

YPSILANTI



Community Impact Comprehensive Annual Financial Report

Year Ended December 31, 2008

**City of Ypsilanti, Michigan
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2008**

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INTRODUCTORY SECTION



December 19, 2008

To the Honorable Mayor, Members of the City Council
and Citizens of the City of Ypsilanti

It is my pleasure to submit to you and the citizens of Ypsilanti, the Comprehensive Annual Financial Report (CAFR) of the City of Ypsilanti for the fiscal year ending June 30, 2008. Responsibility for both accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. The administration believes, and has made its best efforts to ensure, that the data, as presented, is accurate in all aspects and that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City. It was prepared by staff in the Finance Division with assistance from personnel in the Treasurer's Division, Public Services and other City departments.

This report has been formulated following the guidelines recommended by the Government Finance Officers Association (GFOA) of the United States and Canada. While this is the first year of participation in this endeavor, meeting the high standards as set forth in the guidelines of the GFOA can only assist us in improving the financial reporting of the City of Ypsilanti.

Wherever possible, the City has made use of grants to help meet the needs of the community. Examples of such grants benefitting the City include road improvements, fire truck and police equipment, sidewalks, recreational non-motorized transportation paths, equipment replacement and repair for parks, tree planting and planning studies and supporting arts and cultural programs. The City has also worked with other outside organizations to help provide the infrastructure necessary to meet the City's current and future needs.

Rehmann Robson, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Ypsilanti's financial statements for the year ended June 30, 2008. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The **City of Ypsilanti**, incorporated in 1858, is located in the southeast region of Michigan's Lower Peninsula in Washtenaw County, approximately 30 miles west of Detroit, with a population of approximately 21,000. The City is bounded to the north by the Charter Township of Superior and on the west, south and east by the Charter Township of Ypsilanti.

The City is a stable community with many assets – quality residential neighborhoods, good schools, beautiful view of the Huron River, historic downtown and residential neighborhoods, and convenient access to I-94 and Detroit Metropolitan Airport. Periodic events and festivals, such as the Ypsilanti Heritage Festival, Elvisfest, Michigan Brewers Guild Summer Beer Festival and the Orphan Car Show, all contribute to the City of Ypsilanti's "small town" sense of community.

The City operates under the council-manager form of government. The City Council is comprised of the mayor and six members. The members are elected on a staggered basis for four year terms. The mayor is elected every four years. The City Manager and City Clerk are appointed by and serve at the pleasure of the council.

The City of Ypsilanti provides a full range of services to the community: police, fire, street maintenance, recycling, yard waste removal, elections, public safety, emergency preparedness and response, planning, support services and other customer specific services. The City is responsible for the management and financing of these operations. Other services are provided through component units, i.e. Depot Town DDA, Ypsilanti DDA and Economic Development Corporation.

The City Council is required to adopt a final operating budget prior to the beginning of each fiscal year. This annual budget serves as the foundation for the City of Ypsilanti's financial planning and control. The budget is approved and budgetary control is exercised at the department level. Expenditures may not exceed budgeted appropriations at the department level. The City Manager has the authority to approve budget transfers between programs within the same fund, but council may authorize transfers between funds. Department Heads may transfer funds between accounts within a specific program under their direction with the exception of personnel and capital expenditures, which must be approved by the City Manager.

Local Economy

The City maintains 85 acres of parkland, including a park system running along the Huron River, and parks and tot lots throughout neighborhoods. While the City does not directly provide recreation programming, it has partnered with many dedicated community groups. These partnerships include Friends groups that fundraise for and operate the pool, the senior center and Parkridge Community Center. The Ypsilanti Area Jaycees are coordinating special events and facility rentals except for events held at Riverside Park and Frog Island Park which are handled by the Depot Town Community Development Corporation. These two groups receive the rental fees in excess of costs for services provided by the City. In addition, there are neighborhood, church, school, and other organizations that do numerous community gardens, park improvement projects and recreation programming. The City has also worked with the County Public Health Department to make capital improvements to park facilities, and with the County Parks and Recreation Commission to construct part of a regional biking and walking trail network.

The Riverside Foundation operates the City's Riverside Arts Center, which provides theater, gallery, and classroom space. The Center is only a small part of Ypsilanti's cultural picture, however – a wide variety of museums, galleries, and studios work in media ranging from pottery to puppetry to tattoos, and downtown's music venues have been recognized as a focal point of southeast Michigan's independent music scene. A similar diversity of events are held annually, with regional (or greater) draws; the long-running Ypsilanti Heritage Festival, ElvisFest, and the Michigan Brewers Guild Summer Festival each bring tens of thousands to Riverside Park, while summer and winter Shadow Art Fairs and MittenFest provide exposure to local artists and musicians.

Local unemployment at 8.0 percent has been consistently at or above the state average (currently 8.0 percent) and above the national average of 4.6 percent. As the State of Michigan's economic crisis adjusts to the challenges of a rapidly globalizing world, community and business leaders have come together like never before to respond. Economic development officials have implemented an aggressive strategy for business growth and expansion within the region offering numerous resources to businesses with financing opportunities. An example of this is the cooperation between members of the Eastern Leaders Group. These local units of government have collaborated to locate a business incubator in the Central Business District for downtown.

The City of Ypsilanti has a population of 20,863 in 2008 according to SEMCOG estimates. The census of 2000 showed a population of 23,362.

The City of Ypsilanti's SEV (state equalized value) has increased 82% over the last ten years. The City's total equalized value of taxable property for 2007 was \$526 million, an increase over the prior year of \$24 million, or roughly 4.8%.

The City remains in good financial condition, as is demonstrated by the financial statements and schedules included in this report.

Long-Term Financial Planning

The City Council and City Manager believe long-term financial planning is essential to ensuring the City's fiscal health. Starting in 2001, the City was faced with declining revenues and began its cost reduction by deferring capital projects and equipment purchases. It continued to cut costs by eliminating the recreation department in 2002. The City continued by eliminating positions and combining departments. From a high of 139.75 full time equivalents (FTEs) approved in fiscal 2003, down to 120.85 FTEs in fiscal 2008. This was further cut to 106.75 FTEs for fiscal 2009. The proposed reductions for fiscal 2009 resulted in curtailing service levels in several departments including police, fire, public services, and other departments by eliminating employees.

The City developed a closer working relationship with our governmental neighbors and Eastern Michigan University, our largest employer, and our citizens. The formation of the Eastern Washtenaw Leaders Group resulted in developing important relationships and important economic development projects, such as the downtown business incubator. The City is experiencing increased investment in the downtown and a demand for loft apartments. At the same time we are experiencing a shrinking tax base. Automotive Components Holdings, LLC (ACH) the City's largest taxpayer will cease operation in December 2008 and we intend to collaborate with ACH and Eastern Washtenaw Leaders Group to find new uses for the property.

Water Street, a 38-acre redevelopment project is the City's most formidable challenge because no development has occurred on this site. The City sold TIF (tax increment financing) bonds to finance acquisition and demolition and the first bond debt payment is due in fiscal 2010. The City reacted by setting aside all the proceeds from sales of properties for future Water Street debt payment. In addition, the City set aside \$1.6 million of fund balance for Water Street future debt payments this fiscal 2008. After reserving Water Street future debt payments, the unrestricted General Fund balance for fiscal 2008 is 16.28% of expenditures.

Along with constrained resources, the City faces increasing financial challenges with escalating costs of employee benefits, especially for medical and prescription drugs. These issues impose increasing burdens on the City's fiscal structure and pose a possible danger to the long-term stability of City finances. Cost containment measures are being explored to reduce future stress on City finances.

Relevant Financial Policies

Fund Balance Policy. It is the City policy to complete a balanced budget and maintain a fund balance equal to 10% of the General Fund budgeted expenditures. The City determined that if the General Fund's balance dips below 10% of the General Fund's budgeted expenditures, the City Manager must immediately submit action plans to City Council to restore these funds to at least the minimum amount required by the end of the fiscal year.

Cash Management Policies and Practices. A single consolidated common account has been established at a local bank into which monies are deposited (or transferred) and from which most disbursements are made. The purpose of the consolidated common account is to reduce bank administrative costs and provide a single cash balance available for the maximization of investment earnings. Staff monitors cash daily in order to maximize investment earnings.

The objective of the legally adopted investment program is, in order of priority: safety of capital, liquidity, diversification, return on investment, protection of purchasing power, and maintenance of the public trust.

In accordance with bond resolutions, separate cash accounts are maintained for the proceeds of revenue bonds and general obligation bonds. Except for the revenue and general obligation funds, various fund cash balances are combined and invested in certificates of deposit or money market accounts. Staff reviews bank financial conditions, ratings, and compares bank interest rates and invests funds with the financial institution which provides the highest rate of return, excellent financial condition, and rating.

Risk Management. As permitted by State law, the City is self-insured for worker's compensation claims (up to certain limits) for lost wages and employee medical expenses. Funding for claims is provided through the Worker's Compensation Fund, an internal service fund. This fund receives interfund revenues from the General Fund. The City contracts with one provider to administer the medical program for its employees. In addition, the City contracts with one provider to administer the workers' compensation payroll claims. The City is also self-insured for unemployment claims. These claims are paid as incurred from the General Fund.

Pension and Other Postemployment Benefits. The City provides a defined benefit pension plan for Michigan Employees Retirement System participants, a pension plan for fire and police employees under Public Act 345 and postemployment healthcare benefit plan for all employees. The Act 345 pension system is administered by a five member Trustee Board. The net assets of the Act 345 pension plan on June 30, 2008 were \$30,628,653. The estimated liability for postemployment healthcare plan was \$11,046,602 according to the December 31, 2007 actuarial valuation. These benefits were about 10% funded as of June 30, 2008. The net assets of the MERS pension plan on June 30, 2008 were \$16,753,954. The estimated liability of postemployment healthcare benefits for MERS participants, according to the same actuarial valuation, was \$5,791,544, which was about 5.7% funded as of June 30, 2008. We are actively pursuing changes in current employee healthcare benefits that will reduce the cost of postemployment benefits for both groups.

Major Initiatives – For the Year

Significant concerns for the City have been our declining industrial tax base and the success of the “Water Street” redevelopment project. The City’s largest taxpayer, Visteon Corporation, will close its operation at the end of calendar year 2008. The City has been developing, and continues to develop, strategies to replace this lost revenue and to reduce costs. During the past year, the City Council placed before the voters an income tax proposal to generate additional revenues and to reduce the property tax millage. The voters overwhelmingly rejected the income tax proposal.

Another revenue generating objective of the City is to actively market the “Water Street” project to attract developers and create tax base that will be used to make bond debt payments. City Council approved a plan to sell individual parcels in this 38 acre development to stimulate development, in addition to the original concept of selling the entire 38 acre parcel to one owner.

Reconstruction of streets and replacement of water lines in the Parkridge Homes Public Housing complex were completed during the year. This project concludes the City’s multi-year program to reconstruct all local streets and replace aging water and sewer pipes underneath them. The total cost of this combined program exceeded \$35 million.

City Council’s goal to improve lighting in Riverside Park was successfully completed when street lights in the park were replaced. The City used a combination of State of Michigan Natural Resource grant funds and matching funds provided by the major events promoters using the park to successfully finish this project.

The Ypsilanti DDA completed its Blueprint for Downtown in the spring of 2008. The plan was partially funded by MSHDA, and was conducted in cooperation with nationally-known consultants, Hyett Palma. The Blueprint for Downtown is a five-year strategic plan to cultivate a more vibrant and distinctive downtown environment. The emphasis is on building organizational capacity, promoting downtown to a local and regional audience, and maintaining and growing local business.

