City of Leslie

Financial Statements
And Independent Auditors' Report

Year Ended June 30, 2009

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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, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 18, 2009, 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 management's discussion and analysis and budgetary comparison information on pages iii-ix and 26-29 are not a required part of the financial statements but are 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.

September 18, 2009

City of Leslie
Management's Discussion and Analysis
Year Ended June 30, 2009

The following is a discussion and analysis of the City of Leslie's financial performance, position, and a summary of activities for the fiscal year ended June 30, 2009. This analysis should be read in conjunction with the Independent Auditors' Report and with the City of Leslie's financial statements which will follow this analysis.

The City as a Whole

Financial Highlights:

Meters - The City currently has saved $193,600 as part of its efforts to install meters for water and sewer billing. While the meter fund represents a significant amount of cash, it is not enough to install meters citywide. The City is researching for the most viable funding and meter options for the City.

Local Tax Revenue - The City's local tax revenue has been flattened in the last couple of years. Proposal A and the Headlee Act limit the amount of revenue that the City can raise through local property taxes. The City hopes through new growth and redevelopment efforts it can generate additional revenue. The current foreclosure crisis that is affecting many municipalities may have some adverse affect on local property tax revenues for the next couple of years.

Revenue Sharing - The City's revenue sharing revenue is projected to decline because of the financial problems faced by the State of Michigan.

The City's net assets remain stable. The City continues to provide primary services to our residents.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues *(governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges *(business-type activities)*. The governmental activities of the City include legislative, general government, public works and community and economic development. The business-type activities are water and sewer.

The government-wide financial statements can be found on pages 1-3 of this report.

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains eleven individual governmental funds (including six debt funds). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, major street, local street, and 1997 street obligation debt fund, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules for the general fund and other major special revenue funds have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 4-7 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its sanitary sewer and water distribution. *Internal service funds* account for operations that provide services for equipment rental and accumulate and allocate costs internally among the City's various functions. Because this service predominantly benefits governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the major enterprise funds: water and sewer.

The basic proprietary fund financial statements can be found on pages 8-10 of this report.

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

The basic fiduciary fund financial statements can be found on page 11 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 12-25 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other information. This includes combining fund financial statements and schedules, which can be found in the "Other Supplemental Information" section of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Leslie, assets exceeded liabilities by $10,627,057 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets, about eighty-one percent (81%), reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to pay these liabilities.

In a condensed format, the table below shows net assets as of the current date:

	Governmental Activities		Business-Type Activities	
	2009	2008	2009	2008
Current Assets	$ 1,836,526	$ 1,751,030	$ 386,574	$ 357,057
Non-current Assets	6,644,256	7,095,581	3,210,078	3,314,010
Total Assets	8,480,782	8,846,611	3,596,652	3,671,067
Current Liabilities	79,013	48,128	19,364	5,188
Non-current Liabilities	1,017,000	1,206,000	335,000	435,000
Total Liabilities	1,096,013	1,254,128	354,364	440,188
Net assets:				
Invested in capital assets - net of related debt	5,627,256	5,889,581	2,875,078	2,879,010
Restricted for debt service	41,875	78,837	-	-
Unrestricted	1,715,638	1,624,065	367,210	351,869
Total net assets	$ 7,384,769	$ 7,592,483	$ 3,242,288	$ 3,230,879

The following table shows the changes of the net assets as of the current date.

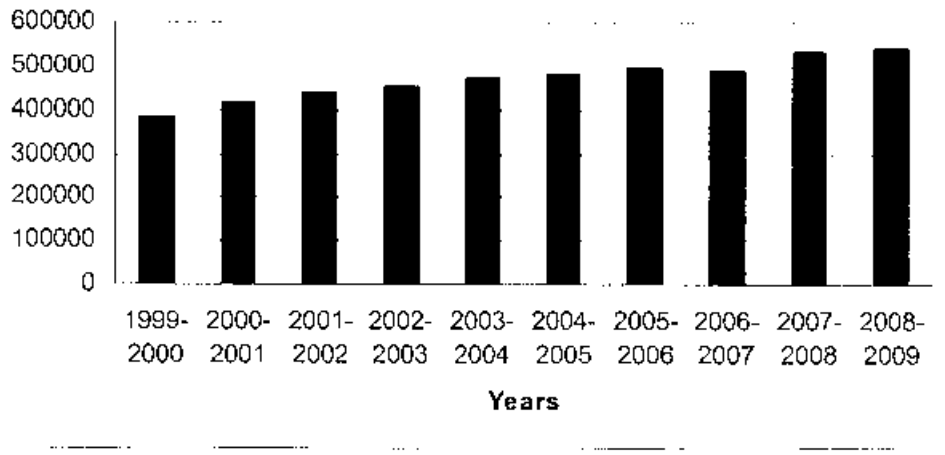
	Governmental Activities		Business-Type Activities	
	2009	2008	2009	2008
Program Revenues				
Charges for services	$ 83,167	$ 83,571	$648,247	$ 635,697
Operating grants	148,102	154,572	-	-
General revenues				
Property taxes	566,466	558,772	-	-
Intergovernmental revenue	249,650	258,308	-	-
Interest & investment income	34,330	65,586	7,238	16,915
Transfers – internal activities	193,797	210,796	(11,600)	(41,600)
Other	201,042	131,303	-	-
Total revenues	1,476,554	1,462,908	643,885	611,012
Program expenses:				
General government	448,439	417,441	-	-
Public safety	362,008	319,736	-	-
Highways & streets	681,848	654,131	-	-
Culture & recreation	108,017	107,247	-	-
Interest on long-term debt	65,736	75,735	-	-
Other	18,221	23,944	-	-
Water and sewer	-	-	632,476	591,835
Total expenses	1,684,269	1,598,234	632,476	591,835
Changes in net assets	$ (207,715)	$ (135,326)	$ 11,409	$ 19,177

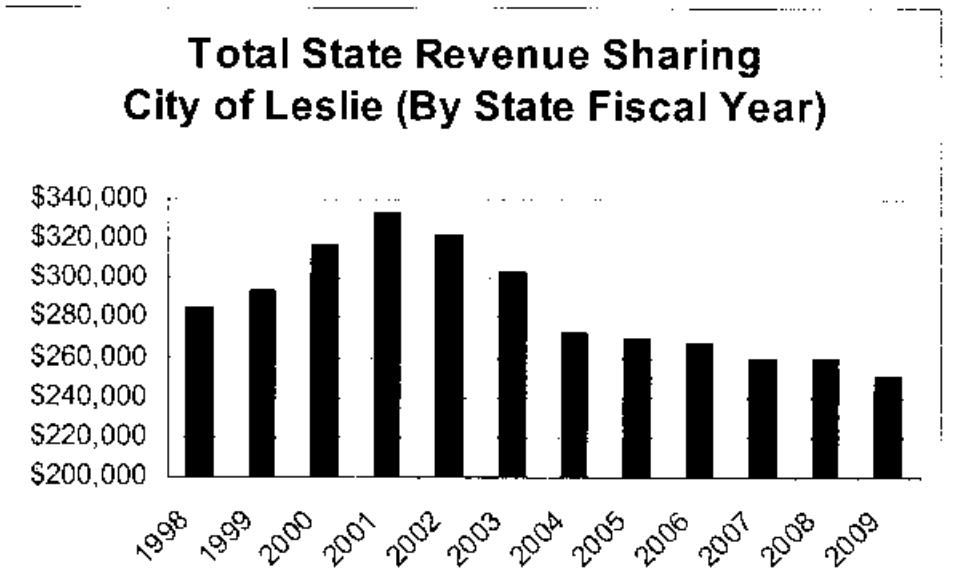
The City's net assets continue to remain healthy.

