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1-1-2005

## Financial Statements, 2004

Cottleville Community Fire Protection District

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**COTTLEVILLE COMMUNITY FIRE  
PROTECTION DISTRICT**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2004**



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

**COTTLEVILLE COMMUNITY FIRE PROTECTION DISTRICT**

COTTLEVILLE, MISSOURI

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***COTTLEVILLE COMMUNITY FIRE PROTECTION DISTRICT***  
**SCHEDULE OF PRINCIPAL OFFICEHOLDERS**  
**DECEMBER 31, 2004**

**Officeholders**

Teresa Reynolds, President

Shea Murray, Treasurer

Ken Brooks, Co-Treasurer

Scott Alewel, Secretary

Charlie Thompson

**Appointments**

Vince Schramm, Chief/Treasurer

Sandra Schene, Recording Secretary

Members of the Board are elected by the community. The Board appoints a president to serve a one-year term. They also appoint a treasurer, a secretary and the fire chief.

## INDEPENDENT AUDITORS' REPORT



Board of Directors

### ***COTTLEVILLE COMMUNITY FIRE PROTECTION DISTRICT***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cottleville Community Fire Protection District, as of and for the year ended December 31, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cottleville Community Fire Protection District, as of December 31, 2004, and the respective changes in the financial position where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis -for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosure*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* as of December 31, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2005 on our consideration of Cottleville Community Fire Protection District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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botzdeal@botzdeal.com

The management's discussion and analysis and budgetary comparison information on pages 4 through 9 and 27 and 28, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Botz, Deal & Company*

June 10, 2005

**COTTLEVILLE COMMUNITY FIRE PROTECTION DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

This section of Cottleville Community Fire Protection District's (the District) annual financial report presents management's discussion and analysis of the District's financial activity for the year ended December 31, 2004. This is the first year the current accounting model has been used by the District in the annual financial audit report. As such, comparisons between years 2004 and 2003 are limited. In order to have a comprehensive understanding of the Management Discussion and Analysis, we recommend that the attached financial statements, including all notes to the financial statements, be read in their entirety.

**Using this Annual Report**

In 2004, the District implemented GASB 34 - *Governmental Accounting Standards Board Statement - Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*. The attached financial statements, for the year ended December 31, 2004, are reported using this new reporting model - GASB 34. The District's basic financial statements are designed to emulate corporate presentation models whereby all District activities are consolidated. This approach is intended to summarize and simplify the analysis of the costs associated with various emergency services provided by the District for the benefit of its residents.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components:

- 1) Government-wide financial statements,
- 2) Fund financial statements, and
- 3) Notes to the basic financial statements.

Required supplementary information and additional supplementary information are also included in addition to the basic financial statements. The District has elected to present the government-wide and fund financial statements in a single report, pursuant to GASB 34 reporting requirements. Because this reporting model significantly changes both the recording and presentation of financial data, the District has not restated the prior years for the purpose of providing comparative information for the Management's Discussion and Analysis. In future years, when prior year information is available, a comparative analysis of government-wide data will be included in this report. The District believes this is the best reporting format of its operations and financial condition because the District has one (1) single purpose-emergency response services, although it is required, by state statute, to operate with three (3) separate ad-valorem tax rates and funds (general, debt service and pension.)

## **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The government-wide financial statements include the *Statement of Net Assets* and the *Statements of Activities*.

The *Statement of Net Assets* presents all of the District's assets and liabilities which measures the District's overall financial health. The increases and decreases in net assets can be monitored to determine whether the District's financial position is improving or deteriorating.

The *Statement of Activities* presents information reflecting how the District's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flow. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused compensation, etc.)

The government-wide financial statements report functions of the District that are principally supported by taxes and charges for services. The governmental activities for the District include fire protection, public safety and debt services. It should be noted that the District currently has no business-type activities.

## **Fund Financial Statements**

The fund financial statements provide grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure compliance with finance-related legal requirements.

## **Governmental Funds**

The District's basic services are included in the governmental funds. These funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. These fund statements measure current financial resources and uses or in essence, near-term inflows and outflows of expendable resources, as well as the balances of expendable resources available at the end of the year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. A reconciliation to facilitate a comparison between governmental funds and governmental activities is provided in the basic financial statements. The fund financial statements can be located on pages 12 and 14 of this financial report.



## Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a complete understanding of the information reported in the government-wide and fund financial statements. The notes to the basic financial statements can be located on pages 16 through 26 of this financial report.