The City of Ypsilanti and the cities of Taylor, Belleville, Romulus, the townships of Van Buren, Huron, and Ypsilanti, and the counties of Wayne and Washtenaw agreed in 2004 to explore potential economic development opportunities in this geographic area which contains Detroit metro and Willow Run airports. The City could benefit economically by attracting industries related to time-sensitive manufacturing, e-commerce fulfillment, telecommunications and logistics as well as offices for business people who travel frequently by air. Clusters of business parks, logistics parks, industrial parks, distribution centers, information technology complexes and wholesale merchandise marts typically locate around the airport and along the transportation corridors radiating from them. During the past year, the City has been

working on developing an inter-local agreement and participating in a master plan for the area. We anticipate City Council will consider adopting the inter-local agreement next fiscal year.

The City partnered with Eastern Michigan University, Washtenaw County, Ypsilanti Township, Superior Township, and Augusta Township to form the Eastern Washtenaw County Leaders Group to promote economic development. The group, in partnership with Ann Arbor SPARK, has selected a location for a business incubator, modeled after similar incubators in Ann Arbor, in downtown Ypsilanti.

Major Initiatives – For the Future

The City Council adopted a biennial budget with the intent of providing the City Council, employees, and ultimately the residents, with long term financial information. In addition, the City annually prepares five-year financial projections for the General Fund, as well as updating a five year plan for capital improvements, vehicle replacement and facility improvements.

Annually the City prepares a street capital improvement program for major streets, which are eligible for federal funding acquired through the Washtenaw Area Transportation Study.

City staff will assemble and present an Economic Development Action Plan for adoption by City Council. The plan will contain major components including reuse of the vacant Automotive Component Holdings plant; Adaptive Reuse Planned Unit Development amendments; Economic Development benchmarks; implementing the Downtown Blueprints Plan; and adoption of a tax abatement policy.

The Cities of Ypsilanti and Ann Arbor are working to create a Functional Fire District where resources are managed as one fire service increasing the effectiveness and efficiency of each fire department without additional costs. The agreeing municipalities will take advantage of the rapid assembly of on-duty personnel and equipment exceeding the minimum set standards safeguarding life, property, or public welfare from fire, explosions, or actions of the elements.

Acknowledgements

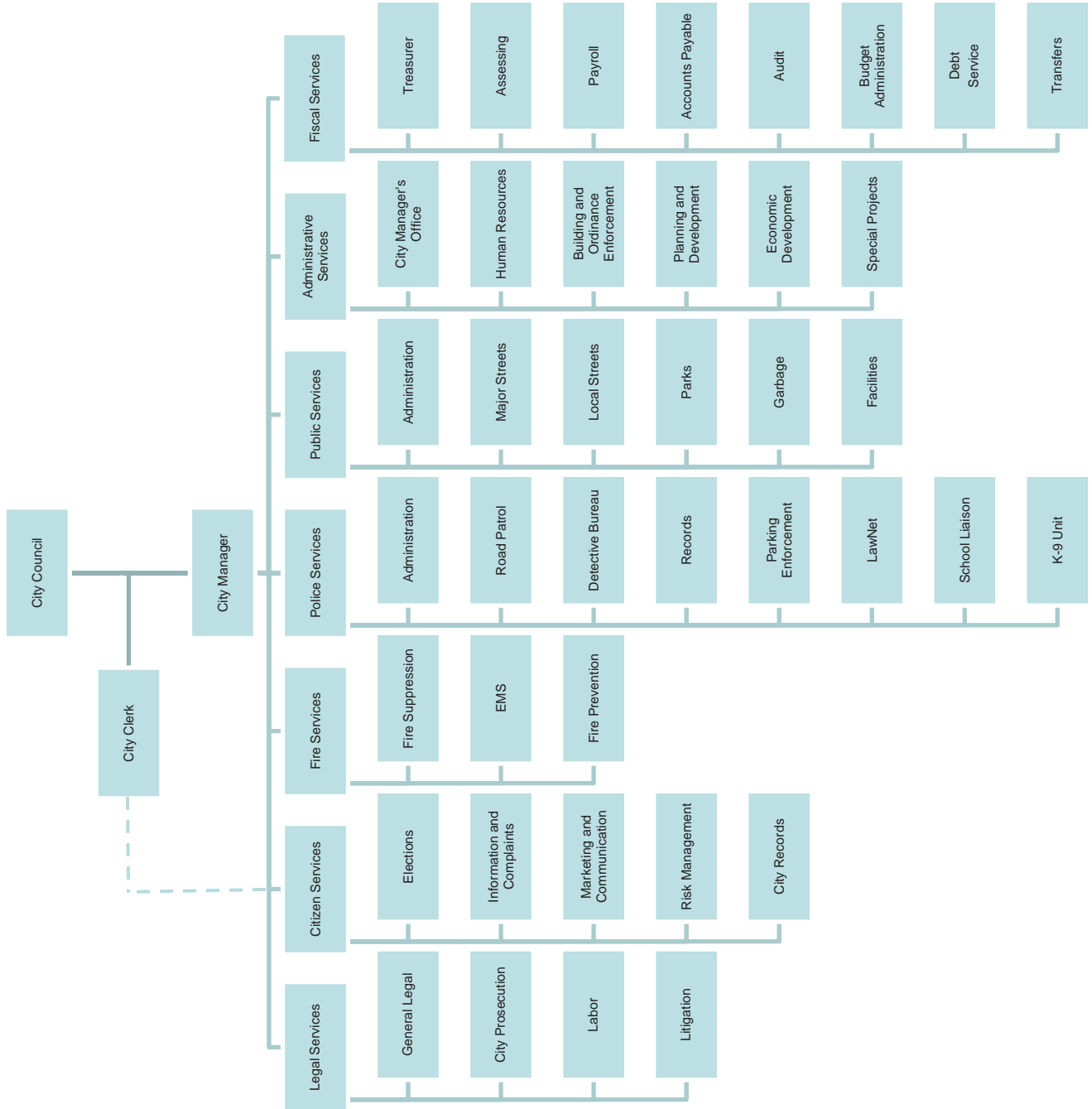
The preparation of this report on a timely basis was made possible by the dedicated services of Fiscal Services accounting staff and other City departments, as well as advice from Rehmann Robson. I wish to express my appreciation and acknowledge those who assisted and contributed to the preparation of this report: Marilou Uy, Sallee Tisch, Nan Schuette, Richard Murphy, Brian Vosburg, and Teresa Gillotti.

My hope is that you will find this document to be a useful tool in evaluating the City's financial health. Helping you and the public obtain a thorough understanding of the City's financial condition is important to us all. Should you have any questions, comments, concerns, or suggestions regarding this document or the information it contains, Marilou Uy and I are available to respond.

Respectfully submitted,

{signature omitted for security}

Edward B. Koryzno, Jr.
City Manager



CITY OF YPSILANTI, MICHIGAN
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2008
List of Principal City Officials

Elected Officials

City Council:

Paul T. Schreiber, Mayor
S.A. Trudy Swanson, Mayor Pro-Tem

Michael V. Bodary
Peter J. Murdock
William Nickles
Lois E. Richardson
Brian Robb

Administration -- Appointed Officials and Senior Management

City Manager Edward Koryzno, Jr.

City Clerk..... Frances McMullan

City Treasurer Kimberly D. Teamer

Directors:

Director of Fiscal Services Marilou T. Uy
Director of Administrative Services..... April McGrath
Director of Public Services..... April McGrath
Chief of Police..... Matt Harshberger
Fire Chief..... Jon Ichesco

FINANCIAL SECTION



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**



INDEPENDENT AUDITORS' REPORT

December 19, 2008

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

We have audited the accompanying 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, Michigan***, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Ypsilanti's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ypsilanti, Michigan, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-11 and the GASB Statement 25 supplementary information on page 53 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ypsilanti's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

MANAGEMENT'S DISCUSSION and ANALYSIS

As management of the *City of Ypsilanti, Michigan*, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vi of this report.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2008.

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$16,682,345 (*net assets*). This amount is net of a deficit of \$9,406,528 in unrestricted net assets. The City has no business-type activities and therefore reports only governmental activities in its government-wide financial statements.
- The government's total net assets increased by \$1,570,834.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$19,331,543, an increase of \$296,905 in comparison with the prior year. Approximately 63 percent of this total amount, or \$12,258,349, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$2,969,171 or 21.5% of total general fund expenditures and other financing uses.
- The City's total bonded debt decreased by \$2,057,404 during the current fiscal year; \$297,596 of revenue bonds were issued during the year.

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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the 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 (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the City include general government, public safety, public works, highways and streets, culture and recreation and community development.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also legally separate entities for which the City is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12-14 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 32 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, land revolving capital projects fund, 2003-B capital improvements bonds capital projects fund and 2004-B general obligation bonds capital projects fund, which are considered to be major funds. Data from the other 28 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor 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 have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 15-20 of this report.

Proprietary funds. The City has one type of proprietary fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its motor pool, workers' compensation self-insurance, and retiree benefits. Because these services benefit governmental functions, they have been included within *governmental activities* in the government-wide financial statements.

All of the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 21-23 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 pages 24-25 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-52 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to a schedule concerning the City's progress in funding its obligation to provide pension benefits to its police and fire employees. Required supplementary information can be found on page 53 of this report.

The combining statements referred to earlier in connection with nonmajor, internal service and fiduciary funds are presented immediately following the required supplementary information. Combining and individual fund financial statements and schedules can be found on pages 54-79 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 Ypsilanti, assets exceeded liabilities by \$16,682,345 at the close of the most recent fiscal year as shown in the following table (which shows, in a condensed format, the net assets as of fiscal year end 2008 and compared to the prior fiscal year):

City of Ypsilanti's Net Assets

	Governmental activities	
	2008	2007
Current and other assets	\$ 60,150,998	\$ 63,159,419
Capital assets	27,839,005	27,483,821
Total assets	<u>87,990,003</u>	<u>90,643,240</u>
Long-term liabilities outstanding	67,874,948	70,442,326
Other liabilities	3,432,710	5,089,403
Total liabilities	<u>71,307,658</u>	<u>75,531,729</u>
Net assets:		
Invested in capital assets, net		
of related debt	15,179,422	15,049,123
Restricted	10,909,451	7,108,155
Unrestricted (deficit)	<u>(9,406,528)</u>	<u>(7,045,767)</u>
Total net assets	<u>\$ 16,682,345</u>	<u>\$ 15,111,511</u>

By far the largest portion of the City's net assets (91.0% or \$15,179,422) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, systems and infrastructure), less any related debt used to acquire those assets that are 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 used to liquidate these liabilities.

An additional portion of the City's net assets (65.4% or \$10,909,451) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (a deficit of \$9,406,528) represents the extent to which accrual basis non-capital liabilities exceed assets after taking into account restrictions.

The City's total net assets increased approximately 10.4 percent from the prior year. This increase resulted from a number of factors. The City was able to acquire a new fire truck through federal grant monies which, along with other capital purchases, increased capital assets net of depreciation. Bond payments made during the year reduced the outstanding debt principal. The increase in other liabilities is primarily due to recording an estimate of potential tax refunds on cases pending with the Michigan Tax Tribunal.

City of Ypsilanti's Changes in Net Assets

	Governmental activities	
	2008	2007
Revenue:		
Program revenue:		
Charges for services	\$ 1,819,057	\$ 1,647,486
Operating grants and contributions	3,504,349	2,878,483
Capital grants and contributions	672,269	4,891,245
General revenue:		
Property taxes	11,503,422	11,310,693
Grants and contributions not restricted to specific programs	3,070,879	3,276,430
Other	1,223,621	1,282,208
Total revenue	<u>21,793,597</u>	<u>25,286,545</u>
Expenses:		
General government	2,212,245	2,021,481
Public safety	9,618,481	9,601,958
Public works	2,084,186	4,470,462
Highways, streets and bridges	2,562,769	2,022,071
Culture and recreation	570,113	784,039
Community development	340,815	415,116
Interest on long-term debt	2,834,154	2,514,514
Total expenses	<u>20,222,763</u>	<u>21,829,641</u>
Increase (decrease) in net assets	1,570,834	3,456,904
Net assets - beginning of year	<u>15,111,511</u>	<u>11,654,607</u>
Net assets - end of year	<u>\$ 16,682,345</u>	<u>\$ 15,111,511</u>

The City's net assets increased during the current fiscal year as a result of various factors. The increase in property taxes was due to recording tax revenues at full taxable value and recording the Michigan Tax Tribunal potential loss as an expense. Collections of delinquent property taxes increased and the City received few capital grants – primarily Michigan Department of Transportation funding for road projects.