Governmental Activities

The City's total general fund revenues have decreased slightly over the past several years due to limited property value growth, Proposal A and Headlee statutes, and decreases in state shared revenues (see charts 1 and 2), while the expenses that the City faces continue to rise quicker than the rate of inflation. Interest rates are increasing and we have been able to get more rate of return on our accounts. Every effort is made to carefully budget our available funds and we have been able to increase our assets, as well as maintain a stable cash flow. The number of foreclosures within the City and the declining sales values may have an impact on City property tax revenue.

Local Tax Revenue





Business-Type Activities

The City's business-type activities consist of the Water and Sewer Enterprise Fund. The City provides water and sewer services to approximately 99% of the City residents. The Water & Sewer Fund is operating on a very tight margin with low fund balances. The future goals for the water and sewer funds are to install a metered system for water and sewer billing that will provide equality throughout the City. Additionally, the City implemented a rate structure that will help ensure adequate maintenance for the water and sewer systems into the future. The City raised sewer rates and implemented a ready to serve fee for those not currently using water.

General Fund Budgetary Highlights

Over the course of the year, usually twice, City Council amends the budget to take into account events happening during the year.

Capital Asset and Debt Administration

At the end of the 2008-2009 fiscal year, the City had a total investment of capital assets for its governmental and business-type activities as of June 30, 2009 of $9,854,334, which is made up of a broad range of capital assets, including buildings, water and sewer structures, both above and below ground, and significant investments in streets.

There were no significant capital improvements during the 2008-2009 fiscal year. The City does plan to make some significant capital improvements in the next fiscal year 2009-2010.

The following table summarizes the fixed assets of the City as of the current year-end:

	Governmental Activities		Business-Type Activities	
	2009	2008	2009	2008
Land	$ 425,375	$ 425,375	$ 6,120	$ 6,120
Buildings and improvements	1,694,311	1,684,212	-	-
Equipment and vehicles	1,043,638	1,069,689	-	-
Distribution and collection systems	-	-	5,978,229	5,967,530
Infrastructure	9,800,678	9,800,678	-	-
Accumulated depreciation	(6,319,746)	(5,884,373)	(2,774,271)	(2,659,640)
Net capital assets	$ 6,644,256	$ 7,095,581	$ 3,210,078	$ 3,314,010

The following table summarizes the debt outstanding at the current year-end:

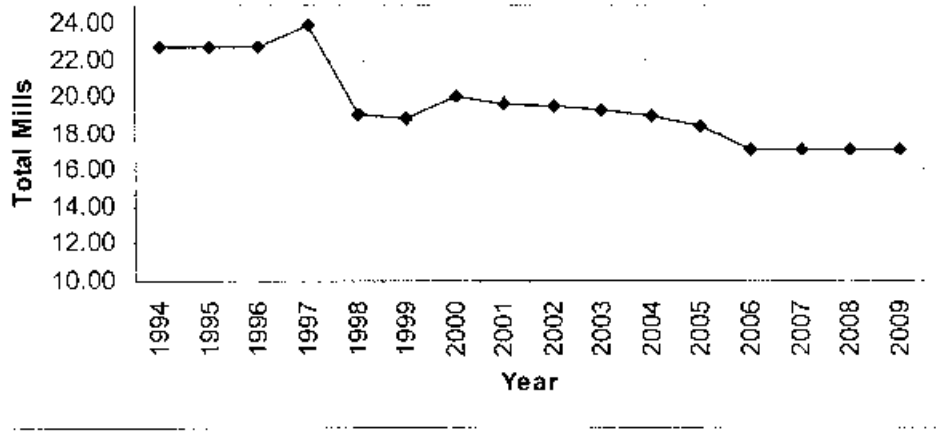
	Governmental Activities		Business-Type Activities	
	2009	2008	2009	2008
Revenue bonds	$ -	$ -	$ 335,000	$ 435,000
General Obligation bonds	740,000	900,000	-	-
Special Assessment bonds	277,000	306,000	-	-
Total non-current obligations	$ 1,017,000	$ 1,206,000	$ 335,000	$ 435,000

The City's total debt decreased by $289,000.

Economic Factors and Next Year's Budgets and Rates

In the interest of attracting new economic development to the City, we strive to keep our operating millage down. The City has reduced their operating millage over the last 12 years considerably (see chart 3).

Total City Millage Rate



Contacting the City Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City's Finance Director or City Manager at (517) 589-8236 or at 106 E. Bellevue Road, POB 496, Leslie, MI 49251-0496.

City of Leslie
Statement of Net Assets
June 30, 2009

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	LDFA	EDC	DDA
Assets:						
Cash and investments	$ 1,627,084	$ 377,338	$ 2,004,422	$ 610,069	$ 152,350	$ 28,620
Receivables	182,933	4,053	186,986	-	71,493	-
Internal balances	5,000	-	5,000	-	-	-
Prepaid expenses	21,509	5,183	26,692	-	-	-
Capital assets, net						
Not being depreciated	425,375	6,120	431,495	-	-	-
Being depreciated	6,218,881	3,203,958	9,422,839	121,278	-	-
Total assets	8,480,782	3,596,652	12,077,434	731,347	223,843	28,620
Liabilities:						
Accounts payable	27,638	16,373	44,011	-	-	-
Accrued expenses	42,406	1,583	43,989	-	-	-
Accrued interest	8,969	1,408	10,377	-	-	-
Noncurrent liabilities:						
Due within one year	199,000	105,000	304,000	-	-	-
Due in more than one year	818,000	230,000	1,048,000	-	-	-
Total liabilities	1,096,013	354,364	1,450,377	-	-	-
Net Assets:						
Invested in capital assets, net of related debt	5,627,256	2,875,078	8,502,334	121,278	-	-
Restricted for:						
Debt service	41,875	-	41,875	-	-	-
Unrestricted	1,715,638	367,210	2,082,848	610,069	223,843	28,620
Total net assets	$ 7,384,769	$ 3,242,288	$ 10,627,057	$ 731,347	$ 223,843	$ 28,620

See Notes to Financial Statements.

City of Leslie
Statement of Activities
Year Ended June 30, 2009

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	$ 448,439	$ 49,287	$ 1,406	$ -	$ (397,746)
Public safety	362,008	7,226	-	-	(354,783)
Highways and streets	681,848	-	146,396	-	(535,452)
Culture and recreation	108,017	26,654	300	-	(81,062)
Interest on long-term debt	65,736	-	-	-	(65,736)
Other	18,221	-	-	-	(18,221)
Total governmental activities	1,684,269	83,167	148,102	-	(1,453,000)
Business-type activities:					
Water and sewer	632,476	648,247	-	-	15,771
Total business-type activities	632,476	648,247	-	-	15,771
Total primary government	$ 2,316,745	$ 731,414	$ 148,102	$ -	$ (1,437,229)
Component Units					
LDFA	$ 60,720	$ -	$ -	$ -	$ (60,720)
EDC	11,238	-	-	-	(11,238)
DDA	129,170	-	-	-	(129,170)
Total component units	$ 201,129	$ -	$ -	$ -	$ (201,129)

continued..

See Notes to Financial Statements.

City of Leslie
Statement of Activities (Continued)
Year Ended June 30, 2009

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	LDFA	EDC	DDA
Changes in Net Assets						
Net (expense) revenue	$ (1,453,000)	$ 15,771	$ (1,437,229)	$ (60,720)	$ (11,238)	$ (129,170)
General revenues:						
Taxes and special assessments	566,466	-	566,466	402,047	-	128,452
Unrestricted grants and contributions	249,650	-	249,650	-	-	-
Interest and investment earnings	34,330	7,238	41,568	9,749	7,157	695
Other revenues	201,042	-	201,042	302	436	1,601
Transfers - internal activities	193,797	(11,600)	182,197	(157,069)	-	(25,128)
Total general revenues, contributions and transfers	1,245,285	(4,362)	1,240,923	255,029	7,593	105,620
Changes in Net Assets	(207,715)	11,409	(196,306)	194,309	(3,645)	(23,550)
Net Assets - Beginning of Year	7,592,484	3,230,879	10,823,363	537,038	227,488	52,170
Net Assets - End of Year	$ 7,384,769	$ 3,242,288	$ 10,627,057	$ 731,347	$ 223,843	$ 28,620

See Notes to Financial Statements.

