

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charter Township of Augusta, Michigan	County Washtenaw
Fiscal Year End 03/31/06	Opinion Date 08/28/06	Date Audit Report Submitted to State 9/29/06	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO **Check each applicable box below.** (See instructions for further detail.)
- All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - The local unit has adopted a budget for all required funds.
 - A public hearing on the budget was held in accordance with State statute.
 - The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - The local unit only holds deposits/investments that comply with statutory requirements.
 - The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - The local unit is free of repeated comments from previous years.
 - The audit opinion is UNQUALIFIED.
 - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - The board or council approves all invoices prior to payment as required by charter or statute.
 - To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input type="checkbox"/>	No items noted necessitating inclusion
Other (Describe)	<input type="checkbox"/>	
Certified Public Accountant (Firm Name) Alan C. Young & Associates, PC		Telephone Number (313) 873-7500
Street Address 2990 W. Grand Blvd, Ste, 310		City Detroit
		State MI
		Zip 48202
Authorizing CPA Signature 	Printed Name ANIL SAICHUJA	License Number 1101021118

Charter Township of Augusta Washtenaw County, Michigan

**Financial Report
with Supplemental Information
March 31, 2006**

Charter Township of Augusta

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**Alan C.
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities each major fund, and the remaining fund information of the Charter Township of Augusta, Michigan (the Township) as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities each major fund, and the remaining fund information of the Township as of March 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Augusta, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Alan C. Young; Assoc.

August 28, 2006

Charter Township of Augusta

Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of Augusta's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2006. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2006:

- The Township has continued to experience significant growth and development. The taxable value of property in the Township increased 15 percent over last year.
- Property tax revenue Township-wide increased \$106,000, all of which is attributable to the increased taxable value of property in the Township.
- The Township instituted an administrative charge to developers related to the time spent on issues related to new developments in the Township. This fee resulted in new revenue of \$17,775.
- Due to future growth expected in the Township, a new contract was signed with the Ypsilanti Community Utilities Authority ("YCUA") granting the Township a temporary leasehold right to additional capacity in the wastewater treatment plant. The contract is in effect for 15 years and results in annual rent of \$143,500. Payments for the first two years are deferred until the third year of the contract.
- The Township received a federal grant totaling approximately \$100,000 for the purchase of new fire equipment. The proceeds were used to purchase 25 new air packs and a thermal imaging camera.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Charter Township of Augusta

Management's Discussion and Analysis (Continued)

The Township as a Whole

The following table shows, in a condensed format, the net assets as of the current date (in thousands of dollars):

TABLE I

	Governmental		Business-type Activities		Total	
	Activities					
	2006	2005	2006	2005	2006	2005
Assets						
Current assets	\$ 1,178	\$ 1,055	\$ 4,215	\$ 4,019	\$ 5,393	\$ 5,074
Noncurrent assets	358	261	7,901	8,163	8,259	8,424
Total assets	1,536	1,316	12,116	12,182	13,652	13,498
Liabilities						
Current liabilities	187	291	325	134	512	425
Long-term liabilities	-	10	2,905	3,017	2,905	3,027
Total liabilities	187	301	3,230	3,151	3,417	3,452
Net Assets						
Invested in capital assets - Net of related debt	318	211	4,872	5,069	5,190	5,280
Restricted for public safety	451	333	-	-	451	333
Restricted for capital outlay	33	33	-	-	33	33
Restricted for debt service	-	-	1,986	2,054	1,986	2,054
Unrestricted	547	438	2,028	1,908	2,575	2,346
Total net assets	<u>\$ 1,349</u>	<u>\$ 1,015</u>	<u>\$ 8,886</u>	<u>\$ 9,031</u>	<u>\$ 10,235</u>	<u>\$ 10,046</u>

The Township's combined net assets increased 3 percent from a year ago - increasing from \$10,045,907 to \$10,235,259. As we look at the governmental activities separately from the business-type activities, we can see that net assets of governmental activities increased 33 percent, while those of the business-type activities decreased 2 percent.

Charter Township of Augusta

Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the current year and as compared to the prior year (in thousands of dollars):

TABLE 2

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenue						
Program revenue:						
Charges for services	\$ 364	\$ 451	\$ 877	\$ 710	\$ 1,241	\$ 1,161
Operating grants and contributions	17	28	173	-	190	28
Capital grants and contributions	101	33	330	658	431	691
General revenue:						
Property taxes	814	716	-	-	814	716
State-shared revenue	333	337	-	-	333	337
Unrestricted investment earnings	30	6	39	15	69	21
Franchise fees	19	24	-	-	19	24
Miscellaneous	14	18	7	6	21	24
Total revenue	1,692	1,613	1,426	1,389	3,118	3,002
Program Expenses						
General government	433.0	399.0	-	-	433	399
Community development	294	415	-	-	294	415
Public safety	493	437	-	-	493	437
Public works	137	208	-	-	137	208
Interest on long-term debt	1	1	-	-	1	1
Water and sewer	-	-	1,570	1,270	1,570	1,270
Total program expenses	1,358	1,460	1,570	1,270	2,928	2,730
Change in Net Assets	\$ 334	\$ 153	\$ (144)	\$ 119	\$ 190	\$ 272

Governmental Activities

Most of the Township's basic services, such as police, fire, public works, community development, and general administration are included here. Property taxes and state-shared revenues finance most of these activities.

