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SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2011 and 2010

SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.

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SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.

LIST OF PRINCIPAL OFFICIALS

DECEMBER 31, 2011

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, 2011 and 2010, 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.

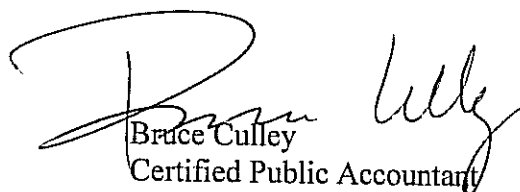
As described in Note 1, the basic financial statements were prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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, 2011 and 2010, 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
June 10, 2012

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, 2011. Please read it in conjunction with the District's financial statements that begin on Page 15.

FINANCIAL HIGHLIGHTS

- The District's revenue exceeded expenses by \$14,590 as shown in the Statement of Activities. This compares unfavorably with an excess of revenues over expenses of \$109,185 in 2010.
- The District's capital assets total \$2,443,131. There was a decrease in capital assets of \$181,440. Capital assets were decreased by \$182,470 for depreciation and the sale of a truck.
- Money for capital expenditures went for building renovation and some smaller equipment purchases. One truck was sold at a loss of \$30,964.
- Sales and property taxes are the major sources of revenue to the District. Property tax decreased by \$83,909 and sales tax increased \$9,899. This is the second year in a row that sales tax increased.

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 15 through 17) 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 18) 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>2011</u>	<u>2010</u>	Increase (Decrease)
Unrestricted Checking and Savings	\$ 315,938	\$ 313,079	\$ 2,859
Restricted Checking and Savings	787,336	665,096	122,240
Other Assets	250	193	57
Fixed Assets	2,443,131	2,624,571	(181,440)
Bond Issue Costs	<u>29,410</u>	<u>31,762</u>	<u>(2,352)</u>
Total Assets	<u>\$3,576,065</u>	<u>\$3,634,701</u>	<u>\$ (58,636)</u>
• Deferred Revenue	\$ 118,300	\$ 83,684	\$ 34,616
Bonds Payable	2,375,000	2,500,000	(125,000)
Net Assets	<u>1,082,765</u>	<u>1,051,017</u>	<u>31,748</u>
Total Liabilities and Net Assets	<u>\$3,576,065</u>	<u>\$3,634,701</u>	<u>\$ (58,636)</u>

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

- The unencumbered cash balance increased \$2,859.
- Liabilities decreased by \$90,384. Deferred revenue representing 2012 taxes received in 2011 increased.

- The only required payment on the general obligation bonds was for interest and principal in the amount of \$211,425.
- Cash reserved for capital projects, debt service and general reserve funds increased by \$122,240.

Comparative changes in the Statement of Activities are as follows:

	<u>2011</u>	<u>2010</u>	Increase (Decrease)
County Property Taxes – General	\$ 572,666	\$ 633,634	\$ (60,968)
County Property Taxes – Debt Service	201,587	224,528	(22,941)
Sales Taxes	398,277	388,378	9,899
Gain (Loss) on Sale of Equipment	(30,964)	23,848	(54,812)
Other Income	<u>39,840</u>	<u>26,905</u>	<u>12,935</u>
Total Revenue	1,181,406	1,297,293	(115,887)
Personnel Services	571,326	525,337	45,989
Taxes and Benefits	164,875	167,266	(2,391)
Interest	86,425	139,575	(53,150)
Depreciation and Amortization	182,470	189,867	(7,397)
Other Expenses	<u>161,720</u>	<u>166,063</u>	<u>(4,343)</u>
Total Expenses	<u>1,166,816</u>	<u>1,188,108</u>	<u>(21,292)</u>
Net Income (Loss)	<u>\$ 14,590</u>	<u>\$ 109,185</u>	<u>\$ (94,595)</u>

Significant changes between 2011 and 2010 are as follows:

- Total revenue decreased \$115,887.
- The decreased revenue came due to a decline in property taxes and the loss on the disposition of a vehicle.
- Total expenses decreased \$21,292.
- All expenses decreased with the exception of personnel services, which increased \$45,989.

