

AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2009

WITH
INDEPENDENT AUDITORS' REPORT

AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN

INDEPENDENT AUDITORS' REPORT

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
Management's Discussion and Analysis	i – vii
Independent Auditors' Report	1 – 2
Basic Financial Statements:	
<i>Government-wide Financial Statements</i>	
Statement of Net Assets	3
Statement of Activities	4
<i>Fund Financial Statements</i>	
Balance Sheet – Governmental Funds	5
Reconciliations of the Balance Sheet of Governmental Funds to the State of Net Assets	6
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	7 – 8
Statement of Net Assets – Proprietary Fund	9
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	10
Statement of Cash Flows – Proprietary Funds	11 – 12
Statements of Fiduciary Net Assets – Fiduciary Funds	13
Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund	14
Fire Operating Fund	15
Police Fund	16
Environmental Fund	17
Notes to Financial Statements	18 – 34
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35 – 39

AUGUSTA CHARTER TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended March 31, 2009

As management of the Augusta Charter Township (Township), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the year ended March 31, 2009. We encourage readers to consider the information presented here.

Financial Highlights

- The Township experienced growth in taxable value of five (5) percent from the previous year. The Township is anticipated to experience a decline in growth of taxable values of six (6) percent next year.
- State Shared Revenues is stable from last year with a five percent decline expected to impact the year ending March 31, 2010 budget by \$16,700.
- Overall new zoning and planning applications decreased by three (3) percent. Applications for new single family homes declined by five (5) percent from the prior year ending March 31, 2008 as compared to the 75% decline from the year ending March 31, 2007.
- Due to the overall economic climate of the residential housing market the Township experienced a significant decline in expected future home building projects. Currently the Township has no new future development projects compared to March 31, 2008 where there were three (3) active residential home building projects (365 projected new homes) down from nine (9) as of March 31, 2007 with 2,870 projected.
- Of the three approved developments there remain 156 single family homes approved to be built compared to 160 in the prior year. Single family home applications were four (4), nine (9) and thirty-six (36) for years ending March 31, 2009, 2008 and 2007 respectively.
- Projected growth as of 2004 was the basis for the Township entering into a sewage capacity reserve lease contract with YCUA in November 2005. Due to the significant loss of planned developments the Township Board negotiated the termination of the YCUA Sewage Capacity Lease resulting in a one time payoff of \$310,000 to terminate a \$2.3 million dollar lease obligation.
- The assets of the Township exceeded its liabilities at the close of the year ended March 31, 2009 \$7,387,648 (*net assets*). Of this amount, \$2,761,936 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased \$480,873. This decrease is primarily attributable to utility fund expenses exceeding revenues.

Governmental activities:

- Property taxes, state shared revenues and service fees finance most of the Township's basic services, such as police, fire, public works, community development, and general administration.

- The Township is leasing a building to temporarily store and operate Fire and Utility operations until a permanent building is found. The costs are born by the Fire and Utility departments based upon square footage occupied.

Business-type activities:

- The Township's business-type Utility Fund supplies water distribution and provides sewage treatment to residents through YCUA. The Township passes through the water & sewer rate increases received from YCUA.
- The Township Board authorized a Water & Sewer Rate study of the Utility Fund as a result of the continuing operating losses. The final report was accepted by the Board in January 2009 with a minimal increase in rates effective September 2009.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the year ended March 31, 2009. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, highways and streets, sanitation, public works, and culture and recreation. The business-type activities of the Township include utility systems.

The government-wide financial statements can be found on pages 3 – 4 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term*

inflows and outflows of spendable resources, as well as on *balances of spendable resources* available at the year ended March 31, 2009. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, fire fund, police fund and environmental fund which are considered to be major funds.

The Township adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for all major governmental funds to demonstrate compliance with budget.

The basic governmental fund financial statements can be found on pages 5 – 8 of this report.

Proprietary funds. The Township maintains an *Enterprise fund*, a type of proprietary fund, used to report functions presented as *business-type activities* in the government-wide financial statements. The Township uses an enterprise fund to account for its Utility Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility Fund, which is considered to be a major fund of the Township.

The proprietary fund financial statements can be found on pages 9 - 12 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 – 35 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities by \$7,387,648 at the close of the year ended March 31, 2009.

By far the largest portion of the Township's net assets (61 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, infrastructure), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Property taxes and state shared revenues finance most of the Township's basic services, such as police, fire, public works, community development and general administration.

The Township's business-type activity, the Utility Fund, which supplies water distribution and provides sewage treatment, is provided to the residents by the Ypsilanti Community Utilities Authority (YCUA). The Township passes water & sewer rate increases received from YCUA to its residents.

The Township is looking into the purchase of property with an existing building for the purpose of storage of utility equipment. A portion of the building is expected to be rented to the fire department for storage of fire equipment.

Augusta Charter Township's Net Assets

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 866,575	\$ 3,509,887	\$ 4,376,462
Capital assets	460,345	6,940,190	7,400,535
Total assets	\$ 1,326,920	\$ 10,450,077	\$ 11,776,997
Long term liabilities outstanding	\$ 222,386	\$ 2,701,594	\$ 2,923,980
Other liabilities	243,465	1,221,904	1,465,369
Total liabilities	465,851	3,923,498	4,389,349
Net assets:			
Invested in capital assets, net of related debt	237,959	4,238,596	4,476,555
Restricted	149,157		149,157
Unrestricted	473,953	2,287,983	2,761,936
Total net assets	\$ 861,069	\$ 6,526,579	\$ 7,387,648

An additional portion of the Township's net assets (2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$2,765,607 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Augusta Charter Township's Statement of Activities

	Governmental Activities	Business-type Activities	Total
Program revenues:			
Charges for services:			
General government	\$ 48,872		\$ 48,872
Public safety	10,227		10,227
Utility		1,096,987	1,096,987
Operating grants:			
Public safety	3,150		3,150
Capital grants:			
Utility		158,818	158,818
Total program revenues	62,249	1,255,805	1,318,054
General revenues:			
Property taxes	715,139		715,139
Investment earnings	9,840	75,799	85,639
Franchise fees	29,919		29,919
State revenue sharing	330,317		330,317
Other	27,028	256,722	283,750
Total general revenues	1,112,243	332,521	1,444,764
Total revenues	1,174,492	1,588,326	2,762,818
Expenses:			
General government	419,081		419,081
Public safety	1,078,790		1,078,790
Public works	155,211		155,211
Community and economic development	24,864		24,864
Utility		1,565,745	1,565,745
Total expenses	1,677,946	1,565,745	3,243,691
Change in net assets	(503,454)	22,581	(480,873)
Net assets, beginning of year	1,364,523	6,503,998	7,868,521
Net assets, end of year	\$ 861,069	\$ 6,526,579	\$ 7,387,648

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the year ended March 31, 2009, the Township's governmental funds reported combined ending fund balances of \$400,724, a decrease of \$407,834 in comparison with the balance at March 31, 2008. Reserved fund balance \$5,935 is not available for new spending since it already is committed and Special Revenue Funds have \$412,778 available for their special uses.