Expenses for the Township's governmental activities totaled \$1,357,469. However, the amount the taxpayers paid for these services through property taxes was only \$813,632, or 60 percent, of expenses. The remaining costs were paid by those who directly benefited from the programs (\$363,773) or by other governments and organizations that subsidized certain programs with grants and contributions.

Public works expenses decreased from prior year by \$70,000, primarily due to a decrease in charges for drains at large by the county.

Charter Township of Augusta

Management's Discussion and Analysis (Continued)

Business-type Activities

The Township's business-type activities consist of the Utility Fund, which accounts for the water and sewer activities of the Township. Water distribution and sewage treatment is provided to residents by YCUA.

A water and sewer rate increase of approximately 4.5 percent went into effect on September 1, 2005 to help cover operating costs. Total revenue for sale of water and sewer services increased approximately \$163,000 over prior year, in part due to the increased rates, and also due to increased consumption. Total consumption billed to customers of the system increased 14 percent.

Total expenses increased approximately \$289,000 from prior year. Current year expenses include \$50,700 related to the new YCUA contract for the leasehold right to additional capacity in the wastewater plant, which was discussed in the financial highlights section. In addition, the cost of purchasing water and wastewater treatment increased \$146,000 and other operating costs increased \$126,000, primarily due to increased consumption.

The Township's Funds

Our analysis of the Township's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2006 include the General Fund, the Fire Fund, and the Police Fund.

The General Fund pays for most of the Township's governmental services. The most significant function of the General Fund is general government, which incurred expenses of approximately \$442,000. These expenses are supported primarily by general revenues such as property taxes and state-shared revenues. Another significant expenditure category is community development, which incurred expenses of approximately \$294,000 in 2006. These expenses are primarily supported by charges to developers within the Township. At March 31, 2006, \$112,000 of chargebacks to developers for cost recovery was included in deferred revenue because the receivables were not available to pay for current resources.

The General Fund had total revenues of \$866,268 and total expenses of \$883,018, resulting in a net decrease in fund balance of \$16,750.

The expenditures of the Fire and Police Funds are supported by dedicated millages. Expenditures of the Fire Fund increased by approximately \$128,000 from the prior year. The majority of the increase is due to capital outlay, which was purchased with federal grant proceeds.

The Police Fund expenditures remained level compared to the prior year.

Charter Township of Augusta

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

Total General Fund expenditures were approximately \$244,000 over budgeted amounts. The reason for the significant variance is due to community development activities. Because the Township bills developers for all of the expenditures incurred on the new developments, the community development revenues and expenditures are viewed on a "net" basis and are not budgeted for. In accordance with governmental accounting requirements, the related revenues and expenditures are reported separately. In addition, under the modified accrual method of accounting, \$112,000 of developer billings are reported as deferred revenue versus revenue because the receivables were not collected within 60 days of year end.

Looking at the budget results exclusive of the community development activity, the Township had a favorable expenditure budget variance of \$49,000, while the revenue fell short by \$47,000.

Over the course of the year, the Township amended the budget to take into account events during the year. The most significant changes were to increase the estimated expenditures of the administrative departments by \$77,600 and decrease the zoning department expenditures by \$27,000. The increase to the administrative department was the result of increased expenses of the planner and bookkeeper, while the decrease to the zoning department was an estimate revision.

Capital Asset and Debt Administration

At March 31, 2006, the Township had \$8,218,059 invested in a broad range of capital assets, including buildings, office and fire equipment, and water and sewer lines, net of accumulated depreciation. During the year ended March 31, 2006, the Township invested \$130,000 in new fire equipment, \$25,000 in vehicles, \$13,000 in new computers, and \$49,000 in new equipment for the water and sewer system.

There was no new long-term debt incurred during the year.

The Township has total long-term bonds and contractual obligations of \$3,027,374 at March 31, 2006, of which \$10,000 relates to governmental activities, while the remaining \$3,017,374 relates to business-type activities. The Township has \$1.3 million in special assessments receivable which will be collected over the remaining period of debt service for one of the outstanding bonds payable.

More detailed information concerning capital assets and long-term debt can be found in Notes 4 and 6, respectively, in the notes to the financial statements.

Charter Township of Augusta

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

The Township's budget for next year anticipates no significant increase in revenue due to a continued lull in Michigan's overall economy. Although the State's economy has been slow for three to four years, Augusta Township has sustained an average of 10 percent to 15 percent annual increase in its tax base over the same period. The overall slowdown in the real estate market is now beginning to affect the Township. It is projected the tax base shall increase approximately 11.7 percent in 2007; however, it is expected that the number of building permits issued for new construction will decrease in 2007. Subsequent to year end, the planning commission has not received any petitions to rezone and/or approve site plans for any commercial or industrial development. Short-term future growth is expected from the residential sector.

The Township's budget for next year anticipates state revenue sharing to remain neutral.

Expenditures budgeted for 2006-2007 are expected to be about the same as the prior year; however, the Township is in litigation with Washtenaw County over the costs of police services. The resolution of the litigation could necessitate a budget amendment to the Police Fund in an amount not greater than \$20,000.

YCUA, the Township's water and sewer provider, increased its water rates 9 percent and sewer rates 3 percent, respectively, effective October 1, 2006. The Township is considering a similar increase in its water and sewer rates to cover the increase from YCUA.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office, 8021 Talladay Road, P.O. Box 100, Whittaker, MI 48190.

