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

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

# SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.

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

**LIST OF PRINCIPAL OFFICIALS**

**DECEMBER 31, 2015**

**BOARD OF DIRECTORS**

Berry Parks

Greg Atkins

Michael Summers

**FIRE CHIEF**

John Callahan

**ADMINISTRATIVE ASSISTANT**

Connie Massie

**BRUCE D. CULLEY, CPA, PC**  
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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, 2015, 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.

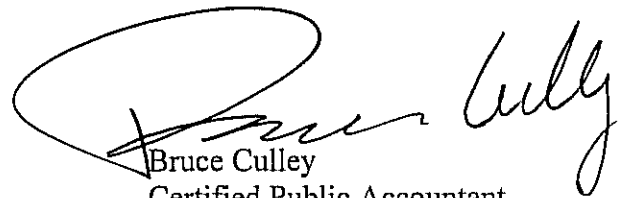
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

***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, 2015, 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  
June 28, 2016

## **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, 2015 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 before debt issues transaction by \$169,651 as shown in the Statement of Activities. This compares favorably with an excess of revenues over expenses of \$110,265 in 2014. Financing transactions provided \$224,131 primarily from the premium on the bond sales.
- The District's capital assets, net of depreciation, total \$2,759,693. There was an increase in capital assets of \$764,342. Capital assets were decreased by \$168,729 for depreciation expense during 2015.
- Sales and property taxes are the major sources of revenue to the District. Property tax increased by 4.5% and sales tax increased 6.5% from 2014.
- The net position and the overall liquidity improved from the profit and bond issue.
- The District completed financing of \$4,455,000 of bonds, the proceeds which are to be used to construct a new fire station and acquire equipment. A portion of the proceeds were used to retire the 2009 bonds at an interest savings to the district.
- Major capital improvements included the purchase of new pumper truck for \$600,400 which will be delivered in the future, and the beginning construction of the new fire station on which costs of \$128,173 were expended.

**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 16 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.

Supplementary Information: The General Fund Budgetary Comparison Schedule (page 40). 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 only includes the activities of 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 16. The government-wide financial statements are presented on pages 16 through 17. 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 2014 in the Statement of Net Position are:

	<u>2015</u>	<u>2014</u>	Increase (Decrease)
Unrestricted Checking and Savings	\$ 225,900	\$ 383,965	\$ (158,065)
Restricted Checking and Savings	3,707,978	934,087	2,773,891
Capital Assets	2,759,693	2,163,082	596,611
Bond Issue Costs	<u>-</u>	<u>22,350</u>	<u>(22,350)</u>
Total Assets	<u>\$6,693,571</u>	<u>\$3,503,484</u>	<u>\$3,190,087</u>
Deferred Revenue	\$ 62,491	\$ 74,889	\$ (12,398)
Bonds Payable-Due in One Year	400,000	1,925,000	(1,525,000)
Bonds Payable-Due in More than 1 Year	4,355,000	-	4,355,000
Net Position	<u>1,876,080</u>	<u>1,503,595</u>	<u>372,485</u>
Total Liabilities and Net Position	<u>\$6,693,571</u>	<u>\$3,503,484</u>	<u>\$3,190,087</u>

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

- Capital assets, net of depreciation, increased \$596,611.
- The unencumbered cash balance decreased \$158,065.
- The required payment on the 2009 General Obligation bonds for principal was \$150,000.
- New bonds were issued for \$4,455,000 to finance the construction of a new fire station, purchase equipment and payoff a portion of the 2009 bonds.

Comparative changes in the Statement of Activities are as follows:

	<u>2015</u>	<u>2014</u>	Increase (Decrease)
County Property Taxes	\$ 958,758	\$ 917,485	\$ 41,273
Sales Taxes	525,352	490,932	34,420
Other Income	<u>29,477</u>	<u>8,510</u>	<u>20,967</u>
Total Revenue	1,513,587	1,416,927	96,660
Personnel Services	688,668	628,522	60,146
Taxes and Benefits	170,861	227,652	(56,791)
Interest	68,850	73,350	(4,500)
Depreciation	168,729	180,340	(11,611)
Other Expenses	<u>246,828</u>	<u>196,798</u>	<u>50,030</u>
Total Expenses	<u>1,343,936</u>	<u>1,306,662</u>	<u>37,274</u>
Net Income-Operations	169,651	<u>\$ 110,265</u>	<u>\$ 59,386</u>
Net Financing Revenue	<u>224,131</u>		
Change in Net Position	<u>\$ 393,782</u>		

Significant changes between 2015 and 2014 are as follows:

- Total revenue increased \$96,660. The majority of the increase was from property and sales taxes.
- Total expenses increased \$37,274. The majority of the increase was connected with personnel costs.

