

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name CHARTER TOWNSHIP OF AUGUSTA	County WASHTENAW
Audit Date 3/31/04	Opinion Date 7/28/04	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- Yes No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- Yes No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- Yes No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- Yes No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- Yes No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- Yes No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- Yes No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- Yes No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- Yes No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) ALAN C. YOUNG & ASSOCIATES, P.C.			
Street Address 2990 W. GRAND BLVD., SUITE 310	City DETROIT	State MI	ZIP 48202-3041
Accountant Signature <i>Alan C. Young & Asso.</i>		Date 7/28/04	

Charter Township of Augusta Washtenaw County, Michigan

**Financial Report
with Additional Information
March 31, 2004**

Charter Township of Augusta

Contents

Report Letter	1
General Purpose Financial Statements	
Combined Balance Sheet - All Fund Types and Account Group	2-5
Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - All Governmental Fund Types	6
Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Special Revenue Fund Types	7-8
Statement of Revenue, Expenses, and Changes in Retained Earnings - Enterprise Fund	9
Statement of Cash Flows - Enterprise Fund	10
Notes to Financial Statements	11-22
Report Letter	23
Additional Information	
General Fund - Schedule of Expenditures - Budget and Actual	24
Special Revenue Funds:	
Combining Balance Sheet	25
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	26
Trust and Agency Funds - Combining Balance Sheet	27

**Alan C.
Young & Associates, P.C.**
CERTIFIED PUBLIC ACCOUNTANTS

HEADQUARTERS:
2990 W. Grand Blvd., Suite 310
Detroit, Michigan 48202

(313) 873-7500
(313) 873-7502 Fax
www.alancyoung.com

INDEPENDENT AUDITOR'S REPORT

To The Members of
the Township Board
Charter Township of
Augusta, Michigan

We have audited the accompanying general purpose financial statements of the Charter Township of Augusta, Michigan as of March 31, 2004 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Charter Township or Augusta, Michigan's management. Our responsibility is to express an opinion on these financial statements based on audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Charter Township of Augusta, Michigan as of March 31, 2004 and the results of its operations and cash flows of its proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Alan C. Young & Assoc.

July 28, 2004

Charter Township of Augusta

	Governmental Fund Types		Proprietary Fund Type
	General	Special Revenue	Enterprise
Assets			
Cash and cash equivalents (Note 2)	\$ 170,017	\$ 453,790	\$ 1,131,281
Investments (Note 2)	2,287	-	902,561
Receivables:			
Taxes	2,183	3,791	-
Customers and other	-	-	140,382
Special assessments	-	-	1,515,614
Due from other governmental units	44,905	-	-
Due from other funds (Note 3)	61,130	43,879	226,870
Restricted assets (Note 4)	44,965	-	-
Capital assets (Note 5)	-	-	7,278,379
Amount to be provided for long-term debt	-	-	-
Total assets	<u>\$ 325,487</u>	<u>\$ 501,460</u>	<u>\$ 11,195,087</u>

**Combined Balance Sheet
All Fund Types and Account Group
March 31, 2004**

Fiduciary Fund Types	Account Group		Total Primary Government (Memorandum Only)	
	General Fixed Assets	General Long-term Debt	March 31	
Trust and Agency			2004	2003
\$ 566,459	\$ -	\$ -	\$ 2,321,547	\$ 2,452,548
12,419	-	-	917,267	505,807
-	-	-	5,974	5,598
-	-	-	140,382	139,522
-	-	-	1,515,614	1,642,174
60,447	-	-	105,352	122,066
-	-	-	331,879	635,419
-	-	-	44,965	-
-	1,058,244	-	8,336,623	8,508,891
-	-	30,000	30,000	-
\$ 639,325	\$ 1,058,244	\$ 30,000	\$ 13,749,603	\$ 14,012,025