Charter Township of Augusta

Statement of Net Assets March 31, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments (Note 2)	\$ 881,479	\$ 2,679,390	\$ 3,560,869
Receivables:			
Taxes	4,705	-	4,705
Customers	11,407	176,899	188,306
Other	123,756	76	123,832
Special assessments	-	1,330,350	1,330,350
Due from other governmental units	126,787	42,502	169,289
Prepaid expenses	14,716	-	14,716
Internal balances	14,492	(14,492)	-
Restricted assets (Note 7)	30,000	11,757	41,757
Nondepreciable capital assets (Note 4)	28,900	31,684	60,584
Depreciable capital assets - Net (Note 4)	299,500	7,857,975	8,157,475
	<u>1,535,742</u>	<u>12,116,141</u>	<u>13,651,883</u>
Total assets			
Liabilities			
Accounts payable	90,194	141,001	231,195
Accrued and other liabilities	2,815	71,464	74,279
Deferred revenue	83,776	-	83,776
Noncurrent liabilities (Note 6):			
Due within one year	10,000	112,233	122,233
Due in more than one year	-	2,905,141	2,905,141
	<u>186,785</u>	<u>3,229,839</u>	<u>3,416,624</u>
Total liabilities			
Net Assets			
Invested in capital assets - Net of related debt	318,400	4,872,285	5,190,685
Restricted for public safety	450,815	-	450,815
Restricted for fire department capital outlay	33,020	-	33,020
Restricted for debt service	-	1,986,000	1,986,000
Unrestricted	546,722	2,028,017	2,574,739
	<u>546,722</u>	<u>2,028,017</u>	<u>2,574,739</u>
Total net assets	<u>\$ 1,348,957</u>	<u>\$ 8,886,302</u>	<u>\$ 10,235,259</u>

Charter Township of Augusta

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 433,288	\$ 47,114	\$ 8,905	\$ -
Community development	293,537	291,977	-	-
Public safety	492,723	24,682	-	101,235
Public works	136,927	-	7,630	-
Interest on long-term debt	994	-	-	-
Total governmental activities	1,357,469	363,773	16,535	101,235
Business-type activities - Water and sewer	1,569,917	876,807	173,007	330,379
Total primary government	<u>\$ 2,927,386</u>	<u>\$ 1,240,580</u>	<u>\$ 189,542</u>	<u>\$ 431,614</u>

General revenues:
Property taxes
State-shared revenues
Unrestricted investment earnings
Cable franchise fees
Miscellaneous

Total general revenues

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

Statement of Activities
Year Ended March 31, 2006

Net (Expense) Revenue and Changes in Net Assets

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (377,269)	\$ -	\$ (377,269)
(1,560)	-	(1,560)
(366,806)	-	(366,806)
(129,297)	-	(129,297)
<u>(994)</u>	<u>-</u>	<u>(994)</u>
(875,926)	-	(875,926)
<u>-</u>	<u>(189,724)</u>	<u>(189,724)</u>
(875,926)	(189,724)	(1,065,650)
813,632	-	813,632
333,472	-	333,472
29,992	38,909	68,901
19,097	-	19,097
<u>13,507</u>	<u>6,393</u>	<u>19,900</u>
<u>1,209,700</u>	<u>45,302</u>	<u>1,255,002</u>
333,774	(144,422)	189,352
<u>1,015,183</u>	<u>9,030,724</u>	<u>10,045,907</u>
<u>\$ 1,348,957</u>	<u>\$ 8,886,302</u>	<u>\$ 10,235,259</u>

Charter Township of Augusta

Governmental Funds Balance Sheet March 31, 2006

	General Fund	Fire Fund	Police Fund	Nonmajor Governmental Fund - Environmental Protection	Total Governmental Funds
Assets					
Cash and investments	\$ 201,643	\$ 211,047	\$ 221,612	\$ 247,177	\$ 881,479
Receivables	125,220	13,171	1,477	-	139,868
Due from other governmental units	74,213	28,499	24,075	-	126,787
Due from other funds	19,720	-	-	-	19,720
Prepaid expenses	-	-	14,716	-	14,716
Restricted assets	30,000	-	-	-	30,000
Total assets	\$ 450,796	\$ 252,717	\$ 261,880	\$ 247,177	\$ 1,212,570
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 81,432	\$ 6,126	\$ 2,636	\$ -	\$ 90,194
Accrued and other liabilities	687	2,128	-	-	2,815
Due to other funds	-	2,612	2,612	4	5,228
Deferred revenue	197,096	13,171	1,477	-	211,744
Total liabilities	279,215	24,037	6,725	4	309,981
Fund Balances					
Reserved for capital outlay	-	33,020	-	-	33,020
Unreserved, reported in:					
General Fund	171,581	-	-	-	171,581
Special Revenue Funds	-	195,660	255,155	247,173	697,988
Total fund balances	171,581	228,680	255,155	247,173	902,589
Total liabilities and fund balances	\$ 450,796	\$ 252,717	\$ 261,880	\$ 247,177	

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds	328,400
Delinquent personal property tax receivables are expected to be collected over several years and are not available to pay for current year expenditures	4,705
Certain developer receivables are not available to pay for current year expenditures	111,856
Receivables for cost recovery on special fire runs are not available to pay for current year expenditures	11,407
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(10,000)
Net assets of governmental activities	\$ 1,348,957

