

**AUGUSTA CHARTER TOWNSHIP,
MICHIGAN**

FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION

Year ended March 31, 2015

AUGUSTA CHARTER TOWNSHIP, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT

Township Board
Augusta Charter Township, Michigan
8021 Talladay Rd
Whitaker, Michigan

Report on the Financial Statements

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, Michigan, (the "Township") as of and for the year ended March 31, 2015, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 the Township as of March 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 - 10 and 35-36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The accompanying combining non-major fund financial statements and fiduciary funds statement of assets and liabilities are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Township Board
Augusta Charter Township, Michigan
Page Three

The combining non-major fund financial statements and the combining fiduciary statement of assets and liabilities is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major fund financial statements and the combining fiduciary statement of assets and liabilities is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The logo for UHY LLP, featuring the letters "UHY" in a large, stylized, cursive font, followed by "LLP" in a smaller, sans-serif font.

Farmington Hills, Michigan
September 12, 2016

AUGUSTA CHARTER TOWNSHIP, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARCH 31, 2015

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 fiscal year ended March 31, 2015.

Financial Highlights

- The Township experienced an increase in taxable value of two (2) percent from the previous year. The Township is anticipating a stable taxable value next year, with no anticipated decline or growth.
- State shared revenues increased four (4) percent for the year ending March 31, 2015.
- Overall new zoning and planning applications increased by nine (9) or thirty-one (31) percent.
- Applications for new single family homes increased from fifteen (15) to forty (40) from the prior year ending March 31, 2015.
- Single family home applications were forty (40), fifteen (15), five (5), four (4), two (2), and two (2), for years ending March 31, 2015, 2014, 2013, 2012, 2011, and 2010.

Governmental activities:

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

The Township is leasing a building to temporarily store and operate Fire and Utility operations. The costs are born by the Fire and Utility departments based upon square footage occupied. As of 2015 the Elections Department shares a small portion for storage.

Business-type activities:

The Township's business-type Utility Fund supplies water distribution and provides sewage treatment to residents through YCUA.

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.

AUGUSTA CHARTER TOWNSHIP, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARCH 31, 2015

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 position presents information on all of the Township's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the year ended March 31, 2015. All changes in net position 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 11 - 12 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, 2015. Such information may be useful in evaluating a government's near-term financing requirements.

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, capital projects fund and environmental fund.

AUGUSTA CHARTER TOWNSHIP, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2015

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 basic governmental fund financial statements can be found on pages 13 -16 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 17 -18 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 20 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 21 -34 of this report.

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

AUGUSTA CHARTER TOWNSHIP, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2015

Government-wide Financial Analysis

Augusta Charter Township's Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities by at the close of the year ended March 31, 2015.

By far the largest portion of the Township's net position (65 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, and 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 and sewer rate increases received from YCUA to its residents.

	Governmental Activities	Business-Type Activities	2015	2014
Assets				
Current and other assets	\$ 1,486,282	\$ 1,902,097	\$ 3,388,379	\$ 3,330,347
Capital assets	441,033	5,198,494	5,639,527	6,050,024
Total assets	<u>1,927,315</u>	<u>7,100,591</u>	<u>9,027,906</u>	<u>9,380,371</u>
Liabilities				
Long term liabilities outstanding	126,368	1,429,489	1,555,857	1,670,198
Other liabilities	67,531	146,061	213,592	206,790
Total liabilities	<u>193,899</u>	<u>1,575,550</u>	<u>1,769,449</u>	<u>1,876,988</u>
Net Position				
Invested in capital assets, net of related debt	291,740	4,457,133	4,748,873	5,105,739
Restricted	487,300	-	487,300	438,190
Unrestricted	954,376	1,067,908	2,022,284	1,959,454
Total net position	<u>\$ 1,733,416</u>	<u>\$ 5,525,041</u>	<u>\$ 7,258,457</u>	<u>\$ 7,503,383</u>

AUGUSTA CHARTER TOWNSHIP, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2015

An additional portion of the Township's net position (6.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$2,022,284 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 position, 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.

	Governmental Activities	Business-Type Activities	2015	2014
Program revenue				
Charges for services				
Utility	\$ -	\$ 1,179,546	\$ 1,179,546	\$ 1,257,252
General revenue				
Property taxes	513,548	-	513,548	556,927
Special assessment	-	88,961	88,961	102,471
Investment earnings	576	527	1,103	527
State revenue sharing	519,882	-	519,882	498,763
Franchise fees	45,967	-	45,967	43,576
Other	440,018	-	440,018	91,258
Total general revenue	1,519,991	89,488	1,609,479	1,293,522
Total revenue	1,519,991	1,269,034	2,789,025	2,550,774
Expenses				
General government	513,436	-	513,436	528,776
Public safety	430,474	-	430,474	418,834
Public works	214,120	-	214,120	224,897
Community and economic development	21,857	-	21,857	23,331
Utility	-	1,854,064	1,854,064	1,435,966
Total expenses	1,179,887	1,854,064	3,033,951	2,631,804
Change in net position	340,104	(585,030)	(244,926)	(81,030)
Net position, beginning of year	1,393,312	6,110,071	7,503,383	7,584,413
Net position, end of year	\$ 1,733,416	\$ 5,525,041	\$ 7,258,457	\$ 7,503,383

AUGUSTA CHARTER TOWNSHIP, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARCH 31, 2015

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, 2015, the Township's governmental funds reported a combined ending fund balances of \$1,733,416. Special Revenue and Capital Projects Funds have \$487,300 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 \$900,218. 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 increased by \$352,038 during the year ended March 31, 2015.

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 position of the Utility Fund at the end of the year amounted to \$1,067,908 as shown on Page 17 of the report. The total decrease in net position for the fund was \$585,030 as shown on Page 18 of the report.

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, 2015, amounts to \$5,639,527 (net of accumulated depreciation). This investment in capital assets includes land, buildings and utility systems, machinery and equipment and park facilities.

Long-term debt. At the year ended March 31, 2015, the Township had total bonded and contract debt outstanding of \$890,654. This amount 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, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2015**

Economic Factors and Next Year's Budgets and Rates

The Township experienced an increase in overall property values due to Michigan's overall economy.