### **Reporting the District's Most Significant Funds**

#### *The Fund Financial Statements*

The District has three funds: General Fund, Capital Improvement Fund, and the Debt Service Fund. All of these funds are classified in a broad category of Government Funds. The Debt Service Fund is used to account for funds connected with the bond issues and shows the collection of taxes and the payment of interest and principal on the bonds. The Capital Improvement Fund is used to account for the proceeds of the new bond issue and the expenditure of those funds, which are governed by what the District indicated the funds would be expended for. The actual operations of the District are reported in the General 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>2015</u>	<u>2014</u>	Increase (Decrease)
Cash – Checking and Savings	\$ 225,900	\$ 383,965	\$ (158,065)
Due From – General Fund	21,417	-	21,417
Restricted – Checking and Savings	<u>3,707,978</u>	<u>934,087</u>	<u>2,773,891</u>
Total Assets	<u>\$3,955,295</u>	<u>\$1,318,052</u>	<u>\$2,637,243</u>
Due To – Debt Service Fund	\$ 21,417	\$ -	\$ 21,417
Deferred Inflows of Resources	62,491	74,889	(12,398)
Fund Balance	<u>3,871,387</u>	<u>1,243,163</u>	<u>2,628,224</u>
Total Liabilities and Fund Balance	<u>\$3,955,295</u>	<u>\$1,318,052</u>	<u>\$2,637,243</u>

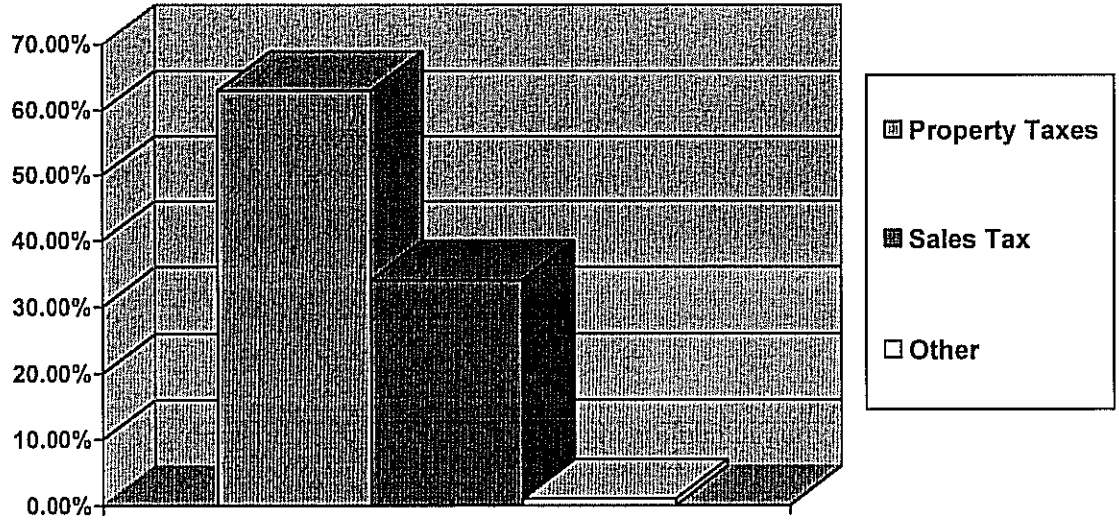
*Findings*

- The fund balance increased \$2,628,224. The increase was from the bond issue that increased the cash balance.

