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

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2012 and 2011**

# SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.

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

**LIST OF PRINCIPAL OFFICIALS**

**DECEMBER 31, 2012**

**BOARD OF DIRECTORS**

Berry Parks

Greg Atkins

Steve Young

**FIRE CHIEF**

John Callahan

**ADMINISTRATIVE ASSISTANT**

Connie Massie

**BRUCE D. CULLEY, CPA, PC**  
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GLADSTONE, MISSOURI 64119  
(816) 453-1040

Independent Auditor's Report

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

I have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Smithville Area Fire Protection as of and for the years ended December 31, 2012 and 2011, which collectively comprise Smithville Area Fire Protection'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 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 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 Smithville Area Fire Protection'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 Smithville Area Fire Protection'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.

### ***Opinions***

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 the aggregate remaining fund information of Smithville Area Fire Protection as of December 31, 2012 and 2011, the respective changes in modified cash basis financial position for the years then ended in conformity with the basis of accounting described in Note 1.

### ***Report on Supplementary Information***

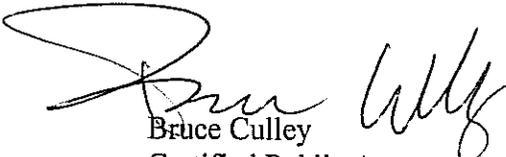
My audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise Smithville Area Fire Protection's basic financial statements. The budgetary comparison information presented in the table of contents under the heading Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole, on the basis of accounting described in Note 1.

### ***Report on Other Information***

My audit was conducted for the purpose of forming opinions on the basic financial statements as a whole that collectively comprise Smithville Area Fire Protection's basic financial statements. The management's discussion and analysis is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

***Basis of Accounting***

I draw attention to Note 1 of the financial statements, which describe 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. Our opinions are not modified with respect to this matter.

  
Bruce Culley  
Certified Public Accountant

Gladstone, Missouri  
June 10, 2013

## **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, 2012. Please read it in conjunction with the District's financial statements that begin on Page 16.

**FINANCIAL HIGHLIGHTS**

- The District's revenue exceeded expenses by \$149,260 as shown in the Statement of Activities. This compares favorably with an excess of revenues over expenses of \$14,590 in 2011.
- The District's capital assets total \$2,368,134. There was a decrease in capital assets of \$74,997. Capital assets were decreased by \$170,669 for depreciation expense.
- Money for capital expenditures went for a water rescue boat, new telephone system, computers and minor building renovations.
- Sales and property taxes are the major sources of revenue to the District. Property tax increased by \$104,634 and sales tax increased \$31,006. The increase in revenue was the sole reason for the increase in net assets.
- The balance sheet was improved as the increase in net assets improved the liquidity and combined with the continued payment of the bonds the debt to net assets decreased.
- The net assets were increased by a prior period adjustment resulting from the receipt of property taxes in a prior period that had not been recorded in the amount of \$64,620.

**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 16 through 18) 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 19) 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 38) 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 16. The government-wide financial statements are presented on pages 16 through 18. 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 2011 in the Statement of Net Assets are:

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>
Unrestricted Checking and Savings	\$ 421,438	\$ 315,938	\$ 105,500
Restricted Checking and Savings	815,643	787,336	28,307
Other Assets	250	250	-
Fixed Assets	2,368,134	2,443,131	(74,997)
Bond Issue Costs	<u>27,056</u>	<u>29,410</u>	<u>(2,354)</u>
Total Assets	<u>\$3,632,521</u>	<u>\$3,576,065</u>	<u>\$ 56,456</u>
Deferred Revenue	\$ 110,516	\$ 118,300	\$ (7,784)
Bonds Payable	2,225,000	2,375,000	(150,000)
Net Assets	<u>1,297,005</u>	<u>1,082,765</u>	<u>214,240</u>
Total Liabilities and Net Assets	<u>\$3,632,521</u>	<u>\$3,576,065</u>	<u>\$ 56,456</u>

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

- The unencumbered cash balance increased \$105,500.
- Liabilities decreased by \$157,784. Deferred revenue representing 2013 taxes received in 2012 decreased.

