Michigan Department of Treasury
496 (02/06)

Auditing Procedures Report

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

Local Unit of Government Type	Local Unit Name	County
☐County ☒City ☐Twp ☐Village ☐Other	City of Leslie	Ingham

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
June 30, 2006	August 25, 2006	November 1, 2006

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	☒	
The letter of Comments and Recommendations	☒	
Other (Describe)	☐	

Certified Public Accountant (Firm Name)	Telephone Number
Willis & Jurasek, P.C.	(517) 788-8660

Street Address	City	State	Zip
2545 Spring Arbor Road, Suite 200	Jackson	MI	49203

Authorizing CPA Signature	Printed Name	License Number
F. Roger Mack	F. Roger Mack	1101020342

City of Leslie

Financial Statements
And Independent Auditors' Report

Year Ended June 30, 2006

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Independent Auditors' Report

Honorable Mayor and Members of the City Council
City of Leslie
Leslie, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Leslie as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Leslie as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 25, 2006, on our consideration of the City's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The City of Leslie has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the financial statements.

The budgetary comparison information on pages 29-31 is not a required part of the financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

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Honorable Mayor and Members of the City Council
City of Leslie

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the City of Leslie. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

August 25, 2006

Report Based on an Audit of Financial Statements
Performed in Accordance With
Government Auditing Standards

Honorable Mayor and Members of the City Council
City of Leslie
Leslie, Michigan

We have audited the financial statements of the City of Leslie as of and for the year ended June 30, 2006, and have issued our report thereon dated August 25, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City Of Leslie's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

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

This report is intended for the information of the City Council, management and State agencies, and is not intended to be and should not be used by anyone other than those specified.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

August 25, 2006

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City of Leslie
Statement of Net Assets
June 30, 2006

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	LDFA	EDC	DDA
Assets:						
Cash and investments	$ 1,510,168	$ 358,429	$ 1,868,597	$ 532,835	$ 114,100	$ 86,917
Receivables	336,656	2,424	339,080	-	121,528	-
Internal balances	5,000	-	5,000	-	-	-
Prepaid expenses	20,509	5,183	25,692	-	-	-
Capital assets, net						
Not being depreciated	495,697	6,120	501,817	-	-	-
Being depreciated	6,887,215	3,501,540	10,388,755	-	-	-
Total assets	9,255,245	3,873,696	13,128,941	532,835	235,628	86,917
Liabilities:						
Accounts payable	20,444	-	20,444	-	-	-
Accrued expenses	25,039	4,882	29,921	-	-	-
Accrued interest	14,037	2,557	16,594	-	-	-
Noncurrent liabilities:						
Due within one year	194,000	85,000	279,000	-	-	-
Due in more than one year	1,385,000	530,000	1,915,000	-	-	-
Total liabilities	1,638,520	622,439	2,260,959	-	-	-
Net Assets:						
Invested in capital assets, net of related debt	5,803,912	2,892,660	8,696,572	-	-	-
Restricted for:						
Debt service	301,658	-	301,658	-	-	-
Unrestricted	1,511,155	358,597	1,869,752	532,835	235,628	86,917
Total net assets	$ 7,616,725	$ 3,251,257	$ 10,867,982	$ 532,835	$ 235,628	$ 86,917

See Notes to Financial Statements.

City of Leslie
Statement of Activities
Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues
Primary Government					
Governmental activities:					
General government	$ 430,388	$ 36,158	$ 1,453	$ -	$ (392,777)
Public safety	350,621	16,622	-	-	(333,999)
Highways and streets	232,387	-	164,285	-	(68,102)
Culture and recreation	91,664	23,778	-	-	(67,886)
Interest on long-term debt	95,949	-	-	-	(95,949)
Other	73,172	-	-	-	(73,172)
Total governmental activities	1,274,181	76,558	165,738	-	(1,031,885)
Business-type activities:					
Water and sewer	583,319	602,780	-	-	19,461
Total business-type activities	583,319	602,780	-	-	19,461
Total primary government	$ 1,857,500	$ 679,338	$ 165,738	$ -	$ (1,012,424)
Component Units					
LDFA	$ 333,958	$ -	$ -	$ -	$ (333,958)
EDC	86,047	-	-	-	(86,047)
DDA	36,397	-	-	-	(36,397)
Total component units	$ 456,402	$ -	$ -	$ -	$ (456,402)

continued..

See Notes to Financial Statements.

City of Leslie
Statement of Activities (Continued)
Year Ended June 30, 2006

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	LDFA	EDC	DDA
Changes in Net Assets						
Net (expense) revenue	$ (1,031,885)	$ 19,461	$ (1,012,424)	$ (333,958)	$ (86,047)	$ (36,397)
General revenues:						
Taxes and special assessments	753,412	-	753,412	340,030	-	99,846
Unrestricted grants and contributions	266,504	-	266,504	-	-	-
Interest and investment earnings	66,743	11,447	78,190	21,451	13,248	4,592
Other revenues	162,584	-	162,584	10,229	70,375	2,250
Transfers - internal activities	260,329	(61,240)	199,089	(126,761)	-	(72,328)
Total general revenues, contributions and transfers	1,509,572	(49,793)	1,459,779	244,949	83,623	34,360
Changes in Net Assets	477,687	(30,332)	447,355	(89,009)	(2,424)	(2,037)
Net Assets - Beginning of Year	7,139,038	3,281,589	10,420,627	621,844	238,052	88,954
Net Assets - End of Year	7,616,725	$ 3,251,257	$ 10,867,982	$ 532,835	$ 235,628	$ 86,917

See Notes to Financial Statements.

City of Leslie
Balance Sheet
Governmental Funds
June 30, 2006

	General	Major Street	1998 Street Obligation	1997 Street Obligation	Other Nonmajor Governmental Funds	Total
Assets						
Cash	$ 373,107	$ 169,787	$ 48,158	$ 85,229	$ 455,077	$ 1,131,358
Receivables:						
Special assessments	-	55,667	43,818	48,011	106,127	253,623
Due from other governmental units	58,261	18,563	-	-	6,209	83,033
Due from other funds	5,000	-	-	-	-	5,000
Prepaid expenditures	20,395	57	-	-	57	20,509
Total assets	$ 456,763	$ 244,074	$ 91,976	$ 133,240	$ 567,470	$ 1,493,523
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	$ -	$ -	$ -	$ -	$ 20,444	$ 20,444
Salaries payable	24,553	-	-	-	-	24,553
Accrued expenditures	-	165	-	-	145	310
Deferred revenue	-	55,667	43,818	48,011	106,127	253,623
Total liabilities	24,553	55,832	43,818	48,011	126,716	298,930
Fund Balances:						
Unreserved; undesignated	432,210	188,242	-	-	-	620,452
Unreserved; undesignated-reported in nonmajor:						
Special revenue funds	-	-	-	-	386,500	386,500
Debt service funds	-	-	48,158	85,229	54,254	187,641
Total fund balances	432,210	188,242	48,158	85,229	440,754	1,194,593
Total liabilities and fund balances	$ 456,763	$ 244,074	$ 91,976	$ 133,240	$ 567,470	$ 1,493,523

See Notes to Financial Statements.

City of Leslie

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

June 30, 2006

Total Fund Balances - Governmental Funds		$ 1,194,593
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	$ 11,452,559	
Accumulated depreciation is	(4,180,202)	
		7,272,357
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and these are not included in fund balance.		
Deferred special assessments		253,623
Internal service funds are used by management to charge the costs of certain equipment usage and administrative costs to individual governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		
Net assets of governmental activities accounted for in the internal service fund		489,189
Long-term liabilities not due and payable in the current period and not reported in the funds:		
Bonds payable		(1,579,000)
Accrued interest		(14,037)
Total Net Assets - Governmental Activities		$ 7,616,725

See Notes to Financial Statements.