Charter Township of Augusta

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2006

	General Fund	Fire Fund	Police Fund	Nonmajor Governmental Fund - Environmental Protection	Total Governmental Funds
Revenue					
Property taxes	\$ 243,340	\$ 311,485	\$ 263,275	\$ -	\$ 818,100
Licenses and permits	43,738	-	-	-	43,738
Federal grants	-	101,215	-	-	101,215
State-shared revenues	333,472	-	-	-	333,472
Charges for services	197,896	-	-	-	197,896
Interest and rentals	25,676	-	-	4,316	29,992
Other	22,146	22,597	4,447	-	49,190
	<u>866,268</u>	<u>435,297</u>	<u>267,722</u>	<u>4,316</u>	<u>1,573,603</u>
Expenditures					
Current:					
General government	441,560	-	-	-	441,560
Community development	293,537	-	-	-	293,537
Public safety	-	391,756	193,595	-	585,351
Public works	136,927	-	-	-	136,927
Debt service	10,994	-	-	-	10,994
	<u>883,018</u>	<u>391,756</u>	<u>193,595</u>	<u>-</u>	<u>1,468,369</u>
Net Change in Fund Balances	(16,750)	43,541	74,127	4,316	105,234
Fund Balances - Beginning of year	<u>188,331</u>	<u>185,139</u>	<u>181,028</u>	<u>242,857</u>	<u>797,355</u>
Fund Balances - End of year	<u><u>\$ 171,581</u></u>	<u><u>\$ 228,680</u></u>	<u><u>\$ 255,155</u></u>	<u><u>\$ 247,173</u></u>	<u><u>\$ 902,589</u></u>

Charter Township of Augusta

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2006

Net Change in Fund Balances - Total Governmental Funds	\$ 105,234
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	97,139
Delinquent personal property tax revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until they are available to pay for current year expenditures	(1,862)
Developer receivables are recorded in the statement of activities when the amount is billed; they are not reported in the funds until they are available to pay for current year expenditures	111,856
Receivables billed for cost recovery on fire runs are recorded in the statement of activities when the amount is billed; they are not reported in the funds until they are available to pay for current year expenditures	11,407
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>10,000</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 333,774</u></u>

Charter Township of Augusta

Proprietary Funds Statement of Net Assets March 31, 2006

	<u>Enterprise - Utility Fund</u>
Assets	
Current assets:	
Cash and investments	\$ 2,679,390
Receivables - Net of allowances for uncollectible amounts:	
Customers	176,899
Developers	76
Due from other governmental units	42,502
Current portion of special assessments	<u>46,753</u>
Total current assets	2,945,620
Noncurrent assets:	
Special assessments receivable - Net of current portion	1,283,597
Restricted assets	11,757
Nondepreciable capital assets	31,684
Depreciable capital assets - Net	<u>7,857,975</u>
Total noncurrent assets	<u>9,185,013</u>
Total assets	12,130,633
Liabilities	
Current liabilities:	
Accounts payable	141,001
Accrued liabilities	71,464
Due to other funds	14,492
Current portion of long-term debt	<u>112,233</u>
Total current liabilities	339,190
Noncurrent liabilities - Long-term debt - Net of current portion	<u>2,905,141</u>
Total liabilities	<u>3,244,331</u>
Net Assets	
Investment in capital assets - Net of related debt	4,872,285
Restricted for debt service	1,986,000
Unrestricted	<u>2,028,017</u>
Total net assets	<u><u>\$ 8,886,302</u></u>

Charter Township of Augusta

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended March 31, 2006

	Enterprise - Utility Fund
Operating Revenue	
Water and sewer sales	\$ 779,477
Charges for services	84,202
Other	19,521
	<hr/>
Total operating revenue	883,200
Operating Expenses	
Cost of water purchased and sewage disposal	446,040
Operation and maintenance	560,045
General and administrative	113,041
Depreciation	323,130
	<hr/>
Total operating expenses	1,442,256
Operating Loss	(559,056)
Nonoperating Revenue (Expense)	
Developer fees	173,007
Customer connection fees	242,300
Investment income	38,909
Interest received on customer assessments	88,079
Interest expense	(127,661)
	<hr/>
Change in Net Assets	(144,422)
Net Assets - Beginning of year	9,030,724
	<hr/>
Net Assets - End of year	<u>\$ 8,886,302</u>

Charter Township of Augusta

Proprietary Funds Statement of Cash Flows Year Ended March 31, 2006

	Enterprise - Utility Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 814,314
Payments to suppliers	(963,386)
Internal activity - Payments from other funds	(3,648)
Net cash used in operating activities	(152,720)
Cash Flows from Noncapital Financing Activities	
Developer contributions	173,007
Collection of connection fees	242,300
Net cash provided by noncapital financing activities	415,307
Cash Flows from Capital and Related Financing Activities	
Collection of customer assessments (principal and interest)	177,591
Purchase of capital assets	(49,462)
Principal and interest paid on capital debt	(205,001)
Deposits with YCUA for debt service	(11,757)
Net cash used in capital and related financing activities	(88,629)
Cash Flows from Investing Activities	
Interest received on investments	30,456
Purchase of investment securities	(583,783)
Proceeds from sale and maturities of investment securities	301,510
Net cash used in investing activities	(251,817)
Net Decrease in Cash and Cash Equivalents	(77,859)
Cash and Cash Equivalents - Beginning of year	1,255,457
Cash and Cash Equivalents - End of year	\$ 1,177,598
Balance Sheet Classification of Cash and Cash Equivalents	
Cash and investments	\$ 2,679,390
Less amounts classified as investments	(1,501,792)
Total cash and cash equivalents	\$ 1,177,598
Supplemental Cash Flow Information - Cash paid for interest	\$ 107,060