State-shared revenue decreased due to the State's structural budget problems. Health care costs decreased due to changes in the plan. The City closely monitored its spending in all areas all throughout the year. Some vacant positions intentionally remained unfilled during the year. As a result combined departmental expenses for the current year were less than the previous fiscal year.

Financial Analysis of the City's Governmental Funds

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

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$19,331,543, an increase of \$296,905 in comparison with the prior year. Approximately 63% of this total amount (or \$12,258,349) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed for debt service, to purchase land held for resale, for unapplied tax collections for pensions, and for inventory and prepaid items.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved undesignated fund balance of the general fund was \$2,969,171, while total fund balance was \$7,250,068. As a measure of the general fund's liquidity, it may be useful to compare unreserved undesignated fund balance to total general fund expenditures. Unreserved undesignated fund balance represents 21.5% of total general fund expenditures and other financing uses. Overall, the fund balance of the general fund increased by \$1,085,176 for the year, which was \$1,069,559 better than the final budget.

Other factors affect the general fund financial results for the year include:

- Total general fund revenue was down about 2% compared to the prior fiscal year. Most of the City's operating revenue is provided by property taxes collected, which were relatively flat compared to last fiscal year. State-shared revenue decreased about 4.5% from the previous year, continuing the annual reductions, which began in 2001.
- Some needed building improvements that had been postponed in previous fiscal years were carried out with grant funds passed through Washtenaw County. Additionally, the City conserved funds by leaving several vacated positions unfilled, delaying filling vacated positions, monitoring and continue cutting department costs.
- The City's Fire Department received a Homeland Security grant for the purchase of a new ladder truck. Before this truck arrived, the department was not able to reach the top floor of buildings both on the Eastern Michigan University campus and throughout the City.

- The City continued to invest in road infrastructure to the extent that federal and state funds were available through the Michigan Department of Transportation and Washtenaw Area Transportation Study.
- The City was able to transfer \$250,000 to the Water Street Debt Service Fund, set aside \$1.6 million of fund balance in addition to the proceeds from the sale of properties toward the future debt payment for the Water Street project, for which debt principal first come due starting in fiscal 2009-10.

The land revolving, 2003-B capital improvement bonds and 2004-B general obligation bonds capital projects funds had ending fund balances of \$2,100,051, \$1,560,116 and \$931,111, respectively. All of these fund balances are reserved for land held for resale, except for \$44,923 of unreserved, undesignated fund balance in the land revolving capital project fund. That fund was also the only one of the three that had activity for the current year, which was an increase of fund balance totaling \$7,898 for investment earnings.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account various events occurring during the year. Nearly all departments stayed below budget, resulting in total expenditures being below the amended budget. Recreation expenditures for Parkridge, Rutherford Pool and the Senior Center continued to be funded by donations from the Ann Arbor Area Foundation and many public and private organization supporters. The City will continue to find ways to reduce costs and yet provide the essential services to the Citizens of Ypsilanti, allowing for favorable budgetary results.

Capital Assets and Debt Administration

Capital Assets. At the end of 2008, the City had \$27,839,005 invested in a broad range of net capital assets including land, land improvements, buildings and improvements, sidewalks, roads, police and fire equipment, vehicles, and other various equipments.

City of Ypsilanti's Capital Assets
(net of depreciation)

	Governmental activities	
	2008	2007
Land	\$ 755,585	\$ 755,585
Infrastructure	20,615,798	19,585,272
Buildings and improvements	3,546,014	3,487,722
Vehicles and equipment	2,342,554	1,278,846
Construction in progress	579,054	2,376,396
Total	\$ 27,839,005	\$ 27,483,821

Major capital asset events during the current fiscal year included:

- Purchase of a fire truck funded primarily by an Assistance to Firefighters grant from U.S. Department of Homeland Security.
- Purchase of a grapple truck and dump truck for Department of Public Services.
- Purchase of five patrol vehicles for Police Services.
- Purchase of a rear load recycling unit for Environmental Services.
- Road improvements on Holmes from Prospect to the city limit and Lowell Street from Huron River Drive to Forest.
- Facility improvements by installing a new roof on the police services building and modifying door at the fire station to accommodate the new fire truck.

Additional information on the City’s capital assets can be found in Note 3-D. on pages 39-40 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$66,297,946. Of this amount, \$30,500,350 is comprised of debt backed by the full faith and credit of the government. The remainder of the City’s bonded debt represents bonds secured solely by specified revenue sources.

City of Ypsilanti’s Outstanding Debt
General Obligation and Revenue Bonds

	Governmental activities	
	2008	2007
General obligation bonds	\$ 27,750,000	\$ 31,410,350
Revenue bonds	35,797,596	36,945,000
Total	\$ 63,547,596	\$ 68,355,350

The City has an A- rating from Standard and Poor’s on its water and sewer refunding bonds dated April 5, 2007. The stated rating reflects sound debt service coverage, due predominantly to revenues generated from a customer surcharge, and consistently healthy liquidity levels. With regard to the general obligation bond rating, the City is waiting for the report from Standard and Poor’s.

Additional information on the City’s long-term debt can be found in Note 3-H. on pages 42-46 of this report.

Economic Factors and Next Year's Budgets and Rates

The City's spending budget for next fiscal year is about \$289,000 less than the current year amended budget. Revenues are budgeted to be about \$177,000 lower. The City is expecting a significant decrease in property tax revenue for the 2009-10 tax year partially due to the approximate 8.0% decline in assessed property values. In addition, ACH, the City's largest taxpayer, plans to cease operation in December 2008, which will be reflected in 2009-10 property tax revenue. The change in budgeted expenses between fiscal 2008 and fiscal 2009 include a change from nine departments to five service areas. The reorganization resulted in reduction in the number of full time employees from 120.85 FTE's to 106.75 FTE's and a corresponding reduction in service levels in some areas. In addition, employee health care benefits were restructured resulting in some savings along with the employees sharing some of the cost. The City will continue to explore consolidation of some services with neighboring governmental units.

Contacting the City's 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 show the City's accountability for the money it receives. If you have questions about this report or need additional information, you are welcome to contact the clerk's office at (734) 483-1100.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF YPSILANTI, MICHIGAN
Statement of Net Assets
June 30, 2008

	Primary Governmental Activities	Component Units
Assets		
Cash and cash equivalents	\$ 16,974,201	\$ 1,522,578
Investments	3,048,433	213
Receivables	34,333,788	125,575
Prepaid items and other assets	5,794,576	1,066
Capital assets not being depreciated	1,334,639	1,039,346
Capital assets being depreciated, net	26,504,366	880,859
Total assets	87,990,003	3,569,637
Liabilities		
Accounts payable and accrued expenses	3,175,968	641,401
Due to other governments	-	154,214
Unearned revenue	256,742	31,999
Long-term liabilities:		
Due within one year	2,942,024	102,402
Due in more than one year	64,932,924	1,338,003
Total liabilities	71,307,658	2,268,019
Net assets		
Invested in capital assets, net of related debt	15,179,422	479,800
Restricted for:		
Debt service	3,688,263	-
Capital projects	5,716,212	95,174
Highways and streets	1,504,976	-
Unrestricted (deficit)	(9,406,528)	726,644
Total net assets	\$ 16,682,345	\$ 1,301,618

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

CITY OF YPSILANTI, MICHIGAN
Statement of Activities
For the Year Ended June 30, 2008

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Primary government					
Governmental activities:					
General government	\$ 2,212,245	\$ 1,097,252	\$ 50,781	\$ 25,842	\$ (1,038,370)
Public safety	9,618,481	720,555	305,178	646,427	(7,946,321)
Public works	2,084,186	-	-	-	(2,084,186)
Highways, streets and bridges	2,562,769	-	1,342,490	-	(1,220,279)
Culture and recreation	570,113	-	5,000	-	(565,113)
Community development	340,815	1,250	-	-	(339,565)
Interest on long-term debt	2,834,154	-	1,800,900	-	(1,033,254)
Total governmental activities	<u>\$ 20,222,763</u>	<u>\$ 1,819,057</u>	<u>\$ 3,504,349</u>	<u>\$ 672,269</u>	<u>\$ (14,227,088)</u>
Component units					
Community/economic development	<u>\$ 1,166,985</u>	<u>\$ -</u>	<u>\$ 52,102</u>	<u>\$ -</u>	<u>\$ (1,114,883)</u>

continued...

CITY OF YPSILANTI, MICHIGAN
Statement of Activities (Concluded)
For the Year Ended June 30, 2008

	Primary Governmental Activities	Component Units
Changes in net assets		
Net (expense) revenue	\$ (14,227,088)	\$(1,114,883)
General revenues:		
Property taxes	11,503,422	1,091,914
Grants and contributions not restricted to specific programs	3,070,879	-
Unrestricted investment earnings	1,223,621	35,061
Total general revenues and contributions	15,797,922	1,126,975
Change in net assets	1,570,834	12,092
Net assets, beginning of year, as restated	15,111,511	1,289,526
Net assets, end of year	\$ 16,682,345	\$ 1,301,618

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

FUND FINANCIAL STATEMENTS

CITY OF YPSILANTI, MICHIGAN
Balance Sheet
Governmental Funds
June 30, 2008

	<u>General</u>	<u>Land Revolving</u>	<u>2003-B Capital Improvement Bonds</u>	<u>2004-B General Obligation Bonds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>						
Assets						
Cash and cash equivalents	\$ 5,979,158	\$ 224,886	\$ -	\$ -	\$ 7,460,481	\$ 13,664,525
Investments	1,356,046	-	-	-	240,593	1,596,639
Accounts receivable	317,190	71	-	-	35,883	353,144
Land held for resale	-	2,055,128	1,560,116	931,111	209,381	4,755,736
Special assessments receivable	32,666	-	-	-	12,810	45,476
Due from other funds	262,285	-	-	-	-	262,285
Due from other governments	658,269	-	-	-	204,036	862,305
Prepaid items	149,682	-	-	-	-	149,682
Inventory	67,825	-	-	-	-	67,825
	<u>\$ 8,823,121</u>	<u>\$ 2,280,085</u>	<u>\$ 1,560,116</u>	<u>\$ 931,111</u>	<u>\$ 8,163,184</u>	<u>\$ 21,757,617</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities						
Accounts payable	\$ 217,258	\$ -	\$ -	\$ -	\$ 157,182	\$ 374,440
Accrued liabilities	345,879	11,626	-	-	30,333	387,838
Due to other funds	-	-	-	-	247,157	247,157
Due to other governments	68,426	-	-	-	41,332	109,758
Tax refunds payable	695,490	-	-	-	184,173	879,663
Deferred revenue	246,000	168,408	-	-	12,810	427,218
	<u>1,573,053</u>	<u>180,034</u>	<u>-</u>	<u>-</u>	<u>672,987</u>	<u>2,426,074</u>
Fund balances:						
Reserved for:						
Prepaid items	149,682	-	-	-	-	149,682
Inventory	67,825	-	-	-	-	67,825
Police and fire pension tax levy	67,395	-	-	-	-	67,395
Land held for resale	-	2,055,128	1,560,116	931,111	209,381	4,755,736
Debt service	-	-	-	-	2,032,556	2,032,556
Unreserved:						
Designated (Note 3-I)	3,995,995	-	-	-	-	3,995,995
Undesignated	2,969,171	44,923	-	-	-	3,014,094
Designated for subsequent year:						
Special revenue funds	-	-	-	-	609,332	609,332
Undesignated, reported in nonmajor:						
Special revenue funds	-	-	-	-	1,858,287	1,858,287
Debt service funds	-	-	-	-	1,655,707	1,655,707
Capital projects funds	-	-	-	-	1,124,934	1,124,934
Total fund balances	<u>7,250,068</u>	<u>2,100,051</u>	<u>1,560,116</u>	<u>931,111</u>	<u>7,490,197</u>	<u>19,331,543</u>
	<u>8,823,121</u>	<u>2,280,085</u>	<u>1,560,116</u>	<u>931,111</u>	<u>8,163,184</u>	<u>21,757,617</u>