City of Leslie
Balance Sheet
Governmental Funds
June 30, 2009

	General	Major Street	Local Street	1997 Street Obligation	Other Nonmajor Governmental Funds	Total
Assets						
Cash	$ 437,049	$ 227,612	$ 184,424	$ 5,377	$ 359,274	$ 1,213,736
Receivables:						
Accounts receivable	21,620	-	-	-	-	21,620
Special assessments	-	11,831	14,662	32,734	39,777	99,004
Due from other governmental units	40,587	16,246	5,476	-	-	62,309
Due from other funds	5,600	-	-	-	-	5,600
Prepaid expenditures	21,395	57	57	-	-	21,509
Total assets	$ 526,251	$ 255,746	$ 204,619	$ 38,111	$ 399,051	$ 1,423,778
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	$ 27,639	$ -	$ -	$ -	$ -	$ 27,639
Accrued expenses	42,406	-	-	-	-	42,406
Due to other funds	-	-	-	600	-	600
Deferred revenue	-	11,831	14,662	32,734	39,777	99,004
Total liabilities	70,045	11,831	14,662	33,334	39,777	169,649
Fund Balances:						
Reserved for prepaid expenditures	21,395	57	57	-	-	21,509
Unreserved; undesignated	434,811	243,858	189,900	-	-	868,569
Unreserved; undesignated- reported in nonmajor:						
Special revenue funds	-	-	-	-	322,176	322,176
Debt service funds	-	-	-	4,777	37,098	41,875
Total fund balances	456,206	243,915	189,957	4,777	359,274	1,254,129
Total liabilities and fund balances	$ 526,251	$ 255,746	$ 204,619	$ 38,111	$ 399,051	$ 1,423,778

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, 2009

Total Fund Balances - Governmental Funds		$ 1,254,129
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	$ 11,992,381	
Accumulated depreciation is	(5,453,544)	
		6,538,837
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		99,005
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		518,767
Long-term liabilities not due and payable in the current period and not reported in the funds:		
Bonds payable		(1,017,000)
Accrued interest		(8,969)
Total Net Assets - Governmental Activities		$ 7,384,769

See Notes to Financial Statements.

City of Leslie

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2009

	General	Major Street	Local Street	1997 Street Obligation	Other Nonmajor Governmental Funds	Total
Revenues:						
Taxes and special assessments	$ 541,923	$ 21,314	$ 19,885	$ 11,128	$ 28,326	$ 622,576
Licenses and permits	155	-	-	-	-	155
Intergovernmental	249,950	104,303	42,093	-	-	396,346
Charges for services	40,736	-	-	-	7,226	47,962
Other	90,065	4,152	3,506	2,907	8,603	109,233
Reimbursements	51,976	-	-	-	-	51,976
Contributions	89,000	-	-	-	-	89,000
Total revenues	1,063,805	129,769	65,484	14,035	44,155	1,317,248
Expenditures:						
General government	447,062	2,682	1,132	-	-	450,876
Public safety	335,729	-	-	-	10,291	346,020
Highways and streets	131,684	105,886	68,958	-	-	306,528
Culture and recreation	84,735	-	-	-	-	84,735
Debt service:						
Principal payments	-	-	-	60,000	129,000	189,000
Interest and fiscal charges	-	-	-	15,585	51,910	67,495
Capital outlay	-	-	-	-	18,222	18,222
Total expenditures	999,210	108,568	70,090	75,585	209,423	1,462,876
Revenues Over (Under) Expenditures	64,595	21,201	(4,606)	(61,550)	(165,268)	(145,628)
Other Financing Sources (Uses):						
Operating transfers in	-	-	-	52,953	188,944	241,897
Operating transfers out	(35,100)	-	-	-	-	(35,100)
Total other financing sources (uses)	(35,100)	-	-	52,953	188,944	206,797
Net Changes in Fund Balances	29,495	21,201	(4,606)	(8,597)	23,676	61,169
Fund Balances - Beginning of Year	426,711	222,714	194,563	13,374	335,598	1,192,960
Fund Balances - End of Year	$ 456,206	$ 243,915	$ 189,957	$ 4,777	$ 359,274	$ 1,254,129

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, 2009

Net Change in Fund Balances - Total Governmental Funds		$ 61,169
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	$ (427,280)	
Capital outlay	15,127	(412,153)
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		(56,110)
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		189,000
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 income from governmental activities in the internal service fund		8,620
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.		
Decrease in accrued interest payable on bonds		1,759
Change in Net Assets of Governmental Activities		$ (207,715)

See Notes to Financial Statements.

City of Leslie
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Enterprise Fund	Internal Service Fund
	Water and Sewer Fund	Motor Vehicle Pool Fund
Assets:		
Current assets:		
Cash	$ 377,338	$ 413,348
Accounts receivable	4,053	-
Prepaid expenses	5,183	-
Total current assets	386,574	413,348
Property, plant and equipment:		
Land and improvements	6,120	-
Plant and equipment	5,978,229	971,620
	5,984,349	971,620
Less accumulated depreciation	(2,774,271)	(866,201)
Total property, plant and equipment	3,210,078	105,419
Total assets	3,596,652	518,767
Liabilities:		
Current liabilities (payable from current assets):		
Accounts payable	16,373	-
Accrued expenses	1,583	-
Current portion of bonds payable	105,000	-
Accrued interest	1,408	-
Total current liabilities (payable from current assets)	124,364	-
Noncurrent liabilities:		
Bonds payable	230,000	-
Total noncurrent liabilities	230,000	-
Total liabilities	354,364	-
Net Assets:		
Invested in capital assets, net of related debt	2,875,078	105,419
Unrestricted	367,210	413,348
Total net assets	$ 3,242,288	$ 518,767

See Notes to Financial Statements.

City of Leslie
Statement of Revenues, Expenses and
Changes in Net Assets - Proprietary Funds
Year Ended June 30, 2009

	Enterprise Fund	Internal Service Fund
	Water and Sewer Fund	Motor Vehicle Pool Fund
Operating Revenues:		
Charges for services	$ 627,363	$ -
Rental income	5,498	106,523
Tap-in and turn-on fees	2,659	-
Penalties	12,727	-
Total operating revenues	648,247	106,523
Operating Expenses	606,068	91,949
Operating Income (Loss)	42,179	14,574
Non-Operating Revenues (Expenses):		
Interest income	7,238	7,046
Interest expense	(26,408)	-
Total non-operating revenues (expenses)	(19,170)	7,046
Net Income Before Transfers	23,009	21,620
Transfers:		
Transfers out to other funds	(21,600)	(13,000)
Transfers in from other funds	10,000	-
Net transfers	(11,600)	(13,000)
Net Income (Loss)	11,409	8,620
Net Assets - Beginning of Year	3,230,879	510,147
Net Assets - End of Year	$ 3,242,288	$ 518,767

See Notes to Financial Statements.