City of Leslie

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2006

	General	Major Street	1998 Street Obligation	1997 Street Obligation	Other Nonmajor Governmental Funds	Total
Revenues:						
Taxes and special assessments	$ 493,634	$ 40,112	$ 22,894	$ 13,522	$ 105,059	$ 675,221
Licenses and permits	464	-	-	-	-	464
Intergovernmental	266,504	112,417	-	-	51,868	430,789
Charges for services	26,364	-	-	-	16,622	42,986
Other	110,577	6,675	4,774	6,054	15,556	143,636
Reimbursements	53,692	-	-	-	-	53,692
Contributions	16,632	-	-	-	-	16,632
Total revenues	967,867	159,204	27,668	19,576	189,105	1,363,420
Expenditures:						
General government	422,326	1,725	-	-	899	424,950
Public safety	311,871	-	-	-	25,194	337,065
Highways and streets	111,129	171,085	-	-	122,027	404,241
Culture and recreation	72,999	-	-	-	-	72,999
Debt service:						
Principal payments	-	-	15,000	55,000	103,000	173,000
Interest and fiscal charges	-	-	7,488	24,980	65,002	97,470
Capital outlay	-	-	-	-	74,165	74,165
Total expenditures	918,325	172,810	22,488	79,980	390,287	1,583,890
Revenues Over (Under) Expenditures	49,542	(13,606)	5,180	(60,404)	(201,182)	(220,470)
Other Financing Sources (Uses):						
Operating transfers in	-	-	7,286	29,835	303,429	340,550
Operating transfers out	(17,000)	(30,000)	-	-	(23,221)	(70,221)
Total other financing sources (uses)	(17,000)	(30,000)	7,286	29,835	280,208	270,329
Net Changes in Fund Balances	32,542	(43,606)	12,466	(30,569)	79,026	49,859
Fund Balances - Beginning of Year	399,668	231,848	35,692	115,798	361,728	1,144,734
Fund Balances - End of Year	$ 432,210	$ 188,242	$ 48,158	$ 85,229	$ 440,754	$ 1,194,593

See Notes to Financial Statements.

City of Leslie

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Governmental Funds
Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds		$ 49,859
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.		
Depreciation expense	$ (402,874)	
Capital outlay	538,062	135,188
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.		
Current year deferred special assessments		81,179
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the Statement of Net Assets, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets.		
Repayment to bond holders		173,000
An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental funds. The net revenue (expense) of the fund attributable to those funds is reported with governmental activities.		
Net operating income from governmental activities in the internal service fund		36,940
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.		
Increase in accrued interest payable on bonds		1,521
Change in Net Assets of Governmental Activities		$ 477,687

See Notes to Financial Statements.

City of Leslie
Statement of Net Assets
Proprietary Funds
June 30, 2006

	Enterprise Fund	Internal Service Fund
	Water and Sewer Fund	Motor Vehicle Pool Fund
Assets		
Current assets:		
Cash	$ 358,429	$ 378,810
Accounts receivable	2,424	-
Prepaid expenses	5,183	-
Total current assets	366,036	378,810
Property, plant and equipment:		
Plant and equipment	5,937,726	952,450
	5,937,726	952,450
Less accumulated depreciation	(2,430,066)	(841,895)
Total property, plant and equipment	3,507,660	110,555
Total assets	3,873,696	489,365
Liabilities:		
Current liabilities (payable from current assets):		
Accrued expenses	4,882	176
Current portion of bonds payable	85,000	-
Accrued interest	2,557	-
Total current liabilities (payable from current assets)	92,439	176
Noncurrent liabilities:		
Bonds payable	530,000	-
Total noncurrent liabilities	530,000	-
Total liabilities	622,439	176
Net Assets:		
Invested in capital assets, net of related debt	2,892,660	110,555
Unrestricted	358,597	378,634
Total net assets	$ 3,251,257	$ 489,189

See Notes to Financial Statements.

City of Leslie
Statement of Revenues, Expenses and
Changes in Net Assets - Proprietary Funds
Year Ended June 30, 2006

	Enterprise Fund	Internal Service Fund
	Water and Sewer Fund	Motor Vehicle Pool Fund
Operating Revenues:		
Charges for services	$ 583,866	$ -
Rental income	4,696	123,943
Tap-in and turn-on fees	3,417	-
Penalties	10,801	-
Total operating revenues	602,780	123,943
Operating Expenses	541,261	87,003
Operating Income	61,519	36,940
Non-Operating Revenues (Expenses):		
Interest income	11,447	12,988
Interest expense	(42,058)	-
Total non-operating revenues (expenses)	(30,611)	12,988
Net Income Before Transfers	30,908	49,928
Transfers Out to Other Funds	(61,240)	(10,000)
Net Income	(30,332)	39,928
Net Assets - Beginning of Year	3,281,589	449,261
Net Assets - End of Year	$ 3,251,257	$ 489,189

See Notes to Financial Statements.

City of Leslie
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2006

	Enterprise Fund	Internal Service Fund
	Water and Sewer Fund	Motor Vehicle Pool Fund
Cash Flows From Operating Activities:		
Operating income (loss)	$ 61,519	$ 36,940
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	114,994	29,642
Change in accounts receivable	(963)	-
Change in prepaid expeneses	-	-
Change in accounts payable	-	(6,498)
Change in accrued expenses	1,897	-
Net cash provided by (used in) operating activities	177,447	60,084
Cash Flows From Noncapital Financing Activities:		
Transfers to other funds	(61,240)	(10,000)
Cash Flows From Capital and Related Financing Activities:		
Bond payments on capital debt	(80,000)	-
Interest on capital debt	(42,058)	-
Purchase of capital assets	(56,294)	-
Net cash used by capital and related financing activities	(178,352)	-
Cash Flows From Investing Activities:		
Interest income received	11,447	12,988
Net Increase (Decrease) in Cash and Cash Equivalents	(50,698)	63,072
Cash and Cash Equivalents - Beginning of Year	409,127	315,738
Cash and Cash Equivalents - End of Year	$ 358,429	$ 378,810

See Notes to Financial Statements.

City of Leslie
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	Agency Funds
Assets:	
Cash and cash equivalents	$ 153,079
Liabilities:	
Advance due other funds	$ 5,000
Due to other agencies	148,079
Total liabilities	$ 153,079

See Notes to Financial Statements.

1. Summary of Significant Accounting Policies

Description of City Operations

The City of Leslie, Michigan, was organized in 1968 and covers an area of approximately one square mile in Ingham County. The City operates under an elected Mayor and City Council (6 members) and provides services to its residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services. The criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. Education services are provided through the local school system, which is a separate governmental entity and, therefore, is not represented in the financial statements included herein.

Reporting Entity

Generally accepted accounting principles require the reporting entity to include the City of Leslie (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government. These financial statements present the following component units:

Discretely Presented Component Units

Local Development Finance Fund (LDFA) - The Local Development Finance Fund was formed to help stimulate economic growth, improve employment and encourage new private investments in the City to be financed by increased property values in the industrial park.

Economic Development Fund (EDC) - The Economic Development Fund was formed to assist in the attraction, relocation, retention or expansion for businesses or organizations, which are desirable and beneficial to the City. The funds that are loaned to the businesses or organizations come from the Michigan Department of Commerce through the Small Cities Community Development Block Grant.

Downtown Development Fund (DDA) - The Downtown Development Fund was formed to enhance the City's business district by preservation, creation and implementation of the development plans in the district to be financed by taxes from properties within its district.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

1. Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

Separate financial statements are provided for governmental funds, proprietary funds, and 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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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-in-lieu of taxes and other charges between the government's water and sewer fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Fund-Based Statements - 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 if they are collected 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, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

1. Summary of Significant Accounting Policies (Continued)

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

The government reports the following major governmental funds:

General Fund – This 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.

Major Street Fund – This fund is a special revenue fund. It accounts for revenues received primarily from the State of Michigan Department of Transportation and accounts for street activity relating to the major street functions of the City.

1998 Street Obligation Debt Fund – This fund is used to account for the accumulation of resources for and the payment of principal and interest on the 1998 Street Project.

1997 Street Obligation Debt Fund – This fund is used to account for the accumulation of resources for and the payment of principal and interest on the 1997 Street Project.

The government reports the following major proprietary funds:

Water and Sewer Fund – The Water and Sewer Fund accounts for the activities of the government's sewage collection and treatment systems and water production, purification, and distribution systems.

Additionally, the government reports the following fund types:

Special Revenue Funds – These funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects).

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for and the payment of principal and interest on long-term general obligation debt of governmental funds.