- The only required payment on the general obligation bonds was for interest, principal and fees in the amount of \$231,875.
- Cash reserved for capital projects, debt service and general reserve funds increased by \$8,569.

Comparative changes in the Statement of Activities are as follows:

	<u>2012</u>	<u>2011</u>	Increase (Decrease)
County Property Taxes	\$ 878,887	\$ 774,253	\$ 104,634
Sales Taxes	429,283	398,277	31,006
Gain (Loss) on Sale of Equipment	326	(30,964)	31,290
Other Income	<u>8,720</u>	<u>39,840</u>	<u>(31,120)</u>
Total Revenue	1,317,216	1,181,406	135,810
Personnel Services	598,230	571,326	26,904
Taxes and Benefits	170,784	164,875	5,909
Interest	82,325	86,425	(4,100)
Depreciation and Amortization	173,022	182,470	(9,448)
Other Expenses	<u>143,235</u>	<u>161,720</u>	<u>(18,485)</u>
Total Expenses	<u>1,167,596</u>	<u>1,166,816</u>	<u>780</u>
Net Income (Loss)	<u>\$ 149,620</u>	<u>\$ 14,590</u>	<u>\$ 135,030</u>

Significant changes between 2012 and 2011 are as follows:

- Total revenue increased \$135,810.
- The increased revenue came due to an increase in general property taxes and sales taxes.
- Total expenses increased \$780.
- All expenses decreased except personnel services and taxes and benefits.

## Reporting the District's Most Significant Funds

### *The Fund Financial Statements*

Our analysis of the District's major funds begins on page 19 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.

*Governmental Fund Balance Sheet Comparison*

	<u>2012</u>	<u>2011</u>	Increase (Decrease)
Cash – Checking and Savings	\$ 421,438	\$ 315,938	\$ 105,500
Other Assets	250	250	-
Restricted – Checking and Savings	<u>815,643</u>	<u>787,337</u>	<u>28,306</u>
Total Assets	<u>\$1,237,331</u>	<u>\$1,103,525</u>	<u>\$ 133,806</u>
Deferred Revenue	\$ 110,516	\$ 118,300	\$ (7,784)
Fund Balance	<u>1,126,815</u>	<u>985,225</u>	<u>141,590</u>
Total Liabilities and Fund Balance	<u>\$1,237,331</u>	<u>\$1,103,525</u>	<u>\$ 133,806</u>