City of Leslie
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2009

	Enterprise Fund	Internal Service Fund
	Water and Sewer Fund	Motor Vehicle Pool Fund
Cash Flows from Operating Activities:		
Cash received from customers, residents and users	$ 637,159	$ -
Cash received from interfund services provided	-	99,478
Other operating receipts	7,238	7,045
Cash paid for interfund services	(15,000)	-
Cash paid to suppliers and vendors	(363,402)	(34,936)
Cash paid to employees	(98,457)	(17,840)
Net cash provided by operating activities	167,538	53,747
Cash Flows from Capital and Related Financing Activities:		
Bond payments on capital debt	(100,000)	-
Interest payments on capital debt	(26,811)	-
Purchase of capital assets, net	(10,698)	-
Net cash used by capital and related financing activities	(137,509)	-
Cash Flows from Investing Activities:		
Transfers to other funds	(21,600)	(13,000)
Transfers from other funds	10,000	-
Interest income received	7,238	7,046
Net cash provided by investing activities	(4,362)	(5,954)
Net Increase (Decrease) in Cash and Cash Equivalents	25,667	47,793
Cash and Cash Equivalents, Beginning of Year	351,671	365,555
Cash and Cash Equivalents, End of Year	$ 377,338	$ 413,348
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income (loss)	$ 42,179	$ 14,574
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	114,631	39,173
(Increase) decrease in:		
Receivables	(3,850)	-
Increase (decrease) in:		
Accounts payable	16,373	
Accrued expenses	(1,795)	-
Net Cash Provided by Operating Activities	$ 167,538	$ 53,747

See Notes to Financial Statements.

City of Leslie
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Agency Funds
Assets:	
Cash and cash equivalents	$ 125,901
Liabilities:	
Advance due other funds	$ 5,000
Due to other agencies	120,901
Total liabilities	$ 125,901

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 Authority (LDFA) - The Local Development Finance Authority 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 business park.

Economic Development Corporation (EDC) - The Economic Development Corporation 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 Authority (DDA) - The Downtown Development Authority 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.

Local 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 local street functions of the City.

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 2008 had a taxable value of approximately $42,272,772 (not including properties subject to Industrial Facilities Tax exemption). The government's general operating tax rate for fiscal year 2008-09 was 16.6000 mills, with an additional .4000 mills levied for debt services.

Revenues for the DDA and LDFA are derived from the capture of property taxes, based on tax increment financing agreements between the DDA and LDFA and other related taxing districts. Under this arrangement, the DDA and LDFA receive these revenues based on 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 districts. Revenues 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) General, special revenue and debt service funds budgets are presented to the City Council in April, at which time hearings on the budgets 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 budgets, and an appropriation ordinance implementing them, 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 Council for their action. The legislative body amends the general appropriation act as soon as it becomes apparent this action is necessary.

7) The City Council 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 Council approval but not between departments. Violations for the general fund and major special revenue funds, if any, are noted in the required supplementary information section.

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 Investments

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	Business-Type Activities	Total Primary Government	Component Units	Fiduciary Funds	Total
Cash and investments	$ 1,627,084	$ 377,338	$ 2,004,422	$ 791,039	$ 125,901	$ 2,921,362

3. Cash and Investments (Continued)

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

Deposits (checking and savings accounts, certificates of deposit)	$ 2,338,022
MBIA Michigan Class investment funds (at fair value)	582,830
Petty cash and cash on hand	510
Total	$ 2,921,362

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 the pooled short-term investment fund of MBIA is not rated, however MBIA Michigan Class as a whole is rated AAAm.

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, $1,743,906 of the City's bank balance of $2,356,044 was exposed to custodial credit risk because it was uninsured and uncollateralized.

4. Receivables

Receivables of the governmental activities of the primary government at year-end, consist of the following:

Other receivables	$ 21,620
Other governmental units (primarily the State of Michigan)	62,309
Special assessments	99,004
	$ 182,933

5. Capital Assets

Capital assets activity for the year ended June 30, 2009 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
Total capital assets not being depreciated	425,375	-	-	425,375
Capital assets being depreciated:				
Buildings and improvements	1,684,212	10,099	-	1,694,311
Equipment and vehicles	1,069,689	5,029	(31,080)	1,043,638
Infrastructure	9,800,678	-	-	9,800,678
Total capital assets being depreciated	12,554,579	15,128	(31,080)	12,538,627
Accumulated depreciation:				
Buildings and improvements	315,742	33,229	-	348,971
Equipment and vehicles	897,199	44,516	(31,080)	910,635
Infrastructure	4,671,432	388,708	-	5,060,140
Total accumulated depreciation	5,884,373	466,453	(31,080)	6,319,746
Total capital assets being depreciated - net	6,670,206	(451,325)	-	6,218,881
Governmental activities capital assets - net	$ 7,095,581	$ (451,325)	$ -	$ 6,644,256

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	1,591,725	-	-	1,591,725
Sewer system	4,215,307	10,699	-	4,226,006
Iron removal system	160,498	-	-	160,498
Total capital assets being depreciated	5,967,530	10,699	-	5,978,229
Accumulated depreciation	2,659,640	114,631	-	2,774,271
Total capital assets being depreciated - net	3,307,890	(103,932)	-	3,203,958
Business-type activities capital assets - net	$3,314,010	$ (103,932)	$ -	$3,210,078

5. Capital Assets (Continued)

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

Governmental Activities:	
General government	$ 2,592
Public safety	15,988
Highways and streets	385,418
Culture and recreation	23,282
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	39,173
Total depreciation expense – governmental activities	$ 466,453
Business-Type Activities:	
Sewer and water	$ 114,631

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	$ 5,600	$ -
Fiduciary Fund	-	5,000
1997 Street Obligation Debt Fund	-	600
	$ 5,600	$ 5,600

	Transfers In	Transfers Out
Transfers:		
General Fund	$ -	$ 35,100
Enterprise Fund	10,000	21,600
Internal Service Fund	-	13,000
1997 Street Obligation Debt Fund	52,953	-
Nonmajor Governmental Funds	188,944	-
LDFA	-	157,069
DDA	-	25,128
	$ 251,897	$ 251,897

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	$1,206,000	$ -	$ 189,000	$1,017,000	$ 199,000

General obligation and special assessment bonds outstanding as of June 30, 2009 are as follows:

	Interest Rate	Maturing Through	Principal Outstanding
1994 Sewer System Improvements	6.65 – 6.70	2013	$ 170,000
1994 Sewer System Improvements	5.90 – 6.20	2013	130,000
1997 Bellevue Street	5.00 – 5.00	2011	70,000
1997 Bellevue Street	5.35 – 5.60	2012	105,000
1997 Bellevue Street	5.35 – 5.55	2011	60,000
1998 Street Improvement	4.55 – 4.80	2012	60,000
1998 Street Improvement	4.55 – 4.80	2012	25,000
2000 Street Improvement	5.85 – 5.85	2011	15,000
2000 Streetscape	5.85 – 5.85	2011	12,000
2000 Streetscape	5.30 – 5.60	2016	165,000
2002 Fire Station	4.10 – 5.00	2016	205,000
			$ 1,017,000

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

	Principal	Interest	Total
2010	$ 199,000	$ 53,815	$ 252,815
2011	209,000	42,725	251,725
2012	224,000	30,930	254,930
2013	185,000	17,360	202,360
2014	50,000	9,718	59,718
2015-2017	150,000	11,700	161,700
Total	$1,017,000	$ 166,248	$1,183,248

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	$ 435,000	$ -	$ 100,000	$ 335,000	$ 105,000

	Interest Rate	Maturing Through	Principal Outstanding
1992 Water Tower	4.50 – 4.80	2012	$ 180,000
1997 Bellevue Street	5.25 - 5.50	2012	155,000
			$ 335,000

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

	Principal	Interest	Total
2010	$ 105,000	$ 20,690	$ 125,690
2011	110,000	14,250	124,250
2012	120,000	7,445	127,445
Total	$ 335,000	$ 42,385	$ 377,385

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, 2009 that will be received by the EDC fund are as follows:

Leslie Coin Laundry, Inc. - Monthly payments of $1,175 including interest at 8.25% per annum	$ 55,145
Shari Burke – Monthly payments of $400 including interest at 5% per annum.	16,348
Total	$ 71,493

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, 2008.