The Township continues to pursue 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 had been determined to be too small a parcel to fit the Township's current 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.

AUGUSTA CHARTER TOWNSHIP, MICHIGAN
STATEMENT OF NET POSITION
March 31, 2015

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 828,125	\$ 646,161	\$ 1,474,286
Accounts receivable	165,352	338,327	503,679
Special assessment receivables	-	38,977	38,977
Interfunds	(40,480)	40,480	-
Due from other governmental units	55,450	34,560	90,010
Due from fiduciary fund	474,186	68,755	542,941
Prepaid expenses	3,649	11,245	14,894
Total current assets	1,486,282	1,178,505	2,664,787
Noncurrent assets			
Special assessment receivables	-	723,592	723,592
Capital assets			
Assets not subject to depreciation	35,004	-	35,004
Assets subject to depreciation	2,144,302	11,918,401	14,062,703
Less accumulated depreciation	(1,738,273)	(6,719,907)	(8,458,180)
Total capital assets	441,033	5,198,494	5,639,527
Total non current assets	441,033	5,922,086	6,363,119
Total assets	1,927,315	7,100,591	9,027,906
LIABILITIES			
Current liabilities			
Accounts payable	28,304	71,620	99,924
Salaries payable	12,517	-	12,517
Due to fiduciary fund	1,344	-	1,344
Accrued interest	2,441	-	2,441
revenue	-	38,977	38,977
Current portion of long-term debt	22,925	35,464	58,389
Total current liabilities	67,531	146,061	213,592
Noncurrent liabilities			
Deferred special assessment revenue	-	723,592	723,592
Long-term debt	126,368	705,897	832,265
Total noncurrent liabilities	126,368	1,429,489	1,555,857
Total liabilities	193,899	1,575,550	1,769,449
NET POSITION			
Invested in capital assets, net of related debt	291,740	4,457,133	4,748,873
Restricted			
Fire fund	180,428	-	180,428
Environmental fund	268,746	-	268,746
Capital projects	38,126	-	38,126
Unrestricted	954,376	1,067,908	2,022,284
Total net position	\$ 1,733,416	\$ 5,525,041	\$ 7,258,457

The accompanying notes are an integral part of these financial statements.

AUGUSTA CHARTER TOWNSHIP, MICHIGAN
STATEMENT OF ACTIVITIES
Year Ended March 31, 2015

FUNCTIONS/PROGRAMS	Net (Expenses) Revenues & Changes in Net Position						
	Program Revenues				Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 513,436	\$ -	\$ -	\$ -	\$ (513,436)	\$ -	\$ (513,436)
Public safety	430,474	-	-	-	(430,474)	-	(430,474)
Public works	214,120	-	-	-	(214,120)	-	(214,120)
Community and economic development	21,857	-	-	-	(21,857)	-	(21,857)
Total governmental activities	1,179,887	-	-	-	(1,179,887)	-	(1,179,887)
Business-type activities:							
Utility fund	1,854,064	1,179,546	-	-	-	(674,518)	(674,518)
Total government	<u>\$ 3,033,951</u>	<u>\$ 1,179,546</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,179,887)</u>	<u>\$ (674,518)</u>	<u>\$ (1,854,405)</u>
General revenues:							
Property taxes					\$ 513,548	\$ -	\$ 513,548
State revenue sharing					519,882	-	519,882
Franchise fees					45,967	-	45,967
Special assessment revenue and interest					-	88,961	88,961
Investment earnings					576	527	1,103
Other					440,018	-	440,018
Total general revenues					1,519,991	89,488	1,609,479
Change in Net Position					340,104	(585,030)	(244,926)
Net Position, Beginning of year					1,393,312	6,110,071	7,503,383
Net Position, End of year					<u>\$ 1,733,416</u>	<u>\$ 5,525,041</u>	<u>\$ 7,258,457</u>

The accompanying notes are an integral part of these financial statements.

AUGUSTA CHARTER TOWNSHIP, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
March 31, 2015

	General	Fire Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 243,560	\$ 276,389	\$ 308,176	\$ 828,125
Accounts receivable	165,352	-	-	165,352
Due from other governmental units	21,204	34,246	-	55,450
Due from other funds	194,962	-	40	195,002
Due from fiduciary fund	353,499	120,687	-	474,186
Prepaid expenditures	1,149	2,500	-	3,649
Total assets	<u>\$ 979,726</u>	<u>\$ 433,822</u>	<u>\$ 308,216</u>	<u>\$ 1,721,764</u>
LIABILITIES				
Accounts payable	\$ 13,958	\$ 14,346	\$ -	\$ 28,304
Salaries payable	1,298	11,219	-	12,517
Due to other funds	41,899	193,583	-	235,482
Due to fiduciary fund	-	-	1,344	1,344
Total liabilities	<u>57,155</u>	<u>219,148</u>	<u>1,344</u>	<u>277,647</u>
Deferred inflows of resources - Unavailable revenue	<u>21,204</u>	<u>34,246</u>	<u>-</u>	<u>55,450</u>
FUND BALANCES				
Nonspendable - prepaid items	1,149	2,500	-	3,649
Restricted - Fire fund	-	177,928	38,126	216,054
Unassigned	900,218	-	268,746	1,168,964
Total fund balances	<u>901,367</u>	<u>180,428</u>	<u>306,872</u>	<u>1,388,667</u>
Total liabilities and fund balances	<u>\$ 979,726</u>	<u>\$ 433,822</u>	<u>\$ 308,216</u>	<u>\$ 1,721,764</u>

AUGUSTA CHARTER TOWNSHIP, MICHIGAN
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
March 31, 2015

Fund Balance Reported in Governmental Funds	\$ 1,388,667
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Amounts reported for governmental activities in the statement of net position are different because:

Adjustments required to convert balances to full accrual basis from modified accrual basis.