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

CITY OF YPSILANTI, MICHIGAN
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, 2008

Fund balances - total governmental funds	\$ 19,331,543
<p>Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>	
Add - capital assets	44,700,542
Deduct - accumulated depreciation	(18,988,653)
<p>Special assessment receivables are expected to be collected over several years but are not available to pay for current year expenditures</p>	
	170,476
<p>An internal service fund is used by management to charge the costs of certain equipment usage to individual funds. The assets and liabilities of the internal service fund are partially included in governmental activities in the statement of net assets.</p>	
Add - net assets of governmental activities accounted for in internal service funds	6,215,616
<p>Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.</p>	
Deduct - bonds and purchase agreements payable	(66,947,529)
Add - leases receivable from joint venture entity for debt-financed property	33,070,228
Add - unamortized debt issuance costs	744,338
Deduct - accrued interest on bonds payable	(686,797)
Deduct - compensated absences	(927,419)
	16,682,345
Net assets of governmental activities	\$ 16,682,345

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

CITY OF YPSILANTI, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	<u>General</u>	<u>Land Revolving</u>	<u>2003-B Capital Improvement Bonds</u>	<u>2004-B General Obligation Bonds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Taxes and special assessments	\$ 9,180,749	\$ -	\$ -	\$ -	\$ 2,322,673	\$ 11,503,422
Licenses and permits	600,676	-	-	-	65,008	665,684
Intergovernmental	3,292,071	-	-	-	4,533,975	7,826,046
Charges for services	393,182	-	-	-	23,548	416,730
Fines and forfeits	394,089	-	-	-	-	394,089
Investment earnings	689,688	7,898	-	-	214,491	912,077
Other revenues	363,376	-	-	-	171,405	534,781
Total revenues	<u>14,913,831</u>	<u>7,898</u>	<u>-</u>	<u>-</u>	<u>7,331,100</u>	<u>22,252,829</u>
Expenditures						
Current:						
General government	2,321,841	-	-	-	87,995	2,409,836
Public safety	8,557,198	-	-	-	187,722	8,744,920
Public works	682,045	-	-	-	315,260	997,305
Refuse collection	-	-	-	-	1,171,953	1,171,953
Highways, streets and bridges	-	-	-	-	1,973,109	1,973,109
Culture and recreation	327,577	-	-	-	118,619	446,196
Community development	-	-	-	-	52,211	52,211
Public transit	126,425	-	-	-	-	126,425
Unallocated employee benefits	1,161,692	-	-	-	-	1,161,692
Debt service:						
Principal	-	52,500	-	-	2,449,375	2,501,875
Interest and fiscal charges	-	-	-	-	2,767,662	2,767,662
Total expenditures	<u>13,176,778</u>	<u>52,500</u>	<u>-</u>	<u>-</u>	<u>9,123,906</u>	<u>22,353,184</u>
Revenues over (under) expenditures	<u>1,737,053</u>	<u>(44,602)</u>	<u>-</u>	<u>-</u>	<u>(1,792,806)</u>	<u>(100,355)</u>
Other financing sources (uses)						
Issuance of bonds	-	-	-	-	297,596	297,596
Transfers in	-	52,500	-	-	946,847	999,347
Transfers out	(651,877)	-	-	-	(247,806)	(899,683)
Total other financing sources (uses)	<u>(651,877)</u>	<u>52,500</u>	<u>-</u>	<u>-</u>	<u>996,637</u>	<u>397,260</u>
Net changes in fund balances	1,085,176	7,898	-	-	(796,169)	296,905
Fund balances, beginning of year, as restated	<u>6,164,892</u>	<u>2,092,153</u>	<u>1,560,116</u>	<u>931,111</u>	<u>8,286,366</u>	<u>19,034,638</u>
Fund balances, end of year	<u>\$ 7,250,068</u>	<u>\$ 2,100,051</u>	<u>\$ 1,560,116</u>	<u>\$ 931,111</u>	<u>\$ 7,490,197</u>	<u>\$ 19,331,543</u>

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

CITY OF YPSILANTI, MICHIGAN
Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balances - total governmental funds \$ 296,905

Amounts reported for *governmental activities* in the statement of activities are different because:

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

Add - capital outlay	1,335,637
Deduct - depreciation expense	(1,956,508)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Deduct - bond proceeds	(297,596)
Add - principal payments on long-term liabilities	2,501,875
Add - change in leases receivable for debt-financed property	(1,312,479)

An internal service fund is used by management to charge the costs of certain equipment usage to individual funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

Add - change in net assets of government internal service funds	1,227,394
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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.

Deduct - increase in accrued interest payable on bonds	(66,493)
Deduct - increase in the accrual for compensated absences	(157,901)

Change in net assets of governmental activities	\$ 1,570,834
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The accompanying notes are an integral part of these financial statements.

CITY OF YPSILANTI, MICHIGAN
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
				<u>Final Budget</u>
Revenues				
Taxes and special assessments	\$ 9,629,988	\$ 9,105,021	\$ 9,180,749	\$ 75,728
Licenses and permits	520,047	581,958	600,676	18,718
Intergovernmental	3,396,407	3,155,480	3,292,071	136,591
Charges for services	350,000	411,466	393,182	(18,284)
Fines and forfeits	385,000	368,529	394,089	25,560
Investment earnings	350,000	380,000	689,688	309,688
Other revenues	345,594	363,945	363,376	(569)
	<u>14,977,036</u>	<u>14,366,399</u>	<u>14,913,831</u>	<u>547,432</u>
Expenditures				
General government:				
City council	116,837	116,837	107,027	(9,810)
City manager	236,696	217,957	224,470	6,513
Community services	750	858	542	(316)
Elections	91,163	105,319	71,967	(33,352)
Accounting	275,125	263,001	263,314	313
Assessing	80,967	81,001	80,368	(633)
General legal	52,140	52,140	52,140	-
Ordinance prosecution	105,000	105,000	105,000	-
Litigation and appeals	220,000	190,000	96,636	(93,364)
Personnel legal	94,000	94,000	45,935	(48,065)
City clerk	165,462	157,346	152,674	(4,672)
Human resources	208,616	220,024	210,286	(9,738)
Treasurer	177,464	251,205	297,799	46,594
Public building maintenance	792,994	462,185	325,079	(137,106)
Planning and development	348,922	288,855	288,604	(251)
Total general government	<u>2,966,136</u>	<u>2,605,728</u>	<u>2,321,841</u>	<u>(283,887)</u>
Public safety:				
Police	5,511,287	5,300,482	5,140,275	(160,207)
Fire	3,076,577	2,949,971	2,901,591	(48,380)
Ordinance enforcement	150,657	150,878	141,178	(9,700)
Building inspection	434,266	408,341	374,154	(34,187)
Total public safety	<u>9,172,787</u>	<u>8,809,672</u>	<u>8,557,198</u>	<u>(252,474)</u>

continued...

CITY OF YPSILANTI, MICHIGAN
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Concluded)
General Fund
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Expenditures (Concluded)				
Public works:				
Public works department	\$ 108,951	\$ 221,195	\$ 248,352	\$ 27,157
Street lighting	422,500	437,500	433,693	(3,807)
Total public works	<u>531,451</u>	<u>658,695</u>	<u>682,045</u>	<u>23,350</u>
Parks and recreation	<u>380,535</u>	<u>366,355</u>	<u>327,577</u>	<u>(38,778)</u>
Public transit	<u>131,377</u>	<u>131,377</u>	<u>126,425</u>	<u>(4,952)</u>
Unallocated employee benefits	<u>1,363,787</u>	<u>1,133,941</u>	<u>1,161,692</u>	<u>27,751</u>
Total expenditures	<u>14,546,073</u>	<u>13,705,768</u>	<u>13,176,778</u>	<u>(528,990)</u>
Revenues over expenditures	430,963	660,631	1,737,053	1,076,422
Other financing sources (uses)				
Transfers out	<u>(419,447)</u>	<u>(645,014)</u>	<u>(651,877)</u>	<u>(6,863)</u>
Net changes in fund balance	11,516	15,617	1,085,176	1,069,559
Fund balance, beginning of year, as restated	<u>6,164,892</u>	<u>6,164,892</u>	<u>6,164,892</u>	<u>-</u>
Fund balance, end of year	<u>\$ 6,176,408</u>	<u>\$ 6,180,509</u>	<u>\$ 7,250,068</u>	<u>\$ 1,069,559</u>

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

CITY OF YPSILANTI, MICHIGAN
Statement of Net Assets
Proprietary Funds - Internal Service Funds
June 30, 2008

Assets

Current assets:

Cash and cash equivalents	\$ 3,309,676
Investments	1,451,794
Accounts receivable	2,635
Inventory	42,429
Prepaid items	<u>34,566</u>

Total current assets 4,841,100

Noncurrent assets - capital assets, net 2,127,116

Total assets 6,968,216

Liabilities

Current liabilities:

Accounts payable and accrued liabilities	175,472
Due to other funds	15,128
Current portion of claims payable	<u>224,800</u>

Total current liabilities 415,400

Noncurrent liabilities - claims payable, net 337,200

Total liabilities 752,600

Net Assets

Invested in capital assets	2,127,116
Unrestricted	<u>4,088,500</u>

Total net assets \$ 6,215,616

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

CITY OF YPSILANTI, MICHIGAN
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds - Internal Service Funds
For the Year Ended June 30, 2008

Operating revenues	
Charges for services	<u>\$ 2,619,834</u>
Operating expenses	
Salaries, taxes and benefits	164,171
Gas, oil and fuel	129,026
Depreciation	415,970
Operation and maintenance	134,308
Contractual services and fees	201,204
Insurance and other	81,587
Benefits and claims	<u>1,284,335</u>
Total operating expenses	<u>2,410,601</u>
Operating income	<u>209,233</u>
Nonoperating revenues	
Intergovernmental grant	607,500
Interest income	502,906
Gain on sale of equipment	<u>7,419</u>
Total nonoperating revenues	<u>1,117,825</u>
Income (loss) before transfers	1,327,058
Transfers out	<u>(99,664)</u>
Change in net assets	1,227,394
Net assets, beginning of year	<u>4,988,222</u>
Net assets, end of year	<u><u>\$ 6,215,616</u></u>

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

CITY OF YPSILANTI, MICHIGAN
Statement of Cash Flows
Proprietary Funds - Internal Service Funds
For the Year Ended June 30, 2008

Cash flows from operating activities	
Cash received from interfund services	\$ 2,617,199
Cash payments to employees	(164,171)
Cash payments for claims	(1,243,335)
Cash payments to suppliers for goods and services	<u>(381,373)</u>
Net cash provided by operating activities	<u>828,320</u>
 Cash flows from non-capital financing activities	
Transfer to other funds	<u>(99,664)</u>
 Cash flows from capital and related financing activities	
Purchase of capital assets	(1,392,025)
Intergovernmental revenue	607,500
Proceeds from sale of capital assets	<u>7,419</u>
Net cash used by capital and related financing activities	<u>(777,106)</u>
 Cash flows from investing activities	
Proceeds from matured investments	2,408,991
Purchase of investments	(647,751)
Investment income	<u>502,906</u>
Net cash provided by investing activities	<u>2,264,146</u>
 Net increase in cash and cash equivalents	2,215,696
 Cash and cash equivalents, beginning of year	<u>1,093,980</u>
 Cash and cash equivalents, end of year	<u><u>\$ 3,309,676</u></u>
 Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 209,233
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	415,970
Changes in assets and liabilities:	
Accounts receivable	(2,635)
Inventory	(20,217)
Prepaid items	31,725
Accounts payable and accrued liabilities	138,116
Due to other funds	15,128
Claims payable	<u>41,000</u>
 Net cash provided by operating activities	<u><u>\$ 828,320</u></u>