Capital Project Funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

Internal Service Funds – The internal service funds account for operations that provide services (equipment rental) to other departments of the City on a cost-reimbursement basis.

Agency Funds – These fiduciary funds account for assets held for other governments in an agency capacity.

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

1. Summary of Significant Accounting Policies (Continued)

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

Additional Financial Statement Presentation (Continued) - 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 revenues of the water and sewer enterprise fund and of the government's internal service fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The City reports its investments (when applicable) in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the City intends to hold the investment until maturity. Accordingly, investments in bankers' acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the City to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The City is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

Investments are reported at fair value.

1. Summary of Significant Accounting Policies (Continued)

Receivables and Payables – All receivables are reported at their net value. They are reduced, where appropriate, by the estimated portion that is expected to be uncollectible.

Activities 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 "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets – Certain proceeds of the enterprise fund's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Also, certain resources have been set aside to fund capital asset replacements.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 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 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 asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	50
Vehicles	5 - 12
Equipment	5 - 20
Infrastructure	15 - 50
Plant and systems	10 - 50

1. Summary of Significant Accounting Policies (Continued)

Compensated Absences – It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation, sick and personal days are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if the obligation is expected to be liquidated from expendable available financial resources.

Long-Term Obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Property Taxes - The government's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through September 30; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Ingham County.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. Real and personal property in the City for 2005 had a taxable value of approximately $37,132,560 (not including properties subject to Industrial Facilities Tax exemption). The government's general operating tax rate for fiscal year 2005-06 was 17.6016 mills, with an additional .8200 mills levied for debt services.

Property taxes for the DDA and LDFA are derived from a tax increment financing agreement between the DDA and LDFA and other related taxing districts. Under this arrangement, the DDA and LDFA receive those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the City of Leslie, which are within the DDA and LDFA district. Property taxes are recognized in the fiscal year in which they are levied.

2. Stewardship, Compliance and Accountability

The general and special revenue funds are the governmental fund types under formal budgetary control. The City adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and annual appropriation act to implement the budget.

1) A general, special revenue and debt service funds budget is presented to the City Council in April, at which time hearings on the budget are scheduled. A Public Hearing is held in May and a budget workshop may be held in March or April to give all elected officials the opportunity to discuss their budget with the Council.

2) The budget, and an appropriation ordinance implementing it, is then adopted in June.

3) Formal budget integration is employed as a management control device during the year for all funds.

4) Budgets presented for the general and special revenue funds were prepared on the modified cash basis of accounting. Encumbrances are not recorded at year end.

5) Expenditures may not legally exceed activity (department) totals in the general fund. All other special revenue funds cannot legally exceed their respective fund totals.

6) Budgets for the current year are carefully reviewed during the year for any revision of estimates. Proposed increases or reductions in appropriations are presented to the Board for their action. The legislative body amends the general appropriation act as soon as it becomes apparent this action is necessary.

7) The Governing Board has the authority to amend all budgets at the fund level through the appropriation ordinance. It further has the right to amend the general fund at the activity level if it desires. Management has no authority to amend budgets at the fund level. Management can do transfers within funds at the departmental level without Board approval but not between departments.

8) The budgetary information presented has been amended during the year by an official action of the City Council. The amendments were not significant in total.

9) All budget appropriations lapse at the end of each fund's fiscal year.

3. Cash and Cash Equivalents

To facilitate better management of the City's resources, cash is combined in a pooled operating account for much of the City's activity.

At year-end, the City's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Proprietary Funds	Total Primary Government	Component Units	Fiduciary Funds	Total
Cash and investments	$ 1,510,168	$ 358,429	$ 1,868,597	$ 733,852	$ 153,079	$ 2,755,528

3. Cash and Cash Equivalents (Continued)

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

Deposits (checking and savings accounts, certificates of deposit)	$ 2,367,866
MBIA Michigan Class investment funds (at fair value)	387,282
Petty cash and cash on hand	380
Total	$ 2,755,528

Investment and Deposit Risk

Credit Risk – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. The City's investment policy does not have specific limits in excess of State law on investment credit risk. The City's investment in MBIA Michigan Class investment funds is not rated.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City has not adopted and State law does not require a policy for deposit custodial credit risk. As of year end, $1,983,557 of the City's bank balance of $2,183,557 was exposed to custodial credit risk because it was uninsured and uncollateralized.

4. Receivables

Receivables of the governmental activities of the primary government at June 30, 2006, consist of the following:

Other governmental units (primarily the State of Michigan)	$ 83,033
Special assessments	253,623
	$ 336,656

5. Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

Primary Government	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 425,375	$ -	$ -	$ 425,375
Construction in progress	-	70,322	-	70,322
Total capital assets not being depreciated	425,375	70,322	-	495,697
Capital assets being depreciated:				
Buildings and improvements	1,202,650	-	-	1,202,650
Equipment and vehicles	1,019,439	-	-	1,019,439
Infrastructure	9,219,485	467,737	-	9,687,222
Total capital assets being depreciated	11,441,574	467,737	-	11,909,311
Accumulated depreciation:				
Buildings and improvements	237,462	21,276	-	258,738
Equipment and vehicles	830,377	37,830	-	868,207
Infrastructure	3,521,742	373,409	-	3,895,151
Total accumulated depreciation	4,589,581	432,515	-	5,022,096
Total capital assets being depreciated - net	6,851,993	35,222	-	6,887,215
Governmental activities capital assets - net	$ 7,277,368	$ 105,544	$ -	$ 7,382,912

Business-Type Activities	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
Capital assets not being depreciated:				
Land	$ 6,120	$ -	$ -	$ 6,120
Total capital assets not being depreciated	6,120	-	-	6,120
Capital assets being depreciated:				
Water system	1,508,628	56,294	-	1,564,922
Sewer system	4,206,185	-	-	4,206,185
Iron removal system	160,498	-	-	160,498
Total capital assets being depreciated	5,875,311	56,294	-	5,931,605
Accumulated depreciation	2,315,071	114,994	-	2,430,065
Total capital assets being depreciated - net	3,560,240	(58,700)	-	3,501,540
Business-type activities capital assets - net	$3,566,360	$ (58,700)	$ -	$3,507,660

5. Capital Assets (Continued)

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

Governmental Activities:	
General government	$ 5,438
Public safety	12,563
Highways and streets	366,208
Culture and recreation	18,665
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	29,641
Total depreciation expense – governmental activities	$ 432,515
Business-Type Activities:	
Sewer and water	$ 114,994

6 Interfund Receivables, Payables and Transfers

The City reports interfund balances between many of its funds. The sum of all balances presented in the tables below agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds and proprietary funds. These 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.

	Receivable	Payable
Due from/to other funds:		
General Fund	$ 5,000	$ -
Fiduciary Fund	-	5,000
	$ 5,000	$ 5,000

	Transfers In	Transfers Out
Transfers:		
General Fund	$ -	$ 17,000
Major Street Fund	-	30,000
Enterprise Fund	-	61,240
Internal Service Fund	-	10,000
1998 Street Obligation Debt	7,286	-
1997 Street Obligation Debt	29,835	-
Nonmajor Governmental Funds	303,429	23,221
LDFA	-	126,761
DDA	-	72,328
	$ 340,550	$ 340,550

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

7. Long-Term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities and special assessments for sidewalks and streets. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

Governmental activities - long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds	$1,752,000	$ -	$ 173,000	$1,579,000	$ 194,000

General obligation bonds currently outstanding are as follows:
The following is a summary of the City's general obligation debt outstanding as of June 30, 2006:

	Interest Rate	Maturing Through	Principal Outstanding
1994 Sewer System Improvements	6.65 – 6.70	2013	$ 265,000
1994 Sewer System Improvements	5.70 – 6.20	2013	215,000
1994 Street Improvements	5.45 – 5.55	2006	20,000
1997 Bellevue Street	5.20 – 5.55	2011	125,000
1997 Bellevue Street	5.20 – 5.60	2012	165,000
1997 Bellevue Street	5.00 – 5.00	2011	130,000
1998 Street Improvement	4.45 – 4.80	2012	100,000
1998 Street Improvement	4.45 – 4.80	2012	40,000
2000 Street Improvement	5.85 – 5.85	2011	30,000
2000 Streetscape	5.85 – 5.85	2011	24,000
2000 Streetscape	5.50 – 5.60	2016	210,000
2002 Fire Station	4.25 – 5.00	2016	255,000
			$ 1,579,000