Add: Revenue collected after year end are not recognized in the funds	55,450
Deduct: Accrued interest payable	(2,441)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: Capital assets	2,179,306
Deduct: Accumulated depreciation	(1,738,273)

Certain liabilities, such as contracts payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: Capital lease payable	(149,293)
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Net Position of Governmental Activities	\$ 1,733,416
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AUGUSTA CHARTER TOWNSHIP, MICHIGAN
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended March 31, 2015

	General	Fire Fund	Other Governmental Funds	Total Governmental Funds
REVENUE				
Property taxes	\$ 148,790	\$ 359,165	\$ -	\$ 507,955
State shared revenue	519,882	-	-	519,882
Franchise fees	45,967	-	-	45,967
Investment earnings	-	85	491	576
Other	378,165	61,353	500	440,018
Total revenue	<u>1,092,804</u>	<u>420,603</u>	<u>991</u>	<u>1,514,398</u>
EXPENDITURES				
Operating:				
General government	503,640	-	-	503,640
Public safety	-	345,641	-	345,641
Public works	214,120	-	-	214,120
Community and economic development	21,857	-	-	21,857
Debt service	-	19,818	-	19,818
Capital outlay	-	7,025	-	7,025
Total expenditures	<u>739,617</u>	<u>372,484</u>	<u>-</u>	<u>1,112,101</u>
Net Change in Fund Balances	353,187	48,119	991	402,297
Fund Balances, Beginning of year	548,180	132,309	305,881	986,370
Fund Balances, End of year	<u><u>\$ 901,367</u></u>	<u><u>\$ 180,428</u></u>	<u><u>\$ 306,872</u></u>	<u><u>\$ 1,388,667</u></u>

AUGUSTA CHARTER TOWNSHIP, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended March 31, 2015

Net Change in Fund Balances - Total Governmental Funds	\$ 402,297
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Amounts reported for governmental activities in the statement of activities are different because:

Add: revenue recorded when earned	5,593
Add: accrual for interest	1,553

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense

Deduct: depreciation and amortization expense	(89,157)
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Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long term debt in the statement of net position

Add: principal on debt	<u>19,818</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 340,104</u></u>
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AUGUSTA CHARTER TOWNSHIP, MICHIGAN
STATEMENT OF NET POSITION
PROPRIETARY FUND
March 31, 2015

	<u>Enterprise Fund</u> <u>Utility</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 646,161
Receivables, net	338,327
Special assessment receivables	38,977
Due from other governmental units	34,560
Due from other funds	40,480
Due from fiduciary fund	68,755
Prepaid expenses and deposits	<u>11,245</u>
Total current assets	<u>1,178,505</u>
Noncurrent assets	
Special assessment receivables	723,592
Capital assets	
Infrastructure	11,152,646
Machinery and equipment	765,755
Less accumulated depreciation	<u>(6,719,907)</u>
Total noncurrent assets	<u>5,922,086</u>
Total assets	<u>7,100,591</u>
LIABILITIES	
Current liabilities	
Accounts payable	71,620
Current portion of deferred special assessment revenue	38,977
Current portion of YCUA contract	<u>35,464</u>
Total current liabilities	<u>146,061</u>
Noncurrent liabilities	
Deferred special assessment revenue	723,592
Noncurrent portion of YCUA contract	<u>705,897</u>
Total noncurrent liabilities	<u>1,429,489</u>
Total liabilities	<u>1,575,550</u>
NET POSITION	
Invested in capital assets, net of related debt	4,457,133
Unrestricted	<u>1,067,908</u>
Total net position	<u>\$ 5,525,041</u>

The accompanying notes are an integral part of these financial statements.

AUGUSTA CHARTER TOWNSHIP, MICHIGAN
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended March 31, 2015

	<u>Enterprise Fund</u> <u>Utility</u>
OPERATING REVENUE	
Water and sewer usage	\$ 1,017,683
Charges for services	<u>161,863</u>
Total operating revenue	<u>1,179,546</u>
OPERATING EXPENSES	
Cost of water	496,538
Cost of sewage treatment	230,174
Operation and maintenance	374,415
General and administrative costs	403,670
Depreciation and amortization	<u>321,340</u>
Total operating expenses	<u>1,826,137</u>
Operating loss	<u>(646,591)</u>
NONOPERATING REVENUE (EXPENSE)	
Special assessment revenue	88,955
Interest on special assessments	6
Interest income	527
Interest expense	<u>(27,927)</u>
Total nonoperating revenue (expense)	<u>61,561</u>
Change in net position	(585,030)
Net Position, Beginning of year	<u>6,110,071</u>
Net Position, End of year	<u><u>\$ 5,525,041</u></u>

AUGUSTA CHARTER TOWNSHIP, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year ended March 31, 2015

	<u>Enterprise Fund</u> <u>Utility</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,162,226
Payments to employees and suppliers	<u>(1,445,563)</u>
Net cash used in operating activities	<u>(283,337)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Special assessment revenue	88,955
Special assessment interest	6
Principal payments	(33,813)
Interest payments	<u>(27,927)</u>
Net cash provided by capital and related financing activities	<u>27,221</u>
CASH FLOWS FROM INVESTING ACTIVITY	
Interest income	<u>527</u>
Net decrease in cash and cash equivalents	(255,589)
Cash and Cash Equivalents, Beginning of year	<u>901,750</u>
Cash and Cash Equivalents, End of year	<u><u>\$ 646,161</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	\$ (646,591)
Adjustments to reconcile operating loss to net cash flows from operating activities:	
Depreciation expense	321,340
Changes in assets and liabilities:	
Receivables	7,014
Inventory	28,650
Prepaid expense	20,498
Accounts payable and other liabilities	<u>(14,248)</u>
Net cash used in operating activities	<u><u>\$ (283,337)</u></u>

AUGUSTA CHARTER TOWNSHIP, MICHIGAN
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
March 31, 2015

ASSETS

Cash and cash equivalents	\$ 1,016,260
Due from other funds	<u>1,344</u>
Total assets	<u><u>\$ 1,017,604</u></u>

LIABILITIES

Due to other funds	\$ 542,941
Due to other taxing units	<u>474,663</u>
Total liabilities	<u><u>\$ 1,017,604</u></u>

AUGUSTA CHARTER TOWNSHIP, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

Description of 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 in the Township.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary 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, franchise fees 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 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.

AUGUSTA CHARTER TOWNSHIP, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

NOTE 1 – 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 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*. 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 revenue 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:

General

The *General fund* is the government'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* is a special revenue fund to account for a tax levy for the purpose of providing fire protection services to the Township's residents.