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

CITY OF YPSILANTI, MICHIGAN
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Police and Fire Retirement System Trust	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 2,051,731	\$ 156,276
Investments:		
U.S. agencies	3,560,823	-
Foreign government bonds	44,410	-
Corporate bonds	4,214,143	-
Bond mutual fund	6,846,636	-
Domestic equities	12,106,020	-
International equities	392,880	-
Real estate investment trusts	728,514	-
Money market accounts	670,647	-
Accrued interest receivable	12,849	-
	<u> </u>	<u> </u>
Total assets	30,628,653	<u><u>\$ 156,276</u></u>
Liabilities		
Undistributed receipts	-	<u><u>\$ 156,276</u></u>
	<u> </u>	<u> </u>
Net assets		
Held in trust for pension benefits	<u><u>\$ 30,628,653</u></u>	

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

CITY OF YPSILANTI, MICHIGAN
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds - Employees' Retirement System Pension Trust Fund
For the Year Ended June 30, 2008

Additions

Investment income:

Net realized and unrealized depreciation in fair value of investments	\$ (2,689,457)
Interest and dividends	1,145,317
Less investment management fees	<u>(108,623)</u>
Total investment loss	<u>(1,652,763)</u>

Contributions:

City of Ypsilanti	941,417
Participants	<u>418,956</u>
Total contributions	<u>1,360,373</u>

Total additions (investment loss in excess of contributions)	<u>(292,390)</u>
--	------------------

Deductions

Participant benefits	2,014,793
Participant refunds	623,728
Administrative expenses	<u>45,436</u>
Total deductions	<u>2,683,957</u>

Net deductions to net assets held in trust for benefits	(2,976,347)
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Net assets held in trust for pension benefits, beginning of year	<u>33,605,000</u>
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Net assets held in trust for pension benefits, end of year	<u><u>\$ 30,628,653</u></u>
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The accompanying notes are an integral part of these financial statements.

COMPONENT UNIT FINANCIAL STATEMENTS

CITY OF YPSILANTI, MICHIGAN
Combining Statement of Net Assets
Component Units
June 30, 2008

	<u>Downtown Development Authority</u>	<u>Depot Town Downtown Development Authority</u>	<u>Economic Development Corporation</u>	<u>Brownfield Redevelopment Authority</u>	<u>Totals</u>
Assets					
Cash and cash equivalents	\$ 447,721	\$ 260,802	\$ 194,075	\$ 619,980	\$ 1,522,578
Accounts receivable	142	71	-	-	213
Due from other governments	125,575	-	-	-	125,575
Prepays	1,066	-	-	-	1,066
Capital assets not being depreciated	986,146	-	53,200	-	1,039,346
Capital assets being depreciated, net	765,359	115,500	-	-	880,859
Total assets	<u>2,326,009</u>	<u>376,373</u>	<u>247,275</u>	<u>619,980</u>	<u>3,569,637</u>
Liabilities					
Accounts payable	44,631	1,106	-	590,295	636,032
Accrued liabilities	5,369	-	-	-	5,369
Due to other governments	70,190	11,860	72,164	-	154,214
Unearned revenues	16,699	-	-	15,300	31,999
Long-term liabilities:					
Due within one year	85,000	17,402	-	-	102,402
Due in more than one year	1,233,940	104,063	-	-	1,338,003
Total liabilities	<u>1,455,829</u>	<u>134,431</u>	<u>72,164</u>	<u>605,595</u>	<u>2,268,019</u>
Net assets (deficit)					
Invested in capital assets, net of related debt	432,565	(5,965)	53,200	-	479,800
Restricted for capital projects	95,174	-	-	-	95,174
Unrestricted	342,441	247,907	121,911	14,385	726,644
Total net assets	<u>\$ 870,180</u>	<u>\$ 241,942</u>	<u>\$ 175,111</u>	<u>\$ 14,385</u>	<u>\$ 1,301,618</u>

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

CITY OF YPSILANTI, MICHIGAN
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2008

	Downtown Development Authority	Depot Town Downtown Development Authority	Economic Development Corporation	Brownfield Redevelopment Authority	Totals
Expenses					
Community / economic development	\$ 508,440	\$ 56,541	\$ 2,227	\$ 599,777	\$ 1,166,985
Program revenues					
Charges for services	-	-	-	-	-
Operating grants and contributions	52,102	-	-	-	52,102
Capital grants and contributions	-	-	-	-	-
Total program revenues	52,102	-	-	-	52,102
Net program revenue (expense)	(456,338)	(56,541)	(2,227)	(599,777)	(1,114,883)
General revenues					
Property taxes	354,175	137,962	-	599,777	1,091,914
Unrestricted investment earnings	14,754	7,859	7,530	4,918	35,061
Total general revenues	368,929	145,821	7,530	604,695	1,126,975
Change in net assets	(87,409)	89,280	5,303	4,918	12,092
Net assets (deficit), beginning of year	957,589	152,662	169,808	9,467	1,289,526
Net assets (deficit), end of year	\$ 870,180	\$ 241,942	\$ 175,111	\$ 14,385	\$ 1,301,618

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

NOTES to the FINANCIAL STATEMENTS

City of Ypsilanti, Michigan

Notes to Financial Statements

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City of Ypsilanti, Michigan

Notes To Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Ypsilanti, Michigan have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

1-A. Reporting Entity

The City of Ypsilanti is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations, whereas discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. Each blended or discretely presented component unit has a June 30 year end.

Blended Component Units – The City has no blended component units.

Discretely Presented Component Units – Following is a summary of the City's discretely presented component units:

<u>Discretely Presented Component Unit</u>	<u>Included in the Reporting Entity Because</u>	<u>Separate Financial Statements Available</u>
Downtown Development Authority (DDA); corrects and prevents deterioration in the downtown district, encourages historical preservation and promotes economic growth within the district	City Council appoints and may remove board members and approves budget	Not prepared
Depot Town Downtown Development Authority; promotes development and preservation of the Depot Town DDA district	City Council appoints and may remove board members and approves budget	Not prepared
Economic Development Corporation (EDC); provides means and methods to encourage and assist industrial and commercial development within the City	City Council appoints and may remove board members and approves budget	Not prepared
Brownfield Redevelopment Authority (BRA); administers brownfield redevelopment projects	City Council appoints and may remove board members and approves budget	Not prepared

City of Ypsilanti, Michigan

Notes To Financial Statements

1-B. Basis of Presentation

Government-wide Financial Statements. The statements of net assets and activities display information the primary government and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Although these statements generally distinguish between *governmental* and *business-type activities*, the City has no business-type activities and, therefore, only reports governmental activities. Governmental activities generally are financed through taxes and intergovernmental revenues.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the City's funds, including its fiduciary funds. 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. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Land Revolving Fund. This capital projects fund accounts for activity related to the purchase and development of various properties located within the City. Revenues come from various grants and proceeds from sale of land.

2003-B Capital Improvement Bonds Fund. This capital projects fund accounts for the acquisition of land held for resale through the Water Street redevelopment project as funded by this bond issue.

2004-B General Obligation Bonds Fund. This capital projects fund accounts for the acquisition of other land held for resale through the Water Street redevelopment project as funded by this bond issue.

Additionally, the City reports the following fund types:

Internal service funds. These proprietary funds account for major machinery and equipment purchases and maintenance, as well as risk management services provided to other departments of the City on a cost reimbursement basis.

City of Ypsilanti, Michigan

Notes To Financial Statements

Pension trust fund. This fiduciary fund accounts for the activities of the Police and Fire Employees' Retirement System. This fund accumulates resources for pension benefit payments to qualified police and fire employees through the collection of property tax revenues.

Agency fund. This fiduciary fund accounts for assets held by the City in a trustee capacity or as an agent for individuals, organizations, and other governments. The fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

1-C. Measurement Focus / Basis of Accounting

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds, which do not have a measurement focus. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's internal service funds are charges to other funds of the City for various services. Operating expenses for internal service funds include these services, administrative expenses, and depreciation on capital assets. All revenue and expense not meeting this definition are reported as nonoperating revenue and expenses.

Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenue is 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 City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Property taxes, franchise taxes, licenses and interest are considered to be susceptible to accrual.

Expenditures generally are recorded when a related fund liability is incurred, except for debt service expenditures, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to first apply restricted resources.

City of Ypsilanti, Michigan

Notes To Financial Statements

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for business-type activities and enterprise funds, subject to the same limitation; this does not apply to the City since it has neither business-type activities nor enterprise funds.

1-D. Assets, Liabilities and Equity

Deposits and Investments. 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. The State's Pension Investment Act, as amended, authorizes the pension trust fund to invest in common stocks, real estate, and various other investment instruments, subject to certain limitations.

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have established market values are reported at estimated fair value. Cash deposits are reported at carrying amounts, which reasonably approximates fair value.

Unrealized appreciation or depreciation on pension trust fund investments due to changes in fair value are recognized each year.

Receivables and Payables. In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." All trade receivables are shown net of allowance for uncollectible amounts.

Inventories, Prepaid Items and Other Assets. Inventories in the general and internal service funds are valued at cost using the first-in/first-out method, which approximates market value. Inventories of governmental funds are recorded as expenditures when purchased. 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.

City of Ypsilanti, Michigan

Notes To Financial Statements

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 activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. 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.

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

<u>Assets</u>	<u>Years</u>
Infrastructure	15
Buildings and improvements	5-70
Vehicles and equipment	3-20

Compensated Absences. It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Long-term Obligations. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. 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 a specific purpose. Fund balance designations represent tentative management plans that are subject to change.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

City of Ypsilanti, Michigan

Notes To Financial Statements

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at year end. The annual budget for the next fiscal year is prepared by the City's management by June 1 of each and adopted by the City Council no later than June 30 of each year (i.e., prior to the start of the next fiscal year); subsequent amendments are approved by the City Council

Budgetary control is exercised at the fund level; expenditures in excess of amounts appropriated at this level are a violation of Michigan law. The accompanying budgetary to actual comparisons are presented at a greater level of detail than the adopted budget for management analysis only. Supplemental budgetary appropriations were made during the year, the total of which was not significant in relation to the original appropriations.

Encumbrance accounting, under which purchase orders, contracts and other firm commitments are used for the expenditure of monies, is utilized as an extension of formal budgetary control in the governmental funds. Encumbered amounts lapse at year-end.

2-B. Excess of Expenditures over Appropriations

State statutes provide that a local unit shall not incur expenditures in excess of the amounts appropriated. The approved budgets of the City were adopted on a fund level basis. During the year ended June 30, 2008, the City did not incur any expenditures in excess of the amounts appropriated at the legal level of budgetary control, except for the Community Development Block Grant fund which had a final budget of \$50,000 and actual expenditures of \$50,605.

2-C. Fund Deficits

The City has accumulated fund deficits in the 2001 General Obligation Roads and 2003 Unlimited Tax Bonds debt service funds in the amounts of \$36,567 and \$52,056, respectively, both of which will be eliminated through the future collection of street assessments. The City also has an accumulated fund deficit of \$40,226 in the 2008 Water and Sewer Revenue DWRP (Drinking Water Revolving Fund) capital projects fund, which also will be eliminated through future revenue collections.

2-D. Construction Code Fees

The City oversees building construction in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction costs, including an allocation of estimated overhead costs.