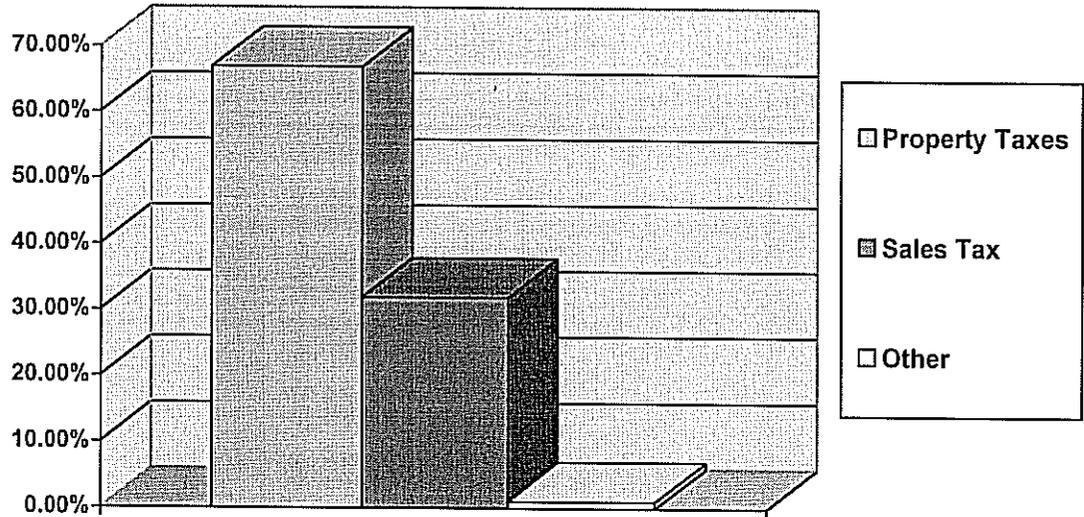
*Findings*

- The cash available to meet future expenditures increased \$105,500.
- The decrease in the liabilities of \$7,784 was caused by the decrease in property taxes for 2013 that were collected in 2012.
- The fund balance increased \$141,590.

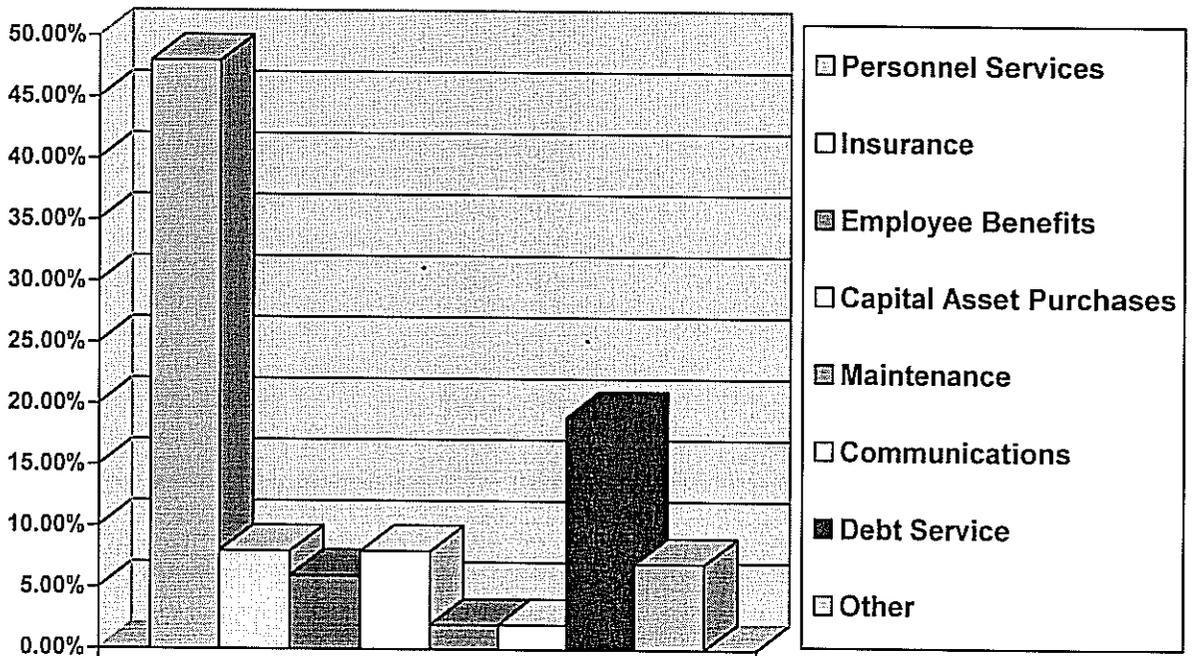
*Governmental Activities*

For the year ended December 31, 2012, 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 2012 and 2011.

