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SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.

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SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.

LIST OF PRINCIPAL OFFICIALS

DECEMBER 31, 2008

BOARD OF DIRECTORS

Berry Parks

Ellbert Pigg

Dwight Schroeder

FIRE CHIEF

John Callahan

ADMINISTRATIVE ASSISTANT

Connie Massie

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Independent Auditor's Report

Board of Directors
Smithville Area Fire Protection District, Inc.

I have audited the basic financial statements of the Smithville Area Fire Protection District, Inc. as of and for the year ended December 31, 2008 and December 31, 2007, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the Smithville Area Fire Protection District's management. My responsibility is to express an opinion on these basic financial statements based on my audits.

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


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

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the District's assets, liabilities, net assets/fund equity and revenues and expenditures/expenses arising from modified cash basis transactions as of and for the years ended December 31, 2008 and December 31, 2007, on the modified cash basis of accounting described in Note 1, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Board of Directors
Smithville Area Fire Protection District, Inc.

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

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



Bruce Culley
Certified Public Accountant

Gladstone, Missouri
May 1, 2009

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, 2008. Please read it in conjunction with the District's financial statements that begin on Page 14.

FINANCIAL HIGHLIGHTS

- The District's expenses exceeded revenue by \$18,445 as shown in the Statement of Activities. This compares favorably with an excess of expenses over revenues of \$81,087 in 2007.
- The decreased deficit was caused primarily by increases in revenue.
- The District's un-depreciated capital assets total \$1,918,226.
- The District acquired one new vehicle in the amount of \$31,352. Depreciation recorded on the financial statements was \$142,861 in 2008 and \$147,937 in 2007 for which there was no cash outflow.
- Sales tax collections decreased by \$3,629 from 2007.
- The majority of the increase in revenue came from the receipt of FEMA funds and the increase in property tax revenue.
- The District changed its method of accounting for property tax in 2008. Property tax revenue remitted by the County to the District in November and December for the next year is now being recorded as deferred revenue to be recognized as revenue in the following year. In previous years, the income had been recorded in the year received. The fund balance at the end of 2007 has been decreased by \$21,320 to account for the 2008 revenue received in 2007, but was for 2008.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB Statement 34 implements a new model of financial reporting for government bodies designed to enhance

the usefulness of the District's annual report. The District management has elected to implement the new model financial statement format and content using the District's modified cash basis of accounting.

Report Components

This annual report consists of four parts as follows:

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

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

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

Required Supplementary Information: This Management Discussion and Analysis and the General Fund Budgetary Comparison Schedule (page 36) represent financial information required to be presented by the GASB. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

Basis of Accounting

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

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

Reporting the Smithville Area Fire Protection District as a Whole

The District's Reporting Entity Presentation

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

The primary government includes the following legal entities:

- The District

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

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

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

Changes from 2008 in the Statement of Net Assets are:

	<u>2008</u>	<u>2007</u>	Increase (Decrease)
Cash and Certificates of Deposit	\$ 163,421	\$ 178,438	\$ (15,017)
Fixed Assets	<u>1,918,226</u>	<u>2,023,743</u>	<u>(105,517)</u>
Total Assets	<u>\$2,081,647</u>	<u>\$2,202,181</u>	<u>\$ (120,534)</u>
Liabilities	\$1,178,231	\$1,259,000	\$ (80,769)
Net Assets	<u>903,416</u>	<u>943,181</u>	<u>(39,765)</u>
Total Liabilities and Net Assets	<u>\$2,081,647</u>	<u>\$2,202,181</u>	<u>\$ (120,534)</u>

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

- The unencumbered cash balance decreased \$15,017.

- Liabilities decreased by \$80,769 as payments were made on the lease-purchase obligations.
- There was a decrease in net assets in the amount of \$39,765 or 4.2% of the fund balance.

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the District's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general.