## Required and Other Supplementary Information

In addition to the basic financial statements and accompanying notes to the basic financial statements, this financial report also contains certain required supplementary information which can be located on pages 27 and 28 of this financial report.

## Financial Analysis of the District as a Whole (Consolidated)

*Statement of Net Assets  
December 31, 2004*

	<u>Governmental Activities</u>
Current and other assets (net of inter-fund receivables)	\$ 6,983,636
Capital assets, net of depreciation	<u>6,314,390</u>
Total Assets	<u>13,298,026</u>
Current liabilities (net of inter-fund payables)	1,129,922
Non-current liabilities	<u>5,582,651</u>
Total Liabilities	<u>6,712,573</u>
Net Assets:	
Invested in capital assets, net of related debt	2,130,732
Restricted	1,581,023
Unrestricted	<u>2,873,698</u>
Total Net Assets	<u>\$ 6,585,453</u>

*Statement of Changes in Net Assets  
For the Year Ended December 31, 2004*

	<u>Amount</u>
Revenues:	
Program revenues:	
Charges for service	\$ 109,596
General revenues:	
Property taxes	6,529,044
Interest and investment earnings	21,643
Miscellaneous revenue	189,747
Total revenues	<u>6,740,434</u>
Expenses:	
Fire protection and public safety	5,451,215
Debt service	246,052
Total expenses	<u>5,697,267</u>
Change in net assets	1,152,763
Net assets, beginning of year	5,432,690
Net assets, end of year	<u>\$ 6,585,453</u>

The District's assets exceeded liabilities (net assets) by \$6,585,453 as of December 31, 2004. Of this amount, \$2,130,732 is invested in capital assets, net of related debt; \$1,581,023 is restricted for a) capital projects, b) debt service, c) pension contributions and d) future appropriations; \$2,873,698 is unrestricted and available to provide for current and future obligations of the District.

This schedule is prepared from the District's Statement of Net Assets, referenced herein, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Operating revenue includes activities that have the characteristics of exchange transactions, such as commercial and residential inspections and ambulance billings. Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as property taxes and investment earnings. Operating expenses are those expenses for the purpose of providing fire protection, emergency medical services and operational activities of the District. The District's operating expenses are funded primarily through non-operating revenues. Total revenue exceeded operating expenses for the year ended December 31, 2004 by \$1,152,763.

### **Fund Analysis**

#### *General Fund*

General Fund revenues and other financing sources exceeded General Fund expenditures by \$882,549. The increase in the general balance was primarily the result of the District's conservative approach to budgeting, monthly monitoring of expenses, and the sale of capital assets.

**COTTLEVILLE COMMUNITY FIRE PROTECTION DISTRICT**

**STATEMENT OF NET ASSETS**

DECEMBER 31, 2004

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 756,707
Taxes receivable	4,618,300
Accounts receivable	85,000
Prepaid expenses	22,675
Restricted cash and investments	1,398,993
Debt issuance costs	101,961
Capital assets - net:	
Nondepreciable	548,994
Depreciable	5,765,396
<b>TOTAL ASSETS</b>	<u>13,298,026</u>
<b>LIABILITIES</b>	
Accounts payable	31,780
Accrued wages	54,340
Accrued interest payable	68,802
Tax anticipation note payable	975,000
Noncurrent liabilities:	
Due in one year	538,000
Due in more than one year	5,044,651
<b>TOTAL LIABILITIES</b>	<u>6,712,573</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	2,130,732
Restricted for:	
Pension benefits	687,695
Retirement of bonds	870,653
Prepaid expenditures	22,575
Unrestricted	2,873,698
<b>TOTAL NET ASSETS</b>	<u>\$ 6,585,453</u>

The accompanying notes are an integral part of these financial statements.

**COTTLEVILLE COMMUNITY FIRE PROTECTION DISTRICT**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u> Charges for Service	<u>Net (Expense) Revenue and Change in Net Assets</u> Governmental Activities
<b>Governmental Activities</b>			
Public safety	\$ 5,451,215	\$ 109,596	\$ (5,341,619)
Interest and fiscal charges	246,052	-	(246,052)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$ 5,697,267</u>	<u>\$ 109,596</u>	<u>(5,587,671)</u>
			6,529,044
Taxes			21,643
Interest income			12,574
Other miscellaneous revenue			177,173
Gain on the sale of fixed assets			<u>6,740,434</u>
<b>TOTAL GENERAL REVENUES</b>			
			<u>1,152,763</u>
<b>CHANGE IN NET ASSETS</b>			
			<u>5,432,690</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>			
			<u>\$ 6,585,453</u>
<b>NET ASSETS - END OF YEAR</b>			

The accompanying notes are an integral part of these financial statements.