Reporting the District's Most Significant Funds

The Fund Financial Statements

Our analysis of the District's major funds begins on page 18 and provides detail information about the most significant funds. The District's one fund is the governmental fund.

Governmental funds – All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the acquisition of capital

assets as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

General Fund Balance Sheet Comparison

	<u>2011</u>	<u>2010</u>	Increase (Decrease)
Cash – Checking and Savings	\$ 315,938	\$ 313,079	\$ 2,859
Other Assets	250	193	57
Restricted – Checking and Savings	<u>787,337</u>	<u>665,096</u>	<u>122,241</u>
Total Assets	<u>\$1,103,525</u>	<u>\$ 978,368</u>	<u>\$ 125,157</u>
Deferred Revenue	\$ 118,300	\$ 83,684	\$ 34,616
Fund Balance	<u>985,225</u>	<u>894,684</u>	<u>90,541</u>
Total Liabilities and Fund Balance	<u>\$1,103,525</u>	<u>\$ 978,368</u>	<u>\$ 125,157</u>

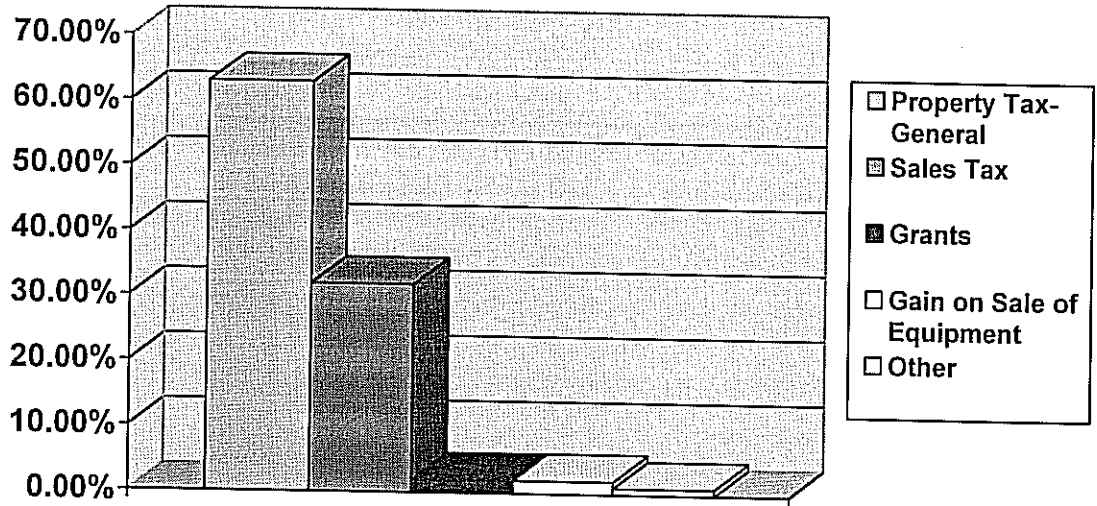
Findings

- The cash available to meet future expenditures increased \$2,859.
- The increase in the current liabilities was caused by the recognition of property taxes received in advance of the year end as a liability (deferred taxes).
- The fund balance increased \$90,541. This was less than the increase in the fund balance of \$175,791 in 2010 when taxes began to be collected for the Debt Service Fund.