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, 2009, the City's contributions totaling $62,203 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:

	2008	2007	2006
Annual Pension Cost	$ 60,650	$ 66,300	$ 67,296
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	0	0	0
Actuarial Value of Assets	1,048,199	1,001,997	886,768
Actuarial Accrued Liability	1,713,315	1,620,137	1,428,295
Unfunded AAL	665,116	618,140	541,527
Funded Ratio	61%	62%	62%
Covered Payroll	430,741	377,809	377,854
UAAL as a Percentage of Covered Payroll	154%	164%	143%

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. Joint Ventures

The City, along with Leslie Township, provides emergency response to residents through the Fire Department. The participating municipalities provide equal funding for its operations. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

The City, along with Leslie Township, provides a quarterly contribution to the Woodlawn Cemetery for maintenance expenditures. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for Woodlawn Cemetery can be obtained from the City offices.

12. 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, 2009, 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.

Required Supplemental Information

City of Leslie
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2009

	Budgeted Amounts		
	Original	Final	Actual
Revenues:			
Taxes	$ 542,332	$ 542,332	$ 541,923
Licenses and permits	400	400	155
Intergovernmental	259,900	259,900	249,950
Charges for services	28,500	40,707	40,736
Other	55,000	66,000	90,065
Reimbursements	71,408	71,408	51,976
Contributions	89,000	89,000	89,000
Total revenues	1,046,540	1,069,747	1,063,805
Expenditures:			
General government:			
Council	18,000	18,000	12,434
Administrative	97,997	97,997	82,374
Assessor	20,300	20,300	19,875
Attorney	10,000	10,000	6,550
Clerk	75,218	84,808	83,829
Treasurer	67,369	67,369	66,710
Board of review	1,050	1,050	619
City hall	45,496	45,496	42,292
Library	1,950	1,950	929
Cemetery	82,258	82,258	62,824
Other	50,777	50,777	68,626
Total general government	470,415	480,005	447,062
Public safety:			
Police	285,568	285,568	285,117
Fire	64,300	64,300	50,612
Total public safety	349,868	349,868	335,729
Highways, streets and transportation:			
Street lights	36,000	37,160	40,332
Sidewalks	5,615	5,615	2,685
Public works department	81,400	87,400	88,667
Total highways, streets and transportation	123,015	130,175	131,684
Culture and recreation:			
Pool	47,345	50,870	51,941
Parks	43,830	43,830	32,794
Total culture and recreation	91,175	94,700	84,735

City of Leslie
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual (Continued)
General Fund
Year Ended June 30, 2009

	Budgeted Amounts		
	Original	Final	Actual
Total expenditures	$ 1,034,473	$ 1,054,748	$ 999,210
Revenues Over (Under) Expenditures	12,067	14,999	64,595
Other Financing Sources (Uses):			
Transfers out	(38,050)	(38,050)	(35,100)
Total other financing sources (uses)	(38,050)	(38,050)	(35,100)
Net Changes in Fund Balances	(25,983)	(23,051)	29,495
Fund Balances - Beginning of Year	426,711	426,711	426,711
Fund Balances - End of Year	$ 400,728	$ 403,660	$ 456,206

City of Leslie
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Major Street Fund
Year Ended June 30, 2009

	Budgeted Amounts		
	Original	Final	Actual
Revenues:			
Taxes	$ 18,768	$ 18,768	$ 21,314
State grants	109,400	109,400	104,303
Other	3,000	3,000	4,152
Total revenues	131,168	131,168	129,769
Expenditures:			
General government	4,500	4,500	2,682
Highways and streets:			
Maintenance	89,600	89,600	77,739
Traffic	8,810	8,810	3,599
Winter maintenance	21,265	24,950	24,548
Total highways and streets	119,675	123,360	105,886
Total expenditures	124,175	127,860	108,568
Revenues Over (Under) Expenditures	6,993	3,308	21,201
Other Financing Sources (Uses):			
Transfers out	(30,000)	(30,000)	-
Total other financing sources (uses)	(30,000)	(30,000)	-
Net Changes in Fund Balances	(23,007)	(26,692)	21,201
Fund Balances - Beginning of Year	222,714	222,714	222,714
Fund Balances - End of Year	$ 199,707	$ 196,022	$ 243,915

City of Leslie
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Local Street Fund
Year Ended June 30, 2009

	Budgeted Amounts		
	Original	Final	Actual
Revenues:			
Taxes	$ 21,669	$ 21,669	$ 19,885
State grants	43,814	43,814	42,093
Other	1,000	1,000	3,506
Total revenues	66,483	66,483	65,484
Expenditures:			
General government	4,000	4,000	1,132
Highways and streets:			
Maintenance	62,920	62,920	48,372
Traffic	4,150	4,150	1,926
Winter maintenance	15,970	19,370	18,660
Total highways and streets	83,040	86,440	68,958
Total expenditures	87,040	90,440	70,090
Revenues Over (Under) Expenditures	(20,557)	(23,957)	(4,606)
Other Financing Sources (Uses):			
Transfers in	30,000	30,000	-
Total other financing sources (uses)	30,000	30,000	-
Net Changes in Fund Balances	9,443	6,043	(4,606)
Fund Balances - Beginning of Year	194,563	194,563	194,563
Fund Balances - End of Year	$ 204,006	$ 200,606	$ 189,957

Other Supplemental Information

City of Leslie
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

	Special Revenue Funds	Debt Service Funds	Total
Assets			
Cash and cash equivalents	$ 322,176	$ 37,098	$ 359,274
Special assessments receivable	-	39,777	39,777
Total assets	$ 322,176	$ 76,875	$ 399,051
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue	$ -	$ 39,777	$ 39,777
Total liabilities	-	39,777	39,777
Fund Balances:			
Unreserved; undesignated	322,176	37,098	359,274
Total fund balances	322,176	37,098	359,274
Total liabilities and fund balances	$ 322,176	$ 76,875	$ 399,051

City of Leslie

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2009

	Special Revenue Funds	Debt Service Funds	Total
Revenues:			
Taxes	$ -	$ 28,326	$ 28,326
Charges for services	7,226	-	7,226
Miscellaneous	5,127	3,476	8,603
Total revenues	12,353	31,802	44,155
Expenditures:			
Public safety	10,291	-	10,291
Debt service:			
Principal payments	-	129,000	129,000
Interest and fiscal charges	-	51,910	51,910
Capital outlay	18,222	-	18,222
Total expenditures	28,513	180,910	209,423
Revenues Over (Under) Expenditures	(16,160)	(149,108)	(165,268)
Other Financing Sources (Uses):			
Operating transfers in	68,200	120,744	188,944
Total other financing sources (uses)	68,200	120,744	188,944
Changes in Fund Balances	52,040	(28,364)	23,676
Fund Balances - Beginning of Year	270,136	65,462	335,598
Fund Balances - End of Year	$ 322,176	$ 37,098	$ 359,274

City of Leslie
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2009

	Public Improvement Fund	Building Department Fund	Total
Assets			
Cash	$ 322,163	$ 13	$ 322,176
Total assets	$ 322,163	$ 13	$ 322,176
Liabilities and Fund Balances			
Fund Balances:			
Unreserved; undesignated	$ 322,163	$ 13	$ 322,176
Total liabilities and fund balances	$ 322,163	$ 13	$ 322,176