Charter Township of Augusta

	Governmental Fund Types		Proprietary Fund Type
	General	Special Revenue	Enterprise
Liabilities and Fund Equity			
Liabilities			
Accounts payable	\$ 125,225	\$ 3,400	\$ 161,340
Due to other governmental units	-	-	-
Due to other funds	475	-	-
Accrued and other liabilities	-	1,262	-
Deferred revenue	10,410	-	-
Long-term debt (Note 6)	-	-	2,122,000
Total liabilities	136,110	4,662	2,283,340
Fund Equity			
Investment in general fixed assets	-	-	-
Contributed capital (Note 8)	-	-	8,546,296
Retained earnings - Unreserved	-	-	365,451
Fund balances			
Reserved (Note 9)	16,172	-	-
Unreserved - Undesignated	173,205	496,798	-
Total fund equity	189,377	496,798	8,911,747
Total liabilities and fund equity	<u>\$ 325,487</u>	<u>\$ 501,460</u>	<u>\$ 11,195,087</u>

**Combined Balance Sheet
All Fund Types and Account Group (Continued)
March 31, 2004**

Fiduciary Fund Types	Account Group		Total Primary Government (Memorandum Only)	
	General	General	March 31	
Trust and Agency	Fixed Assets	Long-term Debt	2004	2003
\$ -	\$ -	\$ -	\$ 289,965	\$ 104,148
170,537	-	-	170,537	232,798
331,404	-	-	331,879	635,419
137,384	-	-	138,646	33,008
-	-	-	10,410	31,603
-	-	30,000	2,152,000	2,190,000
639,325	-	30,000	3,093,437	3,226,976
-	1,058,244	-	1,058,244	1,054,353
-	-	-	8,546,296	8,323,196
-	-	-	365,451	704,851
-	-	-	16,172	-
-	-	-	670,003	702,649
-	1,058,244	-	10,656,166	10,785,049
\$ 639,325	\$ 1,058,244	\$ 30,000	\$ 13,749,603	\$ 14,012,025

Charter Township of Augusta

Combined Statement of Revenue, Expenditures, and Changes in Fund Balances All Governmental Fund Types Year Ended March 31, 2004

	General	Special Revenue	Total Primary Government (Memorandum Only)	
			2004	2003
Revenue				
Property taxes	\$ 138,338	\$ 423,216	\$ 561,554	\$ 488,469
Licenses and permits	32,901	-	32,901	39,367
State sources	342,858	-	342,858	369,747
Interest and rent	5,445	-	5,445	5,875
Other	54,610	13,447	68,057	75,278
Total revenue	574,152	436,663	1,010,815	978,736
Expenditures				
General government	568,897	-	568,897	540,346
Public safety	-	370,937	370,937	318,019
Public works	117,455	-	117,455	101,650
Total expenditures	686,352	370,937	1,057,289	960,015
Excess of Revenue Over (Under) Expenditures	(112,200)	65,726	(46,474)	18,721
Other Financing Sources - Proceeds from issuance of long-term debt	30,000	-	30,000	-
Excess of Revenue and Other Financing Sources Over (Under) Expenditures	(82,200)	65,726	(16,474)	18,721
Fund Balances - Beginning of year	271,577	431,072	702,649	683,928
Fund Balances - End of year	\$ 189,377	\$ 496,798	\$ 686,175	\$ 702,649

Charter Township of Augusta

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenue			
Property taxes	\$ 134,044	\$ 138,338	\$ 4,294
Licenses and permits	36,345	32,901	(3,444)
State sources	376,500	342,858	(33,642)
Interest and rent	2,800	5,445	2,645
Other	41,900	54,610	12,710
Total revenue	591,589	574,152	(17,437)
Expenditures			
General government	452,987	568,897	(115,910)
Public safety	-	-	-
Public works	180,000	117,455	62,545
Total expenditures	632,987	686,352	(53,365)
Excess of Revenue Over (Under) Expenditures	(41,398)	(112,200)	(70,802)
Other Financing Sources - Proceeds from issuance of long-term debt	-	30,000	30,000
Excess of Revenue and Other Financing Sources Over (Under) Expenditures	(41,398)	(82,200)	(40,802)
Fund Balances - April 1, 2003	271,577	271,577	-
Fund Balances - March 31, 2004	<u>\$ 230,179</u>	<u>\$ 189,377</u>	<u>\$ (40,802)</u>