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>
Operating Costs			
Personnel Services	\$ 598,230	\$ 571,326	\$ 26,904
Insurance	98,272	94,863	3,409
Employee Benefits – Retirement	72,512	70,012	2,500
Office	4,292	2,009	2,283
Petroleum Products	24,056	20,670	3,386
Professional Services	7,878	7,977	(99)
Communications	26,915	26,607	308
Personnel Development	17,785	19,730	(1,945)
Public Utilities	16,833	20,200	(3,367)
Grant Expenses	-	30,611	(30,611)
Maintenance	28,449	21,498	6,951
Other Expenditures	<u>17,029</u>	<u>10,065</u>	<u>6,964</u>
Total Operating Costs	912,251	895,568	16,683
Debt Service and Capital Asset Purchases			
Principal	150,000	125,000	25,000
Interest	82,325	86,425	(4,100)
Capital Asset Purchases	<u>95,670</u>	<u>51,995</u>	<u>43,675</u>
Total Debt Service and Capital Asset Purchases	<u>327,995</u>	<u>263,420</u>	<u>64,575</u>
Total Expenditures	<u>\$1,240,246</u>	<u>\$1,158,988</u>	<u>\$ 81,258</u>

- Total operating expenses increased \$16,683. This represented 1.9% increase in operating costs over 2011.
- Total debt service and capital asset purchases increased \$64,575.
- Capital asset purchases increased \$95,670 consisting primarily from the acquisition of a rescue boat.
- Debt service costs increased \$20,900.

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

While sales tax increases may keep up with inflation and the decline in property values have moderated, the District can expect only moderate increases in revenue. There are certain pressures for cost increases so the District will remain vigilant in controlling costs in order to prevent a significant decline in the net income. These factors are considered by District leaders and management in preparation of the District's budget for future years. The Board is committed to maintaining fiscal responsibility.

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

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

## BASIC FINANCIAL STATEMENTS

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

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

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

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.**  
**STATEMENTS OF NET ASSETS**  
**MODIFIED CASH BASIS**  
**DECEMBER 31, 2012**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash - Checking and Savings	\$ 421,438	\$ 315,938
Other Assets	250	250
Restricted Assets		
Cash - Checking and Savings	815,643	787,336
Land	102,671	102,671
Building and Equipment, Net of Depreciation	2,265,463	2,340,460
Bond Issue Costs, Net of Amortization	<u>27,056</u>	<u>29,410</u>
Total Assets	3,632,521	3,576,065
<b>LIABILITIES</b>		
Current Liabilities		
Deferred Revenue	110,516	118,300
Bonds Payable	<u>150,000</u>	<u>150,000</u>
Total Current Liabilities	260,516	268,300
Non-current Liabilities		
Bonds Payable Due in More Than One Year	<u>2,075,000</u>	<u>2,225,000</u>
Total Liabilities	2,335,516	2,493,300
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	40,463	122,043
Restricted		
Capital Projects	95,218	148,624
Debt Service	137,541	196,547
Reserve	563,146	442,165
Unrestricted	<u>460,637</u>	<u>173,386</u>
Total Net Assets	<u>\$ 1,297,005</u>	<u>\$ 1,082,765</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, 2012**

Functions/Programs	Expenses	Program Revenue	<u>Net Expenses</u> Government Activities
Personnel Services	\$ 598,230	\$ -	\$ 598,230
Insurance	98,272	-	98,272
Employee Benefits - Retirement	72,512	-	72,512
Uniforms	4,267	-	4,267
Health and Safety	711	-	711
Office	4,292	-	4,292
Medical Supplies	248	-	248
Prevention and Investigation	1,095	-	1,095
Petroleum Products	24,056	-	24,056
Professional Services	7,878	-	7,878
Communications	26,915	-	26,915
Personnel Development	17,785	-	17,785
Public Utilities	16,833	-	16,833
Miscellaneous	10,706	-	10,706
Maintenance - Machinery and Equipment	15,068	-	15,068
Maintenance - Building and Grounds	13,381	-	13,381
Interest	82,325	-	82,325
Amortization - Bond Costs	2,353	-	2,353
Depreciation	170,669	-	170,669
Total Governmental Activities	<u>\$ 1,167,596</u>	<u>\$ -</u>	<u>1,167,596</u>
 <b>GENERAL REVENUE</b>			
Taxes			
County Property Tax			878,887
Sales Tax			429,283
Sale of Capital Assets			326
Interest			2,007
Miscellaneous Income			6,713
Total General Revenues and Transfers			<u>1,317,216</u>
Change in Net Assets			149,620
Net Assets, Beginning of Year			1,082,765
Prior Period Adjustment			<u>64,620</u>
Adjusted Net Assets			<u>1,147,385</u>
Net Assets, End of Year			<u>\$ 1,297,005</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, 2011**

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

See Accompanying Notes to Basic Financial Statements.