**COTTLEVILLE COMMUNITY FIRE PROTECTION DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2004**

	General Fund	Capital Projects Fund	Debt Service Fund	Pension Fund	Total
<b>ASSETS AND OTHER DEBITS</b>					
Cash and cash equivalents	\$ 439,121	\$ 1,398,993	\$ 198,249	\$ 119,337	\$ 2,155,700
Accounts receivable	85,000	-	-	-	85,000
Taxes receivable	3,592,548	-	556,243	469,509	4,618,300
Due (to) from other funds	(215,010)	-	116,161	98,849	-
Prepaid expenditures	22,675	-	-	-	22,675
<b>TOTAL ASSETS</b>	<b>\$ 3,924,334</b>	<b>\$ 1,398,993</b>	<b>\$ 870,653</b>	<b>\$ 687,695</b>	<b>\$ 6,881,675</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 23,135	\$ 8,645	\$ -	\$ -	\$ 31,780
Deferred revenue	363,023	-	55,898	46,495	465,416
Accrued salaries	54,340	-	-	-	54,340
Tax anticipation note payable	975,000	-	-	-	975,000
<b>TOTAL LIABILITIES</b>	<b>1,415,498</b>	<b>8,645</b>	<b>55,898</b>	<b>46,495</b>	<b>1,526,536</b>
<b>FUND BALANCES:</b>					
Fund balance reserved for:					
Pension benefits	-	-	-	641,200	641,200
Retirement of bonds	-	-	814,755	-	814,755
Prepaid expenditures	22,675	-	-	-	22,675
Unreserved	2,486,161	1,390,348	-	-	3,876,509
<b>TOTAL FUND BALANCES</b>	<b>2,508,836</b>	<b>1,390,348</b>	<b>814,755</b>	<b>641,200</b>	<b>5,355,139</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,924,334</b>	<b>\$ 1,398,993</b>	<b>\$ 870,653</b>	<b>\$ 687,695</b>	<b>\$ 6,881,675</b>

The accompanying notes are an integral part of these financial statements.

**COTTLEVILLE COMMUNITY FIRE PROTECTION DISTRICT**

RECONCILIATION OF THE STATEMENT OF NET ASSETS  
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET  
DECEMBER 31, 2004

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance per balance sheet	\$ 5,355,139
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	6,314,390
Bond issuance costs are amortized over the life of the bonds on the statement of net assets.	101,961
Receivables not collected in the current period are not available to pay current expenditures and, therefore, are deferred in the funds.	465,416
Interest payable recorded in the statement of net assets does not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(68,802)
Long-term liabilities, including bonds payable, vacation and sick leave, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(5,582,651)</u>
Net assets of governmental activities	<u>\$ 6,585,453</u>

The accompanying notes are an integral part of these financial statements.

**COTTLEVILLE COMMUNITY FIRE PROTECTION DISTRICT**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	General Fund	Capital Projects Fund	Debt Service Fund	Pension Fund	Total
<b>REVENUES</b>					
Taxes	\$ 4,702,732	\$ -	\$ 741,324	\$ 619,572	\$ 6,063,628
Building and other permits	109,596	-	-	-	109,596
Interest	7,542	12,223	1,878	-	21,643
Miscellaneous	12,374	-	-	200	12,574
<b>TOTAL REVENUES</b>	<b>4,832,244</b>	<b>12,223</b>	<b>743,202</b>	<b>619,772</b>	<b>6,207,441</b>
<b>EXPENDITURES</b>					
Current:					
Operations/repairs	90,858	-	-	-	90,858
Personnel	4,003,978	-	-	-	4,003,978
Maintenance	47,668	-	-	-	47,668
Insurance	106,036	-	-	-	106,036
Training	12,543	-	-	-	12,543
Election expense	14,692	-	-	-	14,692
Office and miscellaneous	15,742	61	-	597,429	613,232
Professional fees	78,062	20,645	-	281	98,988
Capital outlay	-	605,623	-	-	605,623
Debt service:					
Principal, interest and fiscal charges	23,848	-	694,053	-	717,901
<b>TOTAL EXPENDITURES</b>	<b>4,393,427</b>	<b>626,329</b>	<b>694,053</b>	<b>597,710</b>	<b>6,311,519</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>438,817</b>	<b>(614,106)</b>	<b>49,149</b>	<b>22,062</b>	<b>(104,078)</b>
<b>OTHER FINANCING SOURCES</b>					
Sale of fixed assets	443,732	-	-	-	443,732
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	<b>882,549</b>	<b>(614,106)</b>	<b>49,149</b>	<b>22,062</b>	<b>339,654</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>1,626,287</b>	<b>2,004,454</b>	<b>765,606</b>	<b>619,138</b>	<b>5,015,485</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 2,508,836</b>	<b>\$ 1,390,348</b>	<b>\$ 814,755</b>	<b>\$ 641,200</b>	<b>\$ 5,355,139</b>