Comparative changes in the Statement of Activities are as follows:

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>
County Property Taxes	\$ 600,111	\$ 547,490	\$ 52,621
Sales Taxes	408,320	411,949	(3,629)
FEMA Reimbursement	21,978	-	21,978
Other Income	<u>12,293</u>	<u>7,859</u>	<u>4,434</u>
Total Revenue	1,042,702	967,298	75,404
Expenses:			
Personnel Services	501,648	498,053	3,595
Taxes and Benefits	207,717	202,420	5,297
Interest	65,518	59,082	6,436
Depreciation	142,861	147,937	(5,076)
Other Expenses	<u>143,403</u>	<u>140,893</u>	<u>2,510</u>
Total Expenses	<u>1,061,147</u>	<u>1,048,385</u>	<u>12,762</u>
Net Loss	<u>\$ (18,445)</u>	<u>\$ (81,087)</u>	<u>\$ 62,642</u>

Significant changes between 2008 and 2007 are as follows:

- Total revenue increased \$75,404 between 2008 and 2007.
- Total expenses increased \$12,762.
- Revenue increased at a faster rate than expenses decreasing the net loss for the year.

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 Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

General Fund Balance Sheet Comparison

	<u>2008</u>	<u>2007</u>	Increase (Decrease)
Cash and Cash Equivalents	<u>\$ 163,421</u>	<u>\$ 178,438</u>	<u>\$ (15,017)</u>
Total Assets	<u>\$ 163,421</u>	<u>\$ 178,438</u>	<u>\$ (15,017)</u>
Current Liabilities	\$ 34,411	\$ 7,122	\$ 27,289
Fund Balance	<u>129,010</u>	<u>171,316</u>	<u>(42,306)</u>
Total Liabilities and Fund Balance	<u>\$ 163,421</u>	<u>\$ 178,438</u>	<u>\$ (15,017)</u>

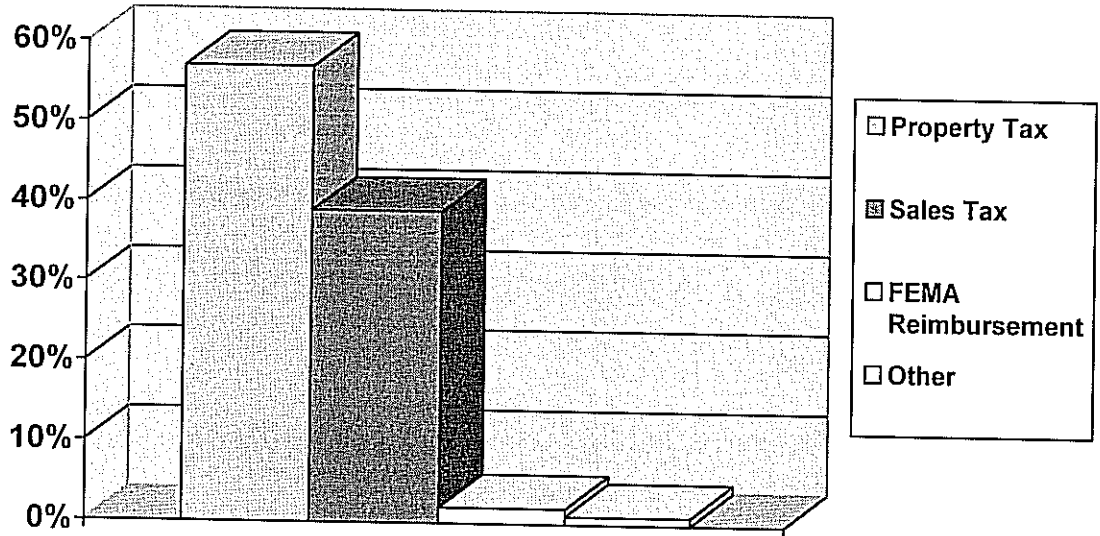
Findings

- The cash available to meet future expenditures decreased \$15,017.
- The increase in the current liabilities was caused mainly by the recognition of property taxes received in advance of the year end as a liability (deferred taxes).
- The fund balance decreased \$42,306.