**Combined Statement of Revenue, Expenditures, and
Changes in Fund Balances - Budget and Actual
General and Special Revenue Fund Types
Year Ended March 31, 2004**

Special Revenue Funds		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 392,002	\$ 423,216	\$ 31,214
-	-	-
-	-	-
2,750	-	(2,750)
<u>10,500</u>	<u>13,447</u>	<u>2,947</u>
405,252	436,663	31,411
-	-	-
388,985	370,937	18,048
-	-	-
<u>388,985</u>	<u>370,937</u>	<u>18,048</u>
16,267	65,726	49,459
-	-	-
16,267	65,726	49,459
<u>431,072</u>	<u>431,072</u>	-
<u>\$ 447,339</u>	<u>\$ 496,798</u>	<u>\$ 49,459</u>

Charter Township of Augusta

Statement of Revenue, Expenses, and Changes in Retained Earnings Enterprise Fund Year Ended March 31, 2004

	Year Ended March 31	
	2004	2003 (Memorandum Only)
Operating Revenue		
Water and sewer sales	\$ 552,732	\$ 429,135
Charges for services	143,819	71,229
Other	11,846	2,726
Total operating revenue	708,397	503,090
Operating Expenses		
Cost of water and sewage disposal	425,028	229,062
Operation and maintenance	282,055	449,999
General and administrative	103,903	47,846
Depreciation	276,829	272,264
Total operating expenses	1,087,815	999,171
Operating Loss	(379,418)	(496,081)
Nonoperating Revenue (Expense)		
Interest income	23,939	21,903
Interest expense	(112,238)	(115,723)
Interest received on customer assessments	100,252	126,242
Total nonoperating revenue	11,953	32,422
Loss - Before contributed capital	(367,465)	(463,659)
Contributed Capital	28,065	-
Net Loss	(339,400)	(463,659)
Retained Earnings - Beginning of year	704,851	1,168,510
Retained Earnings - End of year	<u>\$ 365,451</u>	<u>\$ 704,851</u>

Charter Township of Augusta

Statement of Cash Flows Enterprise Fund Year Ended March 31, 2004

	Year Ended March 31	
	2004	2003
	(Memorandum Only)	
Cash Flows from Operating Activities		
Operating loss	\$ (379,418)	\$ (496,081)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	276,829	272,264
Changes in assets and liabilities:		
Customer and other receivables	(47,866)	190,735
Accounts payable	107,144	(14,586)
Accrued and other liabilities	(3,962)	3,962
	<u>(47,273)</u>	<u>(43,706)</u>
Net cash used in operating activities	(47,273)	(43,706)
Cash Flows from Noncapital Financing Activities - Borrowings from (repayments to) other funds		
	98,921	(95,876)
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(72,605)	(67,625)
Principal and interest paid on long-term debt	(180,238)	(183,723)
Collection of customer assessments	126,560	92,035
Collection of connection fees	223,100	181,000
	<u>96,817</u>	<u>21,687</u>
Net cash provided by capital and related financing activities	96,817	21,687
Cash Flows from Investing Activities		
Interest received on investments	23,939	21,903
Interest received on customer assessments	100,252	126,242
Purchase of investments	(902,918)	(491,215)
Redemption of investments	491,572	-
	<u>(287,155)</u>	<u>(343,070)</u>
Net cash used in investing activities	(287,155)	(343,070)
Net Decrease in Cash and Cash Equivalents	(138,690)	(460,965)
Cash and Cash Equivalents - Beginning of year	<u>1,269,971</u>	<u>1,730,936</u>
Cash and Cash Equivalents - End of year	<u>\$ 1,131,281</u>	<u>\$ 1,269,971</u>
Supplemental Cash Flow Information - Cash paid for interest	\$ 112,238	\$ 115,723

Noncash Investing, Capital, and Financing Activities - During the year ended March 31, 2004, a generator in the amount of \$28,065 was donated to the Township's Enterprise Fund.