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

	<u>General</u> <u>Fund</u>	<u>Debt</u> <u>Service</u>	<u>Total</u> <u>2012</u>	<u>2011</u>
<b>ASSETS</b>				
Cash - Checking and Savings	\$ 421,438	\$ -	\$ 421,438	\$ 315,938
Employee Advance	<u>250</u>	<u>-</u>	<u>250</u>	<u>250</u>
	421,688	-	421,688	316,188
Restricted Assets				
Cash - Checking and Savings	<u>678,102</u>	<u>137,541</u>	<u>815,643</u>	<u>787,337</u>
Total Assets	<u>\$1,099,790</u>	<u>\$ 137,541</u>	<u>\$ 1,237,331</u>	<u>\$ 1,103,525</u>
<b>LIABILITIES</b>				
Deferred Revenue	<u>\$ 110,516</u>	<u>\$ -</u>	<u>\$ 110,516</u>	<u>\$ 118,300</u>
Total Liabilities	110,516	-	110,516	118,300
<b>FUND BALANCE</b>				
Restricted	-	137,541	137,541	207,457
Assigned	-	-	-	148,624
Unassigned	<u>989,274</u>	<u>-</u>	<u>989,274</u>	<u>629,144</u>
Total Fund Balance	<u>989,274</u>	<u>137,541</u>	<u>1,126,815</u>	<u>985,225</u>
Total Liabilities and Fund Balance	<u>\$1,099,790</u>	<u>\$ 137,541</u>	<u>\$ 1,237,331</u>	<u>\$ 1,103,525</u>
<b>Reconciliation of Fund Balances Balance Sheet to the Government-wide Statement of Net Assets</b>				
Total Fund Balance			\$ 1,126,815	\$ 985,225
Capital assets used in government activities are not financial reserves and, therefore, are not reported in the funds.			2,368,134	2,443,131
Bond Issue Costs			27,056	29,409
Bonds payable are not due and payable in the current period and, therefore, are not reported in the current period.			<u>(2,225,000)</u>	<u>(2,375,000)</u>
Net Assets of Government Activities			<u>\$1,297,005</u>	<u>\$ 1,082,765</u>

See Accompanying Notes to Basic Financial Statements.