City of Ypsilanti, Michigan

Notes To Financial Statements

A summary of current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Current year building permit revenue	\$	150,297
Less related expenditures:		
Direct costs		130,953
Estimated indirect costs		28,517
Current year shortfall		(9,173)
Cumulative shortfall, beginning of year		(364,679)
Cumulative shortfall, end of year	\$	(373,852)

NOTE 3 – DETAILED NOTES ON ALL FUNDS

3-A. Deposits and Investments

Following is a reconciliation of deposit and investment balances as of June 30, 2008:

	Primary Governments	Component Units	Total
Statement of net assets			
Cash and cash equivalents	\$ 16,974,201	\$ 1,522,578	\$ 18,496,779
Investments	3,048,433	213	3,048,646
Statement of fiduciary net assets			
Cash and cash equivalents:			
Pension trust fund	2,051,731	-	2,051,731
Agency fund	156,276	-	156,276
Investments - pension trust fund	28,564,073	-	28,564,073
	\$ 50,794,714	\$ 1,522,791	\$ 52,317,505
Deposits and investments:			
Bank deposits (checking accounts, savings accounts and CDs)			\$ 20,696,711
Investments in securities, mutual funds and similar vehicles:			
City investment pool			3,048,646
Pension trust fund			28,564,073
Cash on hand			8,075
Total			\$ 52,317,505

City of Ypsilanti, Michigan

Notes To Financial Statements

Custodial Credit Risk - Deposits. For deposits, custodial credit risk is the risk, that in the event of a bank failure, the City's deposits may not be returned to the government. As of June 30, 2008, \$21,034,942 of the City's total bank balance of \$21,434,942 (total book balance was \$20,696,711) was exposed to custodial credit risk as it was uninsured and uncollateralized.

The City's depository and investment policy does not specifically address this risk, although the City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk – City Investment Pool. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery *vs.* payment. As of June 30, 2008, all of the City's investments were in securities of U.S. agencies and were not exposed to custodial credit risk as they were held in the City's name by the counterparty.

Credit Risk. As of June 30, 2008, all of the City's investments in securities of U.S. agencies were rated Aaa by Moody's. The City's investment policy does not have specific limits in excess of state law on investment credit risk.

Concentration of Credit Risk. At June 30, 2008, the investment portfolio of U.S. agencies was concentrated as follows: 56.1% in Federal Home Loan Mortgage Corporation and 43.9% in Federal National Mortgage Association. The City's investment policy does not address concentration of credit risk.

Interest Rate Risk. As of June 30, 2008, maturities of the City's investments in the debt securities of U.S. agencies were more than ten years. The City's investment policy does not address interest rate risk.

3-B. Investments – Pension Trust Fund

The investments of the Police and Fire Retirement System Trust Fund (the "System") are maintained separately from the City's investments, and are subject to separate investment policies and state statutes. Accordingly, the required disclosures for these investments are presented separately.

The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, authorizes the System to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The Retirement Board has the responsibility and authority to oversee the investment portfolio. Various professional investment managers are contracted to assist in managing the System's assets. All investment decisions are subject to Michigan law and the investment policy established by the Retirement Board.

City of Ypsilanti, Michigan

Notes To Financial Statements

The System's investments are held in a bank-administered trust fund. Following is a summary of the System's investments as of June 30, 2008:

Investments at fair value, as determined by quoted market price:	
U.S. agencies	\$ 3,560,823
Foreign government bonds	44,410
Domestic corporate bonds	4,214,143
Bond mutual fund	6,846,636
Domestic equities	12,106,020
International equities	392,880
Domestic real estate investment trusts	728,514
Money market accounts	670,647
Total investments	<u><u>\$ 28,564,073</u></u>

Credit Risk. As of June 30, 2008, the System's investments in U.S. agencies and domestic corporate bonds were rated by Moody's Investor Services as follows:

<u>Rating</u>	<u>U.S. agencies</u>	<u>Corporate</u>
Aaa	\$ 3,560,823	\$ 195,586
Aa1	-	206,912
Aa3	-	821,821
A1	-	487,613
A2	-	1,001,243
A3	-	207,236
Baa1	-	442,323
Baa2	-	644,717
Baa3	-	206,692
	<u><u>\$ 3,560,823</u></u>	<u><u>\$ 4,214,143</u></u>

The System's policy regarding credit risk provides that a minimum of 70% of fixed income investments must be in the top three major grades as determined by Moody's and the balance must be in the top four major grades.

City of Ypsilanti, Michigan

Notes To Financial Statements

Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System's investment policy requires that investment securities be held in trust by a third-party institution in the System's name. As such, although uninsured and unregistered, the System's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the System's name. Short-term investments in money market funds are not subject to custodial credit risk.

Concentration of Credit Risk. At June 30, 2008, the investment portfolio was concentrated (i.e., had holdings in any one issue greater than or equal to 5% of the total investment portfolio) as follows:

U.S. agencies	<u>% of portfolio</u>
Federal Home Loan Mortgage Corporation	5.3%
Federal National Mortgage Association	7.2%

The System's policy regarding concentration of credit risk does not specify limits regarding concentration of credit risk, although it provides guidelines regarding targets maximums for investment types.

Interest Rate Risk. As of June 30, 2008, maturities of the System's debt securities were as follows:

	<u>Fair Value</u>	<u>Investment Maturities (fair value by years)</u>			<u>More Than 10</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	
U.S. agencies	\$ 3,560,823	\$ -	\$ -	\$ 148,324	\$ 3,412,499
Corporate bonds	4,214,143	250,343	2,000,209	500,401	1,463,190
	<u>\$ 7,774,966</u>	<u>\$ 250,343</u>	<u>\$ 2,000,209</u>	<u>\$ 648,725</u>	<u>\$ 4,875,689</u>

None of the above securities are callable.

The System's policy regarding interest rate risk provides that fixed income maturities may not 30 years; the Systems holdings comply with this requirement.

City of Ypsilanti, Michigan

Notes To Financial Statements

Foreign Currency Risk. Foreign currency risk is the risk that significant fluctuations in exchange rates may adversely affect the fair value of an investment. The System's exposure to foreign currency risk is summarized as follows:

<u>Investment/ Country</u>	<u>Currency</u>	<u>Fair value (in U.S. Dollars)</u>
Foreign government bonds		
Puerto Rico	U.S dollar	\$ 44,410
International Equities		
Canada	Canadian dollar	654
Cayman Islands	Cayman Island dollar	65,674
Israel	Israeli new shekel	100,124
Netherlands	European euro	40,855
Puerto Rico	U.S dollar	23,065
Singapore	Singapore dollar	102,620
United Kingdom	British pound	59,888
		<u>392,880</u>
Total		<u>\$ 437,290</u>

The System has no policies regarding foreign currency risk and, therefore, relies on State statutes which allow for foreign investments but place no specific limitations thereon.

3-C. Receivables/Deferred Revenue

Receivables in the governmental activities are 96.3% leases, 2.5% due from other governments, 1.1% accounts receivables, and 0.1% special assessments.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds and activities were as follows:

City of Ypsilanti, Michigan

Notes To Financial Statements

	Unavailable	Unearned	Total
Special assessments not yet due	\$ 45,476	\$ -	\$ 45,476
Sale of property (long-term receivable)	125,000	-	125,000
Customer deposits for future services/events	-	256,742	256,742
	\$ 170,476	\$ 256,742	\$ 427,218

3-D. Capital Assets

Capital asset activity of the City's governmental activities was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 755,585	\$ -	\$ -	\$ 755,585
Construction in progress	2,376,396	953,173	(2,750,515)	579,054
	3,131,981	953,173	(2,750,515)	1,334,639
Capital assets, being depreciated:				
Infrastructure	33,180,436	2,750,515	-	35,930,951
Buildings and improvements	5,861,366	266,625	-	6,127,991
Vehicles and equipment	5,972,061	1,507,864	(78,847)	7,401,078
Total capital assets being depreciated	45,013,863	4,525,004	(78,847)	49,460,020
Less accumulated depreciation for:				
Infrastructure	13,595,164	1,719,989	-	15,315,153
Buildings and improvements	2,373,644	208,333	-	2,581,977
Vehicles and equipment	4,693,215	444,156	(78,847)	5,058,524
Total accumulated depreciation	20,662,023	2,372,478	(78,847)	22,955,654
Total capital assets, being depreciated, net	24,351,840	2,152,526	-	26,504,366
Governmental activities capital assets, net	\$ 27,483,821	\$ 3,105,699	\$ (2,750,515)	\$ 27,839,005

City of Ypsilanti, Michigan

Notes To Financial Statements

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

Governmental activities:	
General government	\$ 26,262
Public safety	79,207
Public works	244,480
Highways, streets and bridges	1,511,280
Culture and recreation	95,279
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	415,970
Total depreciation expense - governmental activities	<u><u>\$ 2,372,478</u></u>

Capital asset activity of the City's component units was as follows:

Component Units	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 53,200	\$ -	\$ -	\$ 53,200
Construction in progress	986,146	-	-	986,146
	<u>1,039,346</u>	<u>-</u>	<u>-</u>	<u>1,039,346</u>
Capital assets, being depreciated:				
Buildings and improvements	1,895,572	-	-	1,895,572
Less accumulated depreciation for:				
Buildings and improvements	817,534	197,179	-	1,014,713
	<u>1,078,038</u>	<u>(197,179)</u>	<u>-</u>	<u>880,859</u>
Total capital assets, being depreciated, net				
Component units capital assets, net	<u><u>\$ 2,117,384</u></u>	<u><u>\$ (197,179)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,920,205</u></u>

3-E. Payables

Payables in the governmental activities are 56.5% accrued liabilities, 13.7% property tax refunds, 10.7% interest, 8.8% claims, 8.6% vendors, and 1.7% due to other governments.

City of Ypsilanti, Michigan

Notes To Financial Statements

3-F. Interfund Receivables, Payables and Transfers

Interfund receivables and payables result from the time lag between the dates the goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. At year-end, amounts payable to the general fund were as follows:

Nonmajor governmental funds	\$ 247,157
Internal service funds	<u>15,128</u>
	<u><u>\$ 262,285</u></u>

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. The effect of interfund activity has been eliminated from the government-wide financial statements.

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 651,877
Land revolving fund	52,500	-
Nonmajor governmental funds	946,847	247,806
Internal service funds	-	<u>99,664</u>
	<u><u>\$ 999,347</u></u>	<u><u>\$ 999,347</u></u>

3-G. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

City of Ypsilanti, Michigan

Notes To Financial Statements

3-H. Long-term Debt

Primary Government

General obligation bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. The original amount of general obligation bonds issued in prior years for the items listed below was \$33,070,000. During the year, no new or refunding general obligation bonds were issued.