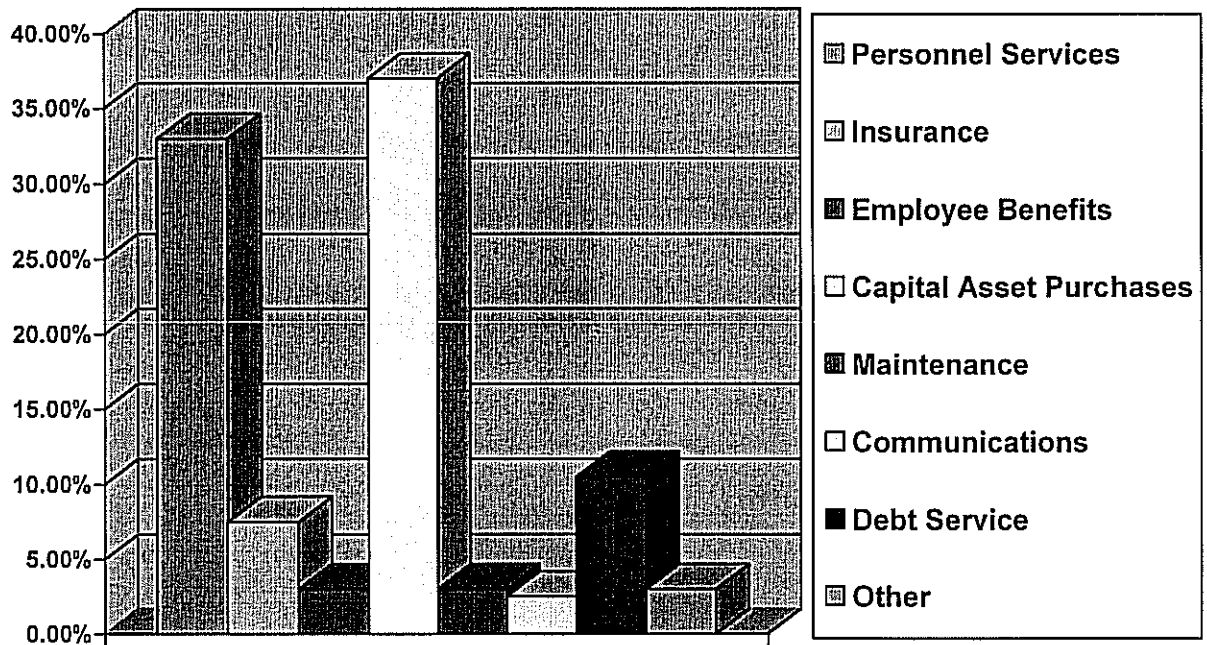
*Governmental Activities*

For the year ended December 31, 2015, 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 2015 and 2014.

	<u>2015</u>	<u>2014</u>	Increase (Decrease)
Operating Costs			
Personnel Services	\$ 688,668	\$ 628,522	\$ 60,146
Insurance	155,173	146,291	8,882
Employee Benefits – Retirement	72,029	68,633	3,396
Office	1,740	2,946	(1,206)
Petroleum Products	16,211	21,284	(5,073)
Professional Services	10,510	6,405	4,105
Communications	53,887	46,929	6,958
Personnel Development	11,095	19,678	(8,583)
Public Utilities	18,740	18,713	27
Maintenance	68,308	59,655	8,653
Other Expenditures	<u>9,996</u>	<u>30,192</u>	<u>(20,196)</u>
Total Operating Costs	1,106,357	1,049,248	57,109
Debt Service and Capital Asset Purchases			
Principal	150,000	150,000	-
Interest	68,850	73,350	(4,500)
Capital Asset Purchases	<u>764,342</u>	<u>35,470</u>	<u>728,872</u>
Total Debt Service and Capital Asset Purchases	<u>983,192</u>	<u>258,820</u>	<u>724,372</u>
Total Expenditures	<u>\$2,089,549</u>	<u>\$1,308,068</u>	<u>\$ 781,481</u>

- Total operating expenses increased \$57,109
- Capital asset costs increased \$728,872 from 2014. All of the increase came from bond proceeds expended for the new station and equipment.

**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, 2015, General Fund expenditures were \$18,643 below final appropriations, and actual resources available for appropriation were \$207,457 above the final budgeted amount.

## Capital Assets – Modified Cash Basis

At December 31, 2015, the District had \$2,759,693 invested in capital assets, net of depreciation, on the modified cash basis of accounting, including fire equipment, buildings, and vehicles.