Annual debt service requirements to maturity on the above governmental bond obligations are as follows:

	Principal	Interest	Total
2007	$ 194,000	$ 84,225	$ 278,225
2008	179,000	74,259	253,259
2009	189,000	64,370	253,370
2010	199,000	53,815	252,815
2011	209,000	42,725	251,725
2012-2016	579,000	68,957	647,957
2017	30,000	750	30,750
Total	$1,579,000	$ 389,101	$1,968,101

7. Long-Term Debt (Continued)

Enterprise activities - long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-Type Activities:					
Bonds	$ 695,000	$ -	$ 80,000	$ 615,000	$ 85,000

	Interest Rate	Maturing Through	Principal Outstanding
1992 Water Tower	4.45 – 4.80	2012	$ 330,000
1997 Bellevue Street	5.20 - 5.50	2012	285,000
			$ 615,000

Annual debt service requirements to maturity on the above governmental bond obligations are as follows:

	Principal	Interest	Total
2007	$ 85,000	$ 37,685	$ 122,685
2008	95,000	32,570	127,570
2009	100,000	26,810	126,810
2010	105,000	20,690	125,690
2011	110,000	14,250	124,250
2012-2013	120,000	7,445	127,445
Total	$ 615,000	$ 139,450	$ 754,450

8. Other Individual Fund Disclosures

The Community Development Block Grant was established to account for federal funds received under provisions of the Housing and Community Development Act of 1974.

The City established an EDC fund in fiscal year 1983 to collect loans made to area businesses under a Michigan Small Cities Block Grant. Principal repayments made by these businesses are shown as reimbursement to the EDC fund. The balance of these loans at June 30, 2006 that will be received by the EDC fund are as follows:

Modern Fur Dressing - Monthly payments of $973 including interest at 4.5% per annum	$ 64,241
Kathleen Stetler and Michael Walraven - Monthly payments of $478 including interest at 5% per annum	29,865
Shari Burke – Monthly payments of $400 including interest at 5% per annum.	27,422
Total	$ 121,528

9. Retirement System

Description of Plan and Plan Assets

The City is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post-retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the applicable percentage times the final average compensation (FAC) according to the various classifications within the City Departments with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2005.

MERS was organized pursuant to Section 12a of Act 156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Act 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's personnel policy. Employees contribute 5% of payroll. The City is required to contribute at an actuarially determined rate.

Annual Pension Cost

During the fiscal year ended June 30, 2006, the City's contributions totaling $69,467 were made in accordance with contribution requirements determined by an actuarial valuation of the plan. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three-Year Trend Information as of December 31 follows:

	2005	2004	2003
Annual Pension Cost	$68,974	$58,637	$52,796
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	0	0	0
Actuarial Value of Assets	767,269	613,385	501,463
Actuarial Accrued Liability	1,343,829	1,230,961	1,109,977
Unfunded AAL	576,560	617,576	608,514
Funded Ration	57%	50%	45%
Covered Payroll	408,198	389,881	354,468
UAAL as a Percentage of Covered Payroll	141%	158%	172%

10. Segment Information – Enterprise Funds

The government issued revenue bonds to finance certain improvements to its water and sewer distribution and treatment systems. Because the Water and Sewer Fund, which is an individual fund that accounts entirely for the government's water distribution and treatment and sewage disposal and treatment activities, is reported as a major fund in the fund financial statements, segment disclosures herein are not required.

11. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2006, the City carried commercial insurance to cover all risks of losses. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

12. Commitments

The City has an active construction project as of June 30, 2006 to build a new storage facility for the DPW. The City also has a commitment with a contractor for the 2006 street project to begin July, 2006. At year end, the City's commitments with contractors are approximately as follows:

	Spent-to-Date	Remaining Commitment
DPW	$ 53,000	$ 73,000
Street Project	-0-	108,000
Total	$ 53,000	$ 181,000

Required Supplemental Information

City of Leslie
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2006

	Budgeted Amounts		
	Original	Final	Actual
Revenues:			
Taxes	$ 513,450	$ 513,450	$ 493,634
Licenses and permits	500	500	464
Intergovernmental	272,500	272,500	266,504
Charges for services	28,200	28,200	26,364
Other	52,100	52,100	112,209
Reimbursements	61,600	61,600	53,692
Contributions	32,000	32,000	15,000
Total revenues	960,350	960,350	967,867
Expenditures:			
General government:			
Council	19,420	19,420	16,429
Administrative	82,502	82,502	69,263
Assessor	19,100	19,100	18,500
Attorney	10,000	14,300	14,291
Clerk	75,230	75,230	74,705
Treasurer	72,023	72,023	70,284
Board of review	540	540	417
City hall	47,175	47,175	43,417
Library	2,450	2,450	1,531
Cemetery	79,600	79,600	67,572
Other	65,615	65,615	45,917
Total general government	473,655	477,955	422,326
Public safety:			
Police	255,336	255,336	251,495
Fire	68,100	68,100	60,376
Total public safety	323,436	323,436	311,871
Highways, streets and transportation:			
Street lights	32,000	32,000	31,764
Sidewalks	7,700	7,700	2,237
Public works department	78,040	78,040	77,128
Total highways, streets and transportation	117,740	117,740	111,129
Culture and recreation:			
Pool	42,600	42,600	39,361
Parks	39,400	39,400	33,638
Total culture and recreation	82,000	82,000	72,999

City of Leslie
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual (Continued)
General Fund
Year Ended June 30, 2006

	Budgeted Amounts		
	Original	Final	Actual
Total expenditures	$ 996,831	$ 1,001,131	$ 918,325
Revenues Over (Under) Expenditures	(36,481)	(40,781)	49,542
Other Financing Sources (Uses):			
Transfers out	(21,500)	(21,500)	(17,000)
Total other financing sources (uses)	(21,500)	(21,500)	(17,000)
Net Changes in Fund Balances	(57,981)	(62,281)	32,542
Fund Balances - Beginning of Year	399,668	399,668	399,668
Fund Balances - End of Year	$ 341,687	$ 337,387	$ 432,210

City of Leslie
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Major Street Fund
Year Ended June 30, 2006

	Budgeted Amounts		
	Original	Final	Actual
Revenues:			
Taxes	$ 24,000	$ 24,000	$ 40,112
State grants	118,990	118,990	112,417
Other	2,000	2,000	6,675
Total revenues	144,990	144,990	159,204
Expenditures:			
General government	3,000	3,000	1,725
Highways and streets:			
Maintenance	203,500	203,500	153,513
Traffic	11,820	11,820	6,135
Winter maintenance	16,400	16,400	11,437
Total highways and streets	231,720	231,720	171,085
Total expenditures	234,720	234,720	172,810
Revenues Over (Under) Expenditures	(89,730)	(89,730)	(13,606)
Other Financing Sources (Uses):			
Transfers out	(30,000)	(30,000)	(30,000)
Total other financing sources (uses)	(30,000)	(30,000)	(30,000)
Net Changes in Fund Balances	(119,730)	(119,730)	(43,606)
Fund Balances - Beginning of Year	231,848	231,848	231,848
Fund Balances - End of Year	$ 112,118	$ 112,118	$ 188,242

Other Supplemental Information

City of Leslie
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Special Revenue Funds	Debt Service Funds	2000 Fire Station Construction Fund	Total
Assets				
Cash and cash equivalents	$ 400,823	$ 54,254	$ -	$ 455,077
Special assessments receivable	69,902	36,225	-	106,127
Due from other governmental units	6,209	-	-	6,209
Prepaid expenditures	57	-	-	57
Total assets	$ 476,991	$ 90,479	$ -	$ 567,470
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 20,444	$ -	$ -	$ 20,444
Accrued expenditures	145	-	-	145
Deferred revenue	69,902	36,225	-	106,127
Total liabilities	90,491	36,225	-	126,716
Fund Balances:				
Unreserved; undesignated	386,500	54,254	-	440,754
Total fund balances	386,500	54,254	-	440,754
Total liabilities and fund balances	$ 476,991	$ 90,479	$ -	$ 567,470