General obligation bonds are direct obligations that pledge the full faith and credit of the government. These bonds are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2001 Paving Unlimited Tax Bonds	\$ 5,675,000	\$ -	\$ (445,000)	\$ 5,230,000	\$ 470,000
2002 Limited Tax Capital Improvement	320,000	-	(25,000)	295,000	25,000
2003 Unlimited Tax Bonds	6,925,000	-	(440,000)	6,485,000	455,000
2006 Refunding	15,740,000	-	-	15,740,000	-
	\$ 28,660,000	\$ -	\$ (910,000)	\$ 27,750,000	\$ 950,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

	Principal	Interest
2009	\$ 950,000	\$ 1,438,302
2010	995,000	1,403,057
2011	1,325,000	1,364,244
2012	1,420,000	1,306,198
2013	1,530,000	1,241,371
2014-2018	8,635,000	5,011,845
2019-2023	4,400,000	3,325,546
2024-2028	4,825,000	1,831,654
2029-2031	3,670,000	464,070
	\$ 27,750,000	\$ 17,386,287

City of Ypsilanti, Michigan

Notes To Financial Statements

Revenue bonds. The City also issues bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. In this instance, the income is derived from Ypsilanti Community Utilities Authority (*see Joint Venture note*), which manages and operates the related water and wastewater systems. The original amount of revenue bonds issued in prior years for the items listed below was \$49,455,000. During the year, \$297,596 of bonds were issued. Revenue bonds outstanding at year-end are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2001 Water & Sewer System	\$ 1,175,000	\$ -	\$ (30,000)	\$ 1,145,000	\$ 35,000
2002-A Water & Sewer System	1,395,000	-	(40,000)	1,355,000	45,000
2002-B Water & Sewer System (DWRf)	400,000	-	(20,000)	380,000	25,000
2002-C Water & Sewer System	4,755,000	-	(220,000)	4,535,000	230,000
2003-A Water & Sewer System	4,115,000	-	(510,000)	3,605,000	525,000
2003-B Water & Sewer System	1,450,000	-	(30,000)	1,420,000	30,000
2003-C Water & Sewer System (DWRf)	695,000	-	(35,000)	660,000	35,000
2003-D Water & Sewer System (DWRf)	4,665,000	-	(225,000)	4,440,000	230,000
2004-A Water & Sewer System	2,585,000	-	(60,000)	2,525,000	60,000
2004-B Water & Sewer System (DWRf)	5,815,000	-	(270,000)	5,545,000	275,000
2006 Water & Sewer Refunding Bonds	9,895,000	-	-	9,895,000	25,000
2007 Water & Sewer System (DWRf)	-	297,596	(5,000)	292,596	10,000
	<u>\$ 36,945,000</u>	<u>\$ 297,596</u>	<u>\$ (1,445,000)</u>	<u>\$ 35,797,596</u>	<u>\$ 1,525,000</u>

DWRf = Drinking Water Revolving Fund (State of Michigan)

Annual debt service requirements to maturity for revenue bonds are as follows:

	<u>Principal</u>	<u>Interest</u>
2009	\$ 1,525,000	\$ 1,235,794
2010	1,570,000	1,189,120
2011	1,620,000	1,139,597
2012	1,670,000	1,084,810
2013	1,740,000	1,030,588
2014-2018	9,055,000	4,253,448
2019-2023	10,350,000	2,522,751
2024-2028	8,267,596	737,320
	<u>\$ 35,797,596</u>	<u>\$ 13,193,428</u>

City of Ypsilanti, Michigan

Notes To Financial Statements

Installment Obligations. The government has entered into various long-term loan and installment payment agreements. Such obligations outstanding at year-end are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2003 CDBG Loan	\$ 2,750,350	\$ -	\$ -	\$ 2,750,350	\$ -
2000 DPW Office and City Hall	298,958	-	(94,375)	204,583	99,524
Bitmore Agreement	497,500	-	(52,500)	445,000	52,500
	\$ 3,546,808	\$ -	\$ (146,875)	\$ 3,399,933	\$ 152,024

Annual debt service requirements to maturity for installment purchase agreements are as follows:

	Principal	Interest
2009	\$ 152,024	\$ 9,796
2010	647,559	34,306
2011	125,000	54,000
2012	130,000	49,000
2013	140,000	43,800
2014-2018	780,000	131,000
2019	1,425,350	7,000
	\$ 3,399,933	\$ 328,902

Component Units

Component unit general obligation bonds outstanding at June 30, 2008 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
1994 Downtown Development Limited	\$ 435,000	\$ -	\$ (50,000)	\$ 385,000	\$ 50,000
2004-A Downtown Development Limited	960,000	-	(30,000)	930,000	35,000
	\$ 1,395,000	\$ -	\$ (80,000)	\$ 1,315,000	\$ 85,000

City of Ypsilanti, Michigan

Notes To Financial Statements

Annual debt service requirements to maturity for component unit general obligation bonds are as follows:

	Principal	Interest
2009	\$ 85,000	\$ 62,990
2010	95,000	58,615
2011	100,000	53,710
2012	110,000	48,450
2013	125,000	42,708
2014-2018	360,000	138,714
2019-2023	360,000	68,830
2024-2028	80,000	3,680
	\$ 1,315,000	\$ 477,697

Component unit revenue bonds outstanding at June 30, 2008 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2000 Depot Town Downtown Development	\$ 134,269	\$ -	\$ (12,804)	\$ 121,465	\$ 13,462

Annual debt service requirements to maturity for component unit revenue bonds are as follows:

	Principal	Interest
2009	\$ 13,462	\$ 7,052
2010	14,290	6,222
2011	15,192	5,341
2012	16,128	4,417
2013	17,091	3,410
2014-2018	45,302	3,771
	\$ 121,465	\$ 30,213

City of Ypsilanti, Michigan

Notes To Financial Statements

Changes in Long-Term Debt. Long-term debt activity for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Primary Government</u>					
General obligation bonds	\$ 28,660,000	\$ -	\$ (910,000)	\$ 27,750,000	\$ 950,000
Revenue bonds	36,945,000	297,596	(1,445,000)	35,797,596	1,525,000
Installment obligations	3,546,808	-	(146,875)	3,399,933	152,024
Compensated absences	769,518	1,131,756	(973,855)	927,419	315,000
	<u>\$ 69,921,326</u>	<u>\$ 1,429,352</u>	<u>\$ (3,475,730)</u>	<u>\$ 67,874,948</u>	<u>\$2,942,024</u>
<u>Component Units</u>					
General obligation bonds	\$ 1,395,000	\$ -	\$ (80,000)	\$ 1,315,000	\$ 85,000
Revenue bonds	134,269	-	(12,804)	121,465	13,462
Compensated absences	-	3,940	-	3,940	3,940
	<u>\$ 1,529,269</u>	<u>\$ 3,940</u>	<u>\$ (92,804)</u>	<u>\$ 1,440,405</u>	<u>\$ 102,402</u>

Defeased Debt - In prior years, the City defeased certain bonds by placing the proceeds in an irrevocable trust to provide for all future debt service payments on the bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2008, \$22,075,000 of bonds outstanding are considered to be defeased.

3-I. Designated Fund Balance

The City estimates various amounts will be needed from the general fund for various projects and needs during the upcoming fiscal years; accordingly, the following fund balance designations have been recorded in the general fund:

Water Street project bond payments	\$ 2,231,184
Retiree health care benefits	931,360
Other debt service	146,295
Capital projects	305,642
Legal defense	75,000
Transit additional funding	145,000
Other potential costs/refunds	161,514
	<u>\$ 3,995,995</u>

City of Ypsilanti, Michigan

Notes To Financial Statements

NOTE 4 – OTHER INFORMATION

4-A. Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical claims and participates in the Michigan Municipal League Liability and Property Pool for claims relating to property and general liability; the City is self-insured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The City estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported.

Changes in the estimated liability for the past two fiscal years were as follows:

	<u>2008</u>	<u>2007</u>
Estimated liability, beginning of year	\$ 521,000	\$ 567,000
Estimated claims incurred, including changes in estimates	69,057	117,497
Claim payments	<u>(28,057)</u>	<u>(163,497)</u>
Estimated liability, end of year	<u>\$ 562,000</u>	<u>\$ 521,000</u>

4-B. 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 14; as of February 14 of the succeeding year, unpaid real property taxes are sold to and collected by Washtenaw 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. The taxable value of real and personal property in the City for the 2007 levy was \$413,729,543. The government's general operating tax rate for fiscal 2007-08 was 19.0211 mills plus 2.7814 mills for sanitation, 3.3376 mills for streets and 4.4394 mills for police and fire pension.

Property taxes for the component units are derived from tax increment financing agreements with the various applicable taxing authorities. Under these arrangements, the tax increment finance entities receive the property taxes levied on the increment of current taxable values over the base year values on those properties located within the established tax increment financing district.

Property taxes are recognized in the fiscal year in which they are levied.

City of Ypsilanti, Michigan

Notes To Financial Statements

4-C. Postemployment Benefits

The City provides postemployment healthcare benefits to certain retirees and their beneficiaries. The City pays the full cost of coverage for these benefits. Currently, 129 retirees are eligible for these benefits. For the current year, the City made payments for postemployment healthcare benefits of \$780,378.

Beginning with the 2008-09 fiscal year, the City will be required to implement Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid.

In connection with the upcoming reporting change, the City has established a trust to which annual contributions will be made in order to fund future postemployment benefits. The trust was established through the Municipal Employees' Retirement System of Michigan (MERS) retirement health funding vehicle. The City contributed an amount of \$1,380,000 during the year ended June 30, 2007 and \$429,212 during the current year.

4-D. Defined Benefit Pension Plans

Police and Fire Retirement System

The Police and Fire Retirement System is a single-employer defined benefit pension plan that is administered by the City of Ypsilanti Police and Fire Employees' Retirement System (the "System"); this plan covers all full-time police and fire employees of the City. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. The plan issues a publicly available financial report that includes financial statements and required supplementary information of the System. That report may be obtained by writing to the System at One South Huron Street, Ypsilanti, Michigan 48197.

The financial statements of the System are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair values. Administrative costs are financed through investment earnings.

The obligation to contribute to the System for these employees was established by City ordinances and state statute (PA. 345) and requires a contribution from the employees of 10.0% of gross wages. The funding policy provides for periodic employer contributions at actuarially determined rates: the current rate is 21% to 23% of covered payroll.

City of Ypsilanti, Michigan

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The annual required contribution (ARC) for the year ended June 30, 2008 is \$941,417. The ARC was made by the City. There was no net pension obligation at the beginning or the end of the fiscal year. The ARC was determined as part of an actuarial valuation as of June 30, 2007, using the entry age cost method.

Three-Year Trend Information

<u>Years Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2006	\$ 500,602	100%	\$ -
2007	730,106	100%	-
2008	941,417	100%	-

The funded status of the pension portion of the System as of June 30, 2007, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	(1)	\$ 36,211,916	
Actuarial value of assets	(2)	32,056,915	
Unfunded AAL (UAAL)	(3)	<u>\$ 4,155,001</u>	(1) - (2)
Funded ratio	(4)	<u>88.5%</u>	(2) / (1)
Covered payroll	(5)	<u>\$ 3,957,733</u>	
UAAL as % of covered payroll	(6)	<u>105.0%</u>	(2) / (5)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. For purposes of the schedule of funding progress, the actuarial accrued liability value as shown is determined using the entry age actuarial cost method.

The accompanying schedule of employer contributions presents trend information about the amounts contributed to the System by the employer in comparison to the ARC (annual required contribution), an amount that is actuarially determined in accordance with the parameters of GASB Statement 25. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

City of Ypsilanti, Michigan

Notes To Financial Statements

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of June 30, 2007, the date of the latest actuarial valuation using the entry age actuarial cost method, includes:

Amortization method	Level percent-of-payroll
Remaining amortization period	30 year open
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	4.5% to 15.0%
Assume rate of payroll growth	4.5%
Cost-of-living adjustments	None

GASB Statement 25 required supplementary information is presented after the notes to the financial statements section of this report.

Municipal Employees Retirement System of Michigan

The City also participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all full-time employees of the City not eligible for other retirement systems. The MERS provides retirement, disability, and death benefits to plan members and their beneficiaries. The MERS issues a publicly available financial report that includes financial statements and required supplementary information for the MERS. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, MI 48917.

The obligation to contribute to and maintain the MERS for these employees was established by City ordinances and requires a contribution from the employees of 3.0% of the first \$4,200 of annual compensation and 5.0% of compensation over \$4,200.

The City was required to make a contribution to the plan for the year ended June 30, 2008 of \$8,187. This was determined as part of an actuarial valuation at December 31, 2006, using the entry age normal cost method. Significant actuarial assumptions used include: (a) an 8.0% investment rate of return; and (b) projected salary increases of 4.5% to 12.9% per year including 4.5% inflation. Both (a) and (b) are determined using techniques that smooth the effects of short-term volatility over a five-year period.