	<u>2015</u>	<u>2014</u>
Land	\$ 102,671	\$ 102,671
Land Improvements	18,650	18,650
Building	1,557,057	1,557,057
Construction in Progress	128,173	-
Vehicles	2,260,242	1,659,842
Machinery and Equipment	<u>892,502</u>	<u>855,735</u>
	4,959,295	4,193,955
Accumulated Depreciation	<u>(2,199,602)</u>	<u>(2,030,873)</u>
Total	<u>\$2,759,693</u>	<u>\$2,163,080</u>

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

New Fire Station in Progress	\$ 128,173
Pumper Truck	\$ 600,400

## Long-Term Debt – Modified Cash Basis

During 2015 the District issued \$4,455,000 of new bonds for construction of a new fire station and to acquire new equipment. In addition, a portion of the 2009 bonds were refinanced at a lower rate of interest. A portion of the 2009 bonds were defeased upon receipt of the bond proceeds and placed in an escrow account to be retired in two years. The changes in the outstanding bonds of the District are as follows:

### Series 2009 Bond Issue

Bonds Payable, December 31, 2014	\$1,925,000
Bonds retired during 2015	(150,000)
Bonds refinanced	<u>(1,475,000)</u>
Balance Owed – 2009 Bond Issue	300,000

### Series 2015 Bond Issue

Bonds Payable	<u>4,455,000</u>
---------------	------------------

Total, December 31, 2015	<u>\$4,755,000</u>
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## **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 new bond issue will provide needed capital for a new fire station and new equipment. This will provide better services to the District. 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, 2015**

**ASSETS**

Cash - Checking and Savings	\$ 225,900
Restricted Assets	
Cash - Checking and Savings	3,707,978
Capital Assets	
Land	102,671
Land Improvements	18,650
Building and Equipment, Net of Depreciation	<u>2,638,372</u>
Total Assets	6,693,571

**LIABILITIES**

Non-current Liabilities	
Bonds Payable Due within One Year	\$ 400,000
Bonds Payable Due in More Than One Year	<u>4,355,000</u>
Total Liabilities	4,755,000

Deferred Inflows of Resources	
Property Taxes	62,491

**NET POSITION**

Investment in Capital Assets	608,424
Restricted for:	
Capital Projects	2,603,731
Debt Service	218,159
Unrestricted (Deficit)	<u>(1,554,234)</u>
Total Net Position	<u>\$ 1,876,080</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, 2015**

Functions/Programs	Expenses	Program Revenue	Net Expenses Government Activities
Personnel Services	\$ 688,668	\$ -	\$ 688,668
Insurance - Benefits	67,016	-	67,016
Employee Benefits - Retirement	72,029	-	72,029
Other Employee Benefits	14,562	-	14,562
Insurance - Property and Liability	73,595	-	73,595
Uniforms	6,159	-	6,159
Health and Safety	1,716	-	1,716
Office	1,740	-	1,740
Prevention and Investigation	491	-	491
Petroleum Products	16,211	-	16,211
Professional Services	10,510	-	10,510
Communications	53,887	-	53,887
Personnel Development	11,095	-	11,095
Public Utilities	18,740	-	18,740
Miscellaneous	1,630	-	1,630
Maintenance - Machinery and Equipment	60,571	-	60,571
Maintenance - Building and Grounds	7,737	-	7,737
Interest	68,850	-	68,850
Depreciation	168,729	-	168,729
Total Governmental Activities	<u>\$ 1,343,936</u>	<u>\$ -</u>	1,343,936

**GENERAL REVENUE**

Taxes		
County Property Tax		958,758
Sales Tax		525,352
Interest		2,611
Grant		19,664
Miscellaneous Income		7,202
Total General Revenues and Transfers		<u>1,513,587</u>
Financing Revenue and Expenses		
Premium on Bonds		312,920
Underwrite Discount		(44,550)
Other Issue Expense		(44,239)
Total Financing, Net		<u>224,131</u>
Change in Net Position		393,782
Net Position, Beginning of Year as Restated		<u>1,482,298</u>
Net Position, End of Year		<u>\$ 1,876,080</u>

See Accompanying Notes to Basic Financial Statements.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**MODIFIED CASH BASIS**  
**DECEMBER 31, 2015**

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
<b>ASSETS</b>				
Cash	\$1,133,405	\$ -	\$ -	\$1,133,405
Cash-Restricted	-	2,603,731	196,742	2,800,473
Due from General Fund	-	-	21,417	21,417
	<u>\$1,133,405</u>	<u>\$2,603,731</u>	<u>\$ 218,159</u>	<u>\$3,955,295</u>
<b>LIABILITIES</b>				
Due to Debt Service Fund	\$ 21,417	\$ -	\$ -	\$ 21,417
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property Taxes	62,491	-	-	62,491
<b>FUND BALANCE</b>				
Restricted	-	-	218,159	218,159
Committed	-	2,603,731	-	2,603,731
Unassigned	<u>1,049,497</u>	<u>-</u>	<u>-</u>	<u>1,049,497</u>
Total Fund Balance	<u>1,049,497</u>	<u>2,603,731</u>	<u>218,159</u>	<u>3,871,387</u>
Total Liabilities and Fund Balance	<u>\$1,133,405</u>	<u>\$2,603,731</u>	<u>\$ 218,159</u>	<u>\$3,955,295</u>