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

	General Fund	Debt Service	Total 2012	2011
<b>REVENUE</b>				
Taxes				
County Property Tax	\$ 717,034	\$ 161,853	\$ 878,887	\$ 774,253
Sales Tax	429,283	-	429,283	398,277
Grants	-	-	-	30,326
Interest on Accounts	1,451	556	2,007	3,324
Miscellaneous Income	6,713	-	6,713	6,191
Total Cash Receipts	<u>1,154,481</u>	<u>162,409</u>	<u>1,316,890</u>	<u>1,212,371</u>
<b>EXPENDITURES</b>				
Personnel Services	598,230	-	598,230	571,326
Insurance	98,272	-	98,272	94,863
Employee Benefits - Retirement	72,512	-	72,512	70,012
Uniforms	4,267	-	4,267	5,397
Grant Expenses	-	-	-	30,611
Health and Safety	711	-	711	926
Office	4,292	-	4,292	2,009
Medical Supplies	248	-	248	2,009
Prevention and Investigation	1,095	-	1,095	883
Petroleum Products	24,056	-	24,056	20,670
Professional Services	7,878	-	7,878	7,977
Communications	26,915	-	26,915	26,607
Personnel Development	17,785	-	17,785	19,730
Public Utilities	16,833	-	16,833	20,200
Miscellaneous	10,708	-	10,708	2,859
Maintenance - Machinery and Equipment	15,068	-	15,068	16,011
Maintenance - Building and Grounds	13,381	-	13,381	5,487
Capital Equipment Expenses	95,670	-	95,670	51,995
Total Expenditures	<u>1,007,921</u>	<u>-</u>	<u>1,007,921</u>	<u>947,563</u>
Excess (Deficiency) of Cash Receipts over Cash Expenditures	146,560	162,409	308,969	264,808
<b>FINANCING</b>				
Proceeds from Sale of Capital Assets	326	-	326	20,000
Total Financing Receipts	<u>326</u>	<u>-</u>	<u>326</u>	<u>20,000</u>
Debt Service				
Interest and Fees	-	82,325	82,325	86,425
Principal	-	150,000	150,000	125,000
Total Financing Disbursements	<u>-</u>	<u>232,325</u>	<u>232,325</u>	<u>211,425</u>
Net Financing	<u>326</u>	<u>(232,325)</u>	<u>(231,999)</u>	<u>(191,425)</u>
Net Change in Fund Balance	146,886	(69,916)	76,970	73,383
Fund Balance, Beginning of Year	777,768	207,457	985,225	894,684
Prior Period Adjustment	64,620	-	64,620	17,158
Adjusted Fund Balance	<u>842,388</u>	<u>207,457</u>	<u>1,049,845</u>	<u>911,842</u>
Fund Balance, End of Year	<u>\$ 989,274</u>	<u>\$ 137,541</u>	<u>\$ 1,126,815</u>	<u>\$ 985,225</u>

See Accompanying Notes to Basic Financial Statements.

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

	<u>2012</u>	<u>2011</u>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in Fund Balances - Total Governmental Funds	\$ 76,970	\$ 73,383
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital Equipment Outlay	95,670	51,995
Depreciation and Amortization	(173,022)	(184,823)
In the statement of activities, only the loss on sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance.		
Proceeds from Asset Sales	-	(20,000)
Loss on Sale of Asset	-	(30,965)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources.		
Note Payment	150,000	125,000
Other	<u>2</u>	<u>-</u>
Change in Net Assets - Statement of Activities	<u>\$ 149,620</u>	<u>\$ 14,590</u>

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**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, 2012**

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

*Basis of Presentation – Continued*

Fund Financial Statements

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

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

The funds of the financial reporting entity are described below.

*Governmental Funds*

General Fund

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

Major and Nonmajor Funds

The funds are classified as major or nonmajor as follows:

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

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED  
DECEMBER 31, 2012**

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

***Governmental Funds – Continued***

**Debt Service Fund**

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

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

***Measurement Focus***

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

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

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

***Basis of Accounting***

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

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED  
DECEMBER 31, 2012**

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

*Basis of Accounting – Continued*

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

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

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

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

Accrual Basis – Revenues would be recognized when earned.

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

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED  
DECEMBER 31, 2012**

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

***Cash and Cash Equivalents***

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

***Accounts Receivable***

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

***Capital Assets***

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

***Government-Wide Statements***

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

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

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

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2012**

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

***Fund Financial Statements***

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

***Deferred Revenue***

Deferred revenue represents tax receipts collected at the end of the year that are for the following year. Property taxes received late in the year are recognized as revenue in the following year in order not to distort revenue from taxes. At December 31, 2012, \$110,516 had been received that pertained to 2013.

***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, 2012, the District had not set aside or reserved any fund balance or net assets for the commitment.

***Use of Estimates***

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

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

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

- 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.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2012**

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

- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation. The District has restricted net assets associated with the bonds. Tax levy funds received are allocated to retire the debt and pay interest.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

***Fund Balance Classifications***

The Governmental Accounting Standards Board (GASB) released Statement 54–“Fund Balance Reporting and Governmental Fund Type Definitions” (GASB 54) on March 11, 2009, which is effective for the City’s fiscal year ending December 31, 2012. This Statement is intended to improve the usefulness of the amounts reported in fund balance by providing more structured classifications. Under GASB 54, fund balance is reported under the following five classifications:

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

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.  
 NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED  
 DECEMBER 31, 2012**

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

*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 \$429,283 in 2012 and \$398,277 in 2011.

