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SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2014

SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.

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SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.

LIST OF PRINCIPAL OFFICIALS

DECEMBER 31, 2014

BOARD OF DIRECTORS

Berry Parks

Greg Atkins

Michael Summers

FIRE CHIEF

John Callahan

ADMINISTRATIVE ASSISTANT

Connie Massie

BRUCE D. CULLEY, CPA, PC
3000 BROOKTREE LANE, SUITE 210
GLADSTONE, MISSOURI 64119
(816) 453-1040

Independent Auditor's Report

The Board of Directors
Smithville Area Fire Protection
Smithville, MO 64089

I have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Smithville Area Fire Protection, as of and for the year ended December 31, 2014, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

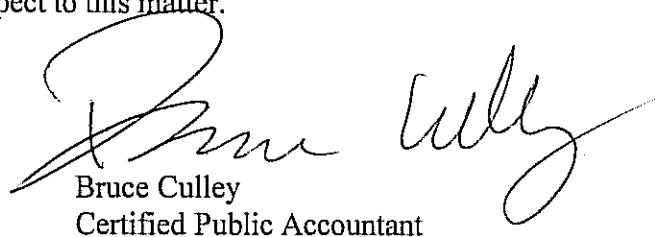
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and aggregate remaining fund information of Smithville Area Fire Protection, as of December 31, 2014, the respective changes in modified cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.



Bruce Culley
Certified Public Accountant

Gladstone, Missouri
July 25, 2015

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, 2014 within the limitation of the District's modified cash basis of accounting. 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 \$110,265 as shown in the Statement of Activities. This compares favorably with an excess of revenues over expenses of \$96,325 in 2013.
- The District's capital assets total \$2,163,082. There was a decrease in capital assets of \$153,241. Capital assets were decreased by \$180,340 for depreciation expense.
- Money for capital expenditures was spent on equipment and a new vehicle.
- Sales and property taxes are the major sources of revenue to the District. Property tax increased by \$13,245 and sales tax increased \$79,066 from 2013.
- The net position and the overall liquidity improved from the profit and debt liquidation.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board, as applicable to the City'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 Position and the Statement of Activities (on pages 15 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: The General Fund Budgetary Comparison Schedule (page 33) and the Schedule of Funding Progress (page 34) 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 Position and the Statement of Activities

Our financial analysis of the District as a whole begins on page 15. The government-wide financial statements are presented on pages 15 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 Position 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 position and changes in the net position for the year. Keeping in mind the limitations of the modified cash basis of accounting, you can think of the District's net position – 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 position 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 2013 in the Statement of Net Position are:

	<u>2014</u>	<u>2013</u>	Increase (Decrease)
Unrestricted Checking and Savings	\$ 383,965	\$ 475,469	\$ (91,504)
Restricted Checking and Savings	934,087	707,998	226,089
Other Assets	-	250	(250)
Fixed Assets	2,163,082	2,316,323	(153,241)
Bond Issue Costs	<u>22,350</u>	<u>24,703</u>	<u>(2,353)</u>
Total Assets	<u>\$3,503,484</u>	<u>\$3,524,743</u>	<u>\$ (21,259)</u>
Deferred Revenue	\$ 74,889	\$ 56,413	\$ 18,476
Bonds Payable	1,925,000	2,075,000	(150,000)
Net Position	<u>1,503,595</u>	<u>1,393,330</u>	<u>110,265</u>
Total Liabilities and Net Position	<u>\$3,503,484</u>	<u>\$3,524,743</u>	<u>\$ (21,259)</u>

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

- The unencumbered cash balance decreased \$91,504.
- Liabilities decreased by \$131,524 primarily from the principal payments on the debt. Deferred revenue represents 2015 taxes received in 2014.
- The required payment on the general obligation bonds was for interest, principal and fees in the amount of \$223,350.
- Cash reserved for debt service decreased by \$156,747.