City of Leslie
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2009

	Public Improvement Fund	Building Department Fund	Total
Revenues:			
Charges for services	$ -	$ 7,226	$ 7,226
Miscellaneous	5,110	17	5,127
Total revenues	5,110	7,243	12,353
Expenditures:			
Public safety	-	10,291	10,291
Capital outlay	18,222	-	18,222
Total expenditures	18,222	10,291	28,513
Revenues Over (Under) Expenditures	(13,112)	(3,048)	(16,160)
Other Financing Sources (Uses):			
Operating transfers in	66,600	1,600	68,200
Total other financing sources (uses)	66,600	1,600	68,200
Net Changes in Fund Balances	53,488	(1,448)	52,040
Fund Balances - Beginning of Year	268,675	1,461	270,136
Fund Balances - End of Year	$ 322,163	$ 13	$ 322,176

City of Leslie
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget to Actual
Major Street Fund
Year Ended June 30, 2009
(With Comparative Actual Amounts for the Year Ended June 30, 2008)

	2009			2008
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
Taxes and special assessments	$ 18,768	$ 21,314	$ 2,546	$ 25,348
Intergovernmental:				
State shared revenue - gas and weight tax	105,680	100,595	(5,085)	105,661
Build Michigan	3,720	3,708	(12)	3,714
Total intergovernmental	109,400	104,303	(5,097)	109,375
Other:				
Interest	3,000	4,152	1,152	9,402
Total revenues	131,168	129,769	(1,399)	144,125
Expenditures:				
General government	4,500	2,682	1,818	3,129
Highways and streets:				
Maintenance:				
Salaries	27,000	24,803	2,197	21,527
Fringe benefits	10,600	7,334	3,266	8,191
Supplies and materials	14,000	8,000	6,000	2,135
Contracted services	20,000	19,871	129	4,497
Equipment rental	18,000	17,731	269	16,329
Total maintenance	89,600	77,739	11,861	52,678
Traffic:				
Salaries	4,000	177	3,823	818
Fringe benefits	310	13	297	63
Supplies and materials	1,000	924	76	960
Contracted services	1,500	1,065	435	1,471
Equipment rental	2,000	1,420	580	1,785
Total traffic	8,810	3,599	5,211	5,097
Winter maintenance:				
Salaries	6,900	6,893	7	6,183
Fringe benefits	1,465	1,079	386	981
Supplies and materials	7,470	7,466	4	7,212
Equipment rental	9,115	9,110	5	9,939
Total winter maintenance	24,950	24,548	402	24,314
Total highways and streets	123,360	105,886	17,474	82,090
Total expenditures	127,860	108,568	19,292	85,218

City of Leslie
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget to Actual
Major Street Fund
Year Ended June 30, 2009
(With Comparative Actual Amounts for the Year Ended June 30, 2008)

	2009			2008
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues Over (Under) Expenditures	$ 3,308	$ 21,201	$ 17,893	$ 58,906
Other Financing Sources (Uses):				
Operating transfers out	(30,000)	-	30,000	(27,000)
Total other financing sources (uses)	(30,000)	-	30,000	(27,000)
Net Changes in Fund Balances	(26,692)	21,201	47,893	31,906
Fund Balances - Beginning of Year	222,714	222,714	-	188,241
Fund Balances - End of Year	$ 196,022	$ 243,915	$ 47,893	$ 220,147

City of Leslie
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget to Actual
Local Street Fund
Year Ended June 30, 2009
(With Comparative Actual Amounts for the Year Ended June 30, 2008)

	2009			2008
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
Taxes and special assessments	$ 21,669	$ 19,885	$ (1,784)	$ 29,070
Intergovernmental:				
State shared revenue - gas and weight tax	35,562	33,901	(1,661)	35,560
Metro Act maintenance fee	7,000	6,943	(57)	6,902
Build Michigan	1,252	1,249	(3)	1,250
Total intergovernmental	43,814	42,093	(1,721)	43,711
Other:				
Interest	1,000	3,506	2,506	7,082
Total revenues	66,483	65,484	(999)	79,864
Expenditures:				
General government	4,000	1,132	2,868	476
Highways and streets:				
Maintenance:				
Salaries	22,000	18,247	3,753	15,893
Fringe benefits	7,920	5,873	2,047	6,132
Supplies and materials	3,000	2,831	169	2,004
Contracted services	20,000	10,915	9,085	9,560
Equipment rental	10,000	10,506	(506)	11,748
Total maintenance	62,920	48,372	14,548	45,337
Traffic:				
Salaries	2,000	493	1,507	1,203
Fringe benefits	150	38	112	92
Supplies and materials	1,000	536	464	320
Equipment rental	1,000	859	141	565
Total traffic	4,150	1,926	2,224	2,180
Winter maintenance:				
Salaries	5,500	4,820	680	4,826
Fringe benefits	1,670	885	785	877
Supplies and materials	5,700	5,735	(35)	5,258
Equipment rental	6,500	7,220	(720)	8,169
Total winter maintenance	19,370	18,660	710	19,129
Total highways and streets	86,440	68,958	17,482	66,645
Total expenditures	90,440	70,090	20,350	67,121

City of Leslie
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget to Actual
Local Street Fund
Year Ended June 30, 2009
(With Comparative Actual Amounts for the Year Ended June 30, 2008)

	2009			2008
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues Over (Under) Expenditures	$ (23,957)	$ (4,606)	$ 19,351	$ 12,743
Other Financing Sources (Uses):				
Operating transfers in	30,000	-	(30,000)	27,000
Total other financing sources (uses)	30,000	-	(30,000)	27,000
Net Changes in Fund Balances	6,043	(4,606)	(10,649)	39,743
Fund Balances - Beginning of Year	194,563	194,563	-	154,820
Fund Balances - End of Year	$ 200,606	$ 189,957	$ (10,649)	$ 194,563

City of Leslie
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2009

	General Obligation	Street Obligation				
	2002 Debt Fund	Streetscape 2000 Debt Fund	Sherman Debt Fund	1998 Debt Fund	LDFA 1994 Debt Fund	Total
Assets						
Cash and cash equivalents	$ 10,122	$ 1,906	$ 1,486	$ 23,584	$ -	$ 37,098
Special assessments receivable	-	6,116	8,798	24,863	-	39,777
Total assets	$ 10,122	$ 8,022	$ 10,284	$ 48,447	$ -	$ 76,875
Liabilities and Fund Balances						
Liabilities:						
Deferred revenue	$ -	$ 6,116	$ 8,798	$ 24,863	$ -	$ 39,777
Fund Balances:						
Unreserved; undesignated	10,122	1,906	1,486	23,584	-	37,098
Total liabilities and fund balances	$ 10,122	$ 8,022	$ 10,284	$ 48,447	$ -	$ 76,875

City of Leslie
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Debt Service Funds
Year Ended June 30, 2009

	General Obligation	Street Obligation				
	2002 Debt Fund	Streetscape 2000 Debt Fund	Sherman Debt Fund	1998 Debt Fund	LDFA 1994 Debt Fund	Total
Revenues:						
Taxes	$ 16,903	$ 2,050	$ 3,145	$ 6,228	$ -	$ 28,326
Other	24	579	837	2,036	-	3,476
Total revenues	16,927	2,629	3,982	8,264	-	31,802
Expenditures:						
Principal payments	20,000	19,000	5,000	20,000	65,000	129,000
Interest	10,000	10,671	1,024	4,505	23,485	49,685
Other	275	550	275	600	525	2,225
Total expenditures	30,275	30,221	6,299	25,105	89,010	180,910
Revenues Over (Under) Expenditures	(13,348)	(27,592)	(2,317)	(16,841)	(89,010)	(149,108)
Other Financing Sources (Uses):						
Operating transfers in	-	25,128	-	6,606	89,010	120,744
Total other financing sources (uses)	-	25,128	-	6,606	89,010	120,744
Net Changes in Fund Balances	(13,348)	(2,464)	(2,317)	(10,235)	-	(28,364)
Fund Balances - Beginning of Year	23,470	4,370	3,803	33,819	-	65,462
Fund Balances - End of Year	$ 10,122	$ 1,906	$ 1,486	$ 23,584	$ -	$ 37,098

