

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

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, Michigan	County Washtenaw
Audit Date 03/31/05	Opinion Date 08/26/05	Date Accountant Report Submitted To State: 09/30/05	

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.

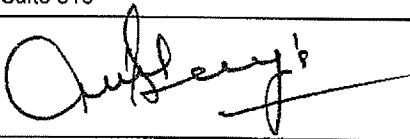
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> 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. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> 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]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> 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). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> 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). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> 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.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): ALAN C. YOUNG & ASSOCIATES			
Street Address 2990 W. Grand Blvd., Suite 310	City Detroit	State MI	ZIP 48202-3041
Accountant Signature 			

Charter Township of Augusta Washtenaw County, Michigan

**Financial Report
with Supplemental Information
March 31, 2005**

Charter Township of Augusta

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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 basic 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, 2005, 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, 2005 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.

As described in Note 11, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments," as of April 1, 2004.

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.

**Independent Auditors' Report
(Continued)**

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 26, 2005

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, 2005. 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, 2005:

- The Township has continued to experience significant growth and development. The taxable value of property in the Township increased 11 percent over last year.
- Property tax revenue Township-wide increased \$108,000. The portion of the increase attributable to the increased taxable value of property in the Township was \$63,000, while the remaining increase was due to a voted millage rate increase for the fire department.
- The General Fund charged a fee to the other funds of the Township to capture administrative costs and overhead. This is a new charge in the current year, which resulted in approximately \$114,800 of reimbursements from other funds of the Township. The Utility Fund paid \$82,000, while the Fire and Police Funds paid \$16,400 each.
- Due to the continued growth in the Township, excess capacity in the Ypsilanti Community Utilities Authority ("YCUA") sewage treatment plant was purchased, allowing a greater amount of wastewater disposal services. The new contract results in an 86 percent increase in capacity than the previous contract. The result of the new contract is a capital asset and long-term contractual obligation totaling \$1,040,714.

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). Prior year amounts are not available since this is the first year of implementing GASB No. 34.

TABLE I

	Governmental Activities	Business-type Activities	Total
Assets			
Current assets	\$ 1,055	\$ 4,019	\$ 5,074
Noncurrent assets	261	8,163	8,424
Total assets	1,316	12,182	13,498
Liabilities			
Current liabilities	291	134	425
Long-term liabilities	10	3,017	3,027
Total liabilities	301	3,151	3,452
Net Assets			
Invested in capital assets - Net of related debt	211	5,069	5,280
Restricted for public safety	333	-	333
Restricted for capital outlay	33	-	33
Restricted for debt service	-	2,054	2,054
Unrestricted	438	1,908	2,346
Total net assets	<u>\$ 1,015</u>	<u>\$ 9,031</u>	<u>\$ 10,046</u>

The Township's combined net assets increased 3 percent from a year ago - increasing from \$9,774,305 to \$10,045,907. As we look at the governmental activities separately from the business-type activities, we can see net assets increased 18 percent and 1 percent, respectively, from the prior year.

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). Prior year amounts are not available since this is the first year of implementing GASB No. 34.

TABLE 2

	Governmental Activities	Business-type Activities	Total
Revenue			
Program revenue:			
Charges for services	\$ 451	\$ 710	\$ 1,161
Operating grants and contributions	28	-	28
Capital grants and contributions	33	658	691
General revenue:			
Property taxes	716	-	716
State-shared revenue	337	-	337
Unrestricted investment earnings	6	15	21
Franchise fees	24	-	24
Miscellaneous	18	6	24
Total revenue	1,613	1,389	3,002
Program Expenses			
General government	399	-	399
Community development	415	-	415
Public safety	437	-	437
Public works	208	-	208
Interest on long-term debt	1	-	1
Water and sewer	-	1,270	1,270
Total program expenses	1,460	1,270	2,730
Change in Net Assets	\$ 153	\$ 119	\$ 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 \$1,459,649. However, the amount the taxpayers paid for these services through property taxes was only \$715,682, or 49 percent, of expenses. The remaining costs were paid by those who directly benefited from the programs (\$451,404) or by other governments and organizations that subsidized certain programs with grants and contributions.