City of Leslie

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2006

	Special Revenue Funds	Debt Service Funds	2000 Fire Station Construction Fund	Total
Revenues:				
Taxes	$ 61,033	$ 44,026	$ -	$ 105,059
Intergovernmental	51,868	-	-	51,868
Charges for services	16,622	-	-	16,622
Miscellaneous	11,908	3,613	35	15,556
Total revenues	141,431	47,639	35	189,105
Expenditures:				
General government	899	-	-	899
Public safety	25,194	-	-	25,194
Highways and streets	122,027	-	-	122,027
Debt service:				
Principal payments	-	103,000	-	103,000
Interest and fiscal charges	-	65,002	-	65,002
Capital outlay	73,172	-	993	74,165
Total expenditures	221,292	168,002	993	390,287
Revenues Over (Under) Expenditures	(79,861)	(120,363)	(958)	(201,182)
Other Financing Sources (Uses):				
Operating transfers in	162,240	141,189	-	303,429
Operating transfers out	-	-	(23,221)	(23,221)
Total other financing sources (uses)	162,240	141,189	(23,221)	280,208
Changes in Fund Balances	82,379	20,826	(24,179)	79,026
Fund Balances - Beginning of Year	304,121	33,428	24,179	361,728
Fund Balances - End of Year	$ 386,500	$ 54,254	$ -	$ 440,754

City of Leslie
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2006

	Local Street Fund	Public Improvement Fund	Building Department Fund	Total
Assets				
Cash	$ 129,933	$ 269,987	$ 903	$ 400,823
Special assessments receivable	69,902	-	-	69,902
Due from other governmental units	6,209	-	-	6,209
Prepaid expenditures	57	-	-	57
Total assets	$ 206,101	$ 269,987	$ 903	$ 476,991
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ -	$ 20,444	$ -	$ 20,444
Accrued expenditures	145	-	-	145
Deferred revenue	69,902	-	-	69,902
Total liabilities	70,047	20,444	-	90,491
Fund Balances:				
Unreserved; undesignated	136,054	249,543	903	386,500
Total liabilities and fund balances	$ 206,101	$ 269,987	$ 903	$ 476,991

City of Leslie
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2006

	Local Street Fund	Public Improvement Fund	Building Department Fund	Total
Revenues:				
Taxes and special assessments	$ 61,033	$ -	$ -	$ 61,033
Intergovenmental	51,868	-	-	51,868
Charges for services	-	-	16,622	16,622
Miscellaneous	4,005	7,683	220	11,908
Total revenues	116,906	7,683	16,842	141,431
Expenditures:				
General government	899	-	-	899
Public safety	-	-	25,194	25,194
Highways and streets	122,027	-	-	122,027
Capital outlay	-	73,172	-	73,172
Total expenditures	122,926	73,172	25,194	221,292
Revenues Over (Under) Expenditures	(6,020)	(65,489)	(8,352)	(79,861)
Other Financing Sources (Uses):				
Operating transfers in	30,000	131,240	1,000	162,240
Total other financing sources (uses)	30,000	131,240	1,000	162,240
Net Changes in Fund Balances	23,980	65,751	(7,352)	82,379
Fund Balances - Beginning of Year	112,074	183,792	8,255	304,121
Fund Balances - End of Year	$ 136,054	$ 249,543	$ 903	$ 386,500

City of Leslie
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget to Actual
Major Street Fund
Year Ended June 30, 2006
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
Taxes and special assessments	$ 24,000	$ 40,112	$ 16,112	$ 26,960
Intergovernmental:				
State shared revenue - gas and weight tax	114,825	108,695	(6,130)	110,119
Build Michigan	4,165	3,722	(443)	3,729
Total intergovernmental	118,990	112,417	(6,573)	113,848
Other:				
Interest	2,000	6,675	4,675	3,806
Total revenues	144,990	159,204	14,214	144,614
Expenditures:				
General government	3,000	1,725	1,275	1,771
Highways and streets:				
Maintenance:				
Salaries	16,000	13,485	2,515	13,129
Fringe benefits	5,500	4,739	761	5,240
Supplies and materials	14,000	5,813	8,187	1,012
Contracted services	150,000	110,049	39,951	79,384
Equipment rental	18,000	19,427	(1,427)	18,203
Total maintenance	203,500	153,513	49,987	116,968
Traffic:				
Salaries	4,000	666	3,334	326
Fringe benefits	1,320	51	1,269	25
Supplies and materials	3,000	2,875	125	1,641
Contracted services	2,000	1,098	902	939
Equipment rental	1,500	1,445	55	1,459
Total traffic	11,820	6,135	5,685	4,390
Winter maintenance:				
Salaries	3,000	1,886	1,114	4,405
Fringe benefits	900	439	461	696
Supplies and materials	4,000	2,153	1,847	4,277
Equipment rental	8,500	6,959	1,541	6,452
Total winter maintenance	16,400	11,437	4,963	15,830
Total highways and streets	231,720	171,085	60,635	137,188
Total expenditures	234,720	172,810	61,910	138,959

City of Leslie
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget to Actual
Major Street Fund
Year Ended June 30, 2006
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues Over (Under) Expenditures	$ (89,730)	$ (13,606)	$ 76,124	$ 5,655
Other Financing Sources (Uses):				
Operating transfers out	(30,000)	(30,000)	-	-
Total other financing sources (uses)	(30,000)	(30,000)	-	-
Net Changes in Fund Balances	(119,730)	(43,606)	76,124	5,655
Fund Balances - Beginning of Year	231,848	231,848	-	135,136
Fund Balances - End of Year	$ 112,118	$ 188,242	$ 76,124	$ 140,791

City of Leslie
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget to Actual
Local Street Fund
Year Ended June 30, 2006
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
Taxes and special assessments	$ 36,000	$ 61,033	$ 25,033	$ 53,757
Intergovernmental:				
State shared revenue - gas and weight tax	38,415	36,362	(2,053)	36,827
Metro Act maintenance fee	6,750	14,261	7,511	-
Build Michigan	1,390	1,245	(145)	1,246
Total intergovernmental	46,555	51,868	5,313	38,073
Other:				
Interest	1,000	4,005	3,005	1,883
Total revenues	83,555	116,906	33,351	93,713
Expenditures:				
General government	3,000	899	2,101	652
Highways and streets:				
Maintenance:				
Salaries	14,000	10,588	3,412	11,497
Fringe benefits	5,000	4,055	945	4,183
Supplies and materials	3,000	1,455	1,545	1,049
Contracted services	110,500	86,511	23,989	116,860
Equipment rental	10,000	11,396	(1,396)	9,413
Total maintenance	142,500	114,005	28,495	143,002
Traffic:				
Salaries	1,000	225	775	344
Fringe benefits	350	17	333	26
Supplies and materials	1,500	874	626	168
Equipment rental	1,000	997	3	1,065
Total traffic	3,850	2,113	1,737	1,603
Winter maintenance:				
Salaries	3,000	1,157	1,843	1,964
Fringe benefits	1,050	383	667	510
Supplies and materials	4,000	1,367	2,633	1,389
Equipment rental	4,000	3,002	998	3,794
Total winter maintenance	12,050	5,909	6,141	7,657
Total highways and streets	158,400	122,027	36,373	152,262
Total expenditures	161,400	122,926	38,474	152,914

City of Leslie
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget to Actual
Local Street Fund
Year Ended June 30, 2006
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues Over (Under) Expenditures	$ (77,845)	$ (6,020)	$ 71,825	$ (59,201)
Other Financing Sources (Uses):				
Operating transfers in	30,000	30,000	-	100,000
Total other financing sources (uses)	30,000	30,000	-	100,000
Net Changes in Fund Balances	(47,845)	23,980	71,825	40,799
Fund Balances - Beginning of Year	112,074	112,074	-	71,275
Fund Balances - End of Year	$ 64,229	$ 136,054	$ 71,825	$ 112,074