The government reports the following major proprietary fund:

The *Utility Fund* accounts for the acquisition, operation and maintenance of the Townships water and sewer systems.

The government reports the following non-major funds:

The *Special revenue funds* account for revenue sources that are legally restricted or committed to expenditures for specific purposes, not including major capital projects.

The *Capital projects funds* are used to account for resources restricted, assigned or committed to expenditures for the acquisition or construction of capital assets.

AUGUSTA CHARTER TOWNSHIP, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the government reports the following other fund types:

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

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 include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants, franchise fees 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.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 revenue of the Utility fund are charges to customers for sales and services. Operating expenses for this fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Property Tax Revenue

Properties are assessed as of December 31 and tax levies are July 1 and December 1 of the following year. The tax levies of July 1 and December 1, 2013 are revenues in the Township's fiscal year ended March 31, 2015.

The Township had a general tax millage of 0.8188 for 2015. The Township's maximum allowable millage is 0.8188 mills. The Township had a fire department millage of 2.0 for 2015.

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.

AUGUSTA CHARTER TOWNSHIP, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Assets, Liabilities and Fund Equity

Cash, Cash Equivalents 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 an original maturity date of three months or less.

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.

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.

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 non-current portion of interfund loans). All other outstanding balances between funds are reported as "internal balances."

Prepaid Items

Prepaid items are costs incurred during the current fiscal year for which benefit will be received in a future fiscal year and are recorded as prepaid items in both the government-wide and fund financial statements.

AUGUSTA CHARTER TOWNSHIP, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity (Continued)

Capital Assets

Capital assets, which include property, plant and equipment 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 \$5,000 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Capital assets 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	5-10
Water system	40
Water equipment	10-15
Sewer system	35
Sewer equipment	10

Long term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long term debt and other non-current obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

AUGUSTA CHARTER TOWNSHIP, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity (Continued)

Deferred Inflows of Resources

The Township's governmental funds report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). The Township will not recognize the related revenues until a future event occurs. Unavailable revenue qualifies for reporting in this category and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from special assessments that were not received within 60 days of year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Equity

In the fund financial statements, governmental funds report the following components of fund balance:

Nonspendable

Amounts that are not in spendable form or are legally or contractually required to be maintained intact.

Nonspendable amounts will be determined before all other classifications and consist of the following items (as applicable in any given fiscal year)

- The Charter Township will maintain a fund balance equal to the balance of any long-term outstanding balance due from others (including other funds of the government).
- The Charter Township will maintain a fund balance equal to the value of inventory balances and prepaid items (to the extent that such balances are not offset with liabilities and actually result in fund balance).
- The Charter Township will maintain a fund balance equal to the corpus (principal) of any permanent funds that are legally or contractually required to be maintained intact.
- The Charter Township will maintain a fund balance equal to the balance of any land or other nonfinancial assets held for sale.

AUGUSTA CHARTER TOWNSHIP, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity (Continued)
Fund Equity (Continued)

Restricted

Amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers; or through enabling legislation.

Committed

Amounts that can be used only for the specific purposes determined by a formal action of the Charter Township's highest level of decision-making authority (i.e. the Board of Trustees).

Commitments will only be used for specific purposes pursuant to a formal action of the Board of Trustees. A majority vote is required to approve a commitment and a two-thirds majority vote is required to remove a commitment.

Assigned

Amounts intended to be used by the Charter Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

The Board of Trustees delegates to the Supervisor or his designee the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

Unassigned

Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

AUGUSTA CHARTER TOWNSHIP, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end. The Township follows the budgetary procedures outlined by the State of Michigan including public hearings and proper adoption. The budgets are amended during the year as needed.

Encumbrance accounting is not employed in governmental funds. If encumbrance accounting were employed, encumbrances (e.g., purchase orders, contracts) outstanding at year end would be reported as assigned fund balances and would not constitute expenditures or liabilities because the goods or services had not been received as of year-end; the commitments would be reappropriated and honored during the subsequent year.

Instead, amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

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.

AUGUSTA CHARTER TOWNSHIP, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Excess of expenditures over Appropriations in Budgeted Funds

During the year ended March 31, 2015, both the general fund and the fire fund incurred expenditures in excess of amounts appropriated as follows:

	<u>Budgeted Amount</u>	<u>Actual</u>	<u>Variance</u>
General fund			
General Government			
Treasurer	\$ 67,534	\$ 103,084	\$ (35,550)
Elections	\$ 4,172	\$ 25,141	\$ (20,969)

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Custodial credit risk is the risk that in the event of 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, 2015, \$1,713,355 of the Township's bank balance of \$2,463,355 was exposed to custodial credit risk.

NOTE 4 – RECEIVABLES

Receivables as of year-end for the Township's major funds and proprietary funds are as follows:

	<u>General</u>	<u>Utility</u>	<u>Total</u>
State shared revenue	\$ 165,352	\$ -	\$ 165,352
Customer	-	338,327	338,327
Special assessments	-	762,569	762,569
	<u>\$ 165,352</u>	<u>\$ 1,100,896</u>	<u>\$ 1,266,248</u>

AUGUSTA CHARTER TOWNSHIP, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

NOTE 5 – CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities					
Capital assets not being depreciated - Land	\$ 35,004	\$ -	\$ -	\$ -	\$ 35,004
Capital assets being depreciated					
Buildings and improvements	102,597	-	-	-	102,597
Office furniture and equipment	46,987	-	-	-	46,987
Computers and software	54,443	-	-	-	54,443
Vehicles	1,666,714	-	-	6,589	1,673,303
Fire equipment	273,561	-	-	(6,589)	266,972
Subtotal	2,144,302	-	-		2,144,302
Less accumulated depreciation/ amortization for					
Buildings and improvements	86,330	2,470	-	-	88,800
Office furniture and equipment	45,612	125	-	-	45,737
Computers and software	34,956	7,201	-	-	42,157
Vehicles	1,236,352	66,672	-	1,953	1,304,977
Fire equipment	245,866	12,689	-	(1,953)	256,602
Subtotal	1,649,116	89,157	-	-	1,738,273
Net capital assets being depreciated/amortized	495,186	(89,157)	-	-	406,029
Governmental activities total					
Capital assets - net of depreciation and amortization	\$ 530,190	\$ (89,157)	\$ -	\$ -	\$ 441,033

Included in capital assets is leased equipment under a capital lease with a cost of \$284,996 and accumulated amortization of \$35,625. Amortization expense related to the capital lease was \$28,500 for the year ended March 31, 2015.