City of Leslie
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2009
(With Comparative Actual Amounts for the Year Ended June 30, 2008)

	2009			2008
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
Taxes:				
Current property taxes	$ 541,900	$ 541,528	$ (372)	$ 533,232
Trailer tax	432	395	(37)	331
Total taxes	542,332	541,923	(409)	533,563
Licenses and permits:				
Business licenses and permits	400	155	(245)	546
Intergovernmental:				
State shared revenue	259,900	249,650	(10,250)	258,308
Other State grants	-	300	300	-
Total intergovernmental	259,900	249,950	(9,950)	258,308
Charges for services:				
Collection fees	40,707	40,736	29	42,662
Other:				
Interest	14,000	8,116	(5,884)	15,397
Cable television franchise fee	8,500	8,396	(104)	8,265
Pool donations	20,400	26,654	6,254	23,572
Other	23,100	46,899	23,799	23,153
Total other	66,000	90,065	24,065	70,387
Reimbursements:				
Woodland Cemetery	71,408	51,976	(19,432)	68,143
Total reimbursements	71,408	51,976	(19,432)	68,143
Contributions:				
DDA administration contribution	35,000	35,000	-	5,000
EDC administration contribution	5,000	5,000	-	5,000
Water and sewer contribution	15,000	15,000	-	15,000
LDFA administration contribution	20,000	20,000	-	15,000
LDFA contribution to fire department	14,000	14,000	-	14,000
Total contributions	89,000	89,000	-	54,000
Total revenues	1,069,747	1,063,805	(5,942)	1,027,609

City of Leslie
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2009
(With Comparative Actual Amounts for the Year Ended June 30, 2008)

	2009			2008
	Budget	Actual	Favorable (Unfavorable)	Actual
Expenditures:				
General government:				
Council				
Salaries	$ 13,000	$ 9,388	$ 3,612	$ 12,855
Fringe benefits	1,000	715	285	983
Other	4,000	2,331	1,669	3,221
Total council	18,000	12,434	5,566	17,059
Administrative				
Salaries	58,140	58,018	122	41,947
Fringe benefits	36,357	21,571	14,786	24,930
Other	3,500	2,785	715	1,172
Total administrative	97,997	82,374	15,623	68,049
Assessor				
Contracted services	18,600	18,425	175	17,950
Other	1,700	1,450	250	1,459
Total assessor	20,300	19,875	425	19,409
Attorney	10,000	6,550	3,450	7,913
Clerk				
Salaries	57,192	57,480	(288)	46,951
Fringe benefits	25,416	25,396	20	25,004
Other	2,200	953	1,247	1,432
Total clerk	84,808	83,829	979	73,387
Treasurer				
Salaries	53,618	53,851	(233)	53,075
Fringe benefits	11,651	11,593	58	11,630
Other	2,100	1,266	834	1,245
Total treasurer	67,369	66,710	659	65,949
Board of review				
Salaries	600	575	25	540
Fringe benefits	50	44	6	41
Training	400	-	400	284
Total board of review	1,050	619	431	865

City of Leslie
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2009
(With Comparative Actual Amounts for the Year Ended June 30, 2008)

	2009			2008
	Budget	Actual	Favorable (Unfavorable)	Actual
Expenditures (continued):				
General government (continued):				
City hall				
Salaries	$ 600	$ 297	$ 303	310
Fringe benefits	46	23	23	24
Supplies	10,000	8,787	1,213	9,012
Contracted services	13,500	16,367	(2,867)	14,528
Insurance	750	700	50	445
Utilities	12,000	11,258	742	10,590
Maintenance	2,000	495	1,505	945
Other	3,600	1,590	2,010	2,713
Capital outlay	3,000	2,775	225	-
Total city hall	45,496	42,292	3,204	38,566
Library				
Salaries	500	253	247	263
Fringe benefits	50	19	31	20
Contracted services	500	250	250	258
Maintenance	300	-	300	841
Insurance	600	407	193	389
Total library	1,950	929	1,021	1,771
Cemetery				
Salaries	46,540	35,161	11,379	45,025
Fringe benefits	10,718	2,663	8,055	9,977
Insurance	-	-	-	(387)
Contributions	25,000	25,000	-	25,000
Total cemetery	82,258	62,824	19,434	79,615
Other				
Elections	6,560	5,907	653	6,001
Contracted services	1,000	424	576	1,176
Insurance and bonds	12,000	7,460	4,540	7,812
Other	31,217	54,835	(23,618)	24,426
Total other	50,777	68,626	(17,849)	39,416
Total general government	480,005	447,062	32,943	411,999

City of Leslie
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2009
(With Comparative Actual Amounts for the Year Ended June 30, 2008)

	2009			2008
	Budget	Actual	Favorable (Unfavorable)	Actual
Expenditures (continued):				
Public safety:				
Police				
Salaries	$ 162,593	$ 166,064	$ (3,471)	$ 152,516
Fringe benefits	59,455	58,310	1,145	49,437
Gas and oil	7,000	6,357	643	6,391
Supplies	4,700	3,946	754	5,169
Contracted services	8,020	9,030	(1,010)	4,663
Insurance	10,000	11,196	(1,196)	10,627
Utilities	9,000	7,906	1,094	6,959
Maintenance	3,000	2,868	132	2,132
Equipment rental	15,000	15,000	-	-
Other	1,000	788	212	518
Legal	5,800	3,652	2,148	2,560
Total police	285,568	285,117	451	240,972
Fire				
Salaries	20,000	14,915	5,085	15,613
Fringe benefits	1,550	1,070	480	1,194
Supplies	7,750	7,310	440	6,038
Contracted services	2,500	2,095	405	2,303
Insurance	3,800	5,644	(1,844)	5,315
Utilities	8,700	5,874	2,826	6,870
Maintenance	7,000	5,602	1,398	3,304
Other	10,000	7,388	2,612	8,439
Capital outlay	3,000	714	2,286	4,044
Total fire	64,300	50,612	13,688	53,120
Total public safety	349,868	335,729	14,139	294,092
Highways, streets and transportation:				
Street lights				
Utilities	37,160	40,332	(3,172)	39,172

City of Leslie
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2009
(With Comparative Actual Amounts for the Year Ended June 30, 2008)

	2009			2008
	Budget	Actual	Favorable (Unfavorable)	Actual
Expenditures (continued):				
Highways, streets and transportation (continued):				
Sidewalks				
Salaries	$ 1,500	$ 392	$ 1,108	$ 1,252
Fringe benefits	115	30	85	96
Equipment rental	2,000	1,963	37	2,636
Contracted services	2,000	300	1,700	1,250
Total sidewalks	5,615	2,685	2,930	5,234
Public works department				
Salaries	32,000	35,090	(3,090)	34,689
Fringe benefits	12,900	13,355	(455)	14,404
Materials and supplies	5,500	6,106	(606)	8,626
Contracted services	4,500	3,421	1,079	4,792
Insurance	5,200	3,990	1,210	3,989
Utilities	7,000	7,574	(574)	8,144
Maintenance	12,300	12,277	23	12,308
Attorney fees	500	-	500	-
Gas and oil	6,500	6,517	(17)	9,364
Capital outlay	1,000	337	663	447
Total public works department	87,400	88,667	(1,267)	96,763
Total highways, streets and transportation	130,175	131,684	(1,509)	141,169
Culture and recreation:				
Pool				
Salaries	31,525	32,174	(649)	26,152
Fringe benefits	2,145	2,411	(266)	2,001
Supplies	9,100	9,523	(423)	9,840
Other	2,100	2,111	(11)	1,526
Utilities	3,500	4,506	(1,006)	3,425
Maintenance	500	200	300	41
Insurance	1,500	1,016	484	1,041
Capital outlay	500	-	500	-
Total pool	50,870	51,941	(1,071)	44,024