Charter Township of Augusta

Management's Discussion and Analysis (Continued)

As this is the first year of implementation of GASB No. 34, comparative information on a government-wide basis is not available for the year ended March 31, 2005. Comparative information will be presented in the management's discussion and analysis for the period ending March 31, 2006.

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.

Operating revenue remained relatively static from the prior year, while operating expenses increased 7 percent, resulting in a current year operating loss of \$445,000. Although there was an operating loss, the total net assets of the business-type activities increased approximately \$119,000 during the current year, primarily due to capital contributions from new developments in the Township.

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 2005 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 is community development, which incurred expenses of approximately \$415,000 in 2005. These expenses are fully supported by charges to developers within the Township. Another significant function of the General Fund is general government, which incurred expenses of approximately \$407,000. These expenses are supported primarily by general revenues such as property taxes and state-shared revenues.

The General Fund had total revenues of \$1,040,246 and total expenses of \$1,041,292, resulting in a net decrease in fund balance of \$1,046.

The expenditures of the Fire and Police Funds are supported by dedicated millages. The expenditures of the Fire Fund increased by approximately \$82,000 from the prior year. The majority of the increase is due to capital outlay incurred to refurbish one of the Township's fire trucks.

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

General Fund expenditures were approximately \$19,000 over budgeted amounts; however, due to revenues coming in higher than expected, the General Fund's fund balance decrease was minimal.

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 and township hall departments by \$35,000 and \$25,000, respectively. The increase to the administrative department was the result of increased expenses of the planner, while the increase to the township hall department was the result of expected expenditures related to the addition of a modular office unit.

Capital Asset and Debt Administration

At March 31, 2005, the Township had \$8,394,588 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, 2005, the Township invested \$143,000 in new water meters and equipment and completed a \$30,000 project to add a modular office unit on to the Township Hall. In addition, the Township entered into a contract with YCUA to purchase excess capacity in their sewage treatment plant, resulting in a fixed asset of \$1,040,714.

The Township added approximately \$1 million to its debt burden during the current year by entering into the contract with YCUA, as noted in the preceding paragraph. Based on the terms of the contract, the payments on this obligation do not begin until January 2006.

The Township has total long-term bonds and contractual obligations of \$3,114,714 at March 31, 2005, of which \$20,000 relates to governmental activities, while the remaining \$3,094,714 relates to business-type activities. The Township has \$1.4 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.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for next year calls for a freeze on property tax rates. This can be accomplished because of the continued growth in our tax base. In addition, because of the condition of the State's economy, the budget provides for a static level of state revenue sharing.

A water and sewer rate increase of approximately 4.5 percent will go into effect on September 1, 2005 to help cover operating costs. In addition, the Township intends to purchase additional capacity in the YCUA sewage disposal system, which will result in additional fixed assets and long-term debt in the business-type activities.

Charter Township of Augusta

Management's Discussion and Analysis (Continued)

Expenditures are budgeted to be about the same as this year; however, the Township will be negotiating a new contract with the County for police services. Depending on the results of those negotiations, a budget amendment may be necessary.

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, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments (Note 2)	\$ 978,338	\$ 2,466,523	\$ 3,444,861
Receivables:			
Taxes	6,567	-	6,567
Customers	-	150,591	150,591
Special assessments	-	1,419,862	1,419,862
Due from other governmental units	51,424	-	51,424
Internal balances	18,140	(18,140)	-
Restricted assets (Note 7)	30,000	-	30,000
Nondepreciable capital assets (Note 4)	28,900	31,684	60,584
Depreciable capital assets - Net (Note 4)	202,361	8,131,643	8,334,004
Total assets	1,315,730	12,182,163	13,497,893
Liabilities			
Accounts payable	277,553	56,725	334,278
Accrued and other liabilities	2,994	-	2,994
Noncurrent liabilities (Note 6):			
Due within one year	10,000	77,340	87,340
Due in more than one year	10,000	3,017,374	3,027,374
Total liabilities	300,547	3,151,439	3,451,986
Net Assets			
Invested in capital assets - Net of related debt	211,261	5,068,613	5,279,874
Restricted for public safety	333,167	-	333,167
Restricted for fire department capital outlay	33,000	-	33,000
Restricted for debt service	-	2,054,000	2,054,000
Unrestricted	437,755	1,908,111	2,345,866
Total net assets	\$ 1,015,183	\$ 9,030,724	\$ 10,045,907