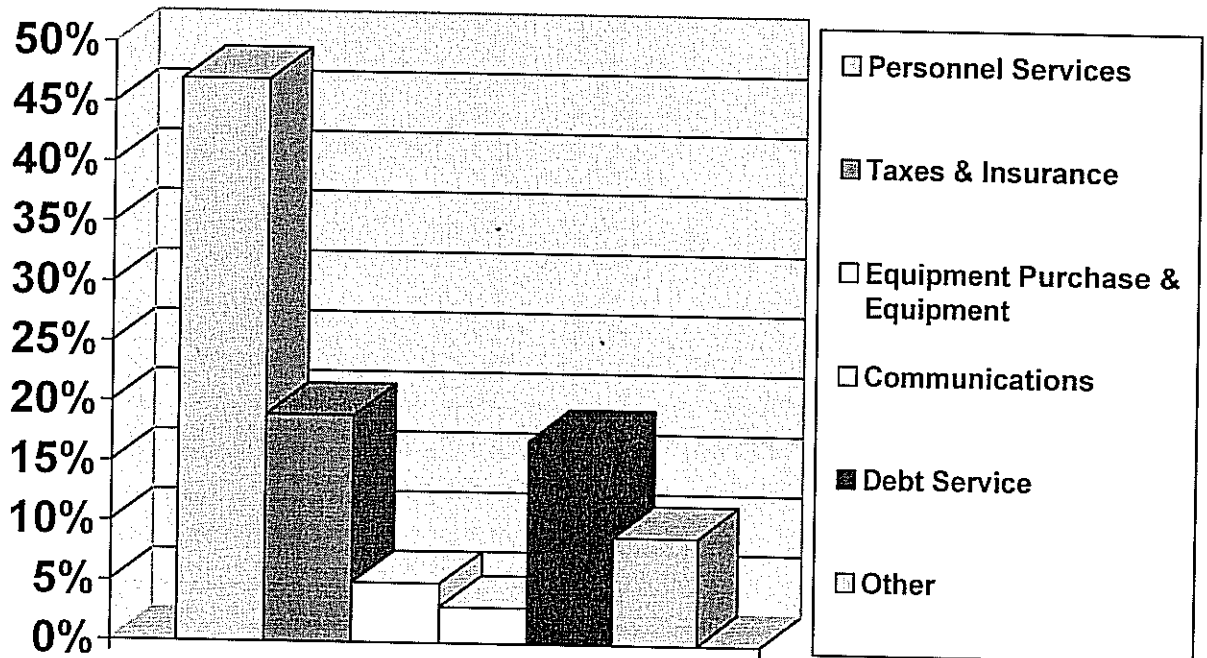
Governmental Activities

For the year ended December 31, 2008, the District's governmental activities were funded as follows:

Sources of Funds for Governmental Activities



Use of Funds in Governmental Activities



The following schedule shows a comparison of General Government Fund expenditures for 2008 and 2007.

	<u>2008</u>	<u>2007</u>	Increase (Decrease)
Personnel Services	\$ 501,648	\$ 498,053	\$ 3,595
Taxes and Benefits	207,717	202,420	5,297
Office	6,582	7,276	(694)
Supplies and Chemicals	2,883	1,704	1,179
Petroleum Products	15,091	10,170	4,921
Professional Services	8,054	21,877	(13,823)
Communications	31,495	32,768	(1,273)
Personnel Development	7,084	7,159	(75)
Public Utilities	20,683	18,943	1,740
Equipment Purchases and Maintenance	57,653	32,898	24,755
Debt Service			
Principal	110,788	33,826	76,962
Interest	65,518	59,082	6,436
County Charges	19,657	-	19,657
Other Expenditures	8,835	9,661	(826)
Total Expenditures	<u>\$1,063,688</u>	<u>\$ 935,837</u>	<u>\$ 127,851</u>

Expenditures increased by \$127,851 over 2007 with 65% of the increase coming from debt service on the real estate and pumper truck lease.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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

