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Financial Report, 2006

City of Cottleville

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CITY OF COTTLEVILLE, MISSOURI

DECEMBER 31, 2006

Bates CPAs

A Professional Corporation of Accountants and Consultants

Bates CPAs

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Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

To Honorable Mayor and Board of Aldermen
City of Cottleville, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **City of Cottleville, Missouri**, (City) as of and for the year ended December 31, 2006, and have issued our report thereon dated September 6, 2007. The City prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Cottleville, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Cottleville, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Cottleville, Missouri's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Cottleville, Missouri's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Cottleville, Missouri's financial statements that is more than inconsequential will not be prevented or detected by the City of Cottleville, Missouri's internal control. We consider the deficiencies described in the accompanying schedule of findings as 06-01 and 06-02 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Cottleville, Missouri's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are not material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings as 06-03.

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

Bata CPAs, PC

September 6, 2007

CITY OF COTTLEVILLE, MISSOURI

SCHEDULE OF FINDINGS

DECEMBER 31, 2006

06-01 Backup

We understand the City does not store a backup offsite. To ensure computer programs and data are safeguarded during any catastrophic damage to City property, a set of recent backups (at least monthly) should be maintained offsite.

06-02 Invoice Cancellation

City procedures require a copy of the check be attached to a paid invoice(s). To improve control over the risk of duplicate payments of invoices, we recommend the invoice be cancelled paid by marking the actual invoice.

06-03 Collateral Pledged

At December 31, 2006, collateral pledged by a certain bank was not sufficient to cover deposits as follows:

Deposits	<u>\$ 158,289</u>
FDIC insurance	\$ 100,000
Collateral pledged	<u>-</u>
	<u>\$ 100,000</u>
Deficit	<u>\$ 58,289</u>