Charter Township of Augusta

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 398,828	\$ 25,631	\$ 2,606	\$ -
Community development	414,661	414,661	-	-
Public safety	436,848	11,112	6,359	33,000
Public works	207,831	-	18,477	-
Interest on long-term debt	1,481	-	-	-
Total governmental activities	1,459,649	451,404	27,442	33,000
Business-type activities - Water and sewer	1,270,000	709,654	-	658,682
Total primary government	<u>\$ 2,729,649</u>	<u>\$ 1,161,058</u>	<u>\$ 27,442</u>	<u>\$ 691,682</u>

General revenues:
 Property taxes
 State-shared revenues
 Unrestricted investment earnings
 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, 2005

Net (Expense) Revenue and Changes in Net Assets

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (370,591)	\$ -	\$ (370,591)
-	-	-
(386,377)	-	(386,377)
(189,354)	-	(189,354)
(1,481)	-	(1,481)
(947,803)	-	(947,803)
-	98,336	98,336
(947,803)	98,336	(849,467)
715,682	-	715,682
336,958	-	336,958
6,263	14,653	20,916
23,476	-	23,476
18,049	5,988	24,037
1,100,428	20,641	1,121,069
152,625	118,977	271,602
862,558	8,911,747	9,774,305
<u>\$ 1,015,183</u>	<u>\$ 9,030,724</u>	<u>\$ 10,045,907</u>

Charter Township of Augusta

Governmental Funds Balance Sheet March 31, 2005

	General Fund	Fire Fund	Police Fund	Nonmajor Governmental Fund - Environmental Protection	Total Governmental Funds
Assets					
Cash and investments	\$ 350,211	\$ 199,176	\$ 186,094	\$ 242,857	\$ 978,338
Receivables	2,194	2,332	2,041	-	6,567
Due from other governmental units	51,424	-	-	-	51,424
Due from other funds	22,526	-	-	-	22,526
Restricted assets	30,000	-	-	-	30,000
Total assets	\$ 456,355	\$ 201,508	\$ 188,135	\$ 242,857	\$ 1,088,855
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 265,830	\$ 8,850	\$ 2,873	\$ -	\$ 277,553
Accrued and other liabilities	-	2,994	-	-	2,994
Due to other funds	-	2,193	2,193	-	4,386
Deferred revenue	2,194	2,332	2,041	-	6,567
Total liabilities	268,024	16,369	7,107	-	291,500
Fund Balances					
Reserved for capital outlay	-	33,000	-	-	33,000
Unreserved, reported in:					
General Fund	188,331	-	-	-	188,331
Special Revenue Funds	-	152,139	181,028	242,857	576,024
Total fund balances	188,331	185,139	181,028	242,857	797,355
Total liabilities and fund balances	\$ 456,355	\$ 201,508	\$ 188,135	\$ 242,857	

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	\$ 231,261
Delinquent personal property tax receivables are expected to be collected over several years and are not available to pay for current year expenditures	6,567
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(20,000)
Net assets of governmental activities	\$ 1,015,183

Charter Township of Augusta

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2005

	General Fund	Fire Fund	Police Fund	Nonmajor Governmental Fund - Environmental Protection	Total Governmental Funds
Revenue					
Property taxes	\$ 203,181	\$ 275,788	\$ 232,752	\$ -	\$ 711,721
Licenses and permits	44,950	-	-	-	44,950
Federal grants	-	6,359	-	-	6,359
State-shared revenues	336,958	-	-	-	336,958
Charges for services	414,661	-	-	-	414,661
Interest and rentals	4,837	-	-	1,426	6,263
Other	35,659	43,078	6,058	-	84,795
	<u>1,040,246</u>	<u>325,225</u>	<u>238,810</u>	<u>1,426</u>	<u>1,605,707</u>
Total revenue					
Expenditures					
Current:					
General government	407,319	-	-	-	407,319
Community development	414,661	-	-	-	414,661
Public safety	-	264,193	189,043	-	453,236
Public works	207,831	-	-	-	207,831
Debt service	11,481	-	-	-	11,481
	<u>1,041,292</u>	<u>264,193</u>	<u>189,043</u>	<u>-</u>	<u>1,494,528</u>
Total expenditures					
Excess of Revenue Over (Under)					
Expenditures	(1,046)	61,032	49,767	1,426	111,179
Fund Balances - Beginning of year	<u>189,377</u>	<u>124,107</u>	<u>131,261</u>	<u>241,431</u>	<u>686,176</u>
Fund Balances - End of year	<u>\$ 188,331</u>	<u>\$ 185,139</u>	<u>\$ 181,028</u>	<u>\$ 242,857</u>	<u>\$ 797,355</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, 2005