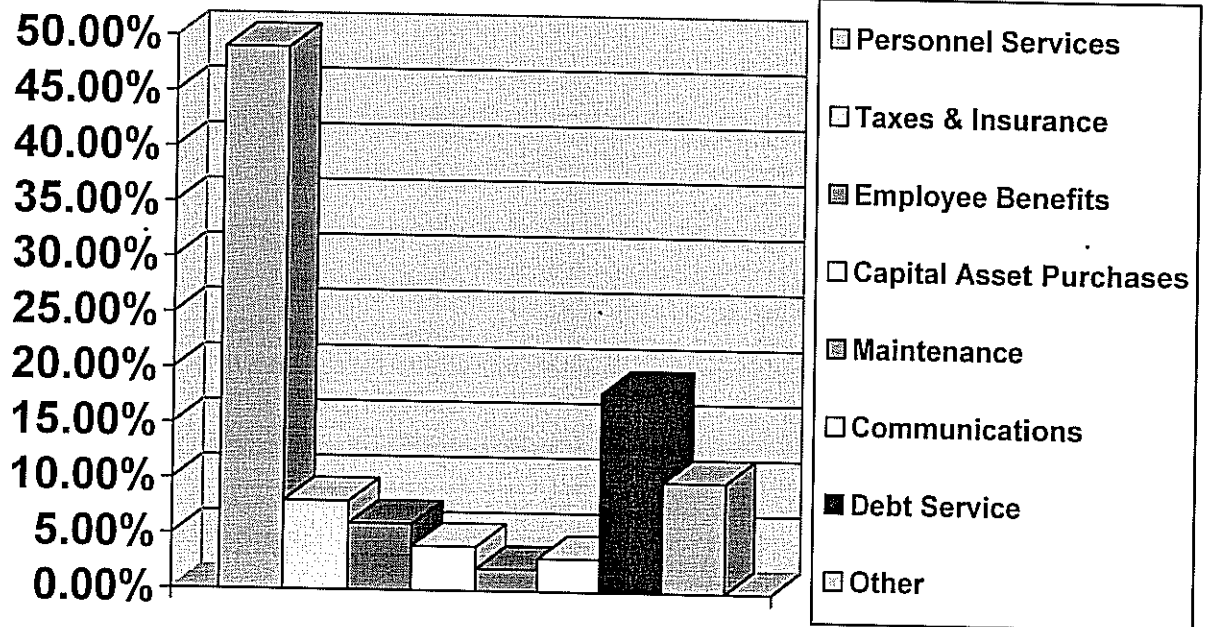
Governmental Activities

For the year ended December 31, 2011, the District's governmental activities were funded as follows:

Sources of Funds for Governmental Activities



Use of Funds in Governmental Activities



Use of Funds in Governmental Activities – Continued

The following schedule shows a comparison of General Government Fund expenditures for 2011 and 2010.

	<u>2011</u>	<u>2010</u>	Increase (Decrease)
Operating Costs			
Personnel Services	\$ 571,326	\$ 525,337	\$ 45,989
Taxes and Insurance	94,863	105,392	(10,529)
Employee Benefits – Retirement	70,012	66,329	3,683
Office	2,009	3,789	(1,780)
Supplies and Chemicals	-	318	(318)
Petroleum Products	20,670	14,748	5,922
Professional Services	7,977	18,827	(10,850)
Communications	26,607	27,791	(1,184)
Personnel Development	19,730	19,886	(156)
Public Utilities	20,200	21,230	(1,030)
Grant Expenses	30,611	19,068	11,543
Equipment Maintenance	21,498	24,289	(2,791)
Other Expenditures	<u>10,065</u>	<u>9,309</u>	<u>756</u>
Total Operating Costs	895,568	856,313	39,255
Debt Service and Capital Asset Purchases			
Principal	125,000	-	125,000
Interest	86,425	139,575	(53,150)
Capital Asset Purchase	<u>51,995</u>	<u>206,638</u>	<u>(154,643)</u>
Total Debt Service and Capital Asset Purchases	<u>263,420</u>	<u>346,213</u>	<u>(82,793)</u>
Total Expenditures	<u>\$1,158,988</u>	<u>\$1,202,526</u>	<u>\$ (43,538)</u>

- Total operating expenses increased \$39,255. This represented 4.6% increase in operating costs over 2010.
- Total debt service and capital asset purchases decreased \$82,793.
- Capital asset purchases decreased \$154,643 as the majority of building renovations was done in 2010.
- Debt service costs increased \$71,850 as 2011 was the first year that principal payments were paid on the outstanding debt.