Charter Township of Augusta

Proprietary Funds Statement of Cash Flows (Continued) Year Ended March 31, 2006

Reconciliation of Operating Loss to Net Cash from Operating Activities

Operating loss	\$ (559,056)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	323,130
Changes in assets and liabilities:	
Customer and other receivables	(26,384)
Due to/from other funds	(3,648)
Due from other governmental units	(42,502)
Accounts payable	84,276
Accrued liabilities	<u>71,464</u>
Net cash used in operating activities	<u>\$ (152,720)</u>

Noncash Investing, Capital, and Financing Activities - During the year ended March 31, 2006, the Township incurred unrealized gains of \$8,453 due to fluctuations in the market value of investments.

Charter Township of Augusta

Fiduciary Funds Statement of Assets and Liabilities March 31, 2006

	Agency Funds
	<hr/>
Assets - Cash and investments	<u>\$ 186,422</u>
Liabilities	
Accrued and other liabilities	\$ 27,675
Due to other governmental units	<hr/> 158,747
 Total liabilities	 <u>\$ 186,422</u>

Charter Township of Augusta

**Notes to Financial Statements
March 31, 2006**

Note I - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Augusta (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

Reporting Entity

The Township is governed by an elected seven-member board. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Note I - Summary of Significant Accounting Policies (Continued)

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, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Fund - The Fire Fund accounts for the property taxes raised by the special fire millage and all the operating activities of the Township's fire department.

Police Fund - The Police Fund accounts for the property taxes raised by the special police millage and the contractual services provided by the Washtenaw County sheriff.

The Township reports the following major proprietary fund:

Utility Fund - The Utility Fund accounts for the activities of water distribution and sewage collection. Funding is provided primarily through user charges.

Charter Township of Augusta

**Notes to Financial Statements
March 31, 2006**

Note 1 - Summary of Significant Accounting Policies (Continued)

Additionally, the Township reports the following fund type:

Agency Funds - The Agency Funds account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary fund relates to charges to customers for sales and services. The Utility Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

Charter Township of Augusta

Notes to Financial Statements March 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

The Township's 2005 tax is levied and collectible on December 1, 2005 and is recognized as revenue in the year ended March 31, 2006, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2005 taxable valuation of the Township totaled \$188 million, on which taxes levied consisted of .8358 mills for operating purposes, 1.6588 mills for fire services, and 1.4013 mills for police services. This resulted in approximately \$157,000 for operating, \$311,000 for fire services, and \$263,000 for police services. These amounts are recognized in the respective General and Special Revenue Funds as tax revenue.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Capital Assets - Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Charter Township of Augusta

Notes to Financial Statements March 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Water and sewer systems	30 to 40 years
Buildings and improvements	15 to 50 years
Vehicles	5 to 10 years
Office furniture and equipment	5 to 20 years
Computers and software	3 to 5 years
Fire equipment	5 to 10 years

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - 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.

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.

Comparative Data/Reclassifications - Comparative data is not included in the Township's financial statements.

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in accordance with state statutory authority as listed above.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had approximately \$2,331,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. In addition, the Township has \$1,100,000 of negotiable certificates of deposit, which are all FDIC insured. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Charter Township of Augusta

Notes to Financial Statements March 31, 2006

Note 2 - Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
Negotiable certificates of deposit	\$ 1,099,732	11.2 months
Federal National Mortgage Association	183,389	2.1 years
Federal Home Loan Bank	397,156	1.1 years

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Negotiable certificates of deposit	\$ 1,099,732	Unrated	N/A
Federal National Mortgage Association	183,389	AAA	S&P
Federal Home Loan Bank	397,156	AAA	S&P
Bank investment pool	46,515	AAa	Moody's

Charter Township of Augusta

**Notes to Financial Statements
March 31, 2006**

Note 2 - Deposits and Investments (Continued)

Concentration of Credit Risk

The Township places no limit on the amount it may invest in any one issuer. More than 5 percent of the Township's investments are invested in the following:

Investment	Fair Value	Percent of Total Investments
Negotiable certificates of deposit:		
Bank Hapoalim	\$ 100,000	5.79
Capital One Bank	100,000	5.79
Choice One Bank Sparta Michigan	97,697	5.66
Michigan Heritage Bank Novi	97,257	5.63
Community Cent Bank Mt. Clemens	97,647	5.65
Summit Community East Lansing Michigan	96,996	5.62
Standard Federal Bank Troy	98,303	5.69
Community Shores Bank Muskegon	96,787	5.61
Bank Holland Michigan	96,271	5.58
First Community Bank Harbor Springs	95,028	5.50
Main Street Bank Northville Michigan	98,746	5.72