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

Total Fund Balance	\$3,871,387
Capital assets used in government activities are not financial reserves and, therefore, are not reported in the funds.	2,759,693
Bonds payable are not due and payable in the current period and, therefore, are not reported in the current period.	(4,755,000)
Net Assets of Government Activities	<u>\$1,876,080</u>

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, 2015**

	General Fund	Capital Projects	Debt Service	Total
<b>REVENUE</b>				
Taxes				
County Property Tax	\$ 700,811	\$ -	\$ 257,947	\$ 958,758
Sales Tax	525,352	-	-	525,352
Interest on Accounts	2,611	-	-	2,611
Miscellaneous Income	7,202	-	55	7,257
Grants	19,664	-	-	19,664
Total Revenue	1,255,640	-	258,002	1,513,642
<b>EXPENDITURES</b>				
Personnel Services	688,668	-	-	688,668
Insurance - Benefits	67,016	-	-	67,016
Employee Benefits - Retirement	72,029	-	-	72,029
Other Employee Benefits	14,562	-	-	14,562
Insurance - Property and Liability	73,595	-	-	73,595
Uniforms	6,159	-	-	6,159
Health and Safety	1,716	-	-	1,716
Office	1,740	-	-	1,740
Prevention and Investigation	491	-	-	491
Petroleum Products	16,211	-	-	16,211
Professional Services	10,510	-	-	10,510
Communications	53,887	-	-	53,887
Personnel Development	11,095	-	-	11,095
Public Utilities	18,740	-	-	18,740
Miscellaneous	1,630	-	-	1,630
Maintenance - Machinery and Equipment	60,571	-	-	60,571
Maintenance - Building and Grounds	7,737	-	-	7,737
Construction - Station 3	128,173	-	-	128,173
Pumper Truck Deposit	-	600,400	-	600,400
Capital Equipment Expenses	35,769	-	-	35,769
Total Expenditures	1,270,299	600,400	-	1,870,699
Excess (Deficiency) of Cash Receipts over Cash Expenditures	(14,659)	(600,400)	258,002	(357,057)
<b>DEBT SERVICE PAYMENTS</b>				
Interest and Fees	-	-	68,850	68,850
Principal	-	-	150,000	150,000
Total Debt Service Disbursements	-	-	218,850	218,850
<b>OTHER FINANCIAL RESOURCES</b>				
Bond Sale	-	-	4,455,000	4,455,000
Premium	-	-	312,920	312,920
Bond Refinance	-	-	(1,519,239)	(1,519,239)
Bond Underwriter Discount	-	-	(44,550)	(44,550)
Total Other Financial Resources	-	-	3,204,131	3,204,131
<b>TRANSFERS</b>				
	-	3,204,131	(3,204,131)	-
Net Change in Fund Balance	(14,659)	2,603,731	39,152	2,628,224
Fund Balance, Beginning of Year	1,064,156	-	179,007	1,243,163
Fund Balance, End of Year	\$ 1,049,497	\$ 2,603,731	\$ 218,159	\$ 3,871,387

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 THE 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	\$ 2,628,224
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.	
Deposit - Pumper Truck	600,400
Work in Process - Station 3	128,173
Machines and Equipment	35,769
Depreciation	(168,729)

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.

Other	(55)
Bond Payments-Other	150,000
Bonds Retired - Refinancing	1,475,000
Bonds Issued - Par Value	<u>(4,455,000)</u>

Change in Net Position - Statement of Activities	<u>\$ 393,782</u>
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**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**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, 2015**

**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***

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	
Capital Project Fund	

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.

Debt Service Fund

The Debt Service Fund is used to account for 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, 2015**

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

Capital Projects Funds

These funds account for revenues derived from specific tax or other ear-marked revenue sources, which are legally restricted to finance the acquisition or construction of major capital assets. The funds in this account will be used for construction of a fire station.

*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.



**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2015**

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

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 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.

