land	\$ 102,671	\$ -	\$ -	\$ 102,671
Buildings	1,297,766	23,600	-	1,321,366
Vehicles	1,167,412	868,046	-	2,035,458
Machinery and Equipment	<u>589,987</u>	<u>43,418</u>	-	<u>633,405</u>
Total at Historical Cost	3,157,836	935,064	-	4,092,900
Less Accumulated Depreciation	<u>(1,239,610)</u>	<u>(164,465)</u>	—	<u>(1,404,075)</u>
Governmental Activities				
Capital Assets, Net	<u>\$1,918,226</u>	<u>\$ 770,599</u>	<u>\$ -</u>	<u>\$2,688,825</u>

Depreciation recorded on capital assets totaled \$164,465 in 2010 and \$164,465 in 2009.

**NOTE 7 – COMMITMENTS AND CONTINGENCIES – LAWSUITS**

There are no claims for lawsuits to which the District is part as a result of certain injuries and various other matters and complaints arising in the ordinary course of District activities. The District's management and legal counsel anticipate that any unknown potential claims, if any, against the District not covered by insurance would not have a material effect on the financial position of the District.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Required supplementary information (RSI) includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2010**

***Budgetary Accounting***

The District prepares its budget for the General Fund on the modified cash basis of accounting. This basis is consistent with the basis of accounting used in presenting the General Fund in the basic financial statements. All unexpended appropriations lapse at year-end.

Through the budget, the Board of Directors sets the direction of the District, allocates its resources and establishes its priorities. The Annual Budget assures the efficient and effective uses of the District's economic resources, as well as establishing that the highest priority objectives are accomplished.

The Annual Budget covers the period from January 1 to December 31 and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees and other public agencies. Additionally, it establishes the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the District's performance.

The District's budget is prepared and based on various expenditure categories; personnel, supplies and services, minor capital outlay and capital improvement programs. The first three listed are considered operational in nature or known as recurring costs. Capital improvement projects are asset acquisitions, facilities and systems. These are known as one-time costs.

The District collects and records revenue and expenditures within the Governmental Activities. The Governmental Funds include the General Fund. All funding sources are kept separate for both reporting and use of the money. The General Fund is where most District services are funded that is not required to be segregated.

The budget process begins as a team effort in July of each year. Then the Fire Chief uses projected revenue assumptions to prioritize and recommend the next year's objectives. The Fire Chief reviews all budget proposals and revenue assumptions, as well as all current financial obligations before preparing the document that is proposed to the Board of Directors. The Board of Directors reviews the Proposed Budget and the final adoption of the budget is scheduled for approval in December.

**SMTIHVILLE FIRE PROTECTION DISTRICT, INC.**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUE</b>			
Taxes			
County Property Tax	\$ 603,000	\$ 633,634	\$ 30,634
Sales Tax	350,000	388,378	38,378
Grants	-	16,780	16,780
Interest	-	3,103	3,103
Permits	2,000	3,891	1,891
Miscellaneous Income	-	3,131	3,131
Total Revenue	<u>955,000</u>	<u>1,048,917</u>	<u>93,917</u>
<b>EXPENDITURES</b>			
Operating			
Personnel Services	554,544	525,337	29,207
Insurance and Benefits	164,000	105,392	58,608
Retirement Benefits	74,500	61,874	12,626
Uniforms	5,000	4,455	545
Grant Expense	-	19,068	(19,068)
Office	6,174	3,789	2,385
Prevention and Investigation	1,600	1,564	36
Supplies and Chemicals	3,000	318	2,682
Petroleum Products	13,000	14,748	(1,748)
Legal and Accounting	9,200	18,827	(9,627)
Communications	27,182	27,791	(609)
Personnel Development	16,500	19,886	(3,386)
Rent	1,500	-	1,500
Public Utilities	24,500	21,230	3,270
Miscellaneous	12,800	5,751	7,049
Health and Safety	5,000	1,994	3,006
Maintenance - Building and Equipment	<u>36,500</u>	<u>24,289</u>	<u>12,211</u>
Total General Fund Expenditures	<u>955,000</u>	<u>856,313</u>	<u>98,687</u>
Financing and Capital Equipment			
Capital Equipment Expenses from Special Account	-	206,638	(206,638)
Proceeds from Sale of Capital Assets	<u>-</u>	<u>104,872</u>	<u>104,872</u>
Excess (Deficiency) of Cash Receipts Over Cash Expenses	<u>\$ -</u>	<u>\$ 90,838</u>	<u>\$ 90,838</u>

See Accompanying Notes to Required Supplementary Information.

**INTERNAL CONTROL AND COMPLIANCE SECTION**

**BRUCE D. CULLEY C.P.A., P.C.**  
3000 Brooktree Lane, Suite 210  
Gladstone, MO. 64119  
816-453-1041 Fax: 816-453-0721

Report on Compliance and on Internal Control over Finance Reporting  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*.

Board of Directors  
Smithville Area Fire Protection District, Inc.

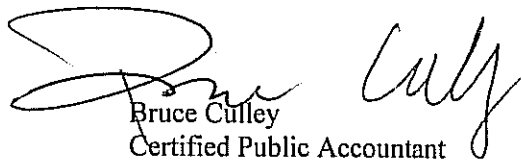
I have audited the financial statements of the Smithville Area Fire Protection District, as of and for the year ended December 31, 2010, and have issued my report thereon dated May 1, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

  
Bruce Culley  
Certified Public Accountant

Gladstone, Missouri  
May 25, 2011