Charter Township of Augusta

Notes to Financial Statements March 31, 2006

Note 3 - Receivables and Deferred Revenue

Receivables as of year end, including the applicable allowances for uncollectible accounts, are as follows:

	Major Funds				Total
	Governmental Funds			Proprietary Fund	
	General Fund	Fire Fund	Police Fund	Utility Fund	
Receivables:					
Taxes	\$ 1,464	\$ 1,764	\$ 1,477	\$ -	\$ 4,705
Customers	-	-	-	176,899	176,899
Developers	123,756	-	-	72,361	196,117
Cost recovery	-	11,407	-	-	11,407
Special assessments	-	-	-	1,330,350	1,330,350
Intergovernmental	74,213	28,499	24,075	42,502	169,289
Less allowance for uncollectibles	-	-	-	(72,285)	(72,285)
Net receivables	<u>\$ 199,433</u>	<u>\$ 41,670</u>	<u>\$ 25,552</u>	<u>\$ 1,549,827</u>	<u>\$ 1,816,482</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds and governmental activities also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Governmental Funds			Governmental Activities
	Unavailable	Unearned	Total	Unearned
Delinquent property taxes	\$ 4,705	\$ -	\$ 4,705	\$ -
Developer receivables	111,856	83,776	195,632	83,776
Fire cost recovery receivables	11,407	-	11,407	-
Total	<u>\$ 127,968</u>	<u>\$ 83,776</u>	<u>\$ 211,744</u>	<u>\$ 83,776</u>

Charter Township of Augusta

Notes to Financial Statements March 31, 2006

Note 4 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance April 1, 2005	Additions	Disposals and Adjustments	Balance March 31, 2006
Governmental Activities				
Capital assets not being depreciated -				
Land	\$ 28,900	\$ -	\$ -	\$ 28,900
Capital assets being depreciated:				
Buildings and improvements	95,547	-	-	95,547
Office furniture and equipment	40,487	2,500	-	42,987
Computers and software	27,388	12,978	(18,805)	21,561
Vehicles	1,058,463	25,527	-	1,083,990
Fire equipment	124,904	130,286	-	255,190
Subtotal	1,346,789	171,291	(18,805)	1,499,275
Accumulated depreciation:				
Buildings and improvements	67,547	2,000	-	69,547
Office furniture and equipment	28,809	3,754	-	32,563
Computers and software	22,175	1,452	(15,044)	8,583
Vehicles	915,195	33,191	-	948,386
Fire equipment	110,702	29,994	-	140,696
Subtotal	1,144,428	70,391	(15,044)	1,199,775
Net capital assets being depreciated	202,361	100,900	(3,761)	299,500
Net capital assets	\$ 231,261	\$ 100,900	\$ (3,761)	\$ 328,400

Charter Township of Augusta

Notes to Financial Statements March 31, 2006

Note 4 - Capital Assets (Continued)

Business-type Activities	Balance April 1, 2005	Additions	Disposals and Adjustments	Balance March 31, 2006
Capital assets not being depreciated -				
Land	\$ 31,684	\$ -	\$ -	\$ 31,684
Capital assets being depreciated:				
Water system	8,504,243	-	-	8,504,243
Sewer system	2,479,328	-	-	2,479,328
Water meters and equipment	613,067	49,462	-	662,529
Bond issuance costs	50,064	-	-	50,064
Subtotal	11,646,702	49,462	-	11,696,164
Accumulated depreciation:				
Water system	2,437,612	212,606	(1,584)	2,648,634
Sewer system	891,608	70,545	-	962,153
Water meters and equipment	169,914	38,727	1,584	210,225
Bond issuance costs	15,925	1,252	-	17,177
Subtotal	3,515,059	323,130	-	3,838,189
Net capital assets being depreciated	8,131,643	(273,668)	-	7,857,975
Net capital assets	<u>\$ 8,163,327</u>	<u>\$ (273,668)</u>	<u>\$ -</u>	<u>\$ 7,889,659</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 7,206
Public safety	63,185
Total governmental activities	<u>\$ 70,391</u>
Business-type activities:	
Water	\$ 252,585
Sewer	70,545
Total business-type activities	<u>\$ 323,130</u>

Charter Township of Augusta

Notes to Financial Statements March 31, 2006

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Utility Fund	\$ 14,492
General Fund	Fire Fund	2,612
General Fund	Police Fund	2,612
General Fund	Environmental Protection	4
Total		<u>\$ 19,720</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Note 6 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township; the Township does not have any general obligation bonds at March 31, 2006. Contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service; the Township does not have any revenue bonds outstanding at March 31, 2006.

Charter Township of Augusta

Notes to Financial Statements March 31, 2006

Note 6 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental Activities						
Installment purchase agreement - Modular meeting hall Amount of issue: \$30,000 Maturing December 31, 2006	5.550%	\$10,000	\$ 20,000	\$ (10,000)	\$ 10,000	\$ 10,000
Business-type Activities						
Special assessment bonds: 1995 special assessment bonds Amount of issue: \$3,094,000 Maturing April 1, 2035	5.125%	\$68,000 - \$69,000	2,054,000	(68,000)	1,986,000	68,000
YCUA contractual obligations - Maturing through 2033	3.00% - 5.350%	\$24,790 - \$52,293	1,040,714	(9,340)	1,031,374	44,233
Total business-type activities			3,094,714	(77,340)	3,017,374	112,233
Total governmental and business-type activities			\$ 3,114,714	\$ (87,340)	\$ 3,027,374	\$ 122,233