Comparative changes in the Statement of Activities are as follows:

	<u>2014</u>	<u>2013</u>	Increase (Decrease)
County Property Taxes	\$ 917,485	\$ 904,240	\$ 13,245
Sales Taxes	490,932	411,866	79,066
Other Income	<u>8,510</u>	<u>8,608</u>	<u>(98)</u>
Total Revenue	1,416,927	1,324,714	92,213
Personnel Services	628,522	588,639	39,883
Taxes and Benefits	227,652	211,628	16,024
Interest	73,350	77,850	(4,500)
Depreciation and Amortization	180,340	187,692	(7,352)
Other Expenses	<u>196,798</u>	<u>162,580</u>	<u>34,218</u>
Total Expenses	<u>1,306,662</u>	<u>1,228,389</u>	<u>78,273</u>
Net Income (Loss)	<u>\$ 110,265</u>	<u>\$ 96,325</u>	<u>\$ 13,940</u>

Significant changes between 2014 and 2013 are as follows:

- Total revenue increased \$92,213. The majority of the increase was from sales taxes.
- Total expenses increased \$78,273. The majority of the increase was connected with personnel costs.

Reporting the District's Most Significant Funds

The Fund Financial Statements

Our analysis of the District's major funds begins on page 17 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 Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

Governmental Fund Balance Sheet Comparison

	<u>2014</u>	<u>2013</u>	Increase (Decrease)
Cash – Checking and Savings	\$ 383,965	\$ 475,469	\$ (91,504)
Other Assets	-	250	(250)
Restricted – Checking and Savings	<u>934,087</u>	<u>707,998</u>	<u>226,089</u>
Total Assets	<u>\$1,318,052</u>	<u>\$1,183,717</u>	<u>\$ 134,335</u>
Deferred Inflows of Resources	\$ 74,889	\$ 56,413	\$ 18,476
Fund Balance	<u>1,243,163</u>	<u>1,127,304</u>	<u>115,859</u>
Total Liabilities and Fund Balance	<u>\$1,318,052</u>	<u>\$1,183,717</u>	<u>\$ 134,335</u>

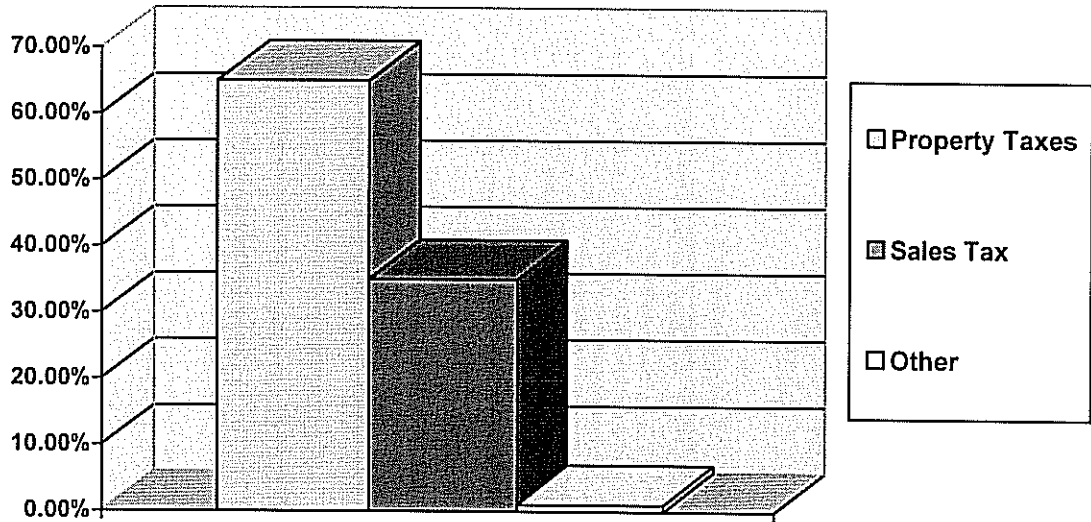
Findings

- The cash available to meet future general fund expenditures decreased \$91,504.
- The increase in the liabilities of \$18,476 was caused by the increase in property taxes for 2015 that were collected in 2014.
- The fund balance increased \$115,859.

