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Report to the Finance Committee, 2006

City of Fenton

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CITY OF FENTON, MISSOURI

REPORT TO THE FINANCE COMMITTEE

December 31, 2006



SCHOWALTER & JABOURI, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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To the Members of the Finance Committee
City of Fenton, Missouri

Dear Members of the Finance Committee:

We have audited the basic financial statements of the City of Fenton, Missouri (the "City") for the year ended December 31, 2006 and have issued our report thereon dated May 23, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter, our responsibility as described by professional standards is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2006. We noted no transactions entered into by the City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimates for recording the liability for compensated absences.

Management records general capital assets on the government-wide statement of net assets according to the City's Capital Asset policy as described in Note I.C.5. to the financial statements.

We evaluated the key factors and assumptions used to develop the estimates above in determining that they are reasonable in relation to the financial statement taken as a whole.

Audit Adjustments

For the purpose of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City's financial reporting process (that is, cause future financial statements to be materially misstated). We did not propose any adjustments in the current year.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the City's financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We are pleased to announce we encountered no significant difficulties in dealing with management in performing and completing our audit.

* * * * *

We will be pleased to meet with you at your convenience should you desire further information concerning these matters.

This information is intended solely for the use of the Finance Committee and management of the City of Fenton, Missouri and is not intended to be and should not be used by anyone other than these specified parties.

Schowalter & Jabouri, P.C.
SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
May 23, 2007