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 10,000	\$ 421	\$ 10,421	\$ 112,233	\$ 136,543	\$ 248,776
2008	-	-	-	110,192	147,065	257,257
2009	-	-	-	92,790	142,160	234,950
2010	-	-	-	94,250	137,500	231,750
2011	-	-	-	95,580	132,754	228,334
2012-2016	-	-	-	500,432	589,973	1,090,405
2017-2021	-	-	-	535,835	458,470	994,305
2022-2026	-	-	-	564,557	318,615	883,172
2027-2031	-	-	-	564,535	170,442	734,977
2032-2036	-	-	-	346,970	39,422	386,392
Total	\$ 10,000	\$ 421	\$ 10,421	\$ 3,017,374	\$ 2,272,944	\$ 5,290,318

Charter Township of Augusta

Notes to Financial Statements March 31, 2006

Note 7 - Restricted Assets

The balances of restricted asset accounts are as follows:

	Governmental Activities	Business-type Activities
Collateral on installment purchase agreement	\$ 30,000	\$ -
Deposits held at YCUA for debt service paid in advance	-	11,757
Total	<u>\$ 30,000</u>	<u>\$ 11,757</u>

Note 8 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance through the MCM Group for employee injuries and accidental death claims and participates in the Michigan Townships Participating Plan for claims relating to property loss, torts, and errors and omissions. The 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.

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 9 - Defined Contribution Pension Plan

The 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. Employees are eligible to participate from the date of employment. As established by the Township board, the Township contributes 15 percent of employees' gross earnings, which is immediately vested. Employee contributions are not required.

During the year ended March 31, 2006, the Township incurred an expense of approximately \$21,200, of which approximately \$4,900 was recorded as a liability as of March 31, 2006 and paid to the pension plan subsequent to year end.

Charter Township of Augusta

Notes to Financial Statements March 31, 2006

Note 10 - Commitments

During the current year, the Township entered into a contract with Ypsilanti Community Utilities Authority ("YCUA") to obtain a temporary leasehold right for additional capacity in the wastewater treatment plant. The first two payments under the agreement are deferred until the third year of the contract. Future minimum lease payments under this agreement are as follows:

Years Ending March 31	Amount
2007	\$ -
2008	164,493
2009	206,478
2010-2014	948,421
2015-2019	717,500
2020	143,500
Total	<u>\$ 2,180,392</u>

Required Supplemental Information

Charter Township of Augusta

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget - Favorable (Unfavorable)
Revenue				
Property taxes	\$ 208,000	\$ 216,654	\$ 243,340	\$ 26,686
Licenses and permits	46,850	45,597	43,738	(1,859)
State-shared revenues	335,100	335,100	333,472	(1,628)
Interest and rentals	2,000	21,559	25,676	4,117
Charges for services	-	14,568	197,896	183,328
Reimbursements	172,344	172,344	107,930	(64,414)
Other	11,300	17,437	22,146	4,709
Total revenue	775,594	823,259	974,198	150,939
Expenditures				
Current:				
General government:				
Administrative	260,795	338,394	331,682	6,712
Supervisor	25,836	25,910	19,451	6,459
Elections	12,309	12,592	7,833	4,759
Assessor	48,650	49,361	51,484	(2,123)
Clerk	55,912	52,076	44,810	7,266
Treasurer	55,152	53,893	46,723	7,170
Planning commission	4,306	3,806	3,604	202
Zoning	45,000	17,967	26,429	(8,462)
Zoning Board of Appeals	1,292	700	700	-
Board of Review	540	540	727	(187)
Township hall	12,750	12,367	16,047	(3,680)
Cemetery	250	-	-	-
Total general government	522,792	567,606	549,490	18,116
Community development	-	1,360	293,537	(292,177)
Public works:				
Highways and streets	81,500	81,500	73,239	8,261
County drains	85,000	85,000	63,688	21,312
Total public works	166,500	166,500	136,927	29,573
Debt service	11,500	10,994	10,994	-
Total expenditures	700,792	746,460	990,948	(244,488)
Net Change in Fund Balance	74,802	76,799	(16,750)	(93,549)
Fund Balance - Beginning of year	188,331	188,331	188,331	-
Fund Balance - End of year	\$ 263,133	\$ 265,130	\$ 171,581	\$ (93,549)

Charter Township of Augusta

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended March 31, 2006

	Fire Fund			
	Original Budget	Amended Budget	Actual	Variance with Amended Budget - Favorable (Unfavorable)
Revenue				
Property taxes	\$ 315,000	\$ 315,000	\$ 311,485	\$ (3,515)
Federal grants	-	98,280	101,215	2,935
Other	7,500	7,500	22,597	15,097
Total revenue	322,500	420,780	435,297	14,517
Expenditures - Public safety	297,149	404,475	391,756	12,719
Net Change in Fund Balance	25,351	16,305	43,541	27,236
Fund Balance - Beginning of year	185,139	185,139	185,139	-
Fund Balance - End of year	\$ 210,490	\$ 201,444	\$ 228,680	\$ 27,236

Charter Township of Augusta

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Year Ended March 31, 2006

	Police Fund			Variance with Amended Budget - Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
Revenue				
Property taxes	\$ 266,000	\$ 266,000	\$ 263,275	\$ (2,725)
Other	7,500	3,642	4,447	805
Total revenue	273,500	269,642	267,722	(1,920)
Expenditures - Public safety	237,149	225,510	193,595	31,915
Net Change in Fund Balance	36,351	44,132	74,127	29,995
Fund Balance - Beginning of year	181,028	181,028	181,028	-
Fund Balance - End of year	<u>\$ 217,379</u>	<u>\$ 225,160</u>	<u>\$ 255,155</u>	<u>\$ 29,995</u>

Charter Township of Augusta

Note to Required Supplemental Information March 31, 2006

Note - Budgetary Information

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds with the following exception:

- Reimbursements from other funds have been included in revenue, rather than a reduction of expenses.