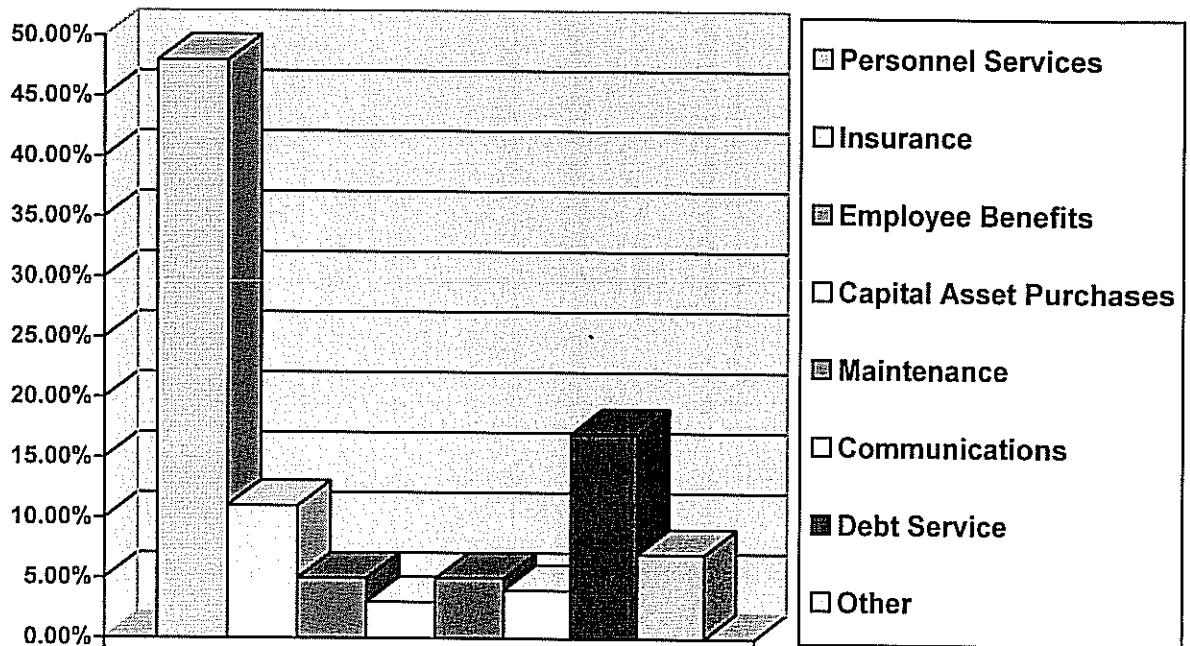
Governmental Activities

For the year ended December 31, 2014, 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 2014 and 2013.

	<u>2014</u>	<u>2013</u>	Increase <u>(Decrease)</u>
Operating Costs			
Personnel Services	\$ 628,522	\$ 588,639	\$ 39,883
Insurance	146,291	131,246	15,045
Employee Benefits – Retirement	68,633	66,893	1,740
Office	2,946	1,335	1,611
Petroleum Products	21,284	22,539	(1,255)
Professional Services	6,405	7,335	(930)
Communications	46,929	40,351	6,578
Personnel Development	19,678	20,072	(394)
Public Utilities	18,713	17,711	1,002
Maintenance	59,655	37,806	21,849
Other Expenditures	<u>30,192</u>	<u>28,920</u>	<u>1,272</u>
Total Operating Costs	1,049,248	962,847	86,401
Debt Service and Capital Asset Purchases			
Principal	150,000	150,000	-
Interest	73,350	77,851	(4,501)
Capital Asset Purchases	<u>35,470</u>	<u>133,527</u>	<u>(98,057)</u>
Total Debt Service and Capital Asset Purchases	<u>258,820</u>	<u>361,378</u>	<u>(102,558)</u>
Total Expenditures	<u>\$1,308,068</u>	<u>\$1,324,225</u>	<u>\$ 16,157</u>

- Total expenses increased \$16,157.
- Capital asset purchases decreased \$98,057 from 2013.
- Debt service costs decreased \$4,501 as principal decreased interest payments from 2013.

General Fund Budgetary Highlights

Over the course of the year, the District made no revisions to the General Fund budget. The budget was consistent with the prior years and there were no material changes made in the budget compared with the prior year.

For the year ended December 31, 2014, General Fund expenditures were \$5,282 below final appropriations, and actual resources available for appropriation were \$102,927 above the final budgeted amount.

Capital Assets – Modified Cash Basis

At December 31, 2014, the District had \$2,163,082 invested in capital assets, net of depreciation, on the modified cash basis of accounting, including fire equipment, buildings, and vehicles. This represents a net decrease of \$153,241.