The General Fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$(17,989). General Fund overhead expenses collected from other funds is reported as revenue rather than netted against operating expenses.

The fund balance of the Township's General Fund decreased by \$234,374 during the year ended March 31, 2009.

Proprietary fund - The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the utility fund at the end of the year amounted to \$2,287,983. The total increase in net assets for the fund was \$22,581.

General Fund Budgetary Highlights

The General Fund obligated tax revenues of approximately \$150,000 to pay for one Washtenaw County Sheriff Deputy through December 31, 2009 subsequent to the Police millage failure. The General Fund will also make monthly payments to repay the USDA Special Assessment Water District account over the next 30 years for monies borrowed to payoff the YCUA Sewage Capacity Lease contract obligation which was to be paid by developers now in default.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2009, amounts to \$7,371,402 (net of accumulated depreciation). This investment in capital assets includes land, buildings and utility systems, machinery and equipment and park facilities.

Capital assets purchased during the year ended March 31, 2009 were:

- Water meters, \$18,215, reported in the business-type activities.

Augusta Charter Township's Capital Assets

	Governmental Activities	Business-type Activities	Total
Land	\$ 28,900	\$ -	\$ 28,900
Buildings and improvements	95,547		95,547
Office furniture, equipment and computers	74,335		74,335
Vehicles	15,000		15,000
Fire vehicles and equipment	1,320,180		1,320,180
Water system and equipment		9,099,532	9,099,532
Sewer system and equipment		2,600,458	2,600,458
Bond issuance costs		50,064	50,064
	<u>\$ 1,533,962</u>	<u>\$ 11,750,054</u>	<u>\$ 13,284,016</u>

Additional information on the Township's capital assets can be found in Note 5 on pages 27 and 28.

Long-term debt. At the year ended March 31, 2009, the Township had total bonded and contract debt outstanding of \$2,701,594. Of this amount, \$919,594 comprises debt backed by the full faith and credit of the government. The remainder of the Township's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

**Augusta Charter Township's Outstanding Debt
General Obligation and Revenue Bonds**

	Governmental Activities	Business-type Activities	Total	Total
General obligation bonds	\$	\$ 919,594	\$ 919,594	\$ 1,839,188
Revenue bonds		1,782,000	1,782,000	3,564,000
Total	\$ -	\$ 2,701,594	\$ 2,701,594	\$ 5,403,188

Additional information on the Township's long-term debt can be found in Note 8 on pages 32 – 34 of this report.

Economic Factors and Next Year's Budgets and Rates

The Township budget for next year anticipates relatively reduced revenue due to the decline in Michigan's overall economy.

The Township is pursuing the sale of two (2) Township properties with the proceeds to be used for the purpose of funding a new Fire Building. One parcel, originally identified as a future fire department site has since been determined to be too small a parcel to fit the township's current needs.

The Township is pursuing economic stimulus money and grant money to meet some of the township's needs.

Requests for Information

This financial report is designed to provide a general overview of the finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Augusta Charter Township Supervisor, 8021 Talladay Road, P.O. Box 100, Whittaker, MI 48190.

July 15, 2009

INDEPENDENT AUDITORS' REPORT

Augusta Charter Township
Washtenaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Augusta Charter Township, Washtenaw County, Michigan, as of and for the year ended March 31, 2009, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Augusta Charter Township, Washtenaw County, Michigan'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 aggregate remaining fund information of Augusta Charter Township, Washtenaw County, Michigan, as of March 31, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2009 on our consideration of Augusta Charter Township, Washtenaw County, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Page 2

July 15, 2009

Augusta Charter Township
Washtenaw County, Michigan

The management's discussion and analysis on pages i through viii is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Robertson, Eaton & Owen, P.C.

AUGUSTA CHARTER TOWNSHIP

STATEMENT OF NET ASSETS

March 31, 2009

With Comparative Totals for March 31, 2008

	Governmental Activities	Business-Type Activities	Total 2009	Total 2008
ASSETS:				
Cash and cash equivalents	\$ 938,068	\$ 320,303	\$ 1,258,371	\$ 1,293,314
Investments		1,168,542	1,168,542	1,557,154
Taxes receivable	11,432		11,432	12,575
Accounts receivable	5,554	216,346	221,900	152,701
Special assessment receivable		1,143,957	1,143,957	1,214,541
Interfund activity	(416,223)	416,223	-	
Due from fiduciary funds	208,463	98,345	306,808	486,615
Due from other governmental units	115,101	80,051	195,152	211,729
Prepaid expenses	4,180		4,180	3,360
Inventory		54,875	54,875	73,090
YCUA deposits		11,245	11,245	11,732
Capital assets:				
Capital assets	1,533,962	11,699,990	13,233,952	13,215,737
Less: accumulated depreciation	(1,374,824)	(4,788,933)	(6,163,757)	(5,787,614)
Leased property under capital leases	359,738		359,738	359,738
Less: accumulated amortization	(58,531)		(58,531)	(20,729)
Bond issuance costs		50,064	50,064	50,064
Less: accumulated amortization		(20,931)	(20,931)	(19,679)
Total assets	\$ 1,326,920	\$ 10,450,077	\$ 11,776,997	\$ 12,814,328
LIABILITIES:				
Accounts payable	\$ 49,664	\$ 77,948	\$ 127,612	\$ 193,691
Due to other governmental units	1,268		1,268	787
Salaries payable	10,827		10,827	5,434
Accrued expenses				293,266
Deferred revenue	181,706	1,143,956	1,325,662	1,392,917
Current portion of contract payable	44,843	26,250	71,093	67,732
Current portion of long term obligations		68,000	68,000	68,000
Noncurrent liabilities:				
Noncurrent portion of contract payable	177,543	893,344	1,070,887	1,141,980
Noncurrent portion of long term obligations		1,714,000	1,714,000	1,782,000
Total liabilities	465,851	3,923,498	4,389,349	4,945,807
NET ASSETS:				
Invested in capital assets, net of related debt	237,959	4,238,596	4,476,555	4,737,805
Restricted for:				
Fire department	149,157		149,157	72,507
Police department				250,110
Unrestricted	473,953	2,287,983	2,761,936	2,808,099
Total net assets	\$ 861,069	\$ 6,526,579	\$ 7,387,648	\$ 7,868,521

The notes to the financial statements are an integral part of this statement.