The accompanying notes are an integral part of these financial statements.

***COTTLEVILLE COMMUNITY FIRE PROTECTION DISTRICT***  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL  
 FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2004

Amounts reported for governmental activities in the statement of activities are different because:

Change in fund balance-total governmental funds	\$	339,654
The acquisition of capital assets requires the use of current financial resources but has no effect on net assets.		583,660
The net effect of other miscellaneous transactions involving capital assets (i.e., sales) increases net assets		(232,309)
The cost of capital assets is allocated over their estimated useful lives and are reported as depreciation expense in the statement of activities.		(412,507)
Revenues that do not provide current financial resources are not included in the fund financial statements.		465,416
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		475,000
The increase in compensated absences liability does not require the use of current financial resources but is recorded as an expense in the statement of activities.		(63,000)
Bond issue costs are amortized over the life of the bonds on the statement of activities.		(5,526)
Interest payable does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.		2,375
Change in net assets of governmental activities	\$	1,152,763

The accompanying notes are integral part of these financial statements.



**COTTLEVILLE COMMUNITY FIRE PROTECTION DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Cottleville Community Fire Protection District (the District) operates under a five person Board of Directors. The District provides fire protection services to the cities of Cottleville, Weldon Spring, Dardenne Farms, a portion of the cities of St. Peters and O'Fallon and a portion of unincorporated St. Charles County.

**A. REPORTING ENTITY**

The District applies the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity* (GASB 14), to determine which governmental organizations should be included in the reporting entity. The inclusion or exclusion of component units is based on the elected officials accountability to their constituents. The financial reporting entity follows the same accountability. In addition, the financial statements of the reporting entity should allow the user to distinguish between the primary government (including its blended component units, which are, in substance, part of the primary government) and discretely presented component units. Criteria for inclusion of an entity into the primary governmental unit (in blended or discrete presentation) includes, but is not limited to, legal standing, fiscal dependency, imposition of will and the primary recipient of services. The District presently has no component units included within its reporting entity.

**B. IMPLEMENTATION OF NEW ACCOUNTING STANDARDS**

**Governmental Accounting Standards Board Statement No. 34** - For the fiscal year ended December 31, 2004, the District implemented GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* (GASB 34). The statement affects the manner in which the District records transactions and presents financial information.

*Management's Discussion and Analysis* - GASB 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the District's financial activities in the form of management's discussion and analysis (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

*Government-Wide Financial Statements* - The reporting model includes financial statements prepared using full accrual accounting for all the District's nonfiduciary activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. Government-wide financial statements include the following:

## B. IMPLEMENTATION OF NEW ACCOUNTING STANDARDS - continued

### **Governmental Accounting Standards Board Statement No. 34** - continued

*Statement of Net Assets* - The statement of net assets is designed to display the financial position of the Primary Government (governmental and business-type activities). The District reports capital assets in the government-wide statement of net assets and reports depreciation expense in the statement of activities. The net assets of the District are broken down into three categories 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted. The District has no business-type activities.

*Statement of Activities* - The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the District's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the District has recorded capital assets and certain other long-term assets and liabilities in the statement of net assets and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities. The District has elected to implement the requirements of GASB 34 related to infrastructure assets from January 1, 2004 forward.

**Governmental Accounting Standards Board Statement No. 37** - For the fiscal year ended December 31, 2004, the District implemented GASB Statement No. 37, *Basic Financial Statement-and Management's Discussion and Analysis-for State and Local Governments: Omnibus* (GASB 37). This statement amends GASB 34 to either: 1) clarify certain provisions, or 2) modify other provisions that GASB believes may have unintended consequences in some circumstances. Accordingly, the District considered the effects of this statement when implementing the provisions of GASB 34, as previously described.