AUGUSTA CHARTER TOWNSHIP, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

NOTE 5 – CAPITAL ASSETS (Continued)

Capital asset activity for the business activities for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-Type Activities					
Capital assets being depreciated					
Water system	\$ 8,673,318	\$ -	\$ -	\$ -	\$ 8,673,318
Water meters and equipment	644,625	-	-	-	644,625
Sewer system	2,479,328	-	-	-	2,479,328
Sewer equipment	121,130	-	-	-	121,130
Subtotal	11,918,401	-	-	-	11,918,401
Less accumulated depreciation for					
Water system	4,366,178	216,833	-	-	4,583,011
Water meters and equipment	403,104	29,351	-	-	432,455
Sewer system	1,526,517	70,545	-	-	1,597,062
Sewer equipment	102,768	4,611	-	-	107,379
Subtotal	6,398,567	321,340	-	-	6,719,907
Net capital assets being depreciated	<u>5,519,834</u>	<u>(321,340)</u>	<u>-</u>	<u>-</u>	<u>5,198,494</u>
Business-type activities total					
Capital assets - net of depreciation	<u>\$ 5,519,834</u>	<u>\$ (321,340)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,198,494</u>

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

Governmental activities	
General government	\$ 9,796
Public safety	<u>79,361</u>
Total depreciation and amortization	<u>\$ 89,157</u>
Business-type activities	
Utility	<u>\$ 321,340</u>

AUGUSTA CHARTER TOWNSHIP, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances resulted primarily 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.

<u>Receivable Fund</u>	<u>Payable Fund</u>	
General fund	Tax collection fund	\$ 353,500
	Fire fund	\$ 193,583
Fire fund	Tax collection fund	\$ 120,687
Utility fund	Tax collection fund	\$ 68,755
	General Fund	\$ 40,480
Capital projects fund	General fund	\$ 40
	Tax collection fund	\$ 1,344

NOTE 7 – LONG TERM DEBT

The Township entered into a capital lease agreement for the purchase of a fire truck in the amount of \$169,111 in April 2013. Annual payments are due on October 1st beginning in 2014 in the amount of \$27,806 plus interest through 2020. Interest expense related to this lease was \$7,988 for the year ended March 31, 2015.

The Township is obligated for a portion of bonds held by the YCUA through Washtenaw County for the sewage disposal system. The original amount owed was \$1,302,971 at interest rates between 3.0% and 6.0%, maturing in fiscal year 2033. YCUA bills the Township on a monthly basis for total debt service expenses. Interest expense related to this bond was \$37,363 for the year ended March 31, 2015.

Long-term debt activity can be summarized as follows:

	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental Activities						
Capital Lease	2021	\$ 169,111	\$ -	\$ 19,818	\$ 149,293	\$ 22,925
Business-Type Activities						
YCUA Contract	2033	\$ 775,174	\$ -	\$ 33,813	\$ 741,361	\$ 35,464

AUGUSTA CHARTER TOWNSHIP, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

NOTE 7 – LONG TERM DEBT (Continued)

Annual debt service requirements to maturity for the long-term debt are as follows:

Year Ended March 31,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 22,925	\$ 4,882	\$ 35,464	\$ 35,772
2017	23,674	4,132	37,059	34,089
2018	24,448	3,358	39,008	32,294
2019	25,248	2,558	40,969	30,375
2020	26,073	1,733	41,150	30,113
2021-2025	26,925	880	208,283	112,005
2026-2030	-	-	227,100	54,922
2031-2033	-	-	112,328	7,806
	<u>\$ 149,293</u>	<u>\$ 17,543</u>	<u>\$ 741,361</u>	<u>\$ 337,376</u>

NOTE 8 – AGREEMENTS

Franchise Agreements

The Township has entered into an agreement with Comcast under which it granted that the company a non-exclusive franchise to provide cable television services in the Township. This agreement, which expires in 2019, provides that the cable provider pay an annual franchise fee of 5% of gross annual revenues to the Township.

Total franchise fees recognized under these agreements during the current year were \$45,967.

AUGUSTA CHARTER TOWNSHIP, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

NOTE 9 – RETIREMENT PLAN

Plan Description

The Augusta Charter 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 \$26,857 for the year ended March 31, 2015.

NOTE 10 – DEFERRED COMPENSATION

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 \$1,200 made for the year ended March 31, 2015.

NOTE 11 – OTHER INFORMATION

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 12 – SUBSEQUENT EVENTS

Township's management has performed a review of events subsequent to the balance sheet date through September 12, 2016, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

AUGUSTA CHARTER TOWNSHIP, MICHIGAN
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended March 31, 2015

	BUDGETED AMOUNTS			Variance with Final Budget
	Original	Final	Actual	
REVENUE				
Property taxes	\$ 168,882	\$ 168,882	\$ 148,790	\$ (20,092)
State shared revenue	480,000	480,000	519,882	39,882
Franchise fees	37,000	37,000	45,967	8,967
Other	89,580	89,680	378,165	288,485
Total revenue	775,462	775,562	1,092,804	317,242
EXPENDITURES				
General government:				
General government	226,285	237,936	236,900	1,036
Supervisor	56,189	56,189	41,764	14,425
Treasurer	67,534	67,534	103,084	(35,550)
Assessor	47,786	47,786	44,706	3,080
Clerk	58,934	58,988	36,135	22,853
Elections	6,212	4,172	25,141	(20,969)
Township Hall	16,572	16,572	15,910	662
Total general government	479,512	489,177	503,640	(14,463)
Public works:				
Drains at large	50,000	29,879	21,951	7,928
Road improvement	205,000	205,000	192,169	12,831
Total public works	255,000	234,879	214,120	20,759
Community and economic development - Planning and zoning	41,908	41,908	21,857	20,051
Total expenditures	776,420	765,964	739,617	26,347
Net Change in Fund Balance	(958)	9,598	353,187	343,589
Fund Balance, Beginning of year	548,180	548,180	548,180	-
Fund Balance, End of year	<u>\$ 547,222</u>	<u>\$ 557,778</u>	<u>\$ 901,367</u>	<u>\$ 343,589</u>