AUGUSTA CHARTER TOWNSHIP

STATEMENT OF ACTIVITIES

For the Year Ended March 31, 2009
With Comparative Totals for the Year Ended March 31, 2008

Functions/programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General government	\$ 419,081	\$ -	\$ -	\$ (370,209)	\$ -	\$ (370,209)
Public safety	1,078,790	3,150	(1,065,413)	(1,065,413)	(1,065,413)	(628,427)
Public works	155,211		(155,211)	(155,211)	(155,211)	(120,842)
Community and economic development	24,864		(24,864)	(24,864)	(24,864)	(77,317)
Total governmental activities	1,677,946	3,150	-	(1,615,697)	-	(1,396,140)
Business-type activities:						
Utility	1,565,745	1,096,987	158,818		(309,940)	(889,461)
Total business-type activities	1,565,745	1,096,987	158,818		(309,940)	(889,461)
Total government	\$ 3,243,691	\$ 3,150	\$ 158,818	\$ (1,615,697)	\$ (309,940)	\$ (2,285,601)
General revenues:						
Property taxes			\$ 715,139	\$ 715,139	\$ -	\$ 898,857
Investment earnings			9,840	75,799	85,639	165,432
Franchise fees			29,919	29,919	29,919	26,129
State revenue sharing			330,317	330,317	330,317	330,285
Other			27,028	256,722	283,750	149,361
Loss on disposal of capital asset					-	(17,500)
Change in net assets			Total general revenues	1,112,243	332,521	1,444,764
				(503,454)	22,581	(733,037)
Prior year adjustment (Note 10)					-	(8,342,205)
Total net assets - beginning of year			1,364,523	6,503,998	7,868,521	16,943,763
Total net assets - end of year			\$ 861,069	\$ 6,526,579	\$ 7,387,648	\$ 7,868,521

The notes to the financial statements are an integral part of this statement.

AUGUSTA CHARTER TOWNSHIP

BALANCE SHEET

GOVERNMENTAL FUNDS

March 31, 2009

With Comparative Totals for March 31, 2008

	General	Fire Fund	Police Fund	Environmental Fund	Total Governmental Funds 2009	Total Governmental Funds 2008
ASSETS:						
Cash and cash equivalents	\$ 338,499	\$ 332,262	\$ -	\$ 267,307	\$ 938,068	\$ 958,782
Taxes receivable	3,617	5,295	2,520		11,432	8,906
Accounts receivable	5,554				5,554	9,140
Due from other governmental funds	70,406				70,406	51,941
Due from proprietary funds		1,452			1,452	1,411
Due from fiduciary funds	142,054	35,430	\$30,979		208,463	358,030
Due from other governmental units	70,725	44,376			115,101	152,804
Prepaid expenditures		4,180			4,180	3,360
Total assets	\$ 630,855	\$ 422,995	\$ 33,499	\$ 267,307	\$1,354,656	\$1,544,374
LIABILITIES:						
Accounts payable	\$ 39,580	\$ 10,084	\$ -	\$ -	\$ 49,664	\$ 107,400
Due to other funds		39,423	30,979	4	70,406	51,941
Due to proprietary funds	417,675				417,675	126,446
Due to other governmental units	1,268				1,268	787
Salaries payable	1,405	9,422			10,827	5,434
Contract payable	9,090	213,296			222,386	265,328
Accrued expenditures					-	104
Deferred revenue	177,573	1,613	2,520		181,706	178,376
Total liabilities	\$ 646,591	\$ 273,838	\$ 33,499	\$ 4	\$ 953,932	\$ 735,816
FUND BALANCES:						
Reserved for:						
Taxes receivable	\$ 2,253	\$ 3,682	\$ -	\$ -	\$ 5,935	\$ 8,906
Unreserved, designated for:						
Fire building		39,172			39,172	36,219
Unreserved, undesignated in:						
General fund	(17,989)				(17,989)	215,900
Fire fund		106,303			106,303	32,641
Police fund						247,589
Environmental fund				267,303	267,303	267,303
Total fund balance	(15,736)	149,157	-	267,303	400,724	808,558
Total liabilities & fund balance	\$ 630,855	\$ 422,995	\$ 33,499	\$ 267,307	\$1,354,656	\$1,544,374

The notes to the financial statements are an integral part of this statement.

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

**RECONCILIATIONS OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

**March 31, 2009
With Comparative Totals for March 31, 2008**

	2009	2008
Total governmental fund balances	\$ 400,724	\$ 808,558
Amount reported for governmental activities in the statement of net assets are different because:		
Capital assets used in the governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital asset is	1,533,962	1,533,962
The accumulated depreciation is	(1,374,824)	(1,321,030)
Leased property under capital leases is	359,738	359,738
The accumulated amortization is	(58,531)	(20,729)
	460,345	551,941
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		4,024
Total net assets of governmental activities	\$ 861,069	\$1,364,523

The notes to the financial statements are an integral part of this statement.

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –

GOVERNMENTAL FUNDS

**For the Year Ended March 31, 2009
With Comparative Totals for the Year Ended March 31, 2008**

	General	Fire Fund	Police Fund	Environmental Fund	Total Governmental Funds	
					2009	2008
REVENUES:						
Local sources:						
Property taxes	\$ 276,841	\$ 441,967	\$ -		\$ 718,808	\$ 895,188
Franchise fees	29,919				29,919	26,129
Investment earnings	9,527	313			9,840	41,667
Licenses, permits and fees	48,872	6,916	3,666		59,454	59,920
Donations		801			801	989
Other	23,808	3,220			27,028	23,539
Total local sources	388,967	453,217	3,666	-	845,850	1,047,432
State sources	330,317				330,317	330,285
Federal sources		2,349			2,349	-
Total revenues	719,284	455,566	3,666	-	1,178,516	1,377,717
EXPENDITURES:						
Current:						
General government	407,792				407,792	487,223
Public safety	365,791	378,916	253,776		998,483	567,143
Public works	155,211				155,211	119,874
Community & economic development	24,864				24,864	77,317
Capital outlay					-	359,738
Total expenditures	953,658	378,916	253,776	-	1,586,350	1,611,295
Change in fund balances	(234,374)	76,650	(250,110)	-	(407,834)	(233,578)
Total fund balances - beginning of year	218,638	72,507	250,110	267,303	808,558	1,042,136
Total fund balances - end of year	<u>\$ (15,736)</u>	<u>\$ 149,157</u>	<u>\$ -</u>	<u>\$ 267,303</u>	<u>\$ 400,724</u>	<u>\$ 808,558</u>

The notes to the financial statements are an integral part of this statement.

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

**RECONCILIATIONS OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

**For the Year Ended March 31, 2009
With Comparative Totals for March 31, 2008**

	2009	2008
Change in fund balances total governmental funds	\$ (407,834)	\$ (233,578)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balances. These costs are allocated over their estimated useful lives as depreciation in the Statement of Activities:		
Depreciation expense	(53,794)	(58,328)
Amortization expense on leased property	(37,802)	(20,729)
Capital outlay		359,738
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.		
Amount due from the Washtenaw County Drain Commission-beginning of year		(968)
Amount due for personal property taxes-end of year		3,669
Amount due for personal property taxes-beginning of year	(3,669)	
Amount due for cost recovery for fire services-end of year		355
Amount due for cost recovery for fire services-beginning of year	(355)	<u> </u>
Change in net assets of governmental activities	\$ (503,454)	\$ 50,159

The notes to the financial statements are an integral part of this statement.