Net Change in Fund Balances - Total Governmental Funds	\$ 111,179
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	24,879
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 collected or collectible within 60 days of year end	6,567
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>\$ 152,625</u>

Charter Township of Augusta

Proprietary Funds Statement of Net Assets March 31, 2005

	<u>Enterprise - Utility Fund</u>
Assets	
Current assets:	
Cash and investments	\$ 2,466,523
Receivables:	
Customers	150,591
Current portion of special assessments	<u>48,093</u>
Total current assets	2,665,207
Noncurrent assets:	
Special assessments receivable - Net of current portion	1,371,769
Nondepreciable capital assets	31,684
Depreciable capital assets - Net	<u>8,131,643</u>
Total noncurrent assets	<u>9,535,096</u>
Total assets	12,200,303
Liabilities	
Current liabilities:	
Accounts payable	56,725
Due to other funds	18,140
Current portion of long-term debt	<u>77,340</u>
Total current liabilities	152,205
Noncurrent liabilities - Long-term debt - Net of current portion	<u>3,017,374</u>
Total liabilities	<u>3,169,579</u>
Net Assets	
Investment in capital assets - Net of related debt	5,068,613
Restricted for debt service	2,054,000
Unrestricted	<u>1,908,111</u>
Total net assets	<u>\$ 9,030,724</u>

Charter Township of Augusta

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended March 31, 2005

	Enterprise - Utility Fund
Operating Revenue	
Water and sewer sales	\$ 616,091
Charges for services	83,394
Other	<u>16,157</u>
Total operating revenue	715,642
Operating Expenses	
Cost of water purchased and sewage disposal	300,264
Operation and maintenance	433,987
General and administrative	127,900
Depreciation	<u>299,096</u>
Total operating expenses	<u>1,161,247</u>
Operating Loss	(445,605)
Nonoperating Revenue (Expense)	
Investment income	14,653
Interest expense	(108,753)
Interest received on customer assessments	<u>93,389</u>
Loss - Before contributions	(446,316)
Capital Contributions - Connection and tap-in fees	<u>565,293</u>
Change in Net Assets	118,977
Net Assets - Beginning of year	<u>8,911,747</u>
Net Assets - End of year	<u><u>\$ 9,030,724</u></u>

Charter Township of Augusta

Proprietary Funds Statement of Cash Flows Year Ended March 31, 2005

	Enterprise - Utility Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 705,433
Payments to suppliers	(966,766)
Internal activity - Payments from other funds	<u>245,010</u>
Net cash used in operating activities	(16,323)
Cash Flows from Capital and Related Financing Activities	
Collection of customer assessments (principal and interest)	189,141
Purchase of capital assets	(143,330)
Principal and interest paid on capital debt	(176,753)
Collection of connection fees	<u>565,293</u>
Net cash provided by capital and related financing activities	434,351
Cash Flows from Investing Activities	
Interest received on investments	30,830
Purchase of investment securities	(829,473)
Proceeds from sale and maturities of investment securities	<u>504,791</u>
Net cash used in investing activities	<u>(293,852)</u>
Net Increase in Cash and Cash Equivalents	124,176
Cash and Cash Equivalents - Beginning of year	<u>1,131,281</u>
Cash and Cash Equivalents - End of year	<u>\$ 1,255,457</u>
Balance Sheet Classification of Cash and Cash Equivalents	
Cash and investments	\$ 2,466,523
Less amounts classified as investments (Note 2)	<u>(1,211,066)</u>
Total cash and cash equivalents	<u>\$ 1,255,457</u>
Supplemental Cash Flow Information - Cash paid for interest	<u>\$ 108,753</u>