**Governmental Accounting Standards Board Statement No. 38** - The District adopted the provisions of GASB No. 38, *Certain Financial Statement Note Disclosures* (GASB 38). This statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Accordingly, certain footnote disclosures have been revised to conform to the provisions of GASB 38.

**Governmental Accounting Standards Board Interpretations No. 6** - For the fiscal year ended December 31, 2004, the District implemented GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements*. This interpretation clarifies the application standards for modified accrual recognition of certain liabilities and in areas where differences have arisen, or could arise, in interpretation and practice. This interpretation affects the fund level financial statements (governmental funds only, not proprietary or fiduciary funds) required by GASB, but has no direct effect on the government-wide financial statements. Accordingly, the District has not recognized the current portion of certain long-term liabilities and related expenditures in the governmental funds financial statements for amounts not considered to be due and payable as of December 31, 2004. The District also considered the effects of this interpretation when implementing the provisions of GASB 34 as previously described.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

C. **BASIC FINANCIAL STATEMENTS**

Basic financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements, and
- Notes to the basic financial statements.

The government-wide financial statements consist of the statement of net assets and the statement of activities and report information on all of the nonfiduciary activities of the Primary Government and its component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net assets have been eliminated.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Indirect expenses are allocated based on the annual cost allocation plan. Program revenue includes charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund based financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The major governmental funds are the General, Capital Projects, Debt Service and Pension. GASB No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds.

D. **MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed for government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

D. **MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION** - continued

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District in general considers revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due.

For the governmental funds financial statements, the District considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, interest, charges for services, and other miscellaneous revenue are considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period.

The accounts of the District are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions.

The District reports the following major governmental funds:

**General Fund** - This fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The fund pays the general operating expenditures, the fixed charges and the capital improvement costs that are not paid through other funds.

**Capital Projects Fund** - This fund is used to account for the proceeds of the District's fire protection bond issue and the various capital expenditures made with the proceeds.

**Debt Service Fund** - This fund is used to account for the proceeds of a tax levy which will be used to retire the District's fire protection bonds.

**Pension Fund** - This fund is used to account for a separate tax used to fund the employees' pension.

E. **CAPITAL ASSETS**

Capital assets, which include land, buildings and improvements, and equipment are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of \$500 or more and an estimated useful life in excess of one year. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

E. **CAPITAL ASSETS** - continued

Capital assets of the District are depreciated using a straight-line method over the following estimated useful lives:

<u>Major Group</u>	<u>Life</u>
Buildings and improvements	7 - 40 years
Communication equipment	5 - 10 years
Firefighting equipment	5 - 10 years
Furniture and equipment	5 - 10 years
Vehicles	5 - 10 years

F. **ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires the District to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenditures during the reporting period. Actual results could vary from the estimates that management uses.

G. **INTERFUND TRANSACTIONS**

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as equity transfers. All other interfund transfers are reported as operating transfers.

H. **COMPENSATED ABSENCES**

District employees earn vacation based on their length of employment. Accrued vacation time is recognized as a liability when earned and any unused accumulated vacation is payable to employees upon termination. District employees earn sick leave every two weeks and can accumulate up to 2880 hours. At retirement, employees will be paid for a maximum of 960 hours.

I. **LONG-TERM LIABILITIES**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Initial-issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the unamortized portion of applicable premium or discount. Bond issuance costs, including underwriters' discount, are reported as deferred bond issuance costs. Amortization of bond premiums or discount, and issuance costs are included in interest expense.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

J. **RESTRICTED CASH AND INVESTMENTS**

Restricted cash and investments consist of proceeds from the issuance of bonds restricted for the purchase of capital assets.

K. **NET ASSETS AND FUND EQUITY**

In government-wide financial statements net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal on related debt. Net assets invested in capital assets, net of related debt does not include the unspent proceeds of capital debt. Restricted net assets represent net assets restricted by parties outside of the District (such as creditors, grantors, contributors, laws and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. All other net assets are considered unrestricted.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

L. **CONCENTRATION OF LABOR**

Approximately 89% of the labor force was subject to a collective bargaining agreement expiring December 31, 2005.