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

STATEMENT OF NET ASSETS

PROPRIETARY FUND

March 31, 2009

With Comparative Totals for March 31, 2008

	Totals	
	2009	2008
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 320,303	\$ 323,070
Investments	1,168,542	1,557,154
Receivables net of allowances for uncollectible accounts	216,346	143,206
Current portion of special assessment receivable	44,487	45,336
Due from governmental funds	417,675	126,446
Due from fiduciary funds	98,345	128,585
Due from other governmental units	80,051	58,925
Inventory	54,875	73,090
Noncurrent assets:		
Restricted assets		11,462
YCUA deposits	11,245	11,732
Special assessment receivable	1,099,470	1,169,205
Water system	8,504,243	8,504,243
Water meters and equipment	595,289	577,074
Sewer system	2,479,328	2,479,328
Sewer equipment	121,130	121,130
Less: accumulated depreciation	(4,788,933)	(4,466,584)
Bond issuance costs	50,064	50,064
Accumulated amortization	(20,931)	(19,679)
Total assets	\$ 10,451,529	\$ 10,893,787
LIABILITIES:		
Current Liabilities:		
Accounts payable	\$ 77,948	\$ 86,291
Accrued liabilities		293,162
Due to other funds	1,452	1,411
Current portion of deferred special assessment receivable	44,487	45,336
Current portion of YCUA contract	26,250	24,790
Current portion of bond payable	68,000	68,000
Noncurrent liabilities:		
Deferred special assessment revenue	1,099,469	1,169,205
Noncurrent portion of YCUA contract	893,344	919,594
Noncurrent portion of bond payable	1,714,000	1,782,000
Total liabilities	3,924,950	4,389,789
NET ASSETS:		
Invested in capital assets, net of related debt	4,238,596	4,451,192
Unrestricted	2,287,983	2,052,806
Total net assets	\$ 6,526,579	\$ 6,503,998

The notes to the financial statements are an integral part of this statement.

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUND

**For the Year Ended March 31, 2009
With Comparative Totals for the Year Ended March 31, 2008**

	2009	2008
Operating revenue:		
Water and sewer usage	\$ 1,055,312	\$ 922,748
Charges for services	41,675	34,751
Other	5,332	-
	1,102,319	957,499
Operating expenses:		
Cost of water purchased and sewage disposal	559,120	557,489
Operation and maintenance	351,124	471,629
General and administrative	179,636	517,403
Depreciation and amortization	323,601	323,971
	1,413,481	1,870,492
Operating loss	(311,162)	(912,993)
Nonoperating revenues (expenses):		
Termination of YCUA lease	251,390	-
Connection fees	13,000	16,500
Special assessment revenue	70,584	65,221
Interest on assessments	75,234	78,221
Investment earnings	75,799	123,765
Interest expense	(152,264)	(136,410)
Loss on disposition of asset	-	(17,500)
	333,743	129,797
Change in net assets	22,581	(783,196)
Prior year adjustment (Note 10)		(8,342,205)
Total net assets - beginning of year	6,503,998	15,629,399
Total net assets - end of year	\$ 6,526,579	\$ 6,503,998

The notes to the financial statements are an integral part of this statement.

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended March 31, 2009
With Comparative Totals for the Year Ended March 31, 2008

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	2009	2008
Cash flows from operating activities:		
Cash received from customers	\$ 1,011,306	\$ 1,027,609
Cash paid to suppliers and employees	(1,062,479)	(1,735,171)
Net cash used in operating activities	(51,173)	(707,562)
Cash flows from noncapital financing activities:		
Decrease in debt for additional sewer capacity	(375,279)	45,287
Cash received for connection fees	13,000	16,500
Net cash provided by (used in) noncapital financing activities	(362,279)	61,787
Cash flows from capital and related financing activities:		
Special assessment revenue	97,570	150,302
Special assessment interest	75,234	78,221
Purchase of capital assets	(18,215)	(16,575)
Repayment of principal	(67,513)	(56,843)
Interest payments	(152,264)	(136,410)
Net cash provided by (used in) capital and related financing activities	(65,188)	18,695
Cash flows from investing activities:		
Transfer (to) from investments	388,612	637,115
Transfer from restricted investments	11,462	177,608
Interest income	75,799	123,765
Net cash provided by investing activities	475,873	938,488
Net increase (decrease) in cash and cash equivalents	(2,767)	311,408
Cash and cash equivalents at beginning of year	323,070	11,662
Cash and cash equivalents at end of year	\$ 320,303	\$ 323,070

The notes to the financial statements are an integral part of this statement.

AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended March 31, 2009
With Comparative Totals for the Year Ended March 31, 2008

RECONCILIATION OF NET OPERATING LOSS TO NET CASH
USED IN OPERATING ACTIVITIES

	2009	2008
Net operating loss	\$ (311,162)	\$ (912,993)
Adjustments to reconcile net operating loss to net cash provided by operating activities		
Depreciation expense	323,601	323,971
(Increase) decrease in:		
Accounts receivable	(\$73,140)	32,790
Due from other funds	\$17,488	(126,446)
Due from fiduciary funds	4,464	43,447
Due from other governments	(22,337)	(6,127)
Inventory	\$18,215	16,575
Increase (decrease) in:		
Accounts payable and other liabilities	(8,343)	4,579
Due to other funds	41	(83,358)
Total adjustments	259,989	205,431
Net cash used in operating activities	\$ (51,173)	\$ (707,562)

Noncash investing, capital and financing activities:

During the fiscal year the Utility fund terminated one of its contracts with YCUA, which did not result in a cash outflow, however the liability decreased by \$251,390 from the prior year.

The notes to the financial statements are an integral part of this statement.

AUGUSTA CHARTER TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
March 31, 2009
With Comparative Totals for March 31, 2008

	Totals	
	2009	2008
ASSETS:		
Cash and cash equivalents	\$ 307,296	\$ 687,426
Investments	32,054	23,345
Due from developers	172,123	227,245
Total as sets	\$ 511,473	\$ 938,016
LIABILITIES:		
Due to other funds	\$ 379,169	\$ 558,976
Due to other taxing units	132,304	379,040
Total liabilities	\$ 511,473	\$ 938,016

The notes to the financial statements are an integral part of this statement.

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL**

For the Year Ended March 31, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Local sources	\$ 476,478	\$ 520,652	\$ 388,967	\$ (131,685)
State sources	331,000	306,701	330,317	23,616
Total revenues	807,478	827,353	719,284	(108,069)
EXPENDITURES:				
General government:				
Board of trustees	317,975	287,607	215,495	72,112
Supervisor	55,803	45,373	32,486	12,887
Treasurer	63,163	59,893	39,330	20,563
Assessor	53,950	54,806	54,402	404
Board of review	540	1,035	703	332
Clerk	56,053	54,887	36,266	18,621
Elections	19,017	27,228	16,801	10,427
Township hall	16,133	13,322	11,681	1,641
Other	5,000	607	628	(21)
Total general government	587,634	544,758	407,792	136,966
Public safety:				
Building inspections		339,478	342,999	(3,521)
Police		41,946	22,792	19,154
Total public safety	-	381,424	365,791	15,633
Public works:				
Drains at large	60,000	42,791	42,791	-
Road improvement	123,000	112,420	112,420	-
Total public works	183,000	155,211	155,211	-
Community and economic development:				
Planning and zoning	33,597	22,576	24,864	(2,288)
Other:				
Capital outlay	3,518			-
Total expenditures	807,749	1,103,969	953,658	150,311
Change in fund balance	(271)	(276,616)	(234,374)	42,242
Total fund balances - beginning of year			218,638	
Total fund balances - end of year			\$ (15,736)	

The notes to the financial statements are an integral part of this statement.