Charter Township of Augusta

Proprietary Funds Statement of Cash Flows (Continued) Year Ended March 31, 2005

Reconciliation of Operating Income to Net Cash from Operating Activities

Operating loss	\$ (445,605)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	299,096
Changes in assets and liabilities:	
Customer and other receivables	(10,209)
Due to/from other funds	245,010
Accounts payable	<u>(104,615)</u>
Net cash used in operating activities	<u>\$ (16,323)</u>

Noncash Investing, Capital, and Financing Activities - During the year ended March 31, 2005, the Township incurred unrealized losses of \$16,177 due to fluctuations in the market value of investments. In addition, the Township entered into a contractual obligation with YCUA, which resulted in a fixed asset and related long-term liability totaling \$1,040,714.

Charter Township of Augusta

Fiduciary Funds Statement of Assets and Liabilities March 31, 2005

	Agency Funds
Assets	
Cash and investments	\$ 128,292
Due from other governmental units	<u>86,099</u>
Total assets	<u>\$ 214,391</u>
Liabilities	
Accrued and other liabilities	\$ 28,303
Due to other governmental units	180,693
Cash bonds and deposits	<u>5,395</u>
Total liabilities	<u>\$ 214,391</u>

Charter Township of Augusta

**Notes to Financial Statements
March 31, 2005**

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.

Charter Township of Augusta

**Notes to Financial Statements
March 31, 2005**

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 funds:

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, 2005**

Note I - 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, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

The Township's 2004 tax is levied and collectible on December 1, 2004 and is recognized as revenue in the year ended March 31, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2004 taxable valuation of the Township totaled \$163 million, on which taxes levied consisted of .8597 mills for operating purposes, 1.7063 mills for fire services, and 1.4414 mills for police services. This resulted in approximately \$140,000 for operating, \$278,000 for fire services, and \$235,000 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, 2005

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 10 years
Computers and software	3 to 5 years
Fire equipment	5 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.

Charter Township of Augusta

Notes to Financial Statements March 31, 2005

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 local unit 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 the State statutory authority as listed above.

The Township's deposits and investment policies are in accordance with statutory authority.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Cash and investments	\$ 978,338	\$ 2,466,523	\$ 128,292	\$ 3,573,153
Restricted assets	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
Total	<u>\$ 1,008,338</u>	<u>\$ 2,466,523</u>	<u>\$ 128,292</u>	<u>\$ 3,603,153</u>

The breakdown between deposits and investments for the Township is as follows:

Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 2,950,407
Investments in securities, mutual funds, and similar vehicles	652,496
Petty cash or cash on hand	<u>250</u>
Total	<u>\$ 3,603,153</u>

Charter Township of Augusta

**Notes to Financial Statements
March 31, 2005**

Note 2 - Deposits and Investments (Continued)

Deposits

The bank balance of the Township's deposits is \$3,180,609, of which approximately \$893,000 is covered by federal depository insurance. The remainder was uninsured and uncollateralized. 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 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

Investments are categorized into these three categories of credit risk:

Category 1 - Insured or registered, with securities held by the Township or its agent in the Township's name;

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name; and

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

At year end, the Township's investments consisted of \$399,725 of U.S. government securities, which are a Category 2 investment, and \$252,771 of mutual funds. Investments not subject to categorization are not evidenced by securities that exist in physical or book entry form. Mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The mutual funds are registered with the SEC.

The U.S. government securities held at March 31, 2005 are obligations 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.

Charter Township of Augusta

Notes to Financial Statements March 31, 2005

Note 3 - Deferred Revenue

Governmental funds report deferred revenue of \$6,567 in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenue consisted of delinquent personal property taxes which are unavailable in the governmental funds. There is no deferred revenue in the governmental activities.