*Property Tax*

Taxes are collected by the respective counties of Clay and Platte which are served by the fire district and remitted to the district. All of the taxes collected in 2012 are for taxes assessed in 2011 and prior years. The general revenue tax levy set for the Smithville Area Fire Protection District is set at the maximum allowed rate of \$.2862 per \$100 of assessed valuation in Clay County. The general revenue tax levy was set at \$.2925 per \$100 of assessed valuation in Platte County.

The debt services levy has been set at \$.10 per \$100 of assessed valuation in both counties. The assessed value of property in Clay County for 2012 was \$223,252,694 and \$32,423,160 in Platte County. Property taxes collected during the year were as follows:

	<u>2012</u>	<u>2011</u>
Platte County	\$ 124,880	\$ 103,062
Clay County	<u>754,007</u>	<u>671,191</u>
Total	<u>\$ 878,887</u>	<u>\$ 774,253</u>

**NOTE 2 – COMMITMENTS AND CONTINGENCIES**

*Lawsuits*

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

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED  
DECEMBER 31, 2012**

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

*Insurance*

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

The District manages these various risks of loss as follows:

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

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

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

*General Obligation Bonds*

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

The maturities on the bonds are as follows:

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED  
DECEMBER 31, 2012**

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

*General Obligation Bonds – Continued*

	<u>Principal</u>	<u>Interest</u>
2013	\$ 150,000	\$ 78,275
2014	150,000	73,775
2015	150,000	69,088
2016	150,000	63,713
2017	150,000	58,838
2018 – 2024	<u>1,475,000</u>	<u>219,549</u>
Total	<u>\$2,225,000</u>	<u>\$ 563,238</u>

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

**NOTE 4 – RETIREMENT PLAN**

The 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, 2012**

**NOTE 4 – RETIREMENT PLAN – CONTINUED**

The District’s full-time employees do not contribute to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rate is 20.7% (general) and 11.7% (fire) of the annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

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

Annual Required Contribution	\$ 54,506
Interest on Net Pension Obligation	-
Adjustment to Annual Required Contribution	-
Annual Pension Cost	<u>54,506</u>
Actual Contributions	<u>54,506</u>
Increase (Decrease) in NPO	-
NPO, Beginning of Year	-
NPO, End of Year	<u><u>\$ -</u></u>

The required contribution was determined as part of the February 29, 2010 and/or February 28, 2011, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 29, 2012 included (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age, attributable to seniority/merit, and (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 setback 0 year for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period as of February 28, 2010, was 24 years for the general division and 24 years for the fire division. The amortization period as of February 28, 2011, was 23 years for the general division and 23 years for the fire division.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED  
DECEMBER 31, 2012**

**NOTE 4 – RETIREMENT PLAN – CONTINUED**

Year Ended <u>June 30</u>	Three-Year Trend Information		
	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2010	\$ 43,717	100%	\$ –
2011	\$ 47,129	100%	\$ –
2012	\$ 54,506	100%	\$ –

**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Funding Progress

Actuarial Valuation <u>Date</u>	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
	Actuarial Value <u>of Assets</u>	Actuarial Accrued Liability <u>Entry Age</u>	Unfunded Liability <u>(UAAL)</u>	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
02-28-10	\$ 326,842	\$ 473,063	\$ 146,221	69%	\$ 347,683	42%
02-28-11	\$ 405,838	\$ 555,109	\$ 149,271	73%	\$ 392,650	38%
02-29-12	\$ 505,768	\$ 618,005	\$ 112,237	82%	\$ 441,906	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, 2011, annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS' office in Jefferson City, Missouri.