AUGUSTA CHARTER TOWNSHIP, MICHIGAN
BUDGETARY COMPARISON SCHEDULE - FIRE FUND
Year Ended March 31, 2015

	BUDGETED AMOUNTS			Variance with Final Budget
	Original	Final	Actual	
REVENUE				
Property taxes	\$ 392,346	\$ 392,346	\$ 359,165	\$ (33,181)
Investment earnings	-	-	85	85
Other	-	-	61,353	61,353
Total revenue	392,346	392,346	420,603	28,257
EXPENDITURES				
Salaries and wages	147,693	147,693	147,042	651
Fringe benefits	31,949	31,949	25,805	6,144
Supplies and other	29,000	29,000	24,288	4,712
Repairs and maintenance	68,000	68,000	64,221	3,779
Contracted services	5,587	5,587	4,894	693
Dues and mileage	11,500	11,500	7,393	4,107
Communications	16,500	18,900	25,517	(6,617)
Utilities	8,000	8,000	10,593	(2,593)
Interest	2,125	2,125	7,988	(5,863)
Other	500	500	27,900	(27,400)
Capital outlay	25,203	22,803	7,025	15,778
	346,057	346,057	352,666	(6,609)
Other financing sources - principal payments	46,289	46,289	19,818	26,471
Total expenditures	392,346	392,346	372,484	19,862
Net Change in Fund Balance	-	-	48,119	48,119
Fund Balance, Beginning of year	132,309	132,309	132,309	-
Fund Balance, End of year	\$ 132,309	\$ 132,309	\$ 180,428	\$ 48,119

OTHER SUPPLEMENTAL INFORMATION

AUGUSTA CHARTER TOWNSHIP, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
March 31, 2015

	Special Revenue Environmental Fund	Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 268,746	\$ 39,430	\$ 308,176
Due from other funds	-	40	40
Total assets	<u>\$ 268,746</u>	<u>\$ 39,470</u>	<u>\$ 308,216</u>
LIABILITIES			
Due to other funds	\$ -	\$ 1,344	\$ 1,344
FUND BALANCES			
Restricted - Fire department	-	38,126	38,126
Unreserved	<u>268,746</u>	<u>-</u>	<u>268,746</u>
Total fund balances	<u>268,746</u>	<u>38,126</u>	<u>306,872</u>
Total liabilities and fund balance	<u>\$ 268,746</u>	<u>\$ 39,470</u>	<u>\$ 308,216</u>

AUGUSTA CHARTER TOWNSHIP, MICHIGAN
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended March 31, 2015

	Special Revenue Environmental Fund	Capital Projects	Total Nonmajor Governmental Funds
Revenue			
Investments earnings	\$ 403	\$ 88	\$ 491
Other	-	500	500
Total Revenue/Change in Fund Balance	403	588	991
Fund balances, Beginning of year	268,343	37,538	305,881
Fund balances, End of year	<u>\$ 268,746</u>	<u>\$ 38,126</u>	<u>\$ 306,872</u>

AUGUSTA CHARTER TOWNSHIP, MICHIGAN
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
March 31, 2015

	<u>Trust & Agency</u>	<u>Tax Collection</u>	<u>Developer Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 7,752	\$ 1,007,508	\$ 1,000	\$ 1,016,260
Due from other funds	<u>-</u>	<u>1,344</u>	<u>-</u>	<u>1,344</u>
Total assets	<u>\$ 7,752</u>	<u>\$ 1,008,852</u>	<u>\$ 1,000</u>	<u>\$ 1,017,604</u>
LIABILITIES				
Due to other funds	\$ -	\$ 542,941	\$ -	\$ 542,941
Due to other taxing units	<u>7,752</u>	<u>465,911</u>	<u>1,000</u>	<u>474,663</u>
Total liabilities	<u>\$ 7,752</u>	<u>\$ 1,008,852</u>	<u>\$ 1,000</u>	<u>\$ 1,017,604</u>

AUGUSTA CHARTER TOWNSHIP

REQUIRED COMMUNICATIONS

Year ended March 31, 2014 and March 31, 2015

To the Board of Trustees
Augusta Charter Township

Dear Board of Trustee:

Auditing standards require that we communicate to the audit committee (or its equivalent) certain matters regarding our audit work. We have prepared the following summary of required communications for the information of the board of trustees. We will be pleased to discuss these matters further with the board, should the board so desire.

It has been a pleasure having the opportunity to be of service to you and Augusta Charter Township. Should you have any questions about these communications, this letter or other matters, please contact us at your convenience.

UHY **LLP**

UHY LLP
Farmington Hills, Michigan
September 12, 2016

1. The auditor's responsibility under generally accepted auditing standards

The auditor should communicate the level of responsibilities assumed for the internal control structure, illegal acts and other matters under generally accepted auditing standards.

As stated in our engagement letter, our responsibility, as described by auditing standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with generally accepted auditing standards. We confirm that our audit was conducted as planned and was designed to provide reasonable, but not absolute, assurance that any material misstatements in the financial statements would be detected.

2. Significant accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The auditor should verify that the Board of Trustees is informed about the initial selection of and changes in significant accounting policies, as well as the methods used to account for significant unusual transactions.

There were no significant changes in the Augusta Charter Township accounting policies.

3. Management judgments and accounting estimates and our conclusions regarding the reasonableness of those estimates

The Board of Trustees should be informed about the process used by management in forming particularly sensitive accounting estimates and about the basis for the auditor's conclusions regarding the reasonableness of those estimates. Accounting estimates are based on Management's knowledge and experience about past and current events and assumptions about future events.

Certain amounts in the Township's financial statements require management to make estimates and assumptions. During the course of our audit work, we gain an understanding of the processes utilized by management in developing significant estimates, and evaluate the reasonableness of the estimates. We have concluded that these estimates are reasonable, within the context of the financial statements as a whole.

4. Significant audit adjustments

All significant audit adjustments arising from the audit, whether or not recorded by the Township, should be communicated to the Board of Trustees.