The budgetary comparison schedule is presented on the same basis of accounting used in preparing the adopted budget. Following is a reconciliation of the budgetary comparison schedule to the operating statement (statement of revenue, expenditures, and changes in fund balance):

	General Fund	
	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 866,268	\$ 883,018
Reimbursements from other funds recorded as revenue	<u>107,930</u>	<u>107,930</u>
Amounts per budgetary comparison schedule	<u>\$ 974,198</u>	<u>\$ 990,948</u>

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 fiscal year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2006 has not been calculated.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the line item level.

Charter Township of Augusta

Note to Required Supplemental Information March 31, 2006

Note - Budgetary Information (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Township incurred expenditures that were in excess of the amounts budgeted, as follows:

	Budget	Actual
General Fund		
Dog License Fee	\$ -	\$ 31
Payroll Processing Expense	1,258	1,326
Pension Plan Expense	20,000	21,190
Life Insurance Expense	571	658
Office/Operating Supplies	8,329	10,892
Postage	3,826	3,856
Archives Rental Space	1,329	1,770
Recycling	3,300	3,680
Legal Fees	25,000	25,878
Training	-	15
Contractual Services/Labor	10,000	11,400
Neighborhood Watch	-	24
Telephone	4,500	5,792
Printing/Photocopies	-	58
Legal Notices	5,100	6,160
Postage Machine Rental	821	990
Tax Chargebacks	200	250
Office/Operating Supplies	691	2,993
Contractual Services (Labor)	-	2,523
Legal Notices	-	102
Assessor	46,000	48,129
Contractual Services (Labor)	-	950
Dues	85	160
Travel/Mileage	200	211
Maintenance - Township Hall	-	2,762
Sewer	185	196
Gas/Heat	1,400	1,619
Electric	4,000	4,252
Street Lights	5,600	6,046
Contractual Services/Labor	17,967	26,429
Board of Review Salaries	500	675
SS/Medicare Employer Expense	40	52
Dust Control	42,000	61,610
Private Road Expense	-	11,629
Prelim. Meeting Expense - Developer	1,360	1,560
Bellemeade Site Condo Dev Exp	-	4,816
Lincoln Farms Dev Exp	-	143
Lincoln Pines I & II Dev Exp	-	3,307
Lombardo Rezoning Dev Exp	-	66,056

Charter Township of Augusta

Note to Required Supplemental Information March 31, 2006

Note - Budgetary Information (Continued)

	Budget	Actual
General Fund (Continued)		
Augusta on the Lake	\$ -	\$ 11,242
Phoenix Homes	-	26,697
Augusta Farms	-	66,518
Cook - Eagles Landing Project	-	3,284
Augusta Crossings	-	7,811
Noah's Ark Veterinarian Hospital	-	458
Bunyea Site Plan	-	2,699
EQ Site/Lombardo	-	600
ITC/Substation	-	300
Prelim. Engineering Sewer & Water	-	80,322
Autumn Park (Augusta Park - McKeen Rd)	-	8,105
Hog Wild Archery	-	30
Mitchell Storage	-	2,343
Kensington Park Investment Co. LLC	-	6,863
Leonard Archery	-	120
Beautiful Gate Church	-	263
Fire Fund		
Fire Chief's Salary	6,000	6,099
Firefighters' Wages	90,000	91,906
Payroll Processing Expense	1,200	1,242
SS/Medicare Employer Expense	8,201	8,207
Life Insurance Expense	1,200	1,325
Turn Out Gear	11,000	11,194
Uniforms	2,000	2,193
Vehicle Fuel	5,943	6,912
Maintenance - Fire Hall	14,030	14,702
Maintenance - Radios	1,806	2,394
Contract Physicals/Vaccinations	1,742	1,874
Telephone - Pagers	3,000	3,021
HVA Dispatch	3,740	5,029
Sewer	300	342
Water	250	252
Gas//Heat	2,500	2,758
Electric	1,700	1,796
Equipment	12,324	13,535
Police Fund		
Legal Fees	6,000	7,838

Other Supplemental Information

Charter Township of Augusta

Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds March 31, 2006

	Trust and Agency	Tax Collection	Total
Assets - Cash and investments	<u>\$ 13,269</u>	<u>\$ 173,153</u>	<u>\$ 186,422</u>
Liabilities			
Accrued and other liabilities	\$ 13,269	\$ 14,406	\$ 27,675
Due to other governmental units	<u>-</u>	<u>158,747</u>	<u>158,747</u>
Total liabilities	<u>\$ 13,269</u>	<u>\$ 173,153</u>	<u>\$ 186,422</u>