***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

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2015**

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

*Government-Wide Statements- Continued*

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

*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, 2015, \$62,491 had been received that pertained to 2016.

*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, 2015, 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.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED  
DECEMBER 31, 2015**

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

***Government-Wide Statements – Equity Classifications***

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

- a. Investment in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, 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, capital projects, and general reserves. Tax levy funds received are allocated to retire the debt and pay interest. Funds have been restricted for certain capital projects. A general reserve for working capital has been established by the Board.
- 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, 2015. 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.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2015**

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

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

It is the District’s policy to first use restricted resources and then unrestricted resources as needed. When unrestricted resources are available for use, it is the District’s policy to use resources in the following order: first committed, then assigned and finally unassigned. Fund balance commitments may be established, modified or rescinded by the Board of Directors’ resolution.

***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 \$525,352 in 2015.

***Property Tax***

Annual property taxes attach an enforceable lien on property as of January 1. Generally, property taxes are levied in the fall for the subsequent year’s operations. Taxpayers must pay taxes by January 1, or interest accrues on the unpaid taxes.

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 2015 are for taxes assessed in 2014 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.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED  
DECEMBER 31, 2015**

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

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 2015 was \$191,469,795 and \$32,556,539 in Platte County. Property taxes collected during the year were as follows:

	2015
Platte County	\$ 146,832
Clay County	811,926
Total	\$ 958,758

***Construction in Progress – Station 3***

Construction in progress represents cost accumulated for construction of a fire station in the Community of Paradise which is scheduled for completion in 2016.

***Interfund Transfers***

During the year ended December 31, 2015, the Debt Service Fund transferred proceeds to the Capital Projects Fund to be used for the purchase of equipment and construction of the new fire station.

**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.

***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, 2014**

**NOTE 2 – COMMITMENTS AND CONTINGENCIES - 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 – GENERAL OBLIGATION BONDS**

During 2015 the District issued \$4,455,000 of general obligation bonds. The proceeds were used to retire \$1,475,000 of the 2009 general obligation bonds. The funds to retire the bonds have been placed in an escrow account that will be used to defease the debt. The remaining funds are to be used to acquire a new pumper truck and construct a new fire station within the District to be located in Paradise, Missouri.

The maturities on the bonds are as follows:

	<u>2015 Series Principal</u>	<u>2009 Series Principal</u>	<u>Interest</u>
2016	\$ 250,000	\$ 150,000	\$ 165,910
2017	250,000	150,000	163,787
2018	380,000	0	124,950
2019	375,000	0	113,625
2020	400,000	0	102,000
2021-2025	1,975,000	0	328,500
2026-2027	<u>825,000</u>	<u>0</u>	<u>33,500</u>
Total	<u>\$4,455,000</u>	<u>\$ 300,000</u>	<u>\$1,032,280</u>

Interest expense paid during the year totaled \$68,850.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2015**

**NOTE 4 – ACCOUNTING CHANGE – GASB STATEMENT NO. 68**

*GASB Statement No. 68 – Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, effective for periods beginning after June 15, 2014, replaces the requirements of GASB Statements Nos. 27 and 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The standard requires government employers to recognize as a liability, for the first time, their long-term obligation for pension benefits. The employer liability is to be measured as the difference between the present value of projected benefit payments to be provided through the pension plan for past periods of service less the amount of the pension plan’s fiduciary net position. Obligations for employers with cost sharing plans will be based on their proportionate share of contributions to the pension plan. Footnote disclosures are connected with the standard are disclosed in a footnote.

**NOTE 5 – EMPLOYEE RETIREMENT PLAN**

*Plan description.* The Smithville Area Fire Protection District’s defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The Smithville Area Fire Protection District participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS 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 is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at [www.molagers.org](http://www.molagers.org).

*Benefits provided.* LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for fire) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for fire) and receive a reduced allowance.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED  
DECEMBER 31, 20145**

**NOTE 5 – EMPLOYEE RETIREMENT PLAN – CONTINUED**

	2015 Valuation
Benefit Multiplier	2.00%
Final Average Salary:	3 Years
Member Contributions	0%

Benefit terms provide for annual post retirement adjustments to each member’s retirement allowance subsequent to the member’s retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

*Employees covered by benefit terms.* At June 30, 2015, the following employees were covered by the benefit terms:

	<u>General</u>	<u>Fire</u>
Inactive employees entitled to but not yet receiving benefits	-	8
Active employees	$\frac{1}{1}$	$\frac{9}{17}$

*Contributions.* The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer [contribute 4% of their gross pay] [do not contribute] to the pension plan. Employer contribution rates are 19.7% (General) and 9.8% (Fire) of annual covered payroll.