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

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

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

	2008	2007
ASSETS		
Current Assets		
Cash - Checking	\$ 163,421	\$ 178,438
Total Current Assets	163,421	178,438
Non-Current Assets		
Depreciation Assets - Net	1,918,226	2,023,743
Total Non-Current Assets	1,918,226	2,023,743
Total Assets	\$ 2,081,647	\$ 2,202,181
LIABILITIES		
Current Liabilities		
Payroll Withholding	\$ 669	\$ 7,122
Deferred Revenue	33,742	-
Current Portion of Long Term Debt	1,143,820	110,788
Total Current Liabilities	1,178,231	117,910
Non-Current Liabilities		
Long Term Debt		
Real Estate Lease	-	897,998
Pumper Truck Lease	-	243,092
Total Non-Current Liabilities	-	1,141,090
Total Liabilities	1,178,231	1,259,000
NET ASSETS		
Invested in Capital Assets Net of Related Debt	774,406	771,865
Unrestricted	129,010	171,316
Total Net Assets	903,416	943,181
Total Liabilities and Net Assets	\$ 2,081,647	\$ 2,202,181

See Accompanying Notes to the Basic Financial Statements.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Functions/Programs	Expenses	Program Revenue	Net Expenses	Government Activities
Personnel Services	\$ 501,648	\$ -	\$ 501,648	\$ -
Taxes and Insurance	95,591	-	95,591	-
Employee Benefits - Healthcare	50,594	-	50,594	-
Employee Benefits - Retirement	55,818	-	55,818	-
Uniforms	5,714	-	5,714	-
Office	6,582	-	6,582	-
Prevention and Investigation	1,058	-	1,058	-
Supplies and Chemicals	2,883	-	2,883	-
Petroleum Products	15,091	-	15,091	-
Professional Services	8,054	-	8,054	-
Communications	31,495	-	31,495	-
Personnel Development	7,084	-	7,084	-
Rent - Equipment	3,325	-	3,325	-
Public Utilities	20,683	-	20,683	-
Miscellaneous	20,847	-	20,847	-
Maintenance - Supplies	8,991	-	8,991	-
Maintenance - Machinery and Equipment	17,310	-	17,310	-
Interest	65,518	-	65,518	-
Depreciation	142,861	-	142,861	-
Total Governmental Activities	1,061,147	-	1,061,147	-
 GENERAL REVENUE				
Taxes				
County Property Tax				600,111
Sales Tax				408,320
FEMA Reimbursement				21,978
Rent Income				3,525
Interest				900
Miscellaneous Income				7,868
Total General Revenues and Transfers				1,042,702
Change in Net Assets				(18,445)
Net Assets, Beginning of Year				943,181
Prior Period Adjustment - Change in Accounting Principle				(21,320)
Adjusted Net Assets, Beginning of Year				921,861
Net Assets, End of Year				\$ 903,416

See Accompanying Notes to the Basic Financial Statements.

SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Functions/Programs	Expenses	Program Revenue	Net Expenses	Government Activities
Personnel Services	\$ 498,053	\$ -	\$ 498,053	\$ -
Taxes and Insurance	101,293	-	101,293	-
Employee Benefits - Healthcare	39,531	-	39,531	-
Employee Benefits - Retirement	51,620	-	51,620	-
Other Employee and Volunteer Benefits	9,976	-	9,976	-
Office	7,276	-	7,276	-
Prevention and Investigation	1,051	-	1,051	-
Supplies and Chemicals	1,704	-	1,704	-
Petroleum Products	10,170	-	10,170	-
Professional Services	21,877	-	21,877	-
Communications	32,768	-	32,768	-
Personnel Development	7,159	-	7,159	-
Rent	4,285	-	4,285	-
Public Utilities	18,943	-	18,943	-
Miscellaneous	3,328	-	3,328	-
Maintenance - Supplies	6,967	-	6,967	-
Maintenance - Machinery and Equipment	25,365	-	25,365	-
Interest	59,082	-	59,082	-
Depreciation	147,937	-	147,937	-
Total Governmental Activities	1,048,385	-	1,048,385	-
 GENERAL REVENUE				
Taxes				
County Property Tax				547,490
Sales Tax				411,949
Interest				1,346
Miscellaneous Income				6,513
Total General Revenues and Transfers				967,298
Change in Net Assets				(81,087)
Net Assets, Beginning of Year				1,022,030
Prior Period Adjustment				2,238
Adjusted Net Assets, Beginning of Year				1,024,268
Net Assets, End of Year				\$ 943,181

See Accompanying Notes to the Basic Financial Statements.