Note 4 - Capital Assets

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

	Balance April 1, 2004	Additions	Disposals and Adjustments	Balance March 31, 2005
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 28,900	\$ -	\$ -	\$ 28,900
Construction in progress	15,035	-	(15,035)	-
Subtotal	43,935	-	(15,035)	28,900
Capital assets being depreciated:				
Buildings and improvements	65,547	14,965	15,035	95,547
Office furniture and equipment	35,677	4,810	-	40,487
Computers and software	27,388	-	-	27,388
Vehicles	996,610	61,853	-	1,058,463
Fire equipment	124,904	-	-	124,904
Subtotal	1,250,126	81,628	15,035	1,346,789
Accumulated depreciation:				
Buildings and improvements	65,547	2,000	-	67,547
Office furniture and equipment	25,180	3,629	-	28,809
Computers and software	16,521	5,654	-	22,175
Vehicles	887,110	28,085	-	915,195
Fire equipment	93,321	17,381	-	110,702
Subtotal	1,087,679	56,749	-	1,144,428
Net capital assets being depreciated	162,447	24,879	15,035	202,361
Net capital assets	\$ 206,382	\$ 24,879	\$ -	\$ 231,261

Charter Township of Augusta

Notes to Financial Statements March 31, 2005

Note 4 - Capital Assets (Continued)

Business-type Activities	Balance April 1, 2004	Additions	Disposals and Adjustments	Balance March 31, 2005
Capital assets not being depreciated -				
Land	\$ 31,684	\$ -	\$ -	\$ 31,684
Capital assets being depreciated:				
Water system	8,504,243	-	-	8,504,243
Sewer system	1,438,614	1,040,714	-	2,479,328
Water meters and equipment	469,737	143,330	-	613,067
Bond issuance costs	50,064	-	-	50,064
Subtotal	10,462,658	1,184,044	-	11,646,702
Accumulated depreciation:				
Water system	2,223,422	214,190	-	2,437,612
Sewer system	838,408	53,200	-	891,608
Water meters and equipment	139,460	30,454	-	169,914
Bond issuance costs	14,673	1,252	-	15,925
Subtotal	3,215,963	299,096	-	3,515,059
Net capital assets being depreciated	7,246,695	884,948	-	8,131,643
Net capital assets	<u>\$ 7,278,379</u>	<u>\$ 884,948</u>	<u>\$ -</u>	<u>\$ 8,163,327</u>

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

Governmental activities:		
General government		\$ 11,284
Public safety		<u>45,465</u>
Total governmental activities		<u>\$ 56,749</u>
Business-type activities:		
Water		\$ 245,896
Sewer		<u>53,200</u>
Total business-type activities		<u>\$ 299,096</u>

Charter Township of Augusta

Notes to Financial Statements March 31, 2005

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	\$ 18,140
General Fund	Fire Fund	2,193
General Fund	Police Fund	2,193
Total		<u>\$ 22,526</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, 2005. 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, 2005.

Charter Township of Augusta

Notes to Financial Statements March 31, 2005

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	\$ 30,000	\$ (10,000)	\$ 20,000	\$ 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	2,122,000	(68,000)	2,054,000	68,000
YCUA contractual obligations - Maturing through 2033	3.00% - 5.350%	\$9,340 - \$52,293	-	1,040,714	1,040,714	9,340
Total business-type activities			<u>2,122,000</u>	<u>972,714</u>	<u>3,094,714</u>	<u>77,340</u>
Total governmental and business-type activities			<u>\$ 2,152,000</u>	<u>\$ 962,714</u>	<u>\$ 3,114,714</u>	<u>\$ 87,340</u>

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
2006	\$ 10,000	\$ 983	\$ 10,983	\$ 77,340	\$ 109,568	\$ 186,908
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
2011-2015	-	-	-	492,548	614,860	1,107,408
2016-2020	-	-	-	534,214	485,669	1,019,883
2021-2025	-	-	-	552,282	347,285	899,567
2026-2030	-	-	-	572,099	199,746	771,845
2031-2035	-	-	-	456,766	62,117	518,883
Total	<u>\$ 20,000</u>	<u>\$ 1,404</u>	<u>\$ 21,404</u>	<u>\$ 3,094,714</u>	<u>\$ 2,382,513</u>	<u>\$ 5,477,227</u>

Charter Township of Augusta

Notes to Financial Statements March 31, 2005

Note 7 - Restricted Assets

The balance of restricted assets consists of \$30,000 in certificates of deposit held as collateral for the installment purchase agreement on the modular meeting hall.