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

FIRE FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL**

For the Year Ended March 31, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Local sources	\$ 440,767	\$ 485,212	\$ 453,217	\$ (31,995)
State sources		7,544		(7,544)
Total revenues	440,767	492,756	455,566	(37,190)
EXPENDITURES:				
Salaries and wages	132,700	132,886	148,335	(15,449)
Fringe benefits	24,070	17,925	19,905	(1,980)
Supplies and other	73,538	68,633	68,463	170
Repairs and maintenance	83,000	58,959	60,308	(1,349)
Contracted services	32,300	80,573	36,992	43,581
Dues and mileage	3,000	1,211	1,969	(758)
Communications	21,800	15,539	16,226	(687)
Utilities	8,600	6,939	8,468	(1,529)
Overhead expenses	16,129	16,499	18,250	(1,751)
Capital outlay	50,000			-
Total expenditures	445,137	399,164	378,916	20,248
Change in fund balance	(4,370)	93,592	76,650	(16,942)
Total fund balances - beginning of year			72,507	
Total fund balances - end of year			\$ 149,157	

The notes to the financial statements are an integral part of this statement.

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

POLICE FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL**

For the Year Ended March 31, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Local sources	\$ 184,200	\$ 63,964	\$ 3,666	\$ (60,298)
EXPENDITURES:				
Supplies and other			1,171	(1,171)
Contracted services	165,000	245,981	238,740	7,241
Overhead expenses	16,129	16,499	13,865	2,634
Capital outlay	3,071			-
Total expenditures	184,200	262,480	253,776	8,704
Change in fund balance	-	(198,516)	(250,110)	(51,594)
Total fund balances - beginning of year			250,110	
Total fund balances - end of year			\$ -	

The notes to the financial statements are an integral part of this statement.

AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN

ENVIRONMENTAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL

For the Year Ended March 31, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Local sources	\$ -	\$ -	\$ -	\$ -
Total revenues				
Expenditures:				
Contracted services	-	-	-	-
Change in fund balance	-	-	-	-
Total fund balances - beginning of year			267,303	
Total fund balances - end of year			\$ 267,303	

The notes to the financial statements are an integral part of this statement.

AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Augusta Charter Township, Washtenaw County, Michigan (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

A. Reporting Entity

Augusta Charter Township is a charter township, governed by a Board of Trustees. As required by generally accepted accounting principles, these financial statements present Augusta Charter Township as a primary government. There are no component units to the Township.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are 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 revenues*.

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

C. 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 financial statements. Revenues are 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 revenues 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.

AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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 are recorded only when payment is due.

Amounts due from other governments and services provided associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Fire Fund* accounts for financial resources of the Township's Fire Department.

The *Police Fund* accounts for the financial resources of the Township's Police Department.

The *Environmental Fund* accounts for financial resources raised for the legal defense and related research costs pertaining to significant environmental threats in the Township.

The government reports the following major proprietary fund:

The *Utility Fund* accounts for the acquisition, operation, and maintenance of the Township's water and sewer system.

Additionally, the government reports the following fund types:

The *Fiduciary Fund (Tax Collection Fund and Agency Fund)* accounts for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities (water and sewer funds), subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

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

Amounts reported as *program revenues* included 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 revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The Proprietary Fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the

Utility Fund relates to charges to customers for sales and services. Operating expenses for this fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

D. 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 assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Assets, liabilities, and net assets or equity

1. Cash and investments

Cash includes amounts in cash on hand, demand deposits, except those deposits noted as investments (see below), as well as short-term investments with a maturity date within three months of the date acquired by the Township.

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, liabilities, and net assets or equity (Continued)

Investments include money market and certificates of deposit where the intent is to hold funds long-term, as well as investments with maturity dates over three months of the date acquired by the Township.

State statutes authorize the government to invest in Obligations of the U.S. Treasury, Federal Agencies, commercial paper, corporate bonds, repurchase agreements, and State approved Investment Pools.

Investments are stated at cost or amortized cost. The Township will use amortized cost only when it reflects fair value of the investment. Currently, no investments are stated at amortized cost.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. The Township had no advances between funds at March 31, 2009.

Personal property taxes receivable has offsetting deferred revenue for the estimated uncollectible portion.

Properties are assessed as of December 31 and the tax levies are July 1 and December 1 of the following year. The tax levies of July 1 and December 1, 2008 are revenues in the Township's fiscal year ended March 31, 2009.

The Township had a general tax millage of .8188 for 2008. The Township's maximum allowable millage is 1.0 mills. The Township had a fire department millage of 1.8747 for 2008.

A lien on the property occurs when the taxes are levied. The taxes levied July 1 are payable by September 14 without penalty. The taxes levied December 1 are payable by February 14 without penalty.

Since the County through revolving funds obtains the delinquent real property taxes for the Township, the sixty (60) day rule does not apply to such delinquent taxes receivable.

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, liabilities, and net assets or equity (Continued)

3. Inventories and prepaid items

Inventories are state at the lower of cost (first in, first out) or market. Cost is determined by the amount expended. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain proceeds from developers are classified as restricted assets on the balance sheet because their use is limited to making payments toward the cost of an additional sewer capacity lease.

5. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. 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.

AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, liabilities, and net assets or equity (Continued)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15-50
Computers and software	3-5
Office and equipment	5-20
Fire vehicles	5-10
Fire equipment	3-10
Water system	40
Water equipment	10-15
Sewer system	35
Sewer equipment	10

6. Long-term obligations

In the governmental-wide financial statements and the proprietary fund type 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.

7. 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. The reserve for taxes receivable represents the portion of the fund balance that is not available for appropriation. The designation for fire building represents the tentative plan that is subject to change, of the current board of trustees to construct a fire hall.

The government-wide statement of net assets reports \$149,157 of restricted net assets of which \$149,157 is restricted by enabling legislation.

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The accounting basis used by the Township for budgeting is in accordance with accounting principles generally accepted in the United States of America (GAAP). The Township must follow the budgetary procedures outlined by the State of Michigan including public hearings and proper adoption. All funds of the Township have a budget. All annual appropriations lapse at fiscal year end. The budgets are amended during the year as needed. In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Township for these budgetary funds were adopted at the activity level.

B. Violation of finance-related legal or contractual provisions

At March 31, 2009, the general fund reported a deficit fund balance of \$(15,986), which is a violation of state statute. The township will adjust its 2009-2010 budget to address and correct this violation. The Township did not adopt its budget before commencement of the 2008-09 and 2009-10 budget years, which is a violation of state statute. The State of Michigan is aware of this violation.