The attached schedule of passed adjustment reflect the journal entries not recorded in the financial statement, we believe that in total these entries do not have a material effect on the financial statements. In addition, the attached schedule of adjusting journal entries has been properly recorded in the financial statement.

5. Other information in documents containing audited financial statements

The Board of Trustees should be informed as to the auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.

Our responsibility with respect to information in a document does not extend beyond the financial information identified in our report. Therefore, we generally will not perform any procedures to corroborate other information contained in a document. However, we will read such information and consider whether it, or the manner of its presentation, is materially inconsistent with the financial statements. We are not aware of any such information included with the audited financial statements.

6. Disagreements with management

Disagreements with management, whether or not satisfactorily resolved, about matters that could be significant to the entity's financial statements or the auditor's report should be communicated to the Board of Trustees.

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.

7. Consultation with other accountants about accounting and auditing matters

When the auditor is aware that management has consulted with other accountants about significant accounting or auditing matters, the auditor's views about the subject of the consultation should be communicated to the Board of Trustees.

We are not aware of any such consultations.

8. Major issues discussed with management in connection with the retention of our services

Any major issues that were discussed with management in connection with the auditor's initial or recurring retention should be communicated to the Board of Trustees.

There were no such issues discussed with management prior to our appointment.

9. Difficulties encountered in performing the audit

Serious difficulties encountered in dealing with management that relate to the performance of the audit are required to be brought to the attention of the Board of Trustees.

There were no such difficulties during our engagement.

10. Internal control issues noted and recommendations

Internal control issues and deficiencies should be brought to the attention of the Board of Trustees.

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented each major fund, and the aggregate remaining fund information of Augusta Charter Township as of and for the year ended March 31, 2014 and March 31, 2015, 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.

A deficiency in internal control 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 deficiency in internal control, or a combination of control deficiencies, that adversely affects the entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a 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 entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified. We have prepared a separate management letter which outlines any deficiencies that we consider significant, as well as any recommendations that we have made.

Unadjusted Audit Differences

Financial Statement Effect - Amount of Over (Under) Statement of: 3/31/14				
Description of unadjusted audit differences	Total Assets	Total Liabilities	Equity	Income
Known Misstatements (errors)				
1 Overstatement of water/sewer revenue	0	0	4,050	4,050
2 Understatement of accounts payable	0	(1,800)	1,800	1,800
	0	(1,800)	5,850	5,850
Likely Misstatements (judgmental differences):				
	0	0	0	0
Net Unadjusted Audit Differences - This Year	0	(1,800)	5,850	5,850
Income Tax Effect on Unadjusted Errors	0	1,989	(1,989)	(1,989)
Effect of Unadjusted Audit Differences - Last Year				
Known				0
Likely				0
Net Unadjusted Audit Differences	0	189	3,861	3,861
Financial Totals - Governmental Activities	10,465,077	2,554,755	7,910,322	2,600,249
Percent of Financial Totals	0.00%	0.01%	0.05%	0.15%

Client: **0040617 - Augusta Charter Township**
Engagement: **0040617 - AUDIT - MARCH 2014 & 2015**
Period Ending: **3/31/2014**
Trial Balance: **2.2030 - Government Fund Trial Balance - 2015.**
Workpaper: **2.2040 - Adjusted Journal Entries Report - 2015**
Fund Level: **All**
Index: **All**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 2				
To correct a duplicate entry made by Rehmann for fixed asset depreciation and utility retained earnings from 2014.				
592-000-310.000	CONTRACT PAYABLE - YCUA DEBT	4606	31,968.00	
592-000-395.100	RETAINED EARNINGS - WATER		278,679.00	
592-000-395.200	RETAINED EARNINGS - SEWER		11,110.00	
592-000-139.000	WATER - EQUIPMENT ACCUMULATED DEPRECIATI			29,057.00
592-000-141.000	SEWER EQUIP ACCUMULATED DEPRECIATION			5,322.00
592-000-153.000	WATER MAIN ACCUMULATED DEPRECIATION			216,833.00
592-000-155.000	SEWER SYSTEM ACCUMULATED DEPRECIATION			70,545.00
Total			321,757.00	321,757.00
Adjusting Journal Entries JE # 4				
To reverse PY unbilled accrual and record CY unbilled accrual				
592-000-695.000	MISC PRIOR YEAR REVENUE	4251	103,685.00	
592-000-035.001	UTILITY BILLING - SEWER			94,551.00
592-000-626.000	SEWER FEES			3,400.00
592-000-627.000	WATER FEES			5,734.00
Total			103,685.00	103,685.00
Adjusting Journal Entries JE # 5				
To correct CY unbilled receivable				
592-000-695.000	MISC PRIOR YEAR REVENUE	4251	19,663.00	
592-000-035.000	UTILITY BILLING RECEIVABLE			19,663.00
Total			19,663.00	19,663.00
Total Adjusting Journal Entries			445,105.00	445,105.00
Total All Journal Entries			445,105.00	445,105.00

To the Board of Trustees and
Management of
Augusta Charter Township

In planning and performing our audit of the financial statements of Augusta Charter Township as of and for the year ended March 31, 2014 and March 31, 2015, 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 was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in Augusta Charter Township's internal control to be material weaknesses:

1. In reviewing the Township's internal controls, we noted that most treasury and clerk personnel have the ability to perform multiple key financial functions. In an ideal control environment, the following duties would be segregated: bank reconciliation functions, cash receipting, cash disbursements, and journal entry functions. We understand that in a small office setting, it can be difficult to fully segregate these duties. Staff may need to have the ability to perform various functions, even if they use them in limited situations only. While we still recommend the Township seek to limit the access rights provided to the staff, we recognize it is unlikely the duties can be fully segregated; therefore, we also recommend the Township implement control and review procedures to mitigate the risk of inaccurate or inappropriate activity as a result of the lack of segregation of duties. The Township should consider whether there is one employee who can be completely excluded from performing bank reconciliation, cash receipting, cash disbursement, and journal entry functions. This individual could then perform reviews of various items such as bank reconciliations, journal entries, and overall general ledger activity. Without the appropriate segregation of duties or mitigating controls, there is a greater risk of inaccurate or inappropriate activity. We also recommend that the Clerk and Treasurer hire competent Deputies that have the necessary experience to assist them in their statutory responsibilities as defined by the State of Michigan statutes.

