

**CITY OF YPSILANTI,
MICHIGAN**

SINGLE AUDIT ACT COMPLIANCE

For the Year Ended June 30, 2011

**CITY OF YPSILANTI, MICHIGAN
SINGLE AUDIT**

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YEAR ENDED JUNE 30, 2011

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**INDEPENDENT AUDITORS' REPORT ON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

December 9, 2011

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ypsilanti, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 9, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



**CITY OF YPSILANTI, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Grant/ Agreement/ Account Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed-through the Michigan Economic Development Corporation - Community Development Block Grants -			
Value of loans outstanding - prior year expenditures	14.228	MSC 201017-EDIG	\$ 2,750,350
Passed-through Washtenaw County -			
Community Development Block Grant Entitlement Communities Grant:			
Neighborhood Stabilization Program (NSP)	14.218	PO 41007-000-SC, CR 41546	220,638
2009-10 City of Ypsilanti Demolition Program	14.218	PO 41451-000-SC, CR 41847	8,500
2009 City of Ypsilanti Public Improvement Project - Forest Avenue	14.218	Cr 41848	75,000
2010-11 Harriet St Corridor Redevelopment Project	14.218	CR 42264	<u>5,000</u>
Total U.S. Department of Housing and Urban Development			<u>3,059,488</u>
<u>U.S. DEPARTMENT OF THE INTERIOR NATIONAL PARK SERVICE</u>			
Passed-through Michigan State Housing Development Authority - Historic Preservation Fund Grants-In-Aid - Registration/Travel Scholarship to Attend National Alliance for Preservation Commission (NAPC) Forum 2010			
	15.904	CG10-408	<u>265</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct programs:			
Bureau of Justice Assistance -			
Bulletproof Vest Partnership Program	16.607	OMB # 11121-0235	7,627
Edward Byrne Memorial Justice Assistance Grant Program:			
Inter-agency Cooperation Team (ICT) Funding Initiative	16.738 (1)	2009-DJ-BX-1476	5,667
Advanced Criminal Detection Through Twenty-First Century Technology	16.738 (1)	2010-DJ-BX-1223	26,497
ARRA - Technology Reinvestment Initiative	16.804 (1)	2009-SB-B9-1919	3,760
Office of Community Oriented Policing Services -			
ARRA - COPS Hiring Recovery Program (CHRP)	16.710	2009RKWX0462	117,253
Passed-through the Michigan Department of Community Health -			
Edward Byrne Memorial Justice Assistance Grant Program - LAWNET 2010/2011	16.738 (1)	2010-DJ-BX-0003	<u>41,970</u>
Total U.S. Department of Justice			<u>202,774</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed-through the Michigan Department of Transportation -			
ARRA - Highway Research Planning and Construction -			
Reconstruction of College Place from West Cross to Forest	20.205	Job # 106812A, Fed Item # JJ3999	32,894
Reconstruction of Mansfield from Westmoorland to Congress	20.205	Fed Item # JJ3998	<u>65,230</u>
Total U.S. Department of Transportation			<u>98,124</u>

Continued...

CITY OF YPSILANTI, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Concluded)
FOR THE YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Grant/ Agreement/ Account Number</u>	<u>Federal Expenditures</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Direct programs:			
Office of Solid Waste and Emergency Response			
Brownfield Assessment and Cleanup Cooperative Agreement			
City of Ypsilanti Brownfield Hazardous Clean Up Cooperative Agreement:			
Water Street Redevelopment # 1	66.818	BF-00E93201-0 (AOC1)	\$ 175,443
Water Street Redevelopment # 2	66.818	BF-00E93101-0 (AOC2)	84,748
Water Street Redevelopment # 5	66.818	BF-00E93001-0 (AOC5)	15,213
Passed-through Michigan Department of Environmental Quality -			
ARRA - Clean Water Capitalization Grants for Drinking Water -			
State Revolving Funds			
	66.468	7249-01	<u>21,283</u>
Total U.S. Environmental Protection Agency			<u>296,687</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed-through Michigan Department of Community Health -			
Building Healthy Community:			
Non-Motorized Enhancements	93.283	CR 41713-234568	2,000
Complete Streets Ordinance	93.283	CR 42397-234568	1,523
Passed-through the Office of the Administration			
for Children and Families -			
Community Services Block Grant - Washtenaw County -			
South of Michigan Avenue Community Needs Assessment			
	93.569	CR42499	<u>1,039</u>
Total U.S. Department of Health and Human Services			<u>4,562</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Program -			
Assistance to Firefighters Grant	97.044	EMW-2009-FV-01226	<u>263,150</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 3,925,050</u></u>

(1) JAG Program cluster.

See accompanying notes to this schedule.

CITY OF YPSILANTI, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Ypsilanti, Michigan (the "City") under programs of the federal government for the year ended June 30, 2011. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.

2. Summary of Significant Accounting Policies

Schedule expenditures are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State and Local Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. Subrecipients

Of the federal expenditures presented in the schedule, the City of Ypsilanti, Michigan provided \$21,283 of Capitalization Grants for Drinking Water Revolving Funds to the Ypsilanti Community Utilities Authority.

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**INDEPENDENT AUDITORS' 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**

December 9, 2011

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Ypsilanti* (the "City"), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 9, 2011. 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's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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. Accordingly, 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2011-1 to be a material weakness.

Compliance and Other Matters

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

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, the City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

December 9, 2011

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

Compliance

We have audited the compliance of the *City of Ypsilanti* (the "City") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of Ypsilanti complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, the City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Lehmann Johnson".

CITY OF YPSILANTI, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? yes X no

CITY OF YPSILANTI, MICHIGAN

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants
16.710	Public Safety Partnership and Community Policing Grants

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

2011-1 Material Audit Adjustments

Criteria: Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition/Finding: During our audit, we identified and proposed several adjustments (which were approved and posted by management) that were, either individually or in the aggregate, material to the City's financial statements.

Cause: Internal controls did not detect all adjustments necessary to properly record year-end balances.

CITY OF YPSILANTI, MICHIGAN

Schedule of Findings and Questioned Costs (Concluded)

For the Year Ended June 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS (Concluded)

2011 -1 Material Audit Adjustments (Concluded)

Effect: As a result the following areas were initially misstated:

- Capital outlay and intergovernmental revenue were both overstated by approximately \$340,000 in the governmental activities.
- Accumulated depreciation was overstated in the governmental activities by approximately \$2,949,000.
- Claims payable in the worker’s compensation internal service fund was overstated by approximately \$319,000.
- Bond proceeds of approximately \$3,780,000 and the transfer to escrow agent of approximately \$3,753,000 were not properly eliminated in the governmental activities.
- The internal service funds operating gain of approximately \$257,000 was not properly allocated to the governmental activities.

Recommendation/ Comment: We recommend that the City take steps to insure that all year-end adjustments are identified and properly made for financial reporting purposes.

View of Responsible Official: The City will implement this recommendation immediately.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV – PRIOR YEAR FINDINGS

No matters were reported.

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