City of Leslie
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2006

	General Obligation	Street Obligation				
	2002 Debt Fund	Streetscape 2000 Debt Fund	Streetscape Sherman Debt Fund	Streetscape 1994 Debt Fund	Streetscape LDFA 1994 Debt Fund	Total
Assets						
Cash and cash equivalents	$ 35,585	$ 9,137	$ 8,423	$ 1,109	$ -	$ 54,254
Special assessments receivable	-	12,565	18,232	5,428	-	36,225
Total assets	$ 35,585	$ 21,702	$ 26,655	$ 6,537	$ -	$ 90,479
Liabilities and Fund Balances						
Liabilities:						
Deferred revenue	$ -	$ 12,565	$ 18,232	$ 5,428	$ -	$ 36,225
Fund Balances:						
Unreserved; undesignated	35,585	9,137	8,423	1,109	-	54,254
Total liabilities and fund balances	$ 35,585	$ 21,702	$ 26,655	$ 6,537	$ -	$ 90,479

City of Leslie
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Debt Service Funds
Year Ended June 30, 2006

	General Obligation	Street Obligation				
	2002 Debt Fund	Streetscape 2000 Debt Fund	Streetscape Sherman Debt Fund	Streetscape 1994 Debt Fund	Streetscape LDFA 1994 Debt Fund	Total
Revenues:						
Taxes	$ 29,436	$ 3,999	$ 3,145	$ 7,446	$ -	$ 44,026
Other	18	1,220	1,516	859	-	3,613
Total revenues	29,454	5,219	4,661	8,305	-	47,639
Expenditures:						
Principal payments	15,000	13,000	5,000	15,000	55,000	103,000
Interest	11,846	13,545	1,902	1,519	34,115	62,927
Other	275	550	275	450	525	2,075
Total expenditures	27,121	27,095	7,177	16,969	89,640	168,002
Revenues Over (Under) Expenditures	2,333	(21,876)	(2,516)	(8,664)	(89,640)	(120,363)
Other Financing Sources (Uses):						
Operating transfers in	23,221	22,328	-	6,000	89,640	141,189
Total other financing sources (uses)	23,221	22,328	-	6,000	89,640	141,189
Net Changes in Fund Balances	25,554	452	(2,516)	(2,664)	-	20,826
Fund Balances - Beginning of Year	10,031	8,685	10,939	3,773	-	33,428
Fund Balances - End of Year	$ 35,585	$ 9,137	$ 8,423	$ 1,109	$ -	$ 54,254

City of Leslie
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2006
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
Taxes:				
Current property taxes	$ 513,000	$ 493,221	$ (19,779)	$ 481,841
Trailer tax	450	413	(37)	567
Total taxes	513,450	493,634	(19,816)	482,408
Licenses and permits:				
Business licenses and permits	500	464	(36)	537
Intergovernmental:				
State shared revenue	270,000	266,504	(3,496)	269,270
Federal revenue	2,500	-	(2,500)	36,227
Total intergovernmental	272,500	266,504	(5,996)	305,497
Charges for services:				
Collection fees	28,200	26,364	(1,836)	26,724
Other:				
Interest	10,600	20,696	10,096	7,965
Cable television franchise fee	11,000	9,330	(1,670)	9,591
Pool donations	15,000	23,778	8,778	20,530
Other	15,500	58,405	42,905	15,351
Total other	52,100	112,209	60,109	53,437
Reimbursements:				
Woodland Cemetery	61,600	53,692	(7,908)	67,345
Total reimbursements	61,600	53,692	(7,908)	67,345
Contributions:				
DDA administration contribution	5,000	5,000	-	5,000
EDC administration contribution	5,000	5,000	-	5,000
LDFA administration contribution	15,000	-	(15,000)	30,000
LDFA contribution to fire department	7,000	5,000	(2,000)	4,000
Total contributions	32,000	15,000	(17,000)	44,000
Total revenues	960,350	967,867	7,517	979,948

City of Leslie
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2006
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005
	Budget	Actual	Favorable (Unfavorable)	Actual
Expenditures:				
General government:				
Council				
Salaries	$ 12,000	$ 12,760	$ (760)	$ 7,905
Fringe benefits	920	976	(56)	797
Other	6,500	2,693	3,807	1,247
Total council	19,420	16,429	2,991	9,949
Administrative				
Salaries	47,767	52,320	(4,553)	49,152
Fringe benefits	31,235	15,120	16,115	19,878
Other	3,500	1,823	1,677	2,610
Total administrative	82,502	69,263	13,239	71,640
Assessor				
Contracted services	17,400	17,300	100	16,816
Other	1,700	1,200	500	2,073
Total assessor	19,100	18,500	600	18,889
Attorney	14,300	14,291	9	9,824
Clerk				
Salaries	47,331	47,425	(94)	46,849
Fringe benefits	27,299	26,203	1,096	24,878
Other	600	1,077	(477)	695
Total clerk	75,230	74,705	525	72,422
Treasurer				
Salaries	54,025	53,092	933	51,866
Fringe benefits	15,898	15,294	604	14,405
Other	2,100	1,898	202	2,855
Total treasurer	72,023	70,284	1,739	69,126
Board of review				
Salaries	500	387	113	378
Fringe benefits	40	30	10	29
Total board of review	540	417	123	407

City of Leslie
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2006
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005
	Budget	Actual	Favorable (Unfavorable)	Actual
Expenditures (continued)				
General government (continued)				
City Hall				
Salaries	$ 750	$ 391	$ 359	387
Fringe benefits	75	30	45	30
Supplies	8,000	9,270	(1,270)	10,073
Contracted services	14,000	12,751	1,249	14,255
Insurance	750	628	122	593
Utilities	9,000	7,582	1,418	8,073
Maintenance	3,500	792	2,708	1,277
Other	3,100	3,794	(694)	1,812
Capital outlay	8,000	8,179	(179)	6,698
Total city hall	47,175	43,417	3,758	43,198
Library				
Salaries	1,000	192	808	227
Fringe benefits	50	15	35	17
Contracted services	500	157	343	48
Maintenance	300	716	(416)	206
Insurance	600	451	149	426
Total library	2,450	1,531	919	924
Cemetery				
Salaries	43,500	36,403	7,097	43,774
Fringe benefits	15,600	10,669	4,931	14,021
Insurance	-	-	-	(2)
Contributions	20,500	20,500	-	20,000
Total cemetery	79,600	67,572	12,028	77,793
Other				
Elections	5,700	2,740	2,960	5,584
Supplies	200	133	67	-
Contracted services	500	413	87	475
Insurance and bonds	15,000	14,357	643	13,708
Other	44,215	28,274	15,941	34,338
Total other	65,615	45,917	19,698	54,105
Total general government	477,955	422,326	55,629	428,277

City of Leslie
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2006
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005
	Budget	Actual	Favorable (Unfavorable)	Actual
Expenditures (continued)				
Public safety:				
Police				
Salaries	$ 155,340	$ 156,804	$ (1,464)	$ 149,637
Fringe benefits	47,446	42,090	5,356	51,969
Gas and oil	4,000	5,177	(1,177)	3,489
Supplies	5,300	3,531	1,769	4,641
Contracted services	3,500	4,175	(675)	6,704
Insurance	9,600	8,798	802	8,472
Utilities	9,000	9,651	(651)	10,006
Maintenance	3,000	3,342	(342)	2,426
Equipment rental	15,000	15,000	-	15,000
Other	500	448	52	175
Legal	2,650	2,479	171	6,397
Total police	255,336	251,495	3,841	258,916
Fire				
Salaries	17,000	15,813	1,187	16,257
Fringe benefits	1,300	2,724	(1,424)	1,244
Supplies	8,350	3,583	4,767	4,483
Contracted services	1,750	1,578	172	(597)
Insurance	4,000	2,923	1,077	3,414
Utilities	5,300	5,815	(515)	4,784
Maintenance	3,500	3,072	428	4,521
Equipment rental	15,000	15,000	-	15,000
Other	7,900	6,630	1,270	11,728
Capital outlay	4,000	3,238	762	30,987
Total fire	68,100	60,376	7,724	91,821
Total public safety	323,436	311,871	11,565	350,737
Highways, streets and transportation:				
Street lights				
Utilities	32,000	31,764	236	30,293