2. As a result of our initial audit procedures, we noted that the Township's books were in such poor condition that we could not audit them. As a result the Township engaged an accounting firm to close the Townships books for fiscal years 2014 and 2015. This process took over 7 months to complete and the accounting firm accumulated and posted a significant amount of journal entries to the Township's general ledger. These entries included significant adjustments to the following balances: cash, accounts receivable, capital assets, prepaid expenses, accounts payable, debt, leases, fund balance, property taxes, state shared revenues, trust and agency accounts, compensated absence liability, and sewer activity with YUCA. In order to reduce or eliminate the number of auditor-identified entries in future years, we recommend the Township implement additional review procedures to ensure that all activity is timely recorded in the Township's general ledger. We suggest performing a review of the adjustments posted this year and also perform a comparison of the year-end trial balance to the prior year in order to identify necessary adjustments before the start of the audit.
3. It was discovered during 2014 that the Deputy Treasurer was able to misappropriate approximately \$11,000 of cash property tax collections from the Township. The Township terminated the individual and have reported the matter to the State of Michigan, Local Finance, Attorney General, and to the Michigan State Police. The Attorney General has subsequently filed criminal charges against the individual.
4. During the course of the audit, we noted instances in which various reconciliations were not being performed on a timely basis or were not effective for identifying necessary adjustments. We recommend the Township implement procedures to reconcile other general ledger balances to supporting documentation on a monthly basis including cash balances and accounts receivable. Without proper reconciliation procedures, there is a greater risk of material errors occurring in the financial records.

5. Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with U.S. Generally Accepted Accounting Principles. At times, management may choose to outsource certain accounting functions due to cost or training considerations. Such accounting functions and service providers must be governed by the control policies and procedures of the Township. Management is as responsible for outsourced functions performed by a service provider as it would be if your personnel performed such functions. Specifically, management is responsible for management decisions and functions: for designating an individual with suitable skill, knowledge, or experience to oversee any outsourced services; and for evaluating the adequacy and results of those services and accepting responsibility for them.

As part of the audit, management requested us to prepare a draft of your financial statements, including the related notes to financial statements. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance; however, management did not perform a detailed review of the financial statements. The absence of this control procedure is considered a material weakness because the potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the Township's internal control.

The existence of significant deficiencies or material weaknesses may already be known to management and may represent a conscious decision by management or those charged with governance to accept that degree of risk because of cost or other considerations. Management is responsible for making decisions concerning costs and the related benefits. We are responsible to communicate significant deficiencies and material weaknesses in accordance with professional standards regardless of management's decisions.

The Township has relied on its auditors in prior years to assist in the preparation of the government-wide financial statements and footnotes. The Township has decided it is more cost effective to outsource the preparation of its financial statements to the auditors. The result is that the Township does not have controls in place to prepare the government-wide financial statements and footnotes in accordance with generally accepted accounting principles. The Township does accept responsibility for their content and presentation.

6. During our audit we noted the Township has several uncashed checks from previous years shown as a liability on their balance sheet. These checks should be reissued or escheated to the State of Michigan.

To the Board of Trustees and
Management of
Augusta Charter Township
Page Four

7. During the audit, we identified additional adjustments that were required to be made to the accounting records. All items identified were corrected in the accounting records and in the financial statements being presented to you. We recommend the City implement a review process involving a second reviewer for these year-end entries in order to reduce the risk that required entries are not properly identified.

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

The logo for UHY LLP, featuring the letters "UHY" in a large, stylized, cursive font, followed by "LLP" in a smaller, sans-serif font.

UHY LLP
Farmington Hills, Michigan
September 12, 2016

Augusta Charter Township

Washtenaw County, Michigan

September 12, 2016

UHY LLP
27725 Stansbury Blvd, Suite 200
Farmington Hills, MI

This representation letter is provided in connection with your audit of the financial statements of Augusta Charter Township, which comprise the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented each major fund, and the aggregate remaining fund information as of March 31, 2015, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of September 12, 2016, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 7, 2015, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) There are no uncorrected misstatements.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the Augusta Charter Township is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11) We have provided you with:

- a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
- b) Additional information that you have requested from us for the purpose of the audit.
- c) Unrestricted access to persons within the Augusta Charter Township from whom you determined it necessary to obtain audit evidence.
- d) Minutes of the meetings of Augusta Charter Township or summaries of actions of recent meetings for which minutes have not yet been prepared.

12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14) We have knowledge of fraud that affects the Augusta Charter Township and involves employees who have significant roles in internal control, deputy treasurer. Management was unable to determine the actual loss as the accounting records were in disarray.

15) We have knowledge of an allegation of fraud affecting the Augusta Charter Township's financial statements communicated by employees, former employees, regulators, or others.

16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

18) We have disclosed to you the identity of the Augusta Charter Township's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

20) We have a process to track the status of audit findings and recommendations, if any.

21) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

22) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report, if applicable.

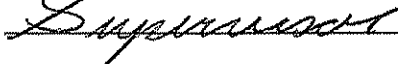
23) The Augusta Charter Township has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.


24) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

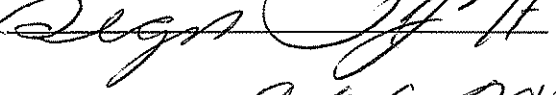
- 25) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 26) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 27) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 28) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 29) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 30) The Augusta Charter Township has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as known and disclosed in the financial statements.
- 31) The Augusta Charter Township has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 32) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 33) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34 .
- 34) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 35) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 36) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 37) Provisions for uncollectible receivables have been properly identified and recorded.
- 38) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 39) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 40) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 41) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 42) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

- 43) We have appropriately disclosed the Augusta Charter Township's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 44) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 45) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 46) With respect to the Other Supplemental Information
- a) We acknowledge our responsibility for presenting the Other Supplemental Information in accordance with accounting principles generally accepted in the United States of America, and we believe the Other Supplemental Information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the Other Supplemental Information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b) If the Other Supplemental Information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

Signature: 
Pete Hafler, Supervisor

Title: 

Signature: 
Kathy Giszczak, Clerk

Title: 
9-26-2016