2. **BUDGETS AND BUDGETARY ACCOUNTING**

**Budgetary Process** - Prior to January 1, the budget is legally enacted. Projected expenditures cannot exceed estimated revenues plus any unencumbered balance estimated for the beginning of the budget year. The budget is prepared on a cash basis of accounting.

3. **CASH AND INVESTMENTS**

The District's bank deposits are required by state law to be secured by the deposit of certain securities with the District or trustee institution. The value of the securities must amount to the total of the District's cash not insured by the Federal Deposit Insurance Corporation. As of December 31, 2004, the carrying amount of the District's bank deposits totaled \$2,155,700 with bank balances of \$2,560,562. The bank balance was covered by federal depository insurance or collateralized by securities held by the pledging financial institution in the District's name.

3. **CASH AND INVESTMENTS - continued**

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or for which the securities are held by the District or it's agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by it's trust department or agent, but not in the District's name. None of the District's investments are required to be categorized.

4. **PROPERTY TAX**

The District's property tax is levied each year on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Taxes are levied in September and payable by December 31. The County collects the property tax and remits it to the District. Assessed values are established by the St. Charles County Assessor subject to review by the Board of Equalization.

Assessed Valuation and Tax Rate	
Real estate	\$ 711,095,400
Personal property	146,302,759
Railroad and utilities - local personnel	14,244,217
State Assessed Railroad Utility	
Real	8,646,566
Property	1,899,563
Total Assessed Valuation	\$ <u>332,188,505</u>

Tax Rate (per \$100 of Assessed Valuation)	
General Fund	\$ .5069
Pension Fund	.0663
Debt Service Fund	.0785

## 5. CAPITAL ASSETS

Capital asset activity for the primary government for the year ended December 31, 2004 is as follows:

	BALANCE, BEGINNING OF YEAR	TRANSFERS AND ADDITIONS	TRANSFERS AND DELETIONS	BALANCE, END OF YEAR
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 548,994	\$ -	\$ -	\$ 548,994
Construction in progress	1,500,000	-	(1,500,000)	-
	<u>2,048,994</u>	<u>-</u>	<u>(1,500,000)</u>	<u>548,994</u>
Capital assets, being depreciated:				
Buildings and improvements	4,807,495	-	-	4,807,495
Communication equipment	109,239	25,454	(10,848)	123,845
Fire fighting equipment	400,204	221,881	(83,351)	538,734
Furniture and equipment	386,374	16,345	(3,595)	399,124
Vehicles	1,414,248	1,819,980	(798,477)	2,435,751
Total capital assets, being depreciated	<u>7,117,560</u>	<u>2,083,660</u>	<u>(896,271)</u>	<u>8,304,949</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,316,325)	(115,604)	-	(1,431,929)
Communication equipment	(88,429)	(8,534)	9,977	(86,986)
Fire fighting equipment	(259,467)	(68,915)	79,639	(248,743)
Furniture and equipment	(119,267)	(51,371)	3,595	(167,043)
Vehicles	(1,007,520)	(168,083)	570,751	(604,852)
Total accumulated depreciation	<u>(2,791,008)</u>	<u>(412,507)</u>	<u>663,962</u>	<u>(2,539,553)</u>
Total capital assets, being depreciated, net	<u>4,326,552</u>	<u>1,671,153</u>	<u>(232,309)</u>	<u>5,765,396</u>
Total governmental activities	\$ <u>6,375,546</u>	\$ <u>1,671,153</u>	\$ <u>(1,732,309)</u>	\$ <u>6,314,390</u>

All depreciation expense was charged to public safety on the government-wide financial statements.

## 6. SHORT-TERM DEBT - TAX ANTICIPATION NOTES

The District issued tax anticipation notes to provide short-term cash to carry on the District's operations until tax revenue is received in December and January. Repayment of the notes comes from tax payments. Interest only payments based on the Wall Street Journal Prime are due monthly with the balance due August 2004. Short-term debt activity for the year ended December 31, 2004 was as follows:

	BALANCE, BEGINNING OF YEAR	ADDITIONS	DELETIONS	BALANCE, END OF YEAR
Tax anticipation notes	\$ <u>1,480,000</u>	\$ <u>975,000</u>	\$ <u>1,480,000</u>	<u>\$975,000</u>



7. **LONG-TERM DEBT**

**Fire Protection Bonds** - The District has been authorized to issue up to \$6,000,000 in bonds. The bonds were issued for the purpose of constructing, purchasing, equipping and maintaining fire stations, and purchasing fire-fighting apparatus and auxiliary equipment for the District. These bonds are being serviced through a separate property tax.