City of Leslie
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2006
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005
	Budget	Actual	Favorable (Unfavorable)	Actual
Expenditures (continued)				
Highways, streets and transportation (continued)				
Sidewalks				
Salaries	$ 2,500	$ 414	$ 2,086	$ 1,468
Fringe benefits	200	37	163	156
Equipment rental	3,000	1,786	1,214	1,815
Contracted services	2,000	-	2,000	-
Total sidewalks	7,700	2,237	5,463	3,439
Public Works Department				
Salaries	31,000	34,344	(3,344)	32,336
Fringe benefits	10,540	10,369	171	10,070
Materials and supplies	3,000	5,446	(2,446)	3,996
Contracted services	4,000	3,017	983	2,882
Insurance	6,000	3,305	2,695	3,957
Utilities	7,000	6,535	465	7,164
Maintenance	7,500	7,614	(114)	8,047
Attorney fees	1,000	279	721	37
Gas and oil	6,500	5,931	569	5,800
Capital outlay	1,500	288	1,212	272
Total public works department	78,040	77,128	912	74,561
Total highways, streets and transportation	117,740	111,129	6,611	108,293
Culture and recreation:				
Pool				
Salaries	25,000	20,984	4,016	24,287
Fringe benefits	2,000	1,605	395	1,920
Supplies	6,800	8,493	(1,693)	6,777
Other	1,600	1,747	(147)	1,379
Utilities	3,500	2,826	674	3,017
Maintenance	500	1,014	(514)	834
Insurance	1,500	1,339	161	1,258
Capital outlay	1,700	1,353	347	826
Total pool	42,600	39,361	3,239	40,298

City of Leslie
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2006
(With Comparative Actual Amounts for the Year Ended June 30, 2005)

	2006			2005
	Budget	Actual	Favorable (Unfavorable)	Actual
Expenditures (continued)				
Culture and recreation (continued)				
Parks				
Salaries	$ 12,000	$ 11,899	$ 101	$ 11,135
Fringe benefits	3,450	2,514	936	2,421
Contracted services	2,000	(121)	2,121	2,313
Supplies	1,500	2,914	(1,414)	611
Insurance	650	757	(107)	714
Utilities	1,500	1,487	13	956
Other	13,500	12,072	1,428	11,142
Capital outlay	4,800	2,116	2,684	833
Total parks	39,400	33,638	5,762	30,125
Total culture and recreation	82,000	72,999	9,001	70,423
Total expenditures	1,001,131	918,325	82,806	957,730
Revenues Over (Under) Expenditures	(40,781)	49,542	90,323	22,218
Other Financing Sources (Uses):				
Operating transfers (out)	(21,500)	(17,000)	4,500	(110,000)
Total other financing sources (uses)	(21,500)	(17,000)	4,500	(110,000)
Net Changes in Fund Balances	(62,281)	32,542	94,823	(87,782)
Fund Balances - Beginning of Year	399,668	399,668	-	487,451
Fund Balances - End of Year	$ 337,387	$ 432,210	$ 94,823	$ 399,669

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2006

General Obligations - Unlimited Tax Bonds
Series 1994 - 1
Purpose: Construction of addition and improvements on the sanitary sewer system

Issue Date	Amount of Issue	Interest Rate	Maturity Date	Principal Due 6/30/2005	Principal Due 6/30/2006	Interest Payable
December 21, 1994	$ 495,000					
		6.65%	5/1/2006	$ 30,000		
		6.65%	5/1/2007	30,000	$ 30,000	$ 17,708
		6.65%	5/1/2008	30,000	30,000	15,713
		6.65%	5/1/2009	35,000	35,000	13,718
		6.70%	5/1/2010	40,000	40,000	11,390
		6.70%	5/1/2011	40,000	40,000	8,710
		6.70%	5/1/2012	45,000	45,000	6,030
		6.70%	5/1/2013	45,000	45,000	1,508
				$ 295,000	$ 265,000	$ 74,777

General Obligations - Unlimited Tax Bonds
Series 1994 - 2
Purpose: Construction of addition and improvements on the sanitary sewer system

Issue Date	Amount of Issue	Interest Rate	Maturity Date	Principal Due 6/30/2005	Principal Due 6/30/2006	Interest Payable
August 23, 1994	$ 530,000					
		5.70%	5/1/2006	$ 25,000		
		5.80%	5/1/2007	25,000	$ 25,000	$ 12,988
		5.90%	5/1/2008	30,000	30,000	11,538
		6.00%	5/1/2009	30,000	30,000	9,768
		6.05%	5/1/2010	30,000	30,000	7,968
		6.10%	5/1/2011	30,000	30,000	6,153
		6.15%	5/1/2012	35,000	35,000	4,323
		6.20%	5/1/2013	35,000	35,000	2,170
				$ 240,000	$ 215,000	$ 54,908

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2006

Street Obligation - Limited Tax Bonds
Series 1994 - 3
Purpose: Reconstruction of Mill Street

Issue Date	Amount of Issue	Interest Rate	Maturity Date	Principal Due 6/30/2005	Principal Due 6/30/2006	Interest Payable
August 23, 1994	$ 180,000					
		5.45%	10/1/2005	$ 15,000		
		5.55%	10/1/2006	20,000	$ 20,000	$ 555
				$ 35,000	$ 20,000	$ 555

1997 Michigan Transportation Fund Bonds
Purpose: Reconstruction of Bellevue Street

Issue Date	Amount of Issue	Interest Rate	Maturity Date	Principal Due 6/30/2005	Principal Due 6/30/2006	Interest Payable
June 12, 1997	$ 250,000					
		5.00%	11/1/2005	$ 15,000		
		5.00%	11/1/2006	20,000	$ 20,000	$ 6,500
		5.00%	11/1/2007	20,000	20,000	5,500
		5.00%	11/1/2008	20,000	20,000	4,500
		5.00%	11/1/2009	20,000	20,000	3,500
		5.00%	11/1/2010	25,000	25,000	2,500
		5.00%	11/1/2011	25,000	25,000	1,250
				$ 145,000	$ 130,000	$ 23,750

General Obligation Bonds
Series 1997A
Purpose: Reconstruction of Bellevue Street

Issue Date	Amount of Issue	Interest Rate	Maturity Date	Principal Due 6/30/2005	Principal Due 6/30/2006	Interest Payable
June 12, 1997	$ 285,000					
		5.20%	11/1/2005	$ 20,000		
		5.30%	11/1/2006	20,000	$ 20,000	$ 8,485
		5.35%	11/1/2007	20,000	20,000	7,420
		5.40%	11/1/2008	20,000	20,000	6,345
		5.45%	11/1/2009	25,000	25,000	5,124
		5.50%	11/1/2010	25,000	25,000	3,755
		5.55%	11/1/2011	25,000	25,000	2,374
		5.60%	11/1/2012	30,000	30,000	840
				$ 185,000	$ 165,000	$ 34,343

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2006

Special Assessment Bonds
Series 1997A
Purpose: Reconstruction of Bellevue Street

Issue Date	Amount of Issue	Interest Rate	Maturity Date	Principal due 6/30/2005	Principal due 6/30/2006	Interest Payable
June 12, 1997	$ 285,000					
		5.20%	11/1/2005	$ 20,000		
		5.30%	11/1/2006	25,000	$ 25,000	$ 6,113
		5.35%	11/1/2007	20,000	20,000	4,915
		5.40%	11/1/2008	20,000	20,000	3,840
		5.45%	11/1/2009	20,000	20,000	2,755
		5.50%	11/1/2010	20,000	20,000	1,660
		5.55%	11/1/2011	20,000	20,000	555
				$ 145,000	$ 125,000	$ 19,838

Special Assessment Bonds
Series 1998
Purpose: Reconstruction of East Bellevue Street

Issue Date	Amount of Issue	Interest Rate	Maturity Date	Principal due 6/30/2005	Principal due 6/30/2006	Interest Payable
August 6, 1998	$ 170,000					
		4.45%	11/1/2005	$ 10,000		
		4.50%	11/1/2006	10,000	$ 10,000	$ 4,455
		4.55%	11/1/2007	15,000	15,000	3,889
		4.65%	11/1/2008	15,000	15,000	3,199
		4.70%	11/1/2009	15,000	15,000	2,498
		4.75%	11/1/2010	15,000	15,000	1,789
		4.75%	11/1/2011	15,000	15,000	1,076
		4.80%	11/1/2012	15,000	15,000	360
				$ 110,000	$ 100,000	$ 17,266