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), as well as medical benefits provided to employees. 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, 2005, the Township incurred an expense of approximately \$20,500, of which approximately \$4,700 was recorded as a liability as of March 31, 2005 and paid to the pension plan subsequent to year end.

Charter Township of Augusta

Notes to Financial Statements March 31, 2005

Note 10 - Segment Information

The Utility Fund statement of revenue, expenses, and changes in net assets at March 31, 2005 is segregated into water and sewer activities as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenue			
Water and sewer sales	\$ 398,899	\$ 217,192	\$ 616,091
Charges for services	75,798	7,596	83,394
Other	<u>8,079</u>	<u>8,078</u>	<u>16,157</u>
Total operating revenue	482,776	232,866	715,642
Operating Expenses			
Cost of water purchased and sewage disposal	210,496	89,768	300,264
Operation and maintenance	325,155	108,832	433,987
General and administrative	63,950	63,950	127,900
Depreciation	<u>245,897</u>	<u>53,199</u>	<u>299,096</u>
Total operating expenses	<u>845,498</u>	<u>315,749</u>	<u>1,161,247</u>
Operating Loss	(362,722)	(82,883)	(445,605)
Nonoperating Revenue (Expense)			
Investment income	7,327	7,326	14,653
Interest expense	(108,753)	-	(108,753)
Interest received on customer assessments	<u>93,389</u>	<u>-</u>	<u>93,389</u>
Loss - Before contributions	(370,759)	(75,557)	(446,316)
Capital Contributions	<u>220,493</u>	<u>344,800</u>	<u>565,293</u>
Net Income (Loss)	<u>\$ (150,266)</u>	<u>\$ 269,243</u>	<u>\$ 118,977</u>

Charter Township of Augusta

Notes to Financial Statements March 31, 2005

Note 11 - Accounting and Reporting Change

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The Township has applied the provisions of this statement in the accompanying financial statements (including the notes to the financial statements). Certain significant changes in the statement include the following:

- A management's discussion and analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations
- Financial statements prepared using full accrual accounting for all of the Township's activities
- A change in the fund financial statements to focus on the major funds
- Capital assets in the governmental activities column of the statement of net assets include assets totaling \$1,375,689 that would previously have been reported in the General Fixed Assets Account Group.
- Capital assets at April 1, 2004 previously reported in the General Fixed Assets Account Group have been adjusted by \$235,817 to reflect the historical cost of the Township's capital assets at that date.
- The governmental activities column includes long-term obligations totaling \$20,000 previously reported in the General Long-term Debt Account Group.

Required Supplemental Information

Charter Township of Augusta

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget - Favorable (Unfavorable)
Revenue				
Property taxes	\$ 189,498	\$ 189,498	\$ 203,181	\$ 13,683
Licenses and permits	87,586	87,586	44,950	(42,636)
State-shared revenues	338,914	338,914	336,958	(1,956)
Interest and rentals	1,300	1,300	4,837	3,537
Reimbursements	-	-	114,867	114,867
Other	5,300	5,300	35,659	30,359
Total revenue	622,598	622,598	740,452	117,854
Expenditures				
Current:				
General government				
Administrative	253,336	288,336	325,439	(37,103)
Supervisor	19,377	19,377	19,641	(264)
Elections	10,920	10,920	8,176	2,744
Assessor	47,538	47,538	45,499	2,039
Clerk	40,370	40,370	44,159	(3,789)
Treasurer	43,270	43,270	42,877	393
Planning commission	4,306	4,306	4,640	(334)
Zoning	-	-	6,614	(6,614)
Zoning Board of Appeals	1,200	1,200	980	220
Board of Review	2,253	2,253	857	1,396
Township hall	20,397	45,397	23,304	22,093
Cemetery	250	250	-	250
Total general government	443,217	503,217	522,186	(18,969)
Public works:				
Highways and streets	90,000	81,500	73,799	7,701
County drains	85,000	85,000	134,032	(49,032)
Total public works	175,000	166,500	207,831	(41,331)
Debt service	-	11,545	11,481	64
Total expenditures	618,217	681,262	741,498	(60,236)
Excess of Revenue Over (Under)				
Expenditures	4,381	(58,664)	(1,046)	57,618
Fund Balances - Beginning of year	189,377	189,377	189,377	-
Fund Balances - End of year	\$ 193,758	\$ 130,713	\$ 188,331	\$ 57,618