C. Excess of expenditures over appropriations in budgetary funds

P.A. 621 of 1978, Section 18(1), as amended, of the State of Michigan provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. None of the Township's funds incurred expenditures in excess of the amount appropriated for the year ended March 31, 2009, however expenditures at the activity level exceeded budgeted amounts.

In the general fund, three expenditure functions exceeded appropriated amount as follows:

	Budgeted Amount	Actual	Variance
Other	607	628	(21)
Building inspections	339,478	342,999	(3,521)
Planning and zoning	22,576	24,864	(2,288)

In the fire fund, seven expenditure functions exceeded appropriated amount as follows:

	Budgeted Amount	Actual	Variance
Salaries and wages	\$ 132,886	\$ 148,335	\$ (15,449)
Fringe benefits	17,925	19,905	(1,980)
Repairs and maintenance	58,959	60,308	(1,349)
Dues and mileage	1,211	1,969	(758)
Communications	15,539	16,226	(687)
Utilities	6,939	8,468	(1,529)
Overhead expenses	16,499	18,250	(1,751)

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

NOTE 3. DEPOSITS AND INVESTMENTS

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. As of March 31, 2009, \$1,402,823 of the Township's bank balance of \$2,840,707 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$1,402,823
--------------------------------	-------------

Investments

The Township's investments include certificates of deposit and money market funds.

The Township's investments include \$51,823 invested in Michigan Governmental Money Market Funds held by JPMorgan Chase. The money market funds are rated Aaa by Moody's rating service. Eligible investments of the Michigan Governmental Money Market Fund include bonds, securities and other obligations issued by the U.S. Government or its agencies, certificates of deposit and time deposits of eligible financial institutions, share certificates of a state or federal credit union organized and authorized to operate in Michigan, commercial paper rated in the two highest rating agency classifications and mutual funds. The weighted average maturity of this money market fund is 42 days as of March 31, 2009.

Interest rate risk is the risk that the market value of securities invested will fall due to changes in market interest rates. The Township's policy is to hold investments that mature within three years. The weighted average maturity of the proprietary funds certificate of deposits is 397.81 days. The weighted average maturity of the fiduciary funds certificate of deposits is 228 days.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Township will not be able to recover the value of investment of collateral securities that are in possession of an outside party. As of March 31, 2009, \$176,908 of the Township's investments of \$1,200,602 is uninsured and uncollateralized.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of March 31, 2009, concentrations of 5% or higher include 10.42% at Multi-Bank Securities, 8.51% at Greenville Community Bank, 8.44% Northern Bank of Michigan, 8.36% at Bank of Holland, 8.37% at Northstar Bank, 8.34% at Monroe Bank & Trnst, 8.28% at First Community Bank, 8.25% at Signature Bank, 8.22% at Flagstar Bank FSB, 8.09% at First State Bank, and 7.72% at United Bank & Trust.

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

NOTE 4. RECEIVABLES

Receivables as of March 31, 2009 for the Township's major funds and proprietary funds are as follows:

	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>Utility</u>	<u>Total</u>
Receivables:					
Taxes	\$ 3,617	\$ 5,295	\$ 2,520	\$ -	\$ 11,432
Accounts	5,554			370,996	376,550
Special assessments				1,143,957	1,143,957
Intergovernmental	142,054	36,882	30,979	98,345	308,260
Gross receivables	151,225	42,177	33,499	1,613,298	1,840,199
Less: allowance for uncollectibles				(154,650)	(154,650)
Net total receivables	<u>\$ 151,225</u>	<u>\$ 42,177</u>	<u>\$ 33,499</u>	<u>\$1,458,648</u>	<u>\$1,685,549</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are 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, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>
Delinquent property taxes receivable (general fund)	\$ 1,364
Delinquent property taxes receivable (fire fund)	1,613
Delinquent property taxes receivable (police fund)	2,520
Developer receivable	176,209
Total deferred revenue for governmental funds	<u>\$ 181,706</u>

AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

NOTE 5. CAPITAL ASSETS

Capital asset activity governmental and business-type activities follows:

	Primary Government			Ending Balance
	Beginning Balance	Additions	Disposals	
Governmental activities:				
Assets not being depreciated-land	\$ 28,900	\$ -	\$ -	\$ 28,900
Buildings and improvements	95,547			95,547
Office furniture and equipment	46,987			46,987
Computers and software	27,348			27,348
Vehicles	15,000			15,000
Fire equipment	251,190			251,190
Fire vehicles	1,068,990			1,068,990
Leased property under capital leases	359,738			359,738
Depreciable capital assets	<u>1,864,800</u>	<u>-</u>	<u>-</u>	<u>1,864,800</u>
Less accumulated depreciation for:				
Buildings and improvements	73,547	2,000		75,547
Office furniture and equipment	42,653	2,334		44,987
Computers and software	18,009	3,753		21,762
Vehicles	15,000			15,000
Fire equipment	172,053	12,516		184,569
Fire vehicles	999,768	33,191		1,032,959
Total accumulated depreciation	<u>1,321,030</u>	<u>53,794</u>	<u>-</u>	<u>1,374,824</u>
Less accumulated amortization for:				
Leased property under capital leases	20,729	37,802		58,531
Governmental activities net capital assets	<u>\$ 551,941</u>	<u>\$ (91,596)</u>	<u>\$ -</u>	<u>\$ 460,345</u>

AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

NOTE 5. CAPITAL ASSETS (Continued)

	Primary Government			
	Beginning Balance	Additions	Disposals	Ending Balance
Business-type activities:				
Assets not being depreciated-land	\$ -	\$ -	\$ -	\$ -
Water system	8,504,243			8,504,243
Water meters and equipment	577,074	18,215		595,289
Sewer system	2,479,328			2,479,328
Sewer equipment	121,130			121,130
Bond issuance costs	50,064			50,064
	<u>11,731,839</u>	<u>18,215</u>	<u>-</u>	<u>11,750,054</u>
Less accumulated depreciation for:				
Water system	3,073,846	212,606		3,286,452
Water meters and equipment	232,397	26,780		259,177
Sewer system	1,103,245	70,544		1,173,789
Sewer equipment	57,096	12,419		69,515
	<u>4,466,584</u>	<u>322,349</u>	<u>-</u>	<u>4,788,933</u>
Less accumulated amortization for bond issuance costs	19,679	1,252		20,931
	<u>\$ 7,245,576</u>	<u>\$ (305,386)</u>	<u>\$ -</u>	<u>\$ 6,940,190</u>

Depreciation and amortization expense charged to functions is as follows:

Governmental activities:	
General government	\$ 8,087
Public safety	45,707
Total depreciation - governmental activities	<u>\$ 53,794</u>
 Governmental activities:	
General government	\$ 3,202
Public safety	34,600
Total depreciation - governmental activities	<u>\$ 37,802</u>
 Business-type activities:	
Utility	\$ 323,601
Total depreciation - business-type activities	<u>\$ 323,601</u>

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

NOTE 6. INTERFUND BALANCES AND TRANSFERS

Interfund balances – Due to/from other funds

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. A portion of the amount owed to the Utility Fund from the General fund will not be repaid within one year, however all other balances at March 31, 2009 are expected to be repaid within the next fiscal year.