**Net Pension Liability.** The employer’s net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2015.

**Actuarial assumptions.** The total pension liability in the February 28, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	6.5%
Salary Increase	3.5% to 6.8% including inflation
Investment rate of return	7.25%



**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED  
DECEMBER 31, 2015**

**NOTE 5 – EMPLOYEE RETIREMENT PLAN – CONTINUED**

Mortality rates were based on the 1994 Group Annuity Mortality Table set back 3 years for both males and females.

The actuarial assumptions used in the February 28, 2015, valuation were based on the results of an actuarial experience study for the period March 1, 2005 through February 28, 2010.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	48.50%	5.10%
Fixed Income	25.00%	2.10%
Real Assets	20.00%	3.95%
Strategic Assets	6.50%	5.00%

**Discount rate.** The discount rate used to measure the total pension liability is 7.25%. Projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2015**

**NOTE 5 – EMPLOYEE RETIREMENT PLAN – CONTINUED**

**Changes in the Net Pension Liability – General Division**

		Increase (Decrease)	
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) – (b)
Balances at 6/3/2014	\$119,837	\$89,874	\$29,963
Changes for the Year:			
Service Cost	3,011		3,011
Interest	8,795		8,795
Difference between expected and actual experience	6,660		6,660
Contributions – employer		7,157	(7,157)
Contributions – employee			
Net investment income		1,819	(1,819)
Benefit payments, including refunds			
Administrative expense		(93)	93
Other changes		4,502	
Net changes	18,466	13,385	5,081
Net Pension Liability (Asset)	\$138,303	\$103,259	\$(35,044)

**Sensitivity of Net Pension Liability to the Single Discount Rate**

Sensitivity of the net pension liability to changes in the discount rate. The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer’s Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.25% or one percentage point higher (8.25 %) than the current rate.

	Current Single Discount		
	1% Decrease 6.25%	Rate Assumption 7.25%	1% Increase 8.25%
Total Pension Liability (TPL)	\$157,751	\$138,303	\$121,731
Plan Fiduciary Net Position	<u>103,259</u>	<u>103,259</u>	<u>103,259</u>
Net Pension Liability/(Asset)	<u>\$ 54,492</u>	<u>\$ 35,044</u>	<u>\$ 18,472</u>

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2015**

**NOTE 5 – EMPLOYEE RETIREMENT PLAN – CONTINUED**

**Changes in the Net Pension Liability – Fire Division**

		Increase (Decrease)	
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) – (b)
Balances at 6/3/2014	\$674,344	\$808,279	(\$133,935)
Changes for the Year:			
Service Cost	49,935		49,935
Interest	50,206		50,206
Difference between expected and actual experience	(64,569)		(64,569)
Contributions – employer		110,978	(110,198)
Contributions – employee			
Net investment income		16,469	(16,469)
Benefit payments, including refunds	9,975	9,975	
Administrative expense		1,212	(1,212)
Other changes		37,953	(37,953)
Net changes	22,597	154,213	
Net Pension Liability (Asset)	696,941	962,492	(265,551)

**Sensitivity of Net Pension Liability to the Single Discount Rate**

Sensitivity of the net pension liability to changes in the discount rate. The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer’s Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.25% or one percentage point higher (8.25 %) than the current rate.

	Current Single Discount		
	1% Decrease 6.25%	Rate Assumption 7.25%	1% Increase 8.25%
Total Pension Liability (TPL)	\$ 841,315	\$ 696,941	\$ 581,090
Plan Fiduciary Net Position	<u>962,492</u>	<u>962,492</u>	<u>962,492</u>
Net Pension Liability/(Asset)	<u>\$(121,177)</u>	<u>(\$265,551)</u>	<u>\$(381,402)</u>

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.  
 NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED  
 DECEMBER 31, 2015**

**NOTE 6 – 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:

	<u>2015</u>
FDIC Insurance	\$ 250,000
Pledged Securities	5,042,313
Total Deposits	<u>(3,935,097)</u>
Excess of Insured and Collateralized Deposits Over Bank Balances	<u>\$ 1,107,216</u>

*Restricted Cash*

The District is required under bond indenture agreements in connection with the issuance of bonds, to segregate certain assets. The following assets have been segregated and are restricted in use for the acquisition and construction of capital assets and debt service reserve funds. The assets listed below are shown in their respective categories in the accompanying balance sheet.