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2006

General Obligation Bonds
Series 1998
Purpose: Reconstruction of East Bellevue Street

Issue Date	Amount of Issue	Interest Rate	Maturity Date	Principal Due 6/30/2005	Principal Due 6/30/2006	Interest Payable
August 6, 1998	$ 75,000					
		4.45%	11/1/2005	$ 5,000		
		4.50%	11/1/2006	5,000	$ 5,000	$ 1,763
		4.55%	11/1/2007	5,000	5,000	1,536
		4.65%	11/1/2008	5,000	5,000	1,306
		4.70%	11/1/2009	5,000	5,000	1,073
		4.75%	11/1/2010	5,000	5,000	836
		4.75%	11/1/2011	5,000	5,000	599
		4.80%	11/1/2012	10,000	10,000	240
				$ 45,000	$ 40,000	$ 7,353

Special Assessment Bonds
Series 2000B
Purpose: Reconstruction of North Sherman Street

Issue Date	Amount of Issue	Interest Rate	Maturity Date	Principal Due 6/30/2005	Principal Due 6/30/2006	Interest Payable
August 8, 2000	$ 53,000					
		5.85%	11/1/2005	$ 5,000		
		5.85%	11/1/2006	5,000	$ 5,000	$ 1,609
		5.85%	11/1/2007	5,000	5,000	1,316
		5.85%	11/1/2008	5,000	5,000	1,024
		5.85%	11/1/2009	5,000	5,000	731
		5.85%	11/1/2010	5,000	5,000	439
		5.85%	11/1/2011	5,000	5,000	146
				$ 35,000	$ 30,000	$ 5,265

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2006

Special Assessment Bonds
Series 2000A

Purpose: Reconstruction of South Main Street

Issue Date	Amount of Issue	Interest Rate	Maturity Date	Pricipal Due 6/30/2005	Pricipal Due 6/30/2006	Interest Payable
August 8, 2000	$ 39,000					
		5.85%	11/1/2005	$ 3,000		
		5.85%	11/1/2006	4,000	$ 4,000	$ 1,287
		5.85%	11/1/2007	4,000	4,000	1,053
		5.85%	11/1/2008	4,000	4,000	819
		5.85%	11/1/2009	4,000	4,000	585
		5.85%	11/1/2010	4,000	4,000	351
		5.85%	11/1/2011	4,000	4,000	117
				$ 27,000	$ 24,000	$ 4,212

General Obligation Bonds
Series 2000A
Purpose: Reconstruction of South Main Street

Issue Date	Amount of Issue	Interest Rate	Maturity Date	Pricipal Due 6/30/2005	Pricipal Due 6/30/2006	Interest Payable
August 1, 2000	$ 250,000					
		5.50%	5/1/2006	$ 10,000		
		5.50%	5/1/2007	15,000	$ 15,000	$ 11,503
		5.50%	5/1/2008	15,000	15,000	10,678
		5.50%	5/1/2009	15,000	15,000	9,853
		5.50%	5/1/2010	15,000	15,000	9,028
		5.30%	5/1/2011	20,000	20,000	8,233
		5.35%	5/1/2012	20,000	20,000	7,163
		5.40%	5/1/2013	25,000	25,000	6,083
		5.45%	5/1/2014	25,000	25,000	4,720
		5.50%	5/1/2015	30,000	30,000	3,345
		5.60%	5/1/2016	30,000	30,000	1,680
				$ 220,000	$ 210,000	$ 72,286

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2006

General Obligation
Series 2002
Purpose: Constructing, furnishing and equipping City share of fire station

Issue Date	Amount of Issue	Interest Rate	Maturity Date	Principal Due 6/30/2005	Principal Due 6/30/2006	Interest Payable
January 1, 2002	$ 300,000					
		4.25%	10/1/2005	$ 15,000		
		3.55%	10/1/2006	15,000	$ 15,000	$ 11,261
		3.90%	10/1/2007	15,000	15,000	10,703
		4.10%	10/1/2008	20,000	20,000	10,000
		4.25%	10/1/2009	20,000	20,000	9,165
		4.40%	10/1/2010	20,000	20,000	8,300
		4.50%	10/1/2011	25,000	25,000	7,298
		4.60%	10/1/2012	25,000	25,000	6,160
		4.70%	10/1/2013	25,000	25,000	4,998
		4.80%	10/1/2004	30,000	30,000	3,690
		4.90%	10/1/2015	30,000	30,000	2,235
		5.00%	10/1/2016	30,000	30,000	750
				$ 270,000	$ 255,000	$ 74,560

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2006

Water Supply System Revenue Bonds
Series 1991
Purpose: Construction of elevated water storage tank and related equipment

Issue Date	Amount of Issue	Interest Rate	Maturity Date	Principal Due 6/30/2005	Principal Due 6/30/2006	Interest Payable
October 1, 1991	$ 700,000					
		4.45%	7/1/2006	$ 40,000		
		4.50%	7/1/2007	45,000	$ 45,000	$ 15,343
		4.55%	7/1/2008	50,000	50,000	13,243
		4.65%	7/1/2009	55,000	55,000	10,858
		4.70%	7/1/2010	55,000	55,000	8,450
		4.75%	7/1/2011	60,000	60,000	5,750
		4.80%	7/1/2012	65,000	65,000	3,025
				$ 370,000	$ 330,000	$ 56,669

Sewage Disposal and Water Supply System Number 1 Bonds
Series 1997
Purpose: Acquire, construct and equip sewer and water system improvements

Issue Date	Amount of Issue	Interest Rate	Maturity Date	Principal Due 6/30/2005	Principal Due 6/30/2006	Interest Payable
May 1, 1997	$ 575,000					
		5.20%	5/1/2006	$ 40,000		
		5.25%	5/1/2007	40,000	$ 40,000	$ 22,343
		5.30%	5/1/2008	45,000	45,000	19,328
		5.35%	5/1/2009	45,000	45,000	15,953
		5.40%	5/1/2010	50,000	50,000	12,240
		5.45%	5/1/2011	50,000	50,000	8,500
		5.50%	5/1/2012	55,000	55,000	4,420
				$ 325,000	$ 285,000	$ 82,784

August 25, 2006

Members of City Council
City of Leslie
Leslie, Michigan

We have audited the financial statements of the City of Leslie for the year ended June 30, 2006, and have issued our report thereon dated August 25, 2006.

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and no other applications of existing policies were changed during the current year. We noted no transactions entered into by the City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

WILLIS & JURASEK, P.C.
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Jackson, MI 49203-3690

Phone Number: (517) 788-8660
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E-Mail: willis@willispc.com
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Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no material estimates recorded during the current year.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City's financial reporting process (that is, cause future financial statements to be materially misstated). There were no significant audit adjustments recorded at year-end.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter 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.

Consultations with Other Independent Accountants

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

Issues Discussed Prior to Retention of Independent Auditors

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

Difficulties Encountered in Performing the Audit

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

This information and the attached memorandum is intended solely for the use of the City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

City of Leslie
Comments and Recommendations
June 30, 2006

Management Discussion and Analysis

Now would be the time to consider working on adding the Management Discussion and Analysis for your next years audit report. You can find many examples of the MD&A from other municipalities and use those as a guide to preparing your own. While it does not affect the overall opinion on your audit report, including one would enhance a more complete report in the future.

Comprehensive Annual Report and Certificate of Achievement for Excellence in Financial Reporting

We would recommend the City consider revamping the financial statement reporting for the audit report and try to receive the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association. This would require a little more reporting in some areas; specifically a statistical section would be added to the end of the report. Most of the information needed you would already have. We can provide guidance in meeting the requirements for this reporting.

Funds Maintained Manually

The City still has several of the smaller funds that it maintains with manual ledger systems. While the funds are small in nature and do not involve a lot of ledger activity, we would still recommend that all funds be set up and accounted for on your governmental software package used by the City. While it is not imperative that it be done, we feel certain reporting may be strengthened by incorporating all funds in your general ledger package.

Fund Balance – General Fund

The fund balance for the General Fund increased $32,542 this year, leaving a fund balance at June 30, 2006 of $432,210. As a percentage of annual revenue your fund balance is approximately 44%.

You had an increase in your fund balance this year after two years of declining fund balance. Your current fund balance remains healthy at this point.