Charter Township of Augusta

Notes to Financial Statements
March 31, 2004

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Augusta, Michigan (the "Charter Township") conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Charter Township is governed by an elected seven-member Township Board. As required by generally accepted accounting principles, these financial statements present the Charter Township of Augusta, Michigan. In accordance with generally accepted accounting principles, there are no component units to be included in these financial statements.

Fund Accounting

The accounts of the Charter Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in three broad fund categories as follows:

Governmental Funds

General Fund - The General Fund contains the records of the ordinary activities of the Charter Township that are not accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue, and other sources.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for the results of operations that provide a service to citizens that is financed primarily by a user charge for the provision of that service.

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Charter Township in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Charter Township of Augusta

Notes to Financial Statements
March 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The accrual basis of accounting is used by the proprietary funds. All governmental funds and Agency Funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31, and the related property taxes become a lien at that time. These taxes are billed on December 1 of the following year. These taxes are due on February 14, with the final collection date of February 28 before they are added to the county tax rolls.

- b. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
- c. Normally, expenditures are not divided between years by the recording of prepaid expenses.

Fixed Assets and Long-term Liabilities - Fixed assets used in governmental fund-type operations are accounted for in the General Fixed Assets Account Group rather than in the governmental funds. Such assets, which are recorded as expenditures at the time of purchase, do not include certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks, and lighting systems. No depreciation has been provided on general fixed assets.

All fixed assets are recorded at cost or, if donated, at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-term Debt Account Group, not in the governmental funds.

The General Fixed Assets Account Group and the General Long-term Debt Account Group are not funds and do not involve the measurement of results of operations.

Fixed assets and long-term liabilities relating to the proprietary funds are accounted for in those funds. Depreciation on such fixed assets is charged as an expense against the operations of the proprietary funds on a straight-line basis.

Charter Township of Augusta

Notes to Financial Statements March 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Investments - Investments are recorded at fair value, based on quoted market prices.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Memorandum-only Totals - The total data presented is the aggregate of the fund types and the account groups and is presented for analysis purposes only. No consolidating or other eliminations were made in arriving at the totals; therefore, they do not present consolidated information.

Other accounting policies are disclosed in other notes to the financial statements.

Note 2 - Deposits and Investments

The Charter Township's deposits and investments are included on the balance sheet under the following classifications:

Cash and cash equivalents	\$ 2,321,547
Investments	917,267
Restricted assets	<u>44,965</u>
Total	<u>\$ 3,283,779</u>

The Charter Township's deposits and investments are classified by Governmental Accounting Standards Board Statement No. 3 in the following categories:

Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 3,183,432
Investments in U.S. government securities	100,097
Petty cash	<u>250</u>
Total	<u>\$ 3,283,779</u>

Charter Township of Augusta

**Notes to Financial Statements
March 31, 2004**

Note 2 - Deposits and Investments (Continued)

Deposits

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$3,328,080. Of that amount, approximately \$1,300,000 was covered by federal depository insurance, and the remainder was uninsured and uncollateralized. The Charter Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Charter Township evaluates each financial institution with which it deposits Charter Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments

The Charter Township is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles.

The Charter Township's investments are categorized below to give an indication of the level of risk assumed by the Charter Township at March 31, 2004. Risk Category 1 includes those investments that meet any one of the following criteria:

- a. Insured
- b. Registered
- c. Held by the Charter Township or its agent

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Charter Township's name. Category 3 includes investments held by the following:

- a. The counterparty
- b. The counterparty's trust department (or agent) but not in the Charter Township's name

Charter Township of Augusta

Notes to Financial Statements March 31, 2004

Note 2 - Deposits and Investments (Continued)

The Charter Township's investments of \$100,097 at March 31, 2004 consisted solely of U.S. government securities, which are a Category 2 investment. That amount is an obligation of the Federal Home Loan Mortgage Corporation. These investments are usually not backed by the full faith and credit of the U.S. government, but are generally considered to offer modest credit risks. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.