Fire Protection Bonds Series 2002	\$4,275,000
Bank of New York	
Interest rate - 3.25% to 5.7%	
Matures - March 1, 2022	
Annual payments range from \$324,506 to \$726,323	
Fire Protection Bonds Series 2003	675,000
Bank of New York	
Interest rate - 1.1% to 4.75%	
Matures - March 1, 2023	
Annual payments range from \$36,163 to \$351,128	
TOTAL	<u>\$4,950,000</u>

Debt and long-term liability activity for the year ended December 31, 2004 was as follows:

	BALANCE, BEGINNING OF YEAR	ADDITIONS	REDUCTIONS	BALANCE, END OF YEAR	DUE WITHIN ONE YEAR
Governmental activities:					
Fire Protection Bonds:					
Series-2002	\$ 4,425,000	\$ -	\$ (150,000)	\$ 4,275,000	\$ 150,000
Series-2003	1,000,000	-	(325,000)	675,000	325,000
Vacation and sick leave	569,651	63,000	-	632,651	63,000
Total governmental activities	<u>\$ 5,994,651</u>	<u>\$ 63,000</u>	<u>\$ (475,000)</u>	<u>\$ 5,582,651</u>	<u>\$ 538,000</u>

7. **LONG-TERM DEBT** - continued

Annual debt service payments are as follows:

YEAR	Governmental Activities		TOTAL
	PRINCIPAL	INTEREST	
2005	\$ 175,000	\$ 213,983	\$ 388,983
2006	175,000	205,132	380,132
2007	200,000	195,555	395,555
2008	200,000	184,894	384,894
2009	200,000	174,406	374,406
2010 - 2014	1,200,000	730,371	1,930,371
2015 - 2019	1,500,000	458,088	1,958,088
2020 - 2024	1,300,000	109,369	1,409,369
Total	\$ 4,950,000	\$ 2,271,798	\$ 7,221,798

8. **DUE TO/FROM OTHER FUNDS**

Due to/from other funds as of December 31, 2004 were as follows:

	Due from	Due to
General Fund	\$ -	\$ 215,010
Debt Service Fund	116,161	-
Pension Trust Fund	98,849	-
	<u>\$215,010</u>	<u>\$215,010</u>

Interfund balances relate to the timing of tax collections. All taxes are receipted into the General Fund and then transfer to the various funds.

9. **RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has joined together with other districts to form a group of self-insurers for workers' compensation, a public entity risk pool currently operating as a common risk management and insurance program for worker compensation claims. The District pays an annual premium to the pool for its insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000 for each insured event.

The pooling agreement allows for the pool to use 5% of assessment to make the pool self-sustaining for supplemental aggregate reinsurance coverage. This coverage will be funded until the cumulative balance reaches \$1,000,000. The Missouri Fire and Ambulance Districts' Insurance Trust (MoFAD) has published its own financial report for the year ended December 31, 2004 that can be obtained from MoFAD.

10. **EXPENDITURES IN EXCESS OF APPROPRIATIONS**

For the year ending December 31, 2004 expenditures exceeded appropriations in the following funds:

Capital Projects	\$614,106
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11. **DEFERRED COMPENSATION PLAN**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The District makes no contribution to the Plan.

Qualified Plan Services, Ltd. administers the District's Deferred Compensation Plan. The District does not have significant administrative involvement in the Plan. With the adoption of Governmental Accounting Standards Board (GASB) No. 32, "*Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*", the District's Deferred Compensation Plan is not included in the general purpose financial statements. The District's Plan does not meet the criteria for reporting the Deferred Compensation Plan in a fiduciary fund.

12. **PENSION PLAN**

The District provides pension benefits and life insurance for all of its full-time employees through a Money Purchase Plan and Trust (the Plan), which is a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings.

Employees who are eighteen or older are eligible to participate after one year of employment. For the Plan year ending December 31, 2004, the District contributed an amount equal to 15 percent of an employee's eligible salary plus \$100 for each year of service completed. In addition, contributions include a proportionate share of the "available amount". The "available amount" is based on the pension tax collected for the prior year, less administrative expenses related to the operations of the Plan for the current Plan year. The District's contributions for each employee (and earnings allocated to the employee's account) are fully vested after seven years of service. District contributions for, and earnings forfeited by employees who leave employment before seven years of service are allocated on the basis of compensation to participants who are eligible to receive an allocation for the Plan year.