City of Ypsilanti, Michigan

Notes To Financial Statements

Three-Year Trend Information

<u>Years Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2006	\$ 33,106	100%	\$ -
2007	35,247	100%	-
2008	8,187	100%	-

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Liability (AAL) Entry Age</u>	<u>(b-a) Unfunded AAL (UAAL)</u>	<u>Funded Ratio Total</u>	<u>(c) Covered Payroll</u>	<u>((b-a)/c) UAAL as a Percentage of Covered Payroll</u>
12/31/05	\$16,030,936	\$ 10,301,827	\$(5,729,109)	156%	\$ 2,761,341	-207%
12/31/06	16,815,491	11,271,094	(5,544,397)	149%	2,250,084	-246%
12/31/07	17,454,703	11,905,095	(5,549,608)	147%	2,501,910	-222%

4-E. Joint Venture

The City is a member of the Ypsilanti Community Utilities Authority (YCUA), which provides water and wastewater services to the residents of the City, Ypsilanti Township and other adjacent municipalities. The City appoints two of the five members of the joint venture's governing board. The joint venture does not involve an explicit, measurable equity interest; hence it is not recorded as financial asset in the City's financial statements. Complete financial statements for YCUA can be obtained from the administrative offices at 2777 State Street, Ypsilanti, Michigan.

The City has issued various revenue bonds on behalf of YCUA. Proceeds from the issues are contributed to YCUA for various water and sewer improvements and construction. YCUA reimburses the City annually for debt service payments, with income derived from water and sewer use rates. The City has recorded a lease receivable on its government-wide statement of net assets for the principal balance of the bonds drawn to date by YCUA.

City of Ypsilanti, Michigan

Notes To Financial Statements

4-F. Land Held for Resale

The City is currently involved in a redevelopment project referred to as the Water Street Redevelopment Project. As a part of this project, the City has acquired various parcels of land in the Water Street area and is in the process of preparing them for resale and redevelopment. As of June 30, 2008, the City has acquired numerous parcels, which are recorded as land held for resale. Acquisition costs are capitalized as well as other costs (legal, consulting, etc.) that are attributable and necessary for the project. The investment is valued at the lower of cost or market.

4-G. Restatements

The beginning fund balance of the general fund was increased by \$576,853 to properly account for prior year state shared revenues that were received within sixty days following the end of the previous fiscal year end. Also, the beginning net assets of the governmental activities were decreased by \$49,625,558 to remove the joint venture equity interest which had been inappropriately recorded. (See Note 4-E above.)

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF YPSILANTI, MICHIGAN
Police and Fire Retirement System

Required Supplementary Information

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date <u>December 31,</u>	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Unfunded AAL (Overfunded) (UAAL) (2-1)	(4) Funded Ratio (1/2)	(5) Covered Payroll	(6) UAAL as a % of Covered Payroll (3/5)
2001	\$ 34,479,264	\$ 26,933,083	\$ (7,546,181)	128.0%	\$ 3,813,904	-197.9%
2002	34,970,658	27,899,273	(7,071,385)	125.3%	3,858,409	-183.3%
2003	33,916,996	29,020,485	(4,896,511)	116.9%	4,003,846	-122.3%
2004	32,569,762	31,251,133	(1,318,629)	104.2%	3,891,478	-33.9%
2005	31,180,708	32,774,898	1,594,190	95.1%	4,042,199	39.4%
2006	30,843,790	34,980,132	4,136,342	88.2%	3,996,679	103.5%
2007	32,056,915	36,211,916	4,155,001	88.5%	3,957,733	105.0%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Annual Required Contribution	Annual Actual Contribution	Percentage Contributed
2002	\$ -	\$ -	100.00%
2003	-	-	100.00%
2004	-	-	100.00%
2005	-	-	100.00%
2006	500,602	500,602	100.00%
2007	730,106	730,106	100.00%
2008	941,417	941,417	100.00%

**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

CITY OF YPSILANTI, MICHIGAN
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,259,461	\$ 2,002,002	\$ 3,199,018	\$ 7,460,481
Investments	240,593	-	-	240,593
Accounts receivable	34,924	-	959	35,883
Land held for resale	-	-	209,381	209,381
Special assessments receivable	-	-	12,810	12,810
Due from other governments	202,581	-	1,455	204,036
	<u>269,940</u>	<u>346,295</u>	<u>56,752</u>	<u>672,987</u>
<u>TOTAL ASSETS</u>	<u>\$ 2,737,559</u>	<u>\$ 2,002,002</u>	<u>\$ 3,423,623</u>	<u>\$ 8,163,184</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$ 156,027	\$ -	\$ 1,155	\$ 157,182
Accrued liabilities	30,333	-	-	30,333
Due to other funds	-	245,702	1,455	247,157
Due to other governments	-	-	41,332	41,332
Tax refunds payable	83,580	100,593	-	184,173
Deferred revenue	-	-	12,810	12,810
	<u>269,940</u>	<u>346,295</u>	<u>56,752</u>	<u>672,987</u>
Fund Balances				
Reserved for:				
Land held for resale	-	-	209,381	209,381
Debt service	-	-	2,032,556	2,032,556
Unreserved:				
Designated for subsequent year	609,332	-	-	609,332
Undesignated	1,858,287	1,655,707	1,124,934	4,638,928
	<u>2,467,619</u>	<u>1,655,707</u>	<u>3,366,871</u>	<u>7,490,197</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 2,737,559</u>	<u>\$ 2,002,002</u>	<u>\$ 3,423,623</u>	<u>\$ 8,163,184</u>

CITY OF YPSILANTI, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals</u>
Revenues				
Taxes and special assessments	\$ 1,031,433	\$ 1,285,964	\$ 5,276	\$ 2,322,673
Licenses and permits	9,545	-	55,463	65,008
Intergovernmental	1,637,330	1,284,038	1,612,607	4,533,975
Charges for services	-	-	23,548	23,548
Investment earnings	113,162	4,030	97,299	214,491
Other revenues	130,292	-	41,113	171,405
	<u>2,921,762</u>	<u>2,574,032</u>	<u>1,835,306</u>	<u>7,331,100</u>
Total revenues				
Expenditures				
General government	-	-	87,995	87,995
Public safety	35,838	-	151,884	187,722
Public works	-	-	315,260	315,260
Refuse collection	1,171,953	-	-	1,171,953
Highways, streets and bridges	1,973,109	-	-	1,973,109
Culture and recreation	-	-	118,619	118,619
Community development	50,605	-	1,606	52,211
Debt service:				
Principal	-	1,730,000	719,375	2,449,375
Interest and fiscal charges	-	982,606	1,785,056	2,767,662
	<u>3,231,505</u>	<u>2,712,606</u>	<u>3,179,795</u>	<u>9,123,906</u>
Total expenditures				
Revenues over (under) expenditures	<u>(309,743)</u>	<u>(138,574)</u>	<u>(1,344,489)</u>	<u>(1,792,806)</u>
Other financing sources (uses)				
Issuance of bonds	-	-	297,596	297,596
Transfers in	286,527	37,774	622,546	946,847
Transfers out	(247,806)	-	-	(247,806)
	<u>38,721</u>	<u>37,774</u>	<u>920,142</u>	<u>996,637</u>
Total other financing sources (uses)				
Net changes in fund balances	(271,022)	(100,800)	(424,347)	(796,169)
Fund balances, beginning of year	<u>2,738,641</u>	<u>1,756,507</u>	<u>3,791,218</u>	<u>8,286,366</u>
Fund balances, end of year	<u><u>\$ 2,467,619</u></u>	<u><u>\$ 1,655,707</u></u>	<u><u>\$ 3,366,871</u></u>	<u><u>\$ 7,490,197</u></u>

CITY OF YPSILANTI, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2008

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Garbage and Rubbish Collection</u>	<u>Community Development Block Grant</u>	<u>Police</u>	<u>Total</u>
<u>ASSETS</u>						
Cash and cash equivalents	\$ 613,886	\$ 431,184	\$ 227,630	\$ 45,740	\$ 941,021	\$ 2,259,461
Investments	240,593	-	-	-	-	240,593
Accounts receivable	216	34,140	-	-	568	34,924
Due from other governments	154,698	47,883	-	-	-	202,581
<u>TOTAL ASSETS</u>	<u>\$ 1,009,393</u>	<u>\$ 513,207</u>	<u>\$ 227,630</u>	<u>\$ 45,740</u>	<u>\$ 941,589</u>	<u>\$ 2,737,559</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities						
Accounts payable	\$ 9,532	\$ 2,455	\$ 104,964	\$ 38,913	\$ 163	\$ 156,027
Accrued liabilities	2,524	3,113	5,153	-	19,543	30,333
Tax refunds payable	-	-	83,580	-	-	83,580
Total liabilities	12,056	5,568	193,697	38,913	19,706	269,940
Fund balances						
Unreserved:						
Designated for subsequent year	289,065	247,317	-	-	72,950	609,332
Undesignated	708,272	260,322	33,933	6,827	848,933	1,858,287
Total fund balances	997,337	507,639	33,933	6,827	921,883	2,467,619
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 1,009,393</u>	<u>\$ 513,207</u>	<u>\$ 227,630</u>	<u>\$ 45,740</u>	<u>\$ 941,589</u>	<u>\$ 2,737,559</u>

CITY OF YPSILANTI, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2008

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Garbage and Rubbish Collection</u>	<u>Community Development Block Grant</u>	<u>Police</u>	<u>Total</u>
Revenues						
Taxes and special assessments	\$ -	\$ -	\$ 1,031,433	\$ -	\$ -	\$ 1,031,433
Licenses and permits	6,295	3,250	-	-	-	9,545
Intergovernmental	1,264,194	289,225	3,000	-	80,911	1,637,330
Charges for services	-	-	-	-	-	-
Investment earnings	41,629	15,180	13,834	777	41,742	113,162
Other revenues	65,797	201	24,117	1,250	38,927	130,292
Total revenues	<u>1,377,915</u>	<u>307,856</u>	<u>1,072,384</u>	<u>2,027</u>	<u>161,580</u>	<u>2,921,762</u>
Expenditures						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	35,838	35,838
Public works	-	-	-	-	-	-
Refuse collection	-	-	1,171,953	-	-	1,171,953
Community development	-	-	-	50,605	-	50,605
Highways, streets and bridges	1,557,441	415,668	-	-	-	1,973,109
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>1,557,441</u>	<u>415,668</u>	<u>1,171,953</u>	<u>50,605</u>	<u>35,838</u>	<u>3,231,505</u>
Revenues over (under) expenditure	<u>(179,526)</u>	<u>(107,812)</u>	<u>(99,569)</u>	<u>(48,578)</u>	<u>125,742</u>	<u>(309,743)</u>
Other financing sources (uses)						
Transfers in	4,439	132,424	99,664	50,000	-	286,527
Transfers out	(134,050)	(2,149)	-	-	(111,607)	(247,806)
Total other financing sources (uses)	<u>(129,611)</u>	<u>130,275</u>	<u>99,664</u>	<u>50,000</u>	<u>(111,607)</u>	<u>38,721</u>
Net changes in fund balances	(309,137)	22,463	95	1,422	14,135	(271,022)
Fund balances, beginning of year	1,306,474	485,176	33,838	5,405	907,748	2,738,641
Fund balances, end of year	<u>\$ 997,337</u>	<u>\$ 507,639</u>	<u>\$ 33,933</u>	<u>\$ 6,827</u>	<u>\$ 921,883</u>	<u>\$ 2,467,619</u>

CITY OF YPSILANTI, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Major Streets and Trunkline Fund
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Revenues				
Licenses and permits	\$ 15,000	\$ 20,000	\$ 6,295	\$ (13,705)
Intergovernmental - state	1,024,000	1,282,534	1,264,194	(18,340)
Investment earnings	50,000	31,000	41,629	10,629
Other revenues	-	-	65,797	65,797
	<u>1,089,000</u>	<u>1,333,534</u>	<u>1,377,915</u>	<u>44,381</u>
Expenditures				
Public works:				
Street construction	239,500	865,151	841,970	(23,181)
Routine maintenance	270,961	335,279	308,