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

***Deposits and Investments Laws and Regulations***

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

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.  
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED  
DECEMBER 31, 2012**

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

*Deposits and Investments Laws and Regulations – Continued*

	<u>2012</u>	<u>2011</u>
FDIC Insurance	\$ 250,000	\$ 250,000
Pledged Securities	1,334,618	2,820,000
Total Deposits	<u>(1,240,620)</u>	<u>(1,211,310)</u>
Excess of Insured and Collateralized Deposits Over Bank Balances	<u>\$ 343,998</u>	<u>\$1,858,690</u>

**NOTE 6 – CAPITAL ASSETS**

Capital Asset activity for the year ended December 31, 2012, was as follows:

	<u>2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>2012</u>
Governmental Activities				
Land	\$ 102,671	\$ -	\$ -	\$ 102,671
Buildings	1,542,623	14,434	-	1,557,057
Vehicles	1,674,564	-	-	1,674,564
Machinery and Equipment	<u>670,781</u>	<u>82,210</u>	<u>(973)</u>	<u>752,018</u>
Total at Historical Cost	3,990,639	96,644	(973)	4,086,310
Less Accumulated Depreciation	<u>(1,547,507)</u>	<u>(170,669)</u>	-	<u>(1,718,176)</u>
Governmental Activities				
Capital Assets, Net	<u>\$2,443,132</u>	<u>\$ (74,025)</u>	<u>\$ (973)</u>	<u>\$2,368,134</u>

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

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

Depreciation recorded on capital assets totaled \$170,669 in 2012 and \$182,470 in 2011.

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2012**

**NOTE 7 – SUBSEQUENT EVENTS**

FASB ASC 855, *Subsequent Events*, provides guidance on management's assessment of subsequent events and clarifies that management must evaluate, as of each reporting period, events or transactions that occur after the Statement of Net Assets date through the date that the financial statements are issued, or are available to be issued. Management has evaluated events and transactions for subsequent events disclosure occurring after December 31, 2012, through June 10, 2013, the date the financial statements were available to be issued and there are no material events requiring recognition or disclosure.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

- Budgetary Comparison Schedule – General Fund

**SMITHVILLE AREA FIRE PROTECTION DISTRICT, INC.  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

***Budgetary Accounting***

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

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

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

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

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

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

**SMTIHVILLE FIRE PROTECTION DISTRICT, INC.**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUE</b>			
Taxes			
County Property Tax	\$ 839,000	\$ 878,887	\$ 39,887
Sales Tax	360,000	429,283	69,283
Grants	-	-	-
Interest	-	2,007	2,007
Permits	2,000	3,628	1,628
Miscellaneous Income	300	3,085	2,785
Total Revenue	<u>1,201,300</u>	<u>1,316,890</u>	<u>115,590</u>
<b>EXPENDITURES</b>			
Operating			
Personnel Services	655,500	598,230	57,270
Insurance and Benefits	116,000	98,272	17,728
Retirement Benefits	80,000	72,512	7,488
Uniforms	5,000	4,267	733
Office	4,500	4,292	208
Prevention and Investigation	1,100	1,095	5
Supplies and Chemicals	500	-	500
Petroleum Products	23,000	24,056	(1,056)
Legal	5,000	3,678	1,322
Communications	28,200	26,915	1,285
Personnel Development	35,000	17,785	17,215
Public Utilities	23,300	16,833	6,467
Miscellaneous	11,700	10,706	994
Health and Safety	3,200	711	2,489
Maintenance - Building and Grounds	12,300	13,381	(1,081)
Maintenance - Machinery and Equipment	17,800	15,068	2,732
Accounting	4,200	4,200	-
Medical Supplies	1,000	248	752
Total General Fund Expenditures	<u>1,027,300</u>	<u>912,249</u>	<u>115,051</u>
Financing and Capital Equipment			
Capital Equipment Expenses from Special Account	-	95,670	(95,670)
Proceeds from Sale of Capital Assets	-	326	326
Excess (Deficiency) of Cash Receipts Over Cash Expenses	<u>\$ 174,000</u>	<u>\$ 309,297</u>	<u>\$ 135,297</u>

See Accompanying Notes to Required Supplementary Information.