Participants may borrow, from their mutual fund accounts, a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance.

Assets and liabilities of the Plan are recorded in the Pension Trust Fund. The District's contribution made in 2004 was \$597,429.

**REQUIRED SUPPLEMENTARY INFORMATION**

**COTTLEVILLE COMMUNITY FIRE PROTECTION DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2004

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>OPERATING REVENUE</b>				
Taxes	\$ 4,242,241	\$ 4,393,530	\$ 4,393,530	\$ -
Contracted services	10,000	-	-	-
Building and other permits	75,000	109,596	109,596	-
Interest	28,049	7,542	7,542	-
Miscellaneous	-	12,374	12,374	-
<b>TOTAL REVENUE</b>	<u>4,355,290</u>	<u>4,523,042</u>	<u>4,523,042</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
Operations/repairs	88,323	93,000	91,821	1,179
Personnel	3,987,489	4,020,500	3,986,581	33,919
Maintenance	15,000	10,000	49,227	(39,227)
Insurance	60,000	178,000	177,896	104
Training	5,000	13,000	12,543	457
Election expense	12,000	15,000	14,692	308
Office and miscellaneous	15,500	16,000	15,110	890
Professional fees	40,000	46,000	80,238	(34,238)
Capital outlay	50,000	39,500	-	39,500
Debt service:				
Principal, interest and fiscal charges	4,700	24,000	23,848	152
<b>TOTAL EXPENDITURES</b>	<u>4,278,012</u>	<u>4,455,000</u>	<u>4,451,956</u>	<u>3,044</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	77,278	68,042	71,086	3,044
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of fixed assets	600,000	324,482	358,732	34,250
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	677,278	392,524	429,818	<u>\$ 37,294</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>(1,180,707)</u>	<u>(1,180,707)</u>	<u>(1,180,707)</u>	
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ (503,429)</u>	<u>\$ (788,183)</u>	<u>\$ (750,889)</u>	
<b>FUND BALANCES - END OF YEAR - BUDGET BASIS</b>			\$ (750,889)	
Accrual adjustments:				
Revenues			3,700,223	
Expenditures			(440,498)	
<b>FUND BALANCE - END OF YEAR - GAAP BASIS</b>			<u>\$ 2,508,836</u>	

**COTTLEVILLE COMMUNITY FIRE PROTECTION DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

PENSION FUND

FOR THE YEAR ENDED DECEMBER 31, 2004

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>OPERATING REVENUE</b>				
Taxes	\$ 590,851	\$ 603,295	\$ 603,295	\$ -
Interest	2,900	1,312	1,112	(200)
Miscellaneous	-	-	200	200
TOTAL REVENUE	<u>593,751</u>	<u>604,607</u>	<u>604,607</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
Contributions	593,051	597,429	597,429	-
Professional fees	700	281	281	
TOTAL EXPENDITURES	<u>593,751</u>	<u>597,710</u>	<u>597,710</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>6,897</u>	<u>6,897</u>	<u>-</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>212,401</u>	<u>212,401</u>	<u>212,401</u>	
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 212,401</u>	<u>\$ 219,298</u>	<u>\$ 219,298</u>	
<b>FUND BALANCES - END OF YEAR - BUDGET BASIS</b>			\$ 219,298	
Accrual adjustments:				
Revenues			468,397	
Expenditures			(46,495)	
<b>FUND BALANCE - END OF YEAR - GAAP BASIS</b>			<u>\$ 641,200</u>	

**SUPPLEMENTARY INFORMATION**

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***



Board of Directors

***COTTLEVILLE COMMUNITY FIRE PROTECTION DISTRICT***

We have audited the general purpose financial statements of Cottleville Community Fire Protection District, as of and for the year ended December 31, 2004, and have issued our report thereon dated June 10, 2005. We conducted our 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 Cottleville Community Fire Protection District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our 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 our audit, we considered Cottleville Community Fire Protection District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 general purpose 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. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Cottleville Community Fire Protection District, in a separate letter dated June 10, 2005.

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botzdeal@botzdeal.com



This report is intended solely for the information and use of the Board of Directors, management and the State Auditors Office and is not intended to be and should not be used by anyone other than these specified parties.

Betsy Seal & Company

June 10, 2005