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, 2011

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash - Checking and Savings	\$ 315,938	\$ 313,079
Other Assets	250	193
Restricted Assets		
Cash - Checking and Savings	787,336	665,096
Land	102,671	102,671
Building and Equipment, Net of Depreciation	2,340,460	2,521,900
Bond Issue Costs, Net of Amortization	<u>29,410</u>	<u>31,762</u>
Total Assets	<u>\$ 3,576,065</u>	<u>\$ 3,634,701</u>
LIABILITIES		
Deferred Revenue	\$ 118,300	\$ 83,684
Bonds Payable	<u>2,375,000</u>	<u>2,500,000</u>
Total Liabilities	2,493,300	2,583,684
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	122,043	124,571
Restricted		
Capital Projects	148,624	127,525
Debt Service	113,432	87,445
Bond Funds	83,115	129,460
Reserve	442,165	320,667
Unrestricted	<u>173,386</u>	<u>261,349</u>
Total Net Assets	<u>1,082,765</u>	<u>1,051,017</u>
Total Liabilities and Net Assets	<u>\$ 3,576,065</u>	<u>\$ 3,634,701</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, 2011

Functions/Programs	Expenses	Program Revenue	<u>Net Expenses</u> Government Activities
Personnel Services	\$ 571,326	\$ -	\$ 571,326
Insurance	94,863	-	94,863
Employee Benefits - Retirement	70,012	-	70,012
Uniforms	5,397	-	5,397
Grant Expenses	30,611	-	30,611
Health and Safety	926	-	926
Office	2,009	-	2,009
Prevention and Investigation	883	-	883
Supplies and Chemicals	-	-	-
Petroleum Products	20,670	-	20,670
Professional Services	7,977	-	7,977
Communications	26,607	-	26,607
Personnel Development	19,730	-	19,730
Rent - Equipment	-	-	-
Public Utilities	20,200	-	20,200
Miscellaneous	2,859	-	2,859
Maintenance - Supplies	-	-	-
Maintenance - Machinery and Equipment	16,011	-	16,011
Maintenance - Building	5,487	-	5,487
Interest	86,425	-	86,425
Amortization	2,353	-	2,353
Depreciation	182,470	-	182,470
Total Governmental Activities	<u>\$ 1,166,816</u>	<u>\$ -</u>	<u>1,166,816</u>
GENERAL REVENUE			
Taxes			
County Property Tax			774,253
Sales Tax			398,277
Rent Income			
Grants			30,326
Loss on Asset Dispositions			(30,964)
Interest			3,324
Miscellaneous Income			6,190
Total General Revenues			<u>1,181,406</u>
Change in Net Assets			14,590
Net Assets, Beginning of Year			1,051,017
Prior Period Adjustment			17,158
Adjusted Net Assets			<u>1,068,175</u>
Net Assets, End of Year			<u>\$ 1,082,765</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	<u>Net Expenses</u> 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
 GENERAL REVENUE			
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.
BALANCE SHEETS - GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
DECEMBER 31,

	General Fund	Debt Service	Total 2011	2010
ASSETS				
Cash - Checking and Savings	\$ 315,938	\$ -	\$ 315,938	\$ 313,079
Employee Advance	<u>250</u>	<u>-</u>	<u>250</u>	<u>193</u>
	316,188	-	316,188	313,272
Restricted Assets				
Cash - Checking and Savings	<u>579,880</u>	<u>207,457</u>	<u>787,337</u>	<u>665,096</u>
Total Assets	<u>\$ 896,068</u>	<u>\$ 207,457</u>	<u>\$ 1,103,525</u>	<u>\$ 978,368</u>
LIABILITIES				
Deferred Revenue	<u>\$ 118,300</u>	<u>\$ -</u>	<u>\$ 118,300</u>	<u>\$ 83,684</u>
Total Liabilities	118,300	-	118,300	83,684
FUND BALANCE				
Reserved				
Capital Improvements	148,624	-	148,624	127,525
Debt Services	-	207,457	207,457	216,905
Unreserved	<u>629,144</u>	<u>-</u>	<u>629,144</u>	<u>550,254</u>
Total Fund Balance	<u>777,768</u>	<u>207,457</u>	<u>985,225</u>	<u>894,684</u>
Total Liabilities and Fund Balance	<u>\$ 896,068</u>	<u>\$ 207,457</u>	<u>\$ 1,103,525</u>	<u>\$ 978,368</u>
Reconciliation of Fund Balances Balance Sheet to the Government-wide Statement of Net Assets				
Total Fund Balance			\$ 985,225	\$ 894,684
Capital assets used in government activities are not financial reserves and, therefore, are not reported in the funds.			2,472,540	2,656,333
Bonds payable are not due and payable in the current period and, therefore, are not reported in the current period.			<u>(2,375,000)</u>	<u>(2,500,000)</u>
Net Assets of Government Activities			<u>\$1,082,765</u>	<u>\$1,051,017</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,