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

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash - Checking and Savings	\$ 163,421	\$ 178,438
Total Assets	<u>\$ 163,421</u>	<u>\$ 178,438</u>
LIABILITIES		
Payroll Tax Withholding	669	7,122
Deferred Revenue	<u>33,742</u>	<u>-</u>
Total Liabilities	34,411	7,122
FUND BALANCES		
Unreserved	<u>129,010</u>	<u>171,316</u>
Total Liabilities and Fund Balance	<u>\$ 163,421</u>	<u>\$ 178,438</u>
 Reconciliation of Fund Balances Balance Sheet to the Government-wide Statement of Net Assets		
Total Fund Balance	\$ 129,010	\$ 171,316
Capital assets used in government activities are not financial reserves and, therefore, are not reported in the funds.	1,918,226	2,023,743
Lease Note is not due and payable in the current period and, therefore, is not reported in the current period.	<u>(1,143,820)</u>	<u>(1,251,878)</u>
Net Assets of Government Activities	<u>\$ 903,416</u>	<u>\$ 943,181</u>

See Accompanying Notes to the 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,

	2008	2007
REVENUE		
Taxes		
County Property Tax	\$ 600,111	\$ 547,490
Sales Tax	408,320	411,949
Interest on Accounts	900	1,346
FEMA Reimbursement	21,978	-
Rent Income	3,525	-
Miscellaneous Income	7,868	6,513
Total Cash Receipts	1,042,702	967,298
EXPENDITURES		
Personnel Services	501,648	498,053
Taxes and Insurance	95,591	101,293
Employee Benefits - Healthcare	50,594	39,531
Employee Benefits - Retirement	55,818	51,620
Uniforms	5,714	9,976
Office	6,582	7,276
Prevention and Investigation	1,058	1,051
Supplies and Chemicals	2,883	1,704
Petroleum Products	15,091	10,170
Professional Services	8,054	21,877
Communications	31,495	32,768
Personnel Development	7,084	7,159
Rent - Equipment	3,325	4,285
Public Utilities	20,683	18,943
Miscellaneous	4,452	3,328
Maintenance - Supplies	8,991	6,967
Maintenance - Machinery and Equipment	17,310	25,365
County Charges	19,657	-
Debt Service		
Principal	110,788	33,826
Interest	65,518	59,082
Capital Equipment	31,352	1,563
Total Expenditures	1,063,688	935,837
Excess (Deficiency) of Cash Receipts Over Cash Expenditures	(20,986)	31,461
Fund Balance, Beginning of Year	171,316	139,855
Prior Period Adjustment - Change in Accounting Principle	(21,320)	-
Adjusted Fund Balance, Beginning of Year	149,996	139,855
Fund Balance, End of Year	\$ 129,010	\$ 171,316

See Accompanying Notes to the 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 STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31,**

	2008	2007
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in Fund Balances - Total Governmental Funds	\$ (20,986)	\$ 31,461
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	31,352	1,563
Depreciation	<u>(142,861)</u>	<u>(147,937)</u>
Total Capital Outlay	(111,509)	(146,374)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources.		
Lease Debt Retirement - Pumper Truck	34,797	33,382
Lease Debt Retirement - Real Estate Loan	73,261	-
Other	<u>5,992</u>	<u>444</u>
Total Long Term Debt Financial Resources	114,	

SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Reporting Entity

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

Primary Government: Smithville Area Fire Protection District

Basis of Presentation

Governmental-wide Financial Statements

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

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Continued

Fund Financial Statements

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the only 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

SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus

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

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

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

Basis of Accounting

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

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

Reclassifications

Certain reclassifications have been made to the 2007 comparative totals to conform to the 2008 presentation.

SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

Accrual Basis – Revenues would be recognized when earned.

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

ASSETS, LIABILITIES AND EQUITY

Cash and Cash Equivalents

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three-months or less.

Investments

Investments classified in the financial statements consist entirely of certificates of deposit securities. Investments are carried at cost.

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.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

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

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

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

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.

EQUITY CLASSIFICATIONS

Government-Wide Statements

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, 2008**

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 no restricted net assets.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

REVENUE, EXPENDITURES AND EXPENSES

Sales Tax

During 2000 the voters of the fire district approved a half-cent sales tax which is collected on all retail sales in the district. Sales tax collected for the year totaled \$408,320 in 2008 and \$411,949 in 2007.

Property Tax

Taxes are collected by the respective counties of Clay and Platte which are served by the fire district and remitted to the district. The bulk of the taxes collected in 2008 are for taxes assessed in 2007. The tax levy set for the Smithville Area Fire Protection District is set at the maximum allowed rate of \$.2699 per hundred dollars of assessed valuation in Clay County. The tax levy was set at \$.2699 per hundred dollars of assessed valuation in Platte County. The assessed valuation for fiscal 2008 was \$223,431,911 Property taxes collected during the year were as follows:

	2008	2007
Platte County	\$ 80,409	\$ 80,920
Clay County	519,702	466,570
Total	\$ 600,111	\$ 547,490

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

NOTE 2 – COMMITMENTS – CONSTRUCTION

DIFFERENCES FROM GAAP

Basis of Accounting

As discussed in Note 1, the District reports both the government-wide financial statements and the fund financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2008

NOTE 2 – COMMITMENTS – CONSTRUCTION – CONTINUED

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.

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, 2008, the District had not set aside or reserved any fund balance or net assets for the commitment.

NOTE 3 – COMMITMENTS AND CONTINGENCIES – LAW SUITS

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.

NOTE 4 – CAPITAL LEASE OBLIGATIONS

Real Estate Lease

In May 2001 the Smithville Area Fire Protection District entered into a lease with the Platte Valley Real Estate Development Corporation as follows:

- a. The Platte Valley Real Estate Development Corporation leased land from the Smithville Area Fire Protection District and provided \$1,357,080 in financing to provide the following: (1) to pay the cost of acquiring, constructing and installing a fire station and related improvements, fixtures, equipment, furnishings, and related support facilities thereon to meet the requirements and (2) to purchase the Platte Valley Real Estate Corporation's interest in the 1999 property lease which had provided financing for a portion of the building construction.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2008**

NOTE 4 – CAPITAL LEASE OBLIGATIONS – CONTINUED

- b. Contemporaneously the Platte Valley Real Estate Development Corporation and the Smithville Area Fire Protection District have executed a lease whereby the Corporation subleases back to the District and the District subleases from the Corporation the land and the improvements. Title to the land remains with the District at all times. The lease includes an option in which the District, upon payment of the purchase price, will acquire the property from the Corporation.

The term of the lease runs from May 1, 2001, and ends on February 15, 2041. The ground lease calls for a payment of \$10.00. The current interest rate on the capital lease is 4.647%.

The following is a summary of the lease-purchase transaction for the years then ended:

	<u>2008</u>	<u>2007</u>
Lease-Purchase Payable, Beginning of Year	\$ 973,989	\$ 976,719
Adjustments		(2,730)
Lease-Purchase Obligations Retired	<u>(73,261)</u>	<u>-</u>
Lease-Purchase Payable, End of Year	<u>\$ 900,728</u>	<u>\$ 973,989</u>

The following shows the future payment under the capital lease; the lease was paid off in 2009:

	<u>Land and Building</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2009	<u>\$ 900,728</u>	<u>\$ -</u>	<u>\$ 900,728</u>

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2008**

NOTE 4 – CAPITAL LEASE OBLIGATIONS – CONTINUED

Pumper Truck Lease

In August 2004 the Smithville Area Fire Protection District entered into a lease with Platte Valley Bank. Financing for the truck is provided by Platte Valley Bank under a lease-purchase agreement at an interest rate of 4.28%. The annual lease commences on December 31, 2005, and provides for up to ten renewal periods.