<u>Fund</u>	<u>Due From</u>	<u>Fund</u>	<u>Due To</u>
General	\$ 212,460	General	\$ 417,675
Fire	36,882	Fiduciary	379,169
Police	30,979	Fire	39,423
		Police	30,979
		Environmental	4
Utility	<u>588,381</u>	Utility	<u>1,452</u>
Totals	<u>\$ 868,702</u>		<u>\$ 868,702</u>

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

NOTE 7. LEASES

Capital leases – Governmental activities

The Township has entered into a capital lease agreement with Tax Exempt Leasing Corporation for the purchase of a fire truck in the amount of \$341,456 on September 6, 2007. The lease term is seven years, ending February 28, 2014. Annual payments of \$48,414 are due February 28. The respective principal and interest requirements follow:

Year Ended March 31,	Principal	Interest	Total
2010	\$ 38,683	\$ 9,731	\$ 48,414
2011	40,458	7,956	48,414
2012	42,315	6,099	48,414
2013	44,258	4,156	48,414
2014	46,289	2,125	48,414
	<u>\$ 212,003</u>	<u>\$ 30,067</u>	<u>\$ 242,070</u>

The Township has entered into a capital lease agreement with Bank of America for the purchase of a copier for the township hall in the amount of \$16,012 on October 10, 2007. The lease is thirty-six months, ending October 2010. Payments of \$468 are due at the beginning of each month. The respective principal and interest requirements follow:

Year Ended March 31,	Principal	Interest	Total
2010	\$ 5,394	\$ 219	\$ 5,613
2011	3,696	46	3,742
	<u>\$ 9,090</u>	<u>\$ 265</u>	<u>\$ 9,355</u>

The Township has entered into a capital lease agreement with Bank of America for the purchase of a copier for the fire hall in the amount of \$2,270 on October 10, 2007. The lease term is thirty-six months, ending October 2010. Payments of \$67 are due at the beginning of each month. The respective principal and interest requirements follow:

Year Ended March 31,	Principal	Interest	Total
2010	\$ 766	\$ 37	\$ 803
2011	527	8	535
	<u>\$ 1,293</u>	<u>\$ 45</u>	<u>\$ 1,338</u>

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

NOTE 8. LONG TERM DEBT

The Township is obligated by 1995 special assessment revenue bonds, originally issued for \$3,094,000 at an interest rate of 5.125%, maturing April 2035. At March 31, 2009, the Township had an outstanding bond payable of \$1,782,000, which is recorded as a liability in the Utility Fund. Interest expense related to this bond for the year ended March 31, 2009 was 94,813.

Debt service requirements at March 31, 2009 are as follows:

Year Ended March 31,	Interest Rate	Principal Due April 1	Interest Due April 1	Interest Due October 1	Total Due
2010	5.125	\$ 68,000	\$ 46,752	\$ 46,752	\$ 161,504
2011	5.125	68,000	44,968	44,968	157,936
2012	5.125	68,000	43,183	43,184	154,367
2013	5.125	68,000	41,400	41,399	150,799
2014	5.125	68,000	39,616	39,616	147,232
2015	5.125	68,000	37,831	37,832	143,663
2016	5.125	68,000	36,048	36,047	140,095
2017	5.125	68,000	34,263	34,264	136,527
2018	5.125	68,000	32,480	32,479	132,959
2019	5.125	68,000	30,695	30,696	129,391
2020	5.125	68,000	28,912	28,911	125,823
2021	5.125	68,000	27,127	27,128	122,255
2022	5.125	69,000	25,343	25,343	119,686
2023	5.125	69,000	23,534	23,533	116,067
2024	5.125	69,000	21,723	21,723	112,446
2025	5.125	69,000	19,913	19,913	108,826
2026	5.125	69,000	18,102	18,103	105,205
2027	5.125	69,000	16,292	16,292	101,584
2028	5.125	69,000	14,482	14,482	97,964
2029	5.125	69,000	12,672	12,672	94,344
2030	5.125	69,000	10,862	10,861	90,723
2031	5.125	69,000	9,051	9,051	87,102
2032	5.125	69,000	7,241	7,241	83,482
2033	5.125	69,000	5,431	5,431	79,862
2034	5.125	69,000	3,621	3,621	76,242
2035	5.125	69,000	1,810	1,810	72,620
		<u>\$ 1,782,000</u>	<u>\$ 633,352</u>	<u>\$ 633,352</u>	<u>\$ 3,048,704</u>

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

NOTE 8. LONG TERM DEBT (Continued)

The Township is obligated for a portion of bonds held by YCUA through Washtenaw County for the sewage disposal system. The original amount owed is \$1,302,971 at interest rates between 3.0 and 6.0%, maturing in fiscal year ending 2033. YCUA bills the Township on a monthly basis for total debt service expenses. Interest expense related to this bond for the year ended March 31, 2009 was \$45,088. The principal and interest requirements at March 31, 2009 follow:

Year Ended March 31,	Principal	Interest	Total
2010	26,250	43,996	70,246
2011	27,580	42,818	70,398
2012	28,851	41,575	70,426
2013	30,336	40,255	70,591
2014	31,968	38,853	70,821
2015	33,813	37,363	71,176
2016	35,464	35,772	71,236
2017	37,059	34,089	71,148
2018	39,008	32,294	71,302
2019	40,969	30,375	71,344
2020	41,150	30,113	71,263
2021	37,085	26,413	63,498
2022	39,624	24,535	64,159
2023	41,758	22,521	64,279
2024	43,762	20,388	64,150
2025	46,054	18,148	64,202
2026	48,357	15,793	64,150
2027	50,671	13,318	63,989
2028	52,293	10,725	63,018
2029	36,971	8,495	45,466
2030	38,808	6,591	45,399
2031	40,793	4,591	45,384
2032	41,984	2,502	44,486
2033	28,986	713	29,699
	<u>\$ 919,594</u>	<u>\$ 582,236</u>	<u>\$ 1,501,830</u>

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

NOTE 8. LONG TERM DEBT (Continued)

The following is a schedule of the business-type long term obligations for the Township for the year ended March 31, 2009:

	Bonds	YCUA Contract	Capital Leases	Total
Balance April 1, 2008	\$ 1,850,000	\$ 944,384	\$ 265,328	\$ 3,059,712
Additions				-
Deletions	(68,000)	(24,790)	(42,942)	(135,732)
Balance March 31, 2009	1,782,000	919,594	222,386	2,923,980
Less: current portion	68,000	26,250	44,843	139,093
Total due after one year	<u>\$ 1,714,000</u>	<u>\$ 893,344</u>	<u>\$ 177,543</u>	<u>\$ 2,784,887</u>

The debt service requirements of governmental activities at March 31, 2009 are as follows:

Year Ended March 31,	Principal	Interest	Total
2010	94,250	137,500	231,750
2011	95,580	132,754	228,334
2012	96,851	127,942	224,793
2013	98,336	123,054	221,390
2014	99,968	118,085	218,053
2015-2019	526,313	512,528	1,038,841
2020-2024	546,379	377,247	923,626
2025-2029	579,346	229,402	808,748
2030-2034	495,571	86,808	582,379
2035	69,000	1,810	70,810
	<u>\$ 2,701,594</u>	<u>\$ 1,847,130</u>	<u>\$ 4,548,724</u>

**AUGUSTA CHARTER TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

NOTE 9. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries (worker's compensation). The Township participates in two public entity risk pools for its insurance coverage. Any settled claims relating to the insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 10. PRIOR PERIOD ADJUSTMENT

Amounts in prior periods were not properly recorded, thus an adjustment to the proprietary fund beginning net assets is necessary to restate net assets to the amount it would have been had the items been recorded properly. Because such amounts are the product of errors from a prior period, they are not included as a part of the results of operations of the current period, even though they are reported in the current period. Beginning net assets were decreased by \$8,342,205 due to a miscommunication in the valuation of capital assets for the fiscal year ending March 31, 2008.

NOTE 11. DEFINED CONTRIBUTION PLANS

The Augusta Township Pension Plan is a defined contribution plan administered by Principal Financial Group under authority of Internal Revenue Code Section 401(a). The Township makes monthly contributions of 15% of full time employees' compensation. Employees must be 18 years of age to participate and are allowed to contribute, however employees did not contribute to this plan. The Township made contributions of \$25,338 for the year ended March 31, 2009.

Augusta Charter Township 457 Prototype Plan is a governmental 457 deferred compensation plan administered by Symetra Financial. Employees, with the exception of part-time employees working 15 hours or less and volunteer firemen, are allowed to participate with no employer match. There were employee contributions of \$7,191 made for the year ended March 31, 2009.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Augusta Charter Township
Washtenaw County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Augusta Charter Township, as of and for the year ended March 31, 2009, which collectively comprise Augusta Charter Township's basic financial statements and have issued our report thereon dated July 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Augusta Charter Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Township's financial

Augusta Charter Township
Washtenaw County, Michigan

statements that is more than inconsequential will not be prevented or detected by the Township's internal control over financial reporting. We considered the deficiencies described as 2009-1 through 2009-3 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above as 2009-1 through 2009-3, are not material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Augusta Charter Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Augusta Charter Township in a separate letter dated July 15, 2009.

August Charter Township's response to the findings identified in our audit are described in the accompanying schedule of findings and response. We did not audit Augusta Charter Township's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of Augusta Charter Township, management, Departments of the State of Michigan, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robertson, Eaton & Owen, P.C.

Adrian, Michigan
July 15, 2009

AUGUSTA CHARTER TOWNSHIP
SCHEDULE OF FINDINGS AND RESPONSES
MARCH 31, 2009

Finding 2009-1

Finding considered a significant deficiency

Criteria:

Effective for the year ended March 31, 2009, Statement on Auditing Standards No.112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2007), requires us to communicate in writing to management and those charged with governance, significant deficiencies and material weaknesses identified in an audit.

Condition

Currently there are no segregation of conflicting duties of initiating transactions, and the recording of those transactions

Cause

The Township has a limited number of personnel.

Effect

There is greater risk of material misstatement of the financial statements.

Recommendation

The Township should evaluate its internal control structure and develop any needed controls.

Client Response

We are aware of this deficiency.

AUGUSTA CHARTER TOWNSHIP
SCHEDULE OF FINDINGS AND RESPONSES
MARCH 31, 2009

Finding 2009-2

Finding considered a significant deficiency

Criteria:

Effective for the year ended March 31, 2009, Statement on Auditing Standards No.112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2007), requires us to communicate in writing to management and those charged with governance, significant deficiencies and material weaknesses identified in an audit.

Condition

Expenditure function levels exceeded appropriated amounts. The Township approved a general fund budget with a deficit greater than the beginning fund balance.

Cause

The administration has a lack of experience and familiarity with related statutes.

Effect

The budget is not in accordance with the recommendations listed in statutes.

Recommendation

That the administration determine prior to the amendment of the appropriations, that the information is complete including adjusting entries to record the year end accruals. Per Michigan Compiled Laws (MCL) 141.435, Section 15, paragraph (2), it is not recommended to budget for a deficit greater than the available unappropriated surplus from prior years.

Client Response

The Township will attempt to be in compliance with the Chapter 141 of MCL in the future.

AUGUSTA CHARTER TOWNSHIP
SCHEDULE OF FINDINGS AND RESPONSES
MARCH 31, 2009

Finding 2009-3

Finding considered a significant deficiency

Criteria:

Statement on Auditing Standards No. 112 titled *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate, in writing, to management and those charged with governance, significant deficiencies and material weaknesses identified in an audit.

Condition

The Township lacks an adequate design of internal control over the preparation of the financial statements footnotes being audited.

Cause

The Township does not have a staff person with the level of expertise necessary to prepare its footnotes.

Effect

The Township's design of control does not allow management to prevent or detect and correct misstatements on a timely basis.

Recommendation

Consider whether this is a risk that The Township is willing to accept.

Client Response

We are aware of this deficiency and believe it is not cost beneficial to develop this expertise.

To the Board of Trustees
Augusta Charter Township
Whittaker, Michigan

In planning and performing our audit of the financial statements of the Augusta Charter Township as for the year ended March 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered Augusta Charter Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated July 15, 2009 on the financial statements of Augusta Charter Township. We will review the status of this comment during our next audit engagement.

Our comment and recommendation is intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss this comment in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendation. Our comment is summarized as follows:

CURRENT YEAR COMMENT

Budget amendments

We recommend making budget amendments close to year end that more accurately reflect expected revenues and expenditures. We analyze budget to actual differences while performing our auditing procedures.

This report is intended solely for the information and use of Augusta Charter Township, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Robertson, Eaton & Owen, P.C.

July 15, 2009

July 15, 2009

The Board of Trustees
Augusta Charter Township
Whittaker, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Augusta Charter Township (Township) for the year ended March 31, 2009, and have issued our report thereon dated July 15, 2009. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated January 29, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

2. Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the estimated taxes and accounts receivable, estimated allowance for uncollectible accounts, special assessment receivable and deferred revenue, estimated capital asset lives for depreciation and the estimated values used for the Township's capital assets upon the implementation of GASB Statement No. 34.

Accounts and taxes receivable and the related allowance for uncollectible accounts, special assessment receivable and deferred revenue are estimated using the information available as of the date of the auditors' report. Management's estimate of values used for the Township's capital assets is based upon either historical cost, if known, or the estimated fair value at the implementation of GASB Statement No. 34. We evaluated the key factors and assumptions used to develop accounts receivable, capital assets and the lives for depreciation in determining that they are reasonable in relation to the financial statements taken as a whole.

The Board of Trustees
Augusta Charter Township
Whittaker, Michigan

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 15, 2009.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

This information is intended solely for the use of the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Robertson, Eaton & Owen, P.C.