	General Fund	Debt Service	Total 2011	2010
REVENUE				
Taxes				
County Property Tax - General	\$ 572,665	\$ 201,588	\$ 774,253	\$ 633,634
County Property Tax - Debt Service	-	-	-	224,528
Sales Tax	398,277	-	398,277	388,378
Grants	30,326	-	30,326	16,780
Interest on Accounts	2,910	414	3,324	3,103
Miscellaneous Income	6,191	-	6,191	7,022
Total Cash Receipts	<u>1,010,369</u>	<u>202,002</u>	<u>1,212,371</u>	<u>1,273,445</u>
EXPENDITURES				
Personnel Services	571,326	-	571,326	525,337
Insurance	94,863	-	94,863	105,392
Employee Benefits - Retirement	70,012	-	70,012	61,874
Uniforms	5,397	-	5,397	4,455
Grant Expenses	30,611	-	30,611	19,068
Health and Safety	926	-	926	1,994
Office	2,009	-	2,009	3,789
Prevention and Investigation	883	-	883	1,564
Supplies and Chemicals	-	-	-	318
Petroleum Products	20,670	-	20,670	14,748
Professional Services	7,977	-	7,977	18,827
Communications	26,607	-	26,607	27,791
Personnel Development	19,730	-	19,730	19,886
Public Utilities	20,200	-	20,200	21,230
Miscellaneous	2,834	25	2,859	5,751
Maintenance - Machinery and Equipment	16,011	-	16,011	12,231
Maintenance - Building and Grounds	5,487	-	5,487	12,058
Capital Equipment Expenses	51,995	-	51,995	206,638
Total Expenditures	<u>947,538</u>	<u>25</u>	<u>947,563</u>	<u>1,062,951</u>
Excess (Deficiency) of Cash Receipts over Cash Expenditures	62,831	201,977	264,808	210,494
FINANCING				
Bond Proceeds	-	-	-	-
Proceeds from Sale of Capital Assets	20,000	-	20,000	104,872
Total Financing Receipts	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>104,872</u>
Debt Service				
Interest and Fees	-	86,425	86,425	139,575
Principal	-	125,000	125,000	-
Total Financing Disbursements	<u>-</u>	<u>211,425</u>	<u>211,425</u>	<u>139,575</u>
Net Financing	<u>20,000</u>	<u>(211,425)</u>	<u>(191,425)</u>	<u>(34,703)</u>
Net Change in Fund Balance	82,831	(9,448)	73,383	175,791
Fund Balance, Beginning of Year	677,779	216,905	894,684	718,893
Prior Period Adjustment	17,158	-	17,158	-
Adjusted Fund Balance	<u>694,937</u>	<u>216,905</u>	<u>911,842</u>	<u>718,893</u>
Fund Balance, End of Year	<u>\$ 777,768</u>	<u>\$ 207,457</u>	<u>\$ 985,225</u>	<u>\$ 894,684</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,**

	2011	2010
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in Fund Balances - Total Governmental Funds	\$ 73,383	\$ 175,791
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	51,995	206,638
Depreciation and Amortization	(184,823)	(192,220)
Net Capital Outlay	(132,828)	14,418
In the statement of activities, only the loss 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.		
Proceeds from Asset Sales	(20,000)	-
Loss on Sale of Asset	(30,965)	(81,024)
Total Loss on Sale of Assets	(50,965)	(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.		
Note Payment	125,000	-
Total Long Term Debt Financial Resources	125,000	-
Change in Net Assets - Statement of Activities	\$ 14,590	\$ 109,185

See Accompanying Notes to the Basic Financial Statements.

SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

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, 2011

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:

Major Funds

General Fund

Debt Service Fund

Nonmajor Funds

None

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2011**

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, 2011

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, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Reclassifications

Certain reclassifications have been made to the 2010 comparative totals to conform to the 2011 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 asset’s useful life in the statement of activities. Capital assets are expensed in the statement of revenues, expense and changes in fund balance.

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, 2011

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 year. Property taxes received late in the year are recognized as revenue in the following year in order not to distort revenue from taxes. At December 31, 2011, \$118,300 had been received that pertained to 2012.

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 restricted net assets associated with the bonds. Tax levy funds received are allocated to retire the debt and pay interest. There are remaining bond proceeds that have not been expended. These funds must be used to retire the debt or for capital item described in the bond agreement.
- 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”.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Financial Statements

Governmental fund equity is classified as fund balance. In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Board and management and can be increased, reduced or eliminated by similar actions.

As of December 31, 2011, reservations of fund balance are described below:

- *Debt Service* – to reflect the funds held by trustees or fiscal agents for future payment of bond principal and interest. These funds are not available for general operations. This fund balance also reflects unexpended bond proceeds from the 2009 bond issue.

Portions of unreserved fund balance may be designated to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or capital projects. Such plans or intent are subject to change and have not been legally authorized or may not result in expenditures. Fund balance designations include:

- *Capital Projects* – to reflect management’s intent to expend certain funds solely for planned capital projects.

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 \$398,277 in 2011 and \$388,378 in 2010.

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 2011 are for taxes assessed in 2010 and prior years. 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 tax rates did not change from 2010 to 2011.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2011**

NOTE 2 – COMMITMENTS AND CONTINGENCIES – LAW SUITS

The debt services levy has been set at \$.10 per \$100 of assessed valuation. The assessed valuation for fiscal 2010 was \$225,916,631. Property taxes collected during the year were as follows:

Property Tax - Continued

	<u>2011</u>	<u>2010</u>
Platte County	\$ 103,062	\$ 130,327
Clay County	<u>671,191</u>	<u>727,835</u>
Total	<u>\$ 774,253</u>	<u>\$ 858,162</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, 2011, the District had not set aside or reserved any fund balance or net assets for the commitment.

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.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
 NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
 DECEMBER 31, 2011**

NOTE 2 – COMMITMENTS AND CONTINGENCIES – LAW SUITS – CONTINUED

Insurance – Continued

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.

NOTE 3 – BONDS AND CAPITAL LEASE OBLIGATIONS

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:

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2011**

NOTE 3 – BONDS AND CAPITAL LEASE OBLIGATIONS – CONTINUED

General Obligation Bonds – Continued

	<u>Principal</u>	<u>Interest</u>
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>\$2,375,000</u>	<u>\$ 646,013</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.

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 20.5% (general) and 11.9% (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, 2011

NOTE 4 – RETIREMENT PLAN – CONTINUED

The subdivision's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$ 47,129
Interest on net pension obligation	0
Adjustment to annual required contribution	<u>0</u>
Annual pension cost	47,129
Actual contributions	<u>47,129</u>
Increase (decrease) in NPO	0
NPO beginning of year	<u>0</u>
NPO end of year	<u><u>\$ 0</u></u>

For 2011, 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 7.25% per year, compounded annually (b) projected salary increases of 3.5% 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 0 year for men and 0 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 29 years for the general division and 25 years for the fire division. The amortization period as of February 28, 2010, was 24 years for the general division and 24 years for the fire division.

Year Ended <u>June 30</u>	Three-Year Trend Information		
	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2009	\$ 45,406	100%	\$ –
2010	\$ 43,717	100%	\$ –
2011	\$ 47,129	100%	\$ –

SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2011

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
02-28-09	\$ 269,325	\$ 408,543	\$ 139,218	66%	\$ 371,103	38%
02-28-10	\$ 326,842	\$ 473,063	\$ 146,221	69%	\$ 347,683	42%
02-28-11	\$ 405,838	\$ 555,109	\$ 149,271	73%	\$ 392,650	38%

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:

Deposits and Investments Laws and Regulations

	2011	2010
FDIC Insurance	\$ 250,000	\$ 250,000
Pledged Securities	2,820,000	780,000
Total Deposits	<u>(1,211,310)</u>	<u>(986,062)</u>
Excess of Insured and Collateralized Deposits Over Bank Balances	<u>\$ 1,858,690</u>	<u>\$ 43,938</u>

SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2011

NOTE 6 – CAPITAL ASSETS

Capital Asset activity for the year ended December 31, 2011, was as follows:

	<u>2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>2011</u>
Governmental Activities				
Land	\$ 102,671	\$ -	\$ -	\$ 102,671
Buildings	1,491,792	50,831	-	1,542,623
Vehicles	1,794,479	-	119,915	1,674,564
Machinery and Equipment	<u>669,617</u>	<u>1,164</u>	<u>-</u>	<u>670,781</u>
Total at Historical Cost	4,058,559	51,995	(119,915)	3,990,639
Less Accumulated Depreciation	<u>(1,433,988)</u>	<u>(182,470)</u>	<u>68,951</u>	<u>(1,547,507)</u>
Governmental Activities				
Capital Assets, Net	<u>\$2,624,571</u>	<u>\$ (130,475)</u>	<u>\$ (50,964)</u>	<u>\$2,443,132</u>

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	\$ -	\$ -	\$ 102,671
Buildings	1,321,366	170,426	-	1,491,792
Vehicles	2,035,458	-	240,979	1,794,479
Machinery and Equipment	<u>633,405</u>	<u>36,212</u>	<u>-</u>	<u>669,617</u>
Total at Historical Cost	4,092,900	206,638	(240,979)	4,058,559
Less Accumulated Depreciation	<u>(1,404,075)</u>	<u>(189,868)</u>	<u>159,955</u>	<u>(1,433,988)</u>
Governmental Activities				
Capital Assets, Net	<u>\$2,688,825</u>	<u>\$ 16,770</u>	<u>\$ (81,024)</u>	<u>\$2,624,571</u>

Depreciation recorded on capital assets totaled \$182,470 in 2011 and \$189,868 in 2010.

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, 2011**

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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUE			
Taxes			
County Property Tax	\$ 603,000	\$ 774,253	\$ 171,253
Sales Tax	350,000	398,277	48,277
Grants	17,857	30,326	12,469
Interest	-	3,324	3,324
Permits	2,000	2,901	901
Loss on Asset Disposition	-	(30,964)	(30,964)
Miscellaneous Income	3,000	3,289	289
Total Revenue	<u>975,857</u>	<u>1,181,406</u>	<u>205,549</u>
EXPENDITURES			
Operating			
Personnel Services	615,000	571,326	43,674
Insurance and Benefits	114,000	94,863	19,137
Retirement Benefits	74,500	70,012	4,488
Uniforms	5,000	5,397	(397)
Office	4,500	2,009	2,491
Prevention and Investigation	1,100	883	217
Supplies and Chemicals	500	-	500
Petroleum Products	15,000	20,670	(5,670)
Legal	9,000	3,777	5,223
Communications	15,000	26,607	(11,607)
Personnel Development	23,300	19,730	3,570
Public Utilities	23,300	20,200	3,100
Miscellaneous	13,964	2,859	11,105
Health and Safety	4,200	-	4,200
Maintenance - Building	12,300	5,487	6,813
Vehicle and Machinery Maintenance	17,800	16,011	1,789
Accounting	4,200	4,200	-
Medical Supplies	766	926	(160)
Grant Expenses	-	30,611	(30,611)
Total General Fund Expenditures	<u>953,430</u>	<u>895,568</u>	<u>57,862</u>
Financing and Capital Equipment			
Capital Equipment Expenses from Special Account	-	51,995	(51,995)
Proceeds from Sale of Capital Assets	-	(20,000)	(20,000)
Excess (Deficiency) of Cash Receipts Over Cash Expenses	<u>\$ 22,427</u>	<u>\$ 213,843</u>	<u>\$ 191,416</u>

See Accompanying Notes to Required Supplementary Information.

INTERNAL CONTROL AND COMPLIANCE SECTION

BRUCE D. CULLEY C.P.A., P.C.
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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, 2011, and have issued my report thereon dated June 10, 2012. 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
June 10, 2012