The following is a summary of the lease-purchase transaction for the years then ended:

	<u>2008</u>	<u>2007</u>
Lease-Purchase Payable, Beginning of Year	\$ 277,889	\$ 311,271
New Lease Purchase Obligations	-	-
Lease-Purchase Obligations Retired	<u>(34,797)</u>	<u>(33,382)</u>
Lease-Purchase Payable, End of Year	<u>\$ 243,092</u>	<u>\$ 277,889</u>

The following shows the future payment under the capital lease; the lease was paid off in 2009:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	<u>\$ 243,092</u>	<u>\$ -</u>	<u>\$ 243,092</u>

NOTE 5 – RETIREMENT PLAN

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

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2008**

NOTE 5 – RETIREMENT PLAN – CONTINUED

Smithville Fire Protection District’s full-time employees do not contribute to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rate is 18.4% (general) and 12.2% (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.

For 2008, the political subdivision’s annual pension cost of \$50,124 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2006 and/or February 28, 2007, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2008 included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age, attributable to seniority/merit, and (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 setback 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The amortization period at February 28, 2008, was 26 years.

Three-Year Trend Information			
Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
06-30-06	\$ 63,193	100%	\$0
06-30-07	\$ 52,069	100%	\$0
06-30-08	\$ 50,124	100%	\$0

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2008**

NOTE 5 – RETIREMENT PLAN – CONTINUED

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability Entry Age	Unfunded Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
02-28-06	\$ 122,218	\$ 291,973	\$ 169,755	42%	\$ 484,525	35%
02-28-07	\$ 195,758	\$ 325,125	\$ 129,367	60%	\$ 349,970	37%
02-28-08	\$ 270,694	\$ 363,587	\$ 192,893	74%	\$ 365,623	25%

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

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:

FDIC Insurance	\$ 250,000
Pledged Securities	-
Total Deposits	<u>(204,031)</u>
Excess of Insured and Collateralized Deposits	<u>\$ 45,969</u>

SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2008

NOTE 7 – CAPITAL ASSETS

Capital Asset activity for the year ended December 31, 2008, was as follows:

	<u>2007</u>	<u>Additions</u>	<u>Adjustment</u>	<u>2008</u>
Governmental Activities				
Land	\$ 102,671	\$ -	\$ -	\$ 102,671
Buildings	1,297,766	-	-	1,297,766
Vehicles	1,136,060	31,352	-	1,167,412
Machinery and Equipment	<u>583,995</u>	<u>-</u>	<u>5,992</u>	<u>589,987</u>
Total at Historical Cost	3,120,492	31,352	5,992	3,157,836
Less Accumulated Depreciation	<u>(1,096,749)</u>	<u>(142,861)</u>	<u>-</u>	<u>(1,239,610)</u>
Governmental Activities				
Capital Assets, Net	<u>\$2,023,743</u>	<u>\$(111,509)</u>	<u>\$ 5,992</u>	<u>\$1,918,226</u>

Capital Asset activity for the year ended December 31, 2007, was as follows:

	<u>2006</u>	<u>Additions</u>	<u>Adjustment</u>	<u>2007</u>
Governmental Activities				
Land	\$ 102,671	\$ -	\$ -	\$ 102,671
Buildings	1,297,766	-	-	1,297,766
Vehicles	1,136,060	-	-	1,136,060
Machinery and Equipment	<u>582,432</u>	<u>1,563</u>	<u>-</u>	<u>593,955</u>
Total at Historical Cost	3,118,929	1,563	-	3,120,492
Less Accumulated Depreciation	<u>(948,812)</u>	<u>(147,937)</u>	<u>-</u>	<u>(1,096,749)</u>
Governmental Activities				
Capital Assets, Net	<u>\$2,170,117</u>	<u>\$(146,374)</u>	<u>\$ -</u>	<u>\$2,023,743</u>

Depreciation recorded on capital assets totaled \$142,861 in 2008 and \$147,937 in 2007.

SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2008

NOTE 8 – SUBSEQUENT EVENT

In February 2009, the District issued \$2,500,000 of General Obligation Fire Protection Bonds. The proceeds of the bond issue are to be used for the purpose of paying off two lease obligations on the real estate and equipment which were leased by the District. In addition, a portion of the proceeds are to be used to make building improvements that meet the minimum national safety standards. As of the date of the audit report, the lease obligation on the building was paid off in the amount of \$897,997.

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLE – REVENUE

During the year, the District changed its method of accounting for property tax revenue from a strict cash basis of accounting to a modified cash basis of accounting. Under prior years accounting, property tax revenue received by the District was recognized as revenue regardless of the year for which the tax revenue applied. Under the new accounting procedure, revenue received in advance of the year to which it applies will be deferred. The deferred revenue will be recognized as income in the future period to which it applies. The majority of tax collections received in November and December apply to the following year. Under the new accounting procedures, these funds will be treated as deferred revenue and will be recognized as revenue in the next accounting period.

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

SMTIHVILLE FIRE PROTECTION DISTRICT, INC.
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

REVENUE	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes			
County Property Tax	\$ 549,000	\$ 600,111	\$ 51,111
Sales Tax	415,000	408,320	(6,680)
Interest	1,000	900	(100)
Sale of Surplus Equipment	20,000	-	(20,000)
Miscellaneous Income	<u>11,700</u>	<u>33,371</u>	<u>21,671</u>
Total Revenue	996,700	1,042,702	46,002
 EXPENDITURES			
Operating:			
Personnel Services	521,029	501,648	19,381
Taxes and Insurance	87,298	95,504	(8,206)
Employee Benefits	66,500	50,594	15,906
Retirement Benefits	60,000	55,818	4,182
Uniforms	5,000	5,714	(714)
Office	8,638	6,582	2,056
Prevention and Investigation	1,100	1,058	42
Supplies and Chemicals	3,400	2,883	517
Petroleum Products	12,500	15,091	(2,591)
Legal and Accounting	9,200	8,054	1,146
Communications	32,800	31,495	1,305
Personnel Development	13,750	7,084	6,666
Rent	4,150	3,325	825
Public Utilities	19,200	20,683	(1,483)
Miscellaneous	5,100	4,539	561
Maintenance - Supplies	7,500	8,991	(1,491)
Maintenance - Machinery and Equipment	16,250	17,310	(1,060)
County Charges	-	19,657	(19,657)
Small Tools and Equipment	-	-	-
Total General Fund Expenditures	<u>873,415</u>	<u>856,030</u>	<u>17,385</u>
Financing and Capital Equipment:			
Capital Outlay	-	31,352	(31,352)
Debt Service	<u>176,307</u>	<u>176,306</u>	<u>1</u>
Total Financing and Capital Equipment	<u>176,307</u>	<u>207,658</u>	<u>(31,351)</u>
Total Expenditures	1,049,722	1,063,688	(13,966)
Excess (Deficiency) of Cash Receipts Over			
Cash Expenses	<u>\$ (53,022)</u>	<u>\$ (20,986)</u>	<u>\$ 32,036</u>

See Accompanying Notes to Required Supplementary Information.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2008**

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.

INTERNAL CONTROL AND COMPLIANCE SECTION

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

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

Board of Directors
Smithville Area Fire Protection District, Inc.

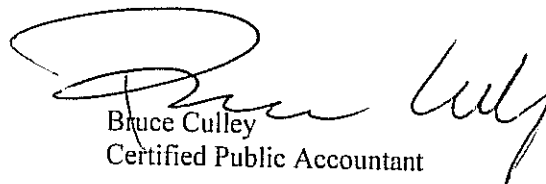
I have audited the financial statements of the Smithville Area Fire Protection District, as of and for the year ended December 31, 2008, and have issued my report thereon dated May 1, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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


Bruce Culley
Certified Public Accountant

Gladstone, Missouri
May 1, 2009