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Report to Board of Directors and Management, 2004

Cottleville Community Fire Protection District

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COTTLEVILLE COMMUNITY FIRE PROTECTION DISTRICT

REPORT TO BOARD OF DIRECTORS AND MANAGEMENT

DECEMBER 31, 2004

BOTZ, DEAL & COMPANY, P.C.
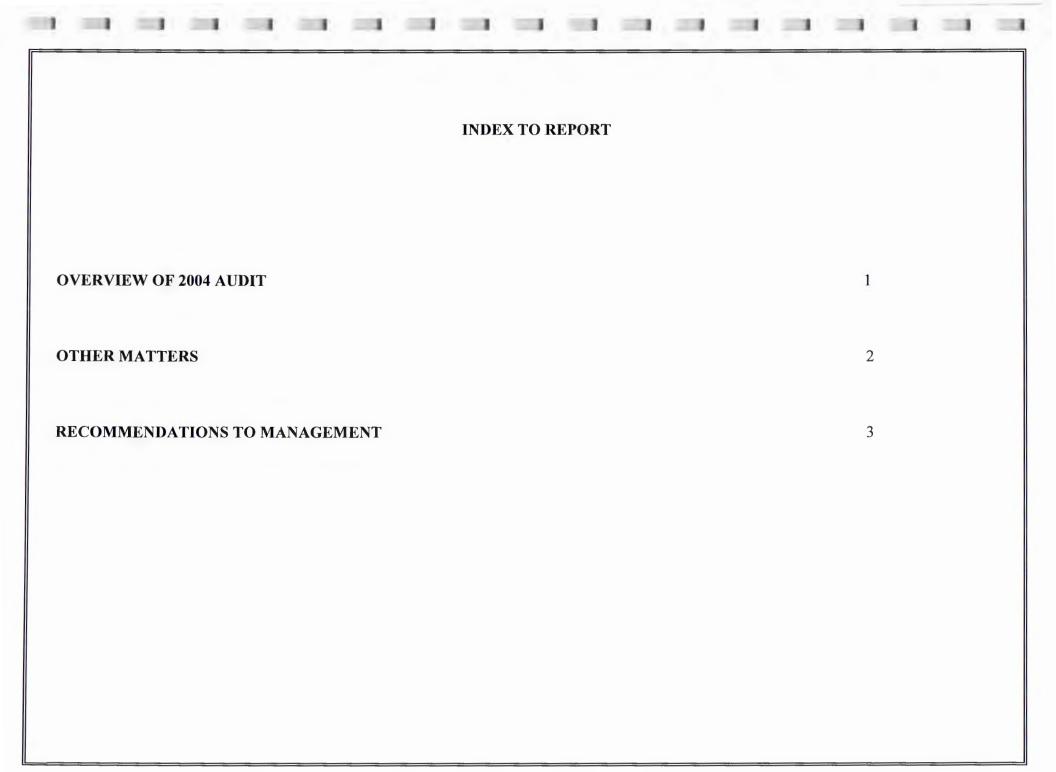CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

June 10, 2005

Members of the Board
Cottleville Community Fire Protection District
1385 Motherhead Road
Cottleville, Missouri 63336

We are pleased to discuss the results of our audit of the financial statements of Cottleville Community Fire Protection District for the year ended December 31, 2004.

The accompanying report addresses matters with respect to our 2004 audit and other information which we believe will be of assistance and interest to you, as well as specific matters required by professional standards to be reported to you. This report is intended solely for the information and use of the Board of Directors and management.

Very truly yours,

Botz, Deal & Company

INDEX TO REPORT

OVERVIEW OF 2004 AUDIT

RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS (GAAS)	* Audit performed in accordance with auditing standards generally accepted in the United States of America. * Objective being reasonable - not absolute - assurance about the financial statements being free of material misstatement.

RESPONSIBILITY UNDER GOVERNMENT AUDITING STANDARDS	* Audit performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.
	
	* Objective as part of obtaining reasonable assurance about the financial statements being free of material misstatement being:
	
	    - to test compliance with certain provisions of laws, regulations, contracts and grants
	    - to obtain an understanding of the internal control over financial reporting

REPORT ON 2004 AUDIT	* Issued an unqualified opinion dated June 10, 2005.
COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS AND GRANTS	* Obtained no evidence that the District was not in compliance in all material respects, with certain provisions of laws, regulations, contracts and grants that were tested.
INTERNAL CONTROL OVER FINANCIAL REPORTING	* Reviewed controls to extent necessary to obtain an understanding of the structure in order to render an opinion on financial statements. * Recommendations set forth on pages 3 and 4.
MANAGEMENT COOPERATION	* Received full cooperation.

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OTHER MATTERS

The Auditing Standards Board of the AICPA requires that we communicate certain matters to the Audit Committee, or its equivalent of an organization. These requirements are set out in Statement on Auditing Standards Nos. 53, 54, 61 and 89 and our comments thereto are presented below.

ERRORS	* None came to our attention.
FRAUD AND OTHER ILLEGAL ACTS	* None came to our attention.
SIGNIFICANT ACCOUNTING POLICIES	* Adopted GASB No. 34 through 38 and GASB Interpretation No. 6.
MANAGEMENT JUDGEMENTS AND ACCOUNTING ESTIMATES	* Reviewed management's formulation of accounting estimates and concluded they were reasonable.
CONSULTATIONS WITH OTHER ACCOUNTANTS	* None.
UNADJUSTED AUDIT DIFFERENCES	* No reportable differences.

RECOMMENDATIONS TO MANAGEMENT

OVERALL	* Considered internal control over financial reporting to determine auditing procedures. * Audit procedures would not necessarily disclose all matters in internal control over financial reporting that may be material weaknesses.
CURRENT YEAR	* The liability for sick leave is very large. Sick leave is capped at 2880 hours and payment at retirement is capped at 960 hours. Employees are able to sell back any unused sick days at the beginning of the year at $200 per day when an employee has more than 960 hours banked. The bank could reach $950,000 (45 employees times 960 hours time pay of $22 per hour). Employees earn a total of 465 days of sick per year. This has the potential of costing the District $100,000 per year if unused sick time is paid out at the end of the year at $200 per day. Based on the current trend, the existing liability of $630,000 would grow to $1.0 million in the next 5 years. We recommend investigating the cost of providing long-term liability insurance in place of all but a short term portion of the sick policy. This would provide the benefit of income protection to the employee without accumulating a large liability to the District.
PRIOR YEAR	* The District makes copies of invoices and also keeps the original, although the District's policy is to issue checks only with an original receipt. We recommend the District discontinue the practice of making copies of invoices. This will reduce the time and cost related to making copies as well as the possibility of paying an invoice twice. **Status:** The District has implemented this recommendation.

RECOMMENDATIONS TO MANAGEMENT

-continued-

PRIOR YEAR

* Credit card bills are only approved by the chief. We recommend a board member initial the credit card invoice when the check is signed to document the activity was reviewed by someone who does not have access to the card.

Status: The District has implemented this recommendation.

* Bids are obtained by several individuals, who keep all the related bid paperwork. We recommend all bid documentation be centrally filed with other financial records once a decision is made.

Status: The District has implemented this recommendation.

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