Restricted Assets	
Cash	
Acquisition and Construction of Capital Investments	\$2,603,731
Investments	
Debt Service Reserves	<u>196,742</u>
Total Restricted Assets	<u>\$2,800,473</u>

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED  
DECEMBER 31, 2015**

**NOTE 7 – CAPITAL ASSETS**

Capital Asset activity for the year ended December 31, 2015, was as follows:

	<u>2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>2015</u>
Governmental Activities				
Land	\$ 102,671	\$ -	\$ -	\$ 102,671
Land Improvements	18,650	-	-	18,650
Buildings	1,557,057	-	-	1,557,057
Construction in Progress	-	128,173	-	128,173
Vehicles	1,659,842	600,400	-	2,260,242
Machinery, Equipment	<u>855,735</u>	<u>35,769</u>	<u>          </u>	<u>891,504</u>
Total at Historical Cost	4,193,955	764,342	-	4,959,297
Less Accumulated Depreciation	<u>(2,030,875)</u>	<u>(168,729)</u>	<u>          </u>	<u>(2,199,604)</u>
Governmental Activities				
Capital Assets, Net	<u>\$2,163,080</u>	<u>\$ 595,613</u>	<u>\$ -</u>	<u>\$2,759,693</u>

Depreciation recorded on capital assets totaled \$168,729 in 2015.

**NOTE 8 – IMPLEMENTATION OF GASB PRONOUNCEMENTS**

In 2015 the District adopted the following new accounting standard in order to conform to the following Governmental Accounting Standards Board Statement:

*GASB Statement No. 65, Items Previously Reported as Assets and Liabilities.* The Statement reclassifies items from assets or liabilities in the statement of financial position. As a result, costs related to the issuance of debt previously deferred, were restated as if they had been reported as an outflow of resources when incurred. The impact on the financial statements was a decrease in beginning net position as follows:

	<u>Governmental Activities</u>
Net Position-Beginning of Year, As previously reported.	\$1,503,595
Restatement of deferred charge For debt issuance costs	(22,350)
Fixed Asset Adjustment	<u>1,053</u>
Net Position-Beginning of Year As restated	<u>\$1,482,298</u>

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2015**

**NOTE 9 – 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, 2015, through the date the financial statements were available to be issued and there are no material events requiring recognition or disclosure.

## **SUPPLEMENTARY INFORMATION**

Supplementary information includes financial information and disclosures but that 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 SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

*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.



**SMITHVILLE FIRE PROTECTION DISTRICT, INC.**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUE</b>			
Taxes			
County Property Tax	\$ 871,000	\$ 958,758	\$ 87,758
Sales Tax	406,000	525,352	119,352
Interest	-	2,611	2,611
Grants	24,130	19,664	(4,466)
Miscellaneous Income	5,000	7,202	2,202
Total Revenue	<u>1,306,130</u>	<u>1,513,587</u>	<u>207,457</u>
<b>EXPENDITURES</b>			
Operating			
Personnel Services	664,540	688,668	(24,128)
Insurance - Health	84,870	67,016	17,854
Property Liability and Workmans Comp	75,000	73,595	1,405
Retirement Benefits	80,000	72,029	7,971
Other Employee Benefits	15,000	14,562	438
Uniforms	5,000	6,159	(1,159)
Office	4,038	1,740	2,298
Prevention and Investigation	1,100	491	609
Supplies and Chemicals	1,500	-	1,500
Petroleum Products	25,000	16,211	8,789
Professional Services	9,000	10,510	(1,510)
Communications	46,400	53,887	(7,487)
Personnel Development	30,000	11,095	18,905
Public Utilities	23,100	18,740	4,360
Miscellaneous	8,152	1,630	6,522
Health and Safety	2,700	1,716	984
Maintenance - Building and Grounds	20,300	7,737	12,563
Maintenance - Machinery and Equipment	29,300	60,571	(31,271)
Total Operating Expenditures	<u>1,125,000</u>	<u>1,106,357</u>	<u>18,643</u>
Favorable Effect of Receipts Over Expenses	<u>\$ 181,130</u>	<u>\$ 407,230</u>	<u>\$ 226,100</u>

See Accompanying Notes to Required Supplementary Information.