Note 3 - Interfund Receivables

The following are the interfund receivables at March 31, 2004:

Fund Due To	Fund Due From	Amount
General Fund	Tax Collection Fund	\$ 26,253
	Developer Fund	33,933
	Trust and Agency Funds	944
	Total General Fund	61,130
Special Revenue Funds:		
Fire Fund	Tax Collection Fund	21,392
Police Fund	Tax Collection Fund	22,487
	Total Special Revenue Funds	43,879
Enterprise Fund	General Fund	475
	Tax Collection Fund	196,395
	Developer Fund	30,000
	Total Enterprise Fund	226,870
	Total interfund receivables	\$ 331,879

Note 4 - Restricted Assets

Restricted assets at March 31, 2003 consist of cash and investments as follows:

Debt proceeds remaining to be spent	\$ 14,965
Collateral held on debt	30,000
Total	\$ 44,965

Charter Township of Augusta

Notes to Financial Statements March 31, 2004

Note 4 - Restricted Assets (Continued)

The first item above relates to unspent proceeds from the issuance of debt, and fund balance has therefore been reserved. The second item relates to collateral held on the issued debt, for which fund balance has not been reserved as the monies are not anticipated to be spent in the future.

Note 5 - Capital Assets

A summary of changes in general fixed assets is as follows:

	Balance April 1, 2003	Additions	Deletions	Balance March 31, 2004
Land and buildings	\$ 88,822	\$ -	\$ -	\$ 88,822
Furniture and fixtures	91,538	8,331	(5,000)	94,869
Software applications	11,603	560	-	12,163
Fire equipment	833,684	-	-	833,684
Civil defense equipment	1,744	-	-	1,744
Voting devices	12,473	-	-	12,473
Ordinance equipment	14,489	-	-	14,489
Total	<u>\$ 1,054,353</u>	<u>\$ 8,891</u>	<u>\$ (5,000)</u>	<u>\$ 1,058,244</u>

Charter Township of Augusta

Notes to Financial Statements March 31, 2004

Note 5 - Capital Assets (Continued)

A summary of proprietary fund fixed assets at March 31, 2004 is as follows:

	<u>Utility Fund</u>	<u>Depreciable Life - Years</u>
Land	\$ 31,684	-
Utility system:		
Water system main	8,504,243	40
Sewer system main	1,438,614	40
Water meters and equipment	469,737	5-20
Bond issuance costs	<u>50,064</u>	40
Total cost	10,494,342	
Less accumulated depreciation	<u>(3,215,963)</u>	
Net carrying amount	<u>\$ 7,278,379</u>	

Note 6 - Long-term Debt

The debt of the Charter Township consists of two debt issuances. One is a Special Assessment Bond maturing through April 1, 2035 and bearing interest at 5.125 percent. The principal outstanding at March 31, 2004 totaled \$2,122,000, and is recorded in the Enterprise Fund.

The Special Assessment Bonds represent the financing of public improvements that benefit specific districts; these districts are specially assessed, at least in part, for the cost of the improvements. The amount of receivables delinquent at March 31, 2004 is not significant. Under Michigan law, the Charter Township is secondarily liable for payment of these bonds.

The second debt issuance consists of a bank note due December 31, 2006, bearing interest at 5.55 percent. The principal outstanding at March 31, 2004 totaled \$30,000, which is recorded in the General Long-term Debt Account Group, and includes six semiannual payments of \$5,000 plus interest.