	<u>2014</u>	<u>2013</u>
Land	\$ 102,671	\$ 102,671
Land Improvements	18,650	18,650
Building	1,557,057	1,557,057
Vehicles	1,659,842	1,671,302
Machinery and Equipment	<u>855,735</u>	<u>848,510</u>
	4,193,955	4,198,190
Accumulated Depreciation	<u>(2,030,873)</u>	<u>(1,881,867)</u>
Total	<u>\$2,163,082</u>	<u>\$2,316,323</u>

This year's more significant capital asset additions included the following:

Equipment	\$ 7,225
Vehicle	\$ 28,245

Long-Term Debt – Modified Cash Basis

At December 31, 2014, the District had \$1,775,000 in long-term debt arising from modified cash basis transactions or events, compared with \$1,925,000 at December 31, 2013. The debt is connected with general obligation bonds issued in previous years.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES

While sales tax increases may keep up with inflation and the decline in property values have moderated, the District can expect only moderate increases in revenue. There are certain pressures for cost increases so the District will remain vigilant in controlling costs in order to prevent a significant decline in the net income. 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.
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
DECEMBER 31, 2014

ASSETS	
Cash - Checking and Savings	\$ 383,965
Restricted Assets	
Cash - Checking and Savings	934,087
Land	102,671
Land Improvements	18,650
Building and Equipment, Net of Depreciation	2,041,761
Bond Issue Costs, Net of Amortization	<u>22,350</u>
Total Assets	3,503,484
LIABILITIES	
Current Liabilities	
Bonds Payable Due within One Year	<u>\$ 150,000</u>
Total Current Liabilities	150,000
Non-current Liabilities	
Bonds Payable Due in More Than One Year	<u>1,775,000</u>
Total Liabilities	1,925,000
Deferred Inflows of Resources	
Property Taxes	74,889
NET POSITION	
Investment in Capital Assets	238,082
Restricted	
Capital Projects	283,486
Debt Service	179,007
Reserve	477,137
Unrestricted	<u>325,883</u>
Total Net Position	<u><u>\$ 1,503,595</u></u>

See Accompanying Notes to Basic Financial Statements.

SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Expenses	Program Revenue	Net Expenses Government Activities
Personnel Services	\$ 628,522	\$ -	\$ 628,522
Insurance - Benefits	114,199	-	114,199
Employee Benefits - Retirement	68,633	-	68,633
Other Employee Benefits	12,728	-	12,728
Insurance - Property and Liability	32,092	-	32,092
Uniforms	9,484	-	9,484
Health and Safety	879	-	879
Office	2,946	-	2,946
Prevention and Investigation	831	-	831
Petroleum Products	21,284	-	21,284
Professional Services	6,405	-	6,405
Communications	46,929	-	46,929
Personnel Development	19,678	-	19,678
Public Utilities	18,713	-	18,713
Miscellaneous	2,415	-	2,415
Maintenance - Machinery and Equipment	43,382	-	43,382
Maintenance - Building and Grounds	21,168	-	21,168
Interest	73,350	-	73,350
Amortization - Bond Costs	2,353	-	2,353
Depreciation	180,340	-	180,340
Other	331	-	331
Total Governmental Activities	\$ 1,306,662	\$ -	1,306,662
 GENERAL REVENUE			
Taxes			
County Property Tax			917,485
Sales Tax			490,932
Interest			1,760
Miscellaneous Income			6,750
Total General Revenues and Transfers			1,416,927
Change in Net Position			110,265
Net Position, Beginning of Year			1,393,330
Net Position, End of Year			\$ 1,503,595

See Accompanying Notes to Basic Financial Statements.

SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
BALANCE SHEET - GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
DECEMBER 31, 2014

	General Fund	Debt Service	Total
ASSETS			
Cash	\$ 383,965	\$ -	\$ 383,965
	383,965	-	383,965
Restricted Assets			
Cash	755,080	179,007	934,087
Total Assets	\$1,139,045	\$ 179,007	\$ 1,318,052
LIABILITIES	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	74,889	-	74,889
FUND BALANCE			
Restricted	-	179,007	179,007
Assigned	760,623	-	760,623
Unassigned	303,533	-	303,533
Total Fund Balance	1,064,156	179,007	1,243,163
Total Liabilities and Fund Balance	\$1,139,045	\$ 179,007	\$ 1,318,052
 Reconciliation of Fund Balances Balance Sheet to the Government-wide Statement of Net Assets			
Total Fund Balance			\$ 1,243,163
Capital assets used in government activities are not financial reserves and, therefore, are not reported in the funds.			2,163,082
Bond Issue Costs			22,350
Bonds payable are not due and payable in the current period and, therefore, are not reported in the current period.			(1,925,000)
Net Assets of Government Activities			\$ 1,503,595

See Accompanying Notes to Basic Financial Statements.

SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2014

	General Fund	Debt Service	Total
REVENUE			
Taxes			
County Property Tax	\$ 669,871	\$ 247,614	\$ 917,485
Sales Tax	490,932	-	490,932
Interest on Accounts	1,760	-	1,760
Miscellaneous Income	6,750	-	6,750
Total Revenue	1,169,313	247,614	1,416,927
EXPENDITURES			
Personnel Services	628,522	-	628,522
Insurance - Benefits	114,199	-	114,199
Employee Benefits - Retirement	68,633	-	68,633
Other Employee Benefits	12,728	-	12,728
Insurance - Property and Liability	32,092	-	32,092
Uniforms	9,484	-	9,484
Health and Safety	879	-	879
Office	2,946	-	2,946
Prevention and Investigation	831	-	831
Petroleum Products	21,284	-	21,284
Professional Services	6,405	-	6,405
Communications	46,929	-	46,929
Personnel Development	19,678	-	19,678
Public Utilities	18,713	-	18,713
Miscellaneous	2,415	-	2,415
Maintenance - Machinery and Equipment	38,487	-	38,487
Maintenance - Building and Grounds	21,168	-	21,168
Capital Equipment Expenses	35,470	-	35,470
Other	3,855	-	3,855
Total Expenditures	1,084,718	-	1,084,718
Excess (Deficiency) of Cash Receipts over Cash Expenditures	84,595	247,614	332,209
OTHER			
Sale of Equipment	7,000	-	7,000
DEBT SERVICE			
Interest and Fees	-	73,350	73,350
Principal	-	150,000	150,000
Total Debt Service Disbursements	-	223,350	223,350
Net Change in Fund Balance	91,595	24,264	115,859
Fund Balance, Beginning of Year	972,561	154,743	1,127,304
Fund Balance, End of Year	\$ 1,064,156	\$ 179,007	\$ 1,243,163

See Accompanying Notes to Basic Financial Statements.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE NET POSITION
IN STATEMENT OF ACTIVITIES
DECEMBER 31, 2014**

Amounts reported for governmental activities in the	
Statement of Activities are different because:	
Net change in Fund Balances - Total Governmental Funds	\$ 115,859
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	35,470
Capital Equipment Proceeds	(7,000)
Depreciation and Amortization	(182,693)
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.	
Bond Payments	150,000
Loss on Vehicle Sale	(373)
Other	(998)
Change in Net Position - Statement of Activities	<u>\$ 110,265</u>

SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

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.

Financial Reporting Entity

The District's financial reporting entity comprises the following:

Primary Government: Smithville Area Fire Protection

The Smithville Area Fire Protection primary government is a general purpose fire district formed as a council under the laws of the State of Missouri. The governing body is an elected four-member Board.

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole within the limitations of the modified cash basis of accounting. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, deferred outflows, liabilities, deferred inflows, net position or fund balance, revenues, and expenditures or expenses. A Fund is considered major if it is the primary operating fund of the District or meets the following criteria:

SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- a. Total assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures or 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.
- b. Total assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures or expenses of the individual governmental 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 subsequently:

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	

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.

SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as subsequently defined below.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. 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 the period.

Basis of Accounting

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, interfund receivables and payables, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid and other accrued

SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

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

Cash and Cash Equivalents

For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts and certificates of deposit.

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 Position. All capital assets are valued at historical cost.

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 Position. 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:

SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-Wide Statements- Continued

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

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, 2014, \$74,889 had been received that pertained to 2015.

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, 2014, the District had not set aside or reserved any fund balance or net assets for the commitment.

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.