Charter Township of Augusta

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended March 31, 2005

	Fire Fund			
	Original Budget	Amended Budget	Actual	Variance with Amended Budget - Favorable (Unfavorable)
Revenue				
Property taxes	\$ 225,000	\$ 225,000	\$ 275,788	\$ 50,788
Federal grants	-	-	6,359	6,359
Other	7,500	7,500	43,078	35,578
Total revenue	232,500	232,500	325,225	92,725
Expenditures - Public safety	261,510	261,510	264,193	(2,683)
Excess of Revenue Over (Under) Expenditures	(29,010)	(29,010)	61,032	90,042
Fund Balances - Beginning of year	124,107	124,107	124,107	-
Fund Balances - End of year	<u>\$ 95,097</u>	<u>\$ 95,097</u>	<u>\$ 185,139</u>	<u>\$ 90,042</u>

Charter Township of Augusta

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Year Ended March 31, 2005

	Police Fund			Variance with Amended Budget - Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
Revenue				
Property taxes	\$ 225,000	\$ 225,000	\$ 232,752	\$ 7,752
Other	5,000	5,000	6,058	1,058
Total revenue	230,000	230,000	238,810	8,810
Expenditures - Public safety	214,700	214,700	189,043	25,657
Excess of Revenue Over (Under) Expenditures	15,300	15,300	49,767	34,467
Fund Balances - Beginning of year	131,261	131,261	131,261	-
Fund Balances - End of year	<u>\$ 146,561</u>	<u>\$ 146,561</u>	<u>\$ 181,028</u>	<u>\$ 34,467</u>

Charter Township of Augusta

Note to Required Supplemental Information March 31, 2005

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 exceptions:

- Fees charged to developers to recover costs have been netted against expenses, rather than included as a revenue
- 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	\$ 1,040,246	\$ 1,041,292
Developer fees	(414,661)	(414,661)
Reimbursements from other funds recorded as revenue	<u>114,867</u>	<u>114,867</u>
Amounts per budgetary comparison schedule	<u>\$ 740,452</u>	<u>\$ 741,498</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, 2005 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, 2005

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:

	<u>Budget</u>	<u>Actual</u>
General Fund - General government:		
Administrative	\$ 288,336	\$ 325,439
Supervisor	19,377	19,641
Clerk	40,370	44,159
Planning commission	4,306	4,640
Zoning	-	6,614
General Fund - Public works - County drains	85,000	134,032
Fire Fund - Public safety	261,510	264,193

Other Supplemental Information

Charter Township of Augusta

Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds March 31, 2005

	Trust and Agency	Tax Collection	Developer Deposits	Total
Assets				
Cash and investments	\$ 12,545	\$ 106,652	\$ 9,095	\$ 128,292
Due from other governmental units	-	86,099	-	86,099
Total assets	\$ 12,545	\$ 192,751	\$ 9,095	\$ 214,391
Liabilities				
Accrued and other liabilities	\$ 12,545	\$ 12,058	\$ 3,700	\$ 28,303
Due to other governmental units	-	180,693	-	180,693
Cash bonds and deposits	-	-	5,395	5,395
Total liabilities	\$ 12,545	\$ 192,751	\$ 9,095	\$ 214,391

Alan C. Young & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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August 26, 2005

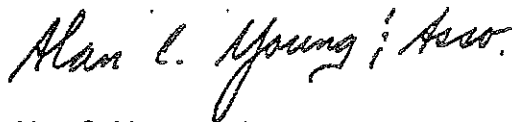
To the Township Board of Trustees of
Augusta Charter Township
Whittaker, Michigan

In planning and performing our audit of the financial statements of Augusta Charter Township (the Township) for the year ended March 31, 2005, 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

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.