Charter Township of Augusta

Notes to Financial Statements March 31, 2004

Note 6 - Long-term Debt (Continued)

Debt Service Requirements

The annual requirements to service debt outstanding as of March 31, 2004, including both principal and interest, are as follows:

Years Ending March 31	Special Assessment		Total
	Bonds	Other Debt	
2005	\$ 179,344	\$ 11,582	\$ 190,926
2006	175,776	10,983	186,759
2007	172,208	10,421	182,629
2008	168,640	-	168,640
2009	165,072	-	165,072
Remaining years	<u>3,048,706</u>	<u>-</u>	<u>3,048,706</u>
Total	<u>\$ 3,909,746</u>	<u>\$ 32,986</u>	<u>\$ 3,942,732</u>

Changes in Long-term Debt

The following is a summary of long-term debt transactions for the Charter Township for the year ended March 31, 2004:

	Special Assessment		Total
	Bonds	Other Debt	
Debt payable at April 1, 2003	\$ 2,190,000	\$ -	\$ 2,190,000
New debt issued	-	30,000	30,000
Debt retired	<u>(68,000)</u>	<u>-</u>	<u>(68,000)</u>
Debt payable at March 31, 2004	<u>\$ 2,122,000</u>	<u>\$ 30,000</u>	<u>\$ 2,152,000</u>

Charter Township of Augusta

Notes to Financial Statements March 31, 2004

Note 6 - Long-term Debt (Continued)

Schedule of Indebtedness

Additional information is as follows:

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				March 31 2004	March 31 2003
Date of issue - September 28, 1995					
Amount of issue - \$3,094,000					
	5.125%	04/01/04- 04/01/21	\$ 68,000	\$ 1,156,000	\$ 1,224,000
	5.125%	04/01/22- 04/01/35	69,000	966,000	966,000
Total Enterprise Fund				2,122,000	2,190,000
Date of issue - December 23, 2003					
Amount of issue - \$30,000					
	5.55%	06/30/04- 12/31/06	5,000	30,000	-
Total indebtedness				<u>\$ 2,152,000</u>	<u>\$ 2,190,000</u>

Interest

Total interest incurred for the Charter Township for the year approximated \$112,000.

Note 7 - Risk Management

The Charter Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Charter Township has purchased commercial insurance through the MCM Group for employee injuries (workers' compensation) and accidental death and participates in the Michigan Townships Participating Plan for property loss, torts, and errors and omissions. The Charter Township does not provide medical benefits to its employees. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Charter Township of Augusta

Notes to Financial Statements March 31, 2004

Note 7 - Risk Management (Continued)

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

Note 8 - Contributed Capital

The following is an analysis of contributed capital by source in the Enterprise Funds:

	Balance April 1, 2003	Current Year Additions	Balance March 31, 2004
Capital contributed from all sources prior to March 31, 2002	\$ 7,302,542	\$ -	\$ 7,302,542
Capital contributed since April 1, 2002 by source - Connection fees	<u>1,020,654</u>	<u>223,100</u>	<u>1,243,754</u>
Total	<u>\$ 8,323,196</u>	<u>\$ 223,100</u>	<u>\$ 8,546,296</u>

Note 9 - Reserved Fund Balances

The fund balances of the General Fund have been reserved for the following purposes:

Unspent debt proceeds	\$ 14,965
Reserve for right-of-way expenditures	<u>1,207</u>
Total reserved fund balance	<u>\$ 16,172</u>

Note 10 - Budget Information

The annual budget is prepared by the Township Supervisor and adopted by the Township Board; subsequent amendments are approved by the Township Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2004 has not been calculated.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

Charter Township of Augusta

Notes to Financial Statements March 31, 2004

Note 10 - Budget Information (Continued)

The budget statement (combined statement of revenue, expenditures, and changes in fund balances - budget and actual - General and Special Revenue Fund types) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on a line item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget as adopted by the Township Board is included in additional information. A comparison of the actual results of operations to the Special Revenue Funds budget as adopted by the Township Board is available at the clerk's office.

During the year ended March 31, 2004, there was an unfavorable variance in general government expenses due to the planner and outside consultants being higher than anticipated with no budget amendment.

