

To the Board
Coloma Joint Fire Board
Coloma, Michigan

In planning and performing our audit of the financial statements of the Coloma Joint Fire Board for the year ended March 31, 2004, we considered the Fire Board's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. The consideration we gave to the internal control structure was not sufficient for us to provide any form of assurance on it. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions are significant deficiencies in the design or operation of the internal control structure that have come to our attention and, in our judgment, could adversely affect the Fire Board's ability to record, process, summarize, and report financial data consistent with management's assertions inherent in the financial statements. This report contains items considered to be reportable conditions, as defined above, as well as other items we feel warrant your consideration.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, the first two items below are reportable conditions that we believe to be material weaknesses.

SEGREGATION OF DUTIES

Control over cash transactions continues to not be adequate due to insufficient segregation of duties. One individual is responsible for all cash receipts and cash disbursement transactions. Management does not feel it is cost effective to add staff to separate these functions.

We recommend that a board member review the bank reconciliations that are performed monthly. This would provide a double check of the accuracy of the bank reconciliations currently prepared. Also, it would give another person on the board a greater understanding of the cash process at the Fire Board.

GENERAL LEDGER

The Fire Board does not currently post transactions to a general ledger. A general ledger is necessary to accumulate year-to-date transactions and provide a reasonable audit trail. Currently, board records consist of a checkbook, deposit slips and a monthly financial summary prepared on a spreadsheet. A general ledger would provide the Fire Board with accumulated information that could be reconciled for accuracy to make certain that financial information is accurate.

The Board should implement a general ledger for posting both cash receipts and cash disbursements. This can be a hand posted or computerized ledger. We recommend that purchasing a general ledger software package such as "QuickBooks" be given serious consideration. Software like this typically costs around \$150 and can also be used to write checks.

BUDGET

It is required by the State of Michigan that all governmental entities adopt a budget in compliance with P.A. 621. To comply with this act, the following step should be taken in the future:

- The format should also include information on actual and estimated amounts from the prior two years.

Since the budget process includes a great deal of estimating, it is not unusual for significant variances to develop. We recommend the Board monitor expenditures in various funds and appropriately amend these budgets to maintain compliance with State budget regulations.

ACCOUNTS PAYABLE PROCEDURES

During the course of our audit, we noticed a procedure that might facilitate the audit process and would also be an aid to the Board in the approval of invoices process. On each invoice paid, the expense account to be debited should be noted on the invoice. This would aid board members in knowing what accounts might be approaching budgeted amounts. Also, this would aid the auditors in the year-end posting of the accounts payable entry, as we have to determine the proper expense account to debit to post the entry. We believe implementing this procedure would benefit the Fire Board and the audit team for these reasons.

This report is intended solely for the information and use of the management, and others within the organization.

Plante & Moran, PLLC

May 12, 2004