City of Leslie
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2009
(With Comparative Actual Amounts for the Year Ended June 30, 2008)

	2009			2008
	Budget	Actual	Favorable (Unfavorable)	Actual
Expenditures (continued):				
Culture and recreation (continued):				
Parks				
Salaries	$ 14,000	$ 10,269	$ 3,731	$ 12,326
Fringe benefits	3,480	2,764	716	2,974
Contracted services	2,000	1,898	102	4,860
Supplies	1,500	2,244	(744)	1,316
Insurance	650	587	63	616
Utilities	1,500	1,586	(86)	1,538
Other	19,500	12,040	7,460	20,278
Capital outlay	1,200	1,406	(206)	(3,190)
Total parks	43,830	32,794	11,036	40,718
Total culture and recreation	94,700	84,735	9,965	84,742
Total expenditures	1,054,748	999,210	55,538	932,003
Revenues Over (Under) Expenditures	14,999	64,595	49,596	95,607
Other Financing Sources (Uses):				
Operating transfers (out)	(38,050)	(35,100)	2,950	(12,000)
Total other financing sources (uses)	(38,050)	(35,100)	2,950	(12,000)
Net Changes in Fund Balances	(23,051)	29,495	52,546	83,607
Fund Balances - Beginning of Year	426,711	426,711	-	343,104
Fund Balances - End of Year	$ 403,660	$ 456,206	$ 52,546	$ 426,710

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2009

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	Interest Payable
December 21, 1994	$ 495,000				
		6.70%	5/1/2010	$ 40,000	$ 11,390
		6.70%	5/1/2011	40,000	8,710
		6.70%	5/1/2012	45,000	6,030
		6.70%	5/1/2013	45,000	1,508
				$ 170,000	$ 27,638

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	Interest Payable
August 23, 1994	$ 530,000				
		6.05%	5/1/2010	$ 30,000	$ 7,968
		6.10%	5/1/2011	30,000	6,153
		6.15%	5/1/2012	35,000	4,323
		6.20%	5/1/2013	35,000	2,170
				$ 130,000	$ 20,614

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2009

1997 Michigan Transportation Fund Bonds
Purpose: Reconstruction of Bellevue Street

Issue Date	Amount of Issue	Interest Rate	Maturity Date	Principal Due	Interest Payable
June 12, 1997	$ 250,000				
		5.00%	11/1/2009	$ 20,000	$ 3,500
		5.00%	11/1/2010	25,000	2,500
		5.00%	11/1/2011	25,000	1,250
				$ 70,000	$ 7,250

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

Issue Date	Amount of Issue	Interest Rate	Maturity Date	Principal Due	Interest Payable
June 12, 1997	$ 285,000				
		5.45%	11/1/2009	$ 25,000	$ 5,124
		5.50%	11/1/2010	25,000	3,755
		5.55%	11/1/2011	25,000	2,374
		5.60%	11/1/2012	30,000	840
				$ 105,000	$ 12,093

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2009

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

Issue Date	Amount of Issue	Interest Rate	Maturity Date	Principal Due	Interest Payable
June 12, 1997	$ 285,000				
		5.45%	11/1/2009	$ 20,000	$ 2,755
		5.50%	11/1/2010	20,000	1,660
		5.55%	11/1/2011	20,000	555
				$ 60,000	$ 4,970

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

Issue Date	Amount of Issue	Interest Rate	Maturity Date	Principal Due	Interest Payable
August 6, 1998	$ 170,000				
		4.70%	11/1/2009	$ 15,000	$ 2,498
		4.75%	11/1/2010	15,000	1,789
		4.75%	11/1/2011	15,000	1,076
		4.80%	11/1/2012	15,000	360
				$ 60,000	$ 5,723

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2009

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

Issue Date	Amount of Issue	Interest Rate	Maturity Date	Principal Due	Interest Payable
August 6, 1998	$ 75,000				
		4.70%	11/1/2009	$ 5,000	$ 1,073
		4.75%	11/1/2010	5,000	836
		4.75%	11/1/2011	5,000	599
		4.80%	11/1/2012	10,000	240
				$ 25,000	$ 2,748

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

Issue Date	Amount of Issue	Interest Rate	Maturity Date	Principal Due	Interest Payable
August 8, 2000	$ 53,000				
		5.85%	11/1/2009	$ 5,000	$ 731
		5.85%	11/1/2010	5,000	439
		5.85%	11/1/2011	5,000	146
				$ 15,000	$ 1,316

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2009

Special Assessment Bonds
Series 2000A

Purpose: Reconstruction of South Main Street

Issue Date	Amount of Issue	Interest Rate	Maturity Date	Principal Due	Interest Payable
August 8, 2000	$ 39,000				
		5.85%	11/1/2009	$ 4,000	$ 585
		5.85%	11/1/2010	4,000	351
		5.85%	11/1/2011	4,000	117
				$ 12,000	$ 1,053

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

Issue Date	Amount of Issue	Interest Rate	Maturity Date	Principal Due	Interest Payable
August 1, 2000	$ 250,000				
		5.50%	5/1/2010	$ 15,000	$ 9,028
		5.30%	5/1/2011	20,000	8,233
		5.35%	5/1/2012	20,000	7,163
		5.40%	5/1/2013	25,000	6,083
		5.45%	5/1/2014	25,000	4,720
		5.50%	5/1/2015	30,000	3,345
		5.60%	5/1/2016	30,000	1,680
				$ 165,000	$ 40,252

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2009

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	Interest Payable
January 1, 2002	$ 300,000				
		4.25%	10/1/2009	$ 20,000	$ 9,165
		4.40%	10/1/2010	20,000	8,300
		4.50%	10/1/2011	25,000	7,298
		4.60%	10/1/2012	25,000	6,160
		4.70%	10/1/2013	25,000	4,998
		4.80%	10/1/2004	30,000	3,690
		4.90%	10/1/2015	30,000	2,235
		5.00%	10/1/2016	30,000	750
				$ 205,000	$ 42,596

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2009

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	Interest Payable
October 1, 1991	$ 700,000				
		4.70%	7/1/2010	$ 55,000	$ 8,450
		4.75%	7/1/2011	60,000	5,750
		4.80%	7/1/2012	65,000	3,025
				$ 180,000	$ 17,225

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	Interest Payable
May 1, 1997	$ 575,000				
		5.40%	5/1/2010	$ 50,000	$ 12,240
		5.45%	5/1/2011	50,000	8,500
		5.50%	5/1/2012	55,000	4,420
				$ 155,000	$ 25,160

Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with
Government Auditing Standards

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

We have audited the financial statements of the governmental activities, 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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Leslie's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. According, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Compliance and Other Matters

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 State of Michigan, management and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

September 18, 2009

September 18, 2009

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Leslie for the year ended June 30, 2009, and have issued our report thereon dated September 18, 2009 . Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

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

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Leslie are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2009. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of the fixed assets as determined with a fixed asset analysis for the year ended June 30, 2004 as part of compliance with GASB 34 and estimated useful lives for assets acquired since. Management has also prepared an estimate for accrued compensated absences. We have evaluated the key factors and assumptions used to develop these estimates in determining their reasonableness, in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

WILLIS & JURASEK, P.C.
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Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 18, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements 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.

Other Audit Findings or Issues

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

This information is intended solely for the use of the City Council and management of the City of Leslie 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.