Note 11 - Defined Contribution Pension Plan

The Charter Township provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the Charter Township contributes 15 percent of employees' gross earnings. Employee contributions are not required. During the year ended March 31, 2004, the Charter Township incurred an expense of approximately \$23,000, of which approximately \$4,500 was recorded as a liability as of March 31, 2004 and paid to the pension plan subsequent to year end. The Charter Township's contributions for each employee are fully vested upon entering service.

Charter Township of Augusta

Notes to Financial Statements March 31, 2004

Note 12 - Enterprise Fund

The Enterprise Fund statement of revenue, expenses, and changes in retained earnings at March 31, 2004 is segregated into water and sewer as follows:

	Water	Sewer	Total
Operating Revenue			
Water and sewer sales	\$ 372,650	\$ 180,082	\$ 552,732
Charges for services	109,819	34,000	143,819
Other	5,923	5,923	11,846
Total operating revenue	488,392	220,005	708,397
Operating Expenses			
Cost of water and sewage disposal	267,416	157,612	425,028
Operation and maintenance	152,503	129,552	282,055
General and administrative	51,952	51,951	103,903
Depreciation	241,218	35,611	276,829
Total operating expenses	713,089	374,726	1,087,815
Operating Loss	(224,697)	(154,721)	(379,418)
Nonoperating Revenue (Expense)			
Interest income	11,970	11,969	23,939
Interest expense	(112,238)	-	(112,238)
Interest received on customer assessments	100,252	-	100,252
Total nonoperating revenue (expense)	(16)	11,969	11,953
Loss - Before contributed capital	(224,713)	(142,752)	(367,465)
Contributed Capital	14,033	14,032	28,065
Net Loss	<u>\$ (210,680)</u>	<u>\$ (128,720)</u>	<u>\$ (339,400)</u>

Note 13 - Upcoming Reporting Change

For the year beginning April 1, 2004, the Township plans to adopt GASB Statement No. 34. This will dramatically revise the information being reported in these financial statements. Governmental activities will report information by individually significant fund, as well as in total on the full accrual basis of accounting. Information is not available to present pro forma data that would show the effect of this future change

Additional Information

**Alan C.
Young & Associates, P.C.**
CERTIFIED PUBLIC ACCOUNTANTS

HEADQUARTERS:
2990 W. Grand Blvd., Suite 310
Detroit, Michigan 48202

(313) 873-7500
(313) 873-7502 Fax
www.alancyoung.com

To the Members of
the Township Board
Charter Township of
Augusta, Michigan

We have audited the general purpose financial statements of the Charter Township of Augusta, Michigan for the year ended March 31, 2004. Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The additional information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of the Charter Township. The information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Alan C. Young & Asso.

July 28, 2004

Charter Township of Augusta

General Fund Schedule of Expenditures - Budget and Actual Year Ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
General Government			
Administrative	\$ 278,171	\$ 382,746	\$ (104,575)
Supervisor	19,377	19,377	-
Elections	5,191	8,497	(3,306)
Assessor	43,897	40,767	3,130
Clerk	40,369	40,429	(60)
Treasurer	43,664	43,531	133
Planning commission	3,229	2,379	850
Zoning	55	55	-
Zoning Board of Appeals	1,292	398	894
Board of Review	2,253	283	1,970
Township hall	14,930	29,876	(14,946)
Cemetery	559	559	-
	452,987	568,897	(115,910)
Public Works			
Highways and streets	90,000	47,937	42,063
Sanitation	90,000	69,518	20,482
	180,000	117,455	62,545
Total expenditures	\$ 632,987	\$ 686,352	\$ (53,365)