Government-Wide Statements – Equity Classifications

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

SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- 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.
- 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 Balance Classifications

The Governmental Accounting Standards Board (GASB) released Statement 54–“Fund Balance Reporting and Governmental Fund Type Definitions” (GASB 54) on March 11, 2009, which is effective for the District’s fiscal year ending December 31, 2014. This Statement is intended to improve the usefulness of the amounts reported in fund balance by providing more structured classifications. Under GASB 54, fund balance is reported under the following five classifications:

- a. Non-spendable fund balance – consists of amounts that are not in a spendable form or are required to be maintained intact.
- b. Restricted fund balance – consists of amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. The Restricted for Debt Service balances reflect amounts that are restricted for debt service by the bond indenture.
- c. Committed fund balance – consists of amounts that can be used only for the specific purposes determined by a formal action of the District’s highest level of decision-making authority (the Board of Aldermen) and do not lapse at year end. The committed fund balance consists of general board reserves.
- d. Assigned fund balance – consists of amounts intended for a specific purpose by the Board of Directors that has been delegated authority to assign amounts. This fund balance classification reflects funds assigned for capital projects.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- e. Unassigned fund balance – consists of any remaining fund balance that has not been reported in any other classification.

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 \$490,932 in 2014 and \$411,866 in 2013.

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. All of the taxes collected in 2014 are for taxes assessed in 2013 and prior years. The general revenue tax levy set for the Smithville Area Fire Protection District is set at the maximum allowed rate of \$.2973 per \$100 of assessed valuation in Clay County. The general revenue tax levy was set at \$.2973 per \$100 of assessed valuation in Platte County.

The debt services levy has been set at \$.10 per \$100 of assessed valuation in both counties. The assessed value of property in Clay County for 2014 was \$191,469,795 and \$32,556,539 in Platte County. Property taxes collected during the year were as follows:

	2014
Platte County	\$ 128,876
Clay County	788,609
Total	\$ 917,485

NOTE 2 – COMMITMENTS AND CONTINGENCIES

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.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2014**

NOTE 2 – COMMITMENTS AND CONTINGENCIES – CONTINUED

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.

NOTE 3 – GENERAL OBLIGATION BOND

During 2009 the 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>
2015	\$ 150,000	\$ 68,400
2016	150,000	63,713
2017	150,000	58,838
2018	175,000	53,337
2019	175,000	47,213
2020 – 2024	<u>1,125,000</u>	<u>120,225</u>
Total	<u>\$ 1,925,000</u>	<u>\$ 1,411,726</u>

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2014**

NOTE 4 – RETIREMENT PLAN

The 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.

The 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 20.6% (general) and 10.9% (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.

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

Annual Required Contribution	\$ 53,056
Interest on Net Pension Obligation	-
Adjustment to Annual Required Contribution	-
Annual Pension Cost	<u>53,056</u>
Actual Contributions	<u>53,056</u>
Increase (Decrease) in NPO	-
NPO, Beginning of Year	-
NPO, End of Year	<u><u>\$ -</u></u>

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2014**

NOTE 4 – RETIREMENT PLAN – CONTINUED

The annual required contribution (ARC) was determined as part of the February 28, 2011 and/or February 29, 2012, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2013 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 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on 10.5% of the 1994 Group Annuity Mortality table 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, 2011, was 23 years for the general division and 23 years for the fire division. The amortization period as of February 29, 2012, was 22 years for the general division and 23 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>
2011	\$ 47,129	100%	\$ –
2012	\$ 54,506	100%	\$ –
2013	\$ 53,056	100%	\$ –

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:

SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2014

NOTE 5 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

	<u>2014</u>
FDIC Insurance	\$ 250,000
Pledged Securities	1,640,000
Total Deposits	<u>(1,308,934)</u>
Excess of Insured and Collateralized Deposits Over Bank Balances	<u>\$ 581,066</u>

NOTE 6 – CAPITAL ASSETS

Capital Asset activity for the year ended December 31, 2014, was as follows:

	<u>2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>2014</u>
Governmental Activities				
Land	\$ 102,671	\$ -	\$ -	\$ 102,671
Land Improvements	18,650	-	-	18,650
Buildings	1,557,057	-	-	1,557,057
Vehicles	1,671,302	28,245	39,705	1,659,842
Machinery, Equipment and Boat	<u>848,510</u>	<u>7,225</u>	<u>-</u>	<u>855,735</u>
Total at Historical Cost	4,198,190	35,470	39,705	4,193,955
Less Accumulated Depreciation	<u>(1,881,867)</u>	<u>180,340</u>	<u>31,334</u>	<u>(2,030,873)</u>
Governmental Activities Capital Assets, Net	<u>\$2,316,323</u>	<u>\$ (144,870)</u>	<u>\$ 8,371</u>	<u>\$2,163,082</u>

Depreciation recorded on capital assets totaled \$180,340 in 2014.

NOTE 7 – SUBSEQUENT EVENTS

FASB ASC 855, *Subsequent Events*, provides guidance on management's assessment of subsequent events and clarifies that management must evaluate, as of each reporting period, events or transactions that occur after the Statement of Net Assets date through the date that the financial statements are issued, or are available to be issued. Management has evaluated events and transactions for subsequent events disclosure occurring after December 31, 2014, through July 25, 2015, the date the financial statements were available to be issued and there are no material events requiring recognition or disclosure.

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, 2014**

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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUE			
Taxes			
County Property Tax	\$ 864,000	\$ 917,485	\$ 53,485
Sales Tax	380,000	490,932	110,932
Carryover - 2013	65,000	-	(65,000)
Interest	-	1,760	1,760
Permits	2,000	-	(2,000)
Miscellaneous Income	<u>3,000</u>	<u>6,750</u>	<u>3,750</u>
Total Revenue	1,314,000	1,416,927	102,927
EXPENDITURES			
Operating			
Personnel Services	651,300	628,522	22,778
Insurance - Health	89,000	65,649	23,351
Property Liability and Workmans Comp	59,000	80,642	(21,642)
Retirement Benefits	83,000	68,633	14,367
Other Employee Benefits	15,000	12,728	2,272
Uniforms	5,000	9,484	(4,484)
Office	4,000	2,946	1,054
Prevention and Investigation	1,100	831	269
Supplies and Chemicals	1,000	-	1,000
Petroleum Products	26,000	21,284	4,716
Professional Services	8,200	6,405	1,795
Communications	43,332	46,929	(3,597)
Personnel Development	31,000	19,678	11,322
Public Utilities	22,868	18,713	4,155
Miscellaneous	7,200	2,415	4,785
Health and Safety	2,200	879	1,321
Maintenance - Building and Grounds	16,000	38,487	(22,487)
Maintenance - Machinery and Equipment	24,800	21,168	3,632
Capital Equipment Expenses	-	35,470	(35,470)
Other	<u>-</u>	<u>3,855</u>	<u>(3,855)</u>
Total General Fund Expenditures	1,090,000	1,084,718	5,282
Other			
Sale of Equipment	-	7,000	(7,000)
Financing and Capital Equipment			
Debt Service	<u>224,000</u>	<u>223,350</u>	<u>650</u>
Excess (Deficiency) of Cash Receipts Over			
Cash Expenses	<u>\$ -</u>	<u>\$ 115,859</u>	<u>\$ 89,995</u>

See Accompanying Notes to Required Supplementary Information.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability Entry Age	(b-a) Unfunded Liability (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAAL as a Percentage of Covered Payroll
02-28-11	\$ 405,838	\$ 555,109	\$ 149,271	73%	\$ 392,650	38%
02-29-12	\$ 505,768	\$ 618,005	\$ 112,237	82%	\$ 441,906	25%
02-28-13	\$ 595,817	\$ 666,962	\$ 71,145	89%	\$ 440,946	16%

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, 2011, 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.

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Certified Public Accountants

Member Missouri Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

The Board of Directors
Smithville Area Fire Protection District
Parkville, Missouri

I have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Smithville Area Fire Protection District, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Smithville Area Fire Protection District's basic financial statements, and have issued my report thereon dated July 25, 2015.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Smithville Area Fire Protection District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Smithville Area Fire Protection District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Smithville Area Fire Protection District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

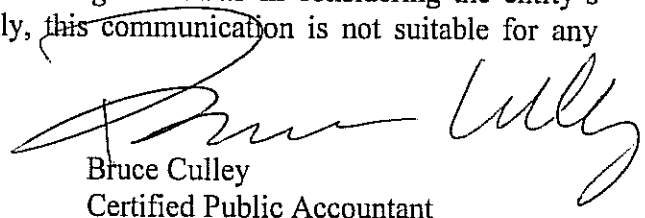
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Smithville Area Fire Protection District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bruce Culley
Certified Public Accountant

Gladstone, Missouri
July 25, 2015