Charter Township of Augusta

Special Revenue Funds Combining Balance Sheet March 31, 2004

	Fire	Police	Environmental Protection	Total
Assets				
Cash and cash equivalents	\$ 104,923	\$ 107,436	\$ 241,431	\$ 453,790
Taxes receivable	1,931	1,860	-	3,791
Due from other funds	21,392	22,487	-	43,879
Total assets	<u>\$ 128,246</u>	<u>\$ 131,783</u>	<u>\$ 241,431</u>	<u>\$ 501,460</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 2,878	\$ 522	\$ -	\$ 3,400
Accrued and other liabilities	1,262	-	-	1,262
Total liabilities	4,140	522	-	4,662
Fund Balances - Unreserved - Undesignated	<u>124,106</u>	<u>131,261</u>	<u>241,431</u>	<u>496,798</u>
Total liabilities and fund balances	<u>\$ 128,246</u>	<u>\$ 131,783</u>	<u>\$ 241,431</u>	<u>\$ 501,460</u>

Charter Township of Augusta

Special Revenue Funds Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2004

	Fire	Police	Environmental Protection	Total
Revenue				
Property taxes	\$ 206,066	\$ 217,150	\$ -	\$ 423,216
Other income	<u>9,277</u>	<u>4,170</u>	<u>-</u>	<u>13,447</u>
Total revenue	215,343	221,320	-	436,663
Expenditures - Public safety	<u>182,281</u>	<u>188,656</u>	<u>-</u>	<u>370,937</u>
Excess of Revenue Over Expenditures	33,062	32,664	-	65,726
Fund Balances - Beginning of year	<u>91,044</u>	<u>98,597</u>	<u>241,431</u>	<u>431,072</u>
Fund Balances - End of year	<u>\$ 124,106</u>	<u>\$ 131,261</u>	<u>\$ 241,431</u>	<u>\$ 496,798</u>

Charter Township of Augusta

Trust and Agency Funds Combining Balance Sheet March 31, 2004

	Trust and Agency	Tax Collection	Developer	Total
Assets				
Cash and cash equivalents	\$ 944	\$ 386,489	\$ 179,026	\$ 566,459
Investments	12,419	-	-	12,419
Due from other governmental units	-	60,447	-	60,447
Total assets	<u>\$ 13,363</u>	<u>\$ 446,936</u>	<u>\$ 179,026</u>	<u>\$ 639,325</u>
Liabilities				
Due to other governmental units	\$ -	\$ 170,537	\$ -	\$ 170,537
Due to other funds	944	266,527	63,933	331,404
Accrued and other liabilities	12,419	9,872	115,093	137,384
Total liabilities	<u>\$ 13,363</u>	<u>\$ 446,936</u>	<u>\$ 179,026</u>	<u>\$ 639,325</u>

**Alan C.
Young & Associates, P.C.**
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

2990 W. Grand Blvd., Suite 310
Detroit, Michigan 48202

(313) 873-7500
(313) 873-7502 (Fax)
www.alancyoung.com

July 28, 2004

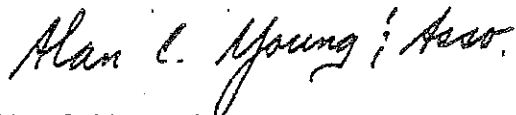
To the Township Board of Trustees of
Augusta Charter Township
Whittaker, Michigan

In planning and performing our audit of the financial statements of Augusta Charter Township (the Township) for the year ended March 31, 2004, we considered the Township's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of some matters that are opportunities for strengthening internal controls and operating efficiency. Exhibit A, which accompanies this letter, summarizes our comments and suggestions regarding those matters. This letter does not affect our report on the financial statements of the Township.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,



Alan C. Young & Associates, P.C.
Certified Public Accountants

EXHIBIT A

1) **BANK DEPOSITS**

During our audit fieldwork, we noted instances where cash and checks collected on Friday are not deposited into the bank until Monday. The cash is maintained in a safe box within the Township office where all administrative employees of the Township have access to enter the building after office hours and also over the weekend.

We recommend that cash receipts be deposited at the end of the business day, particularly on Friday. Timely bank deposits will improve the internal controls over cash receipts and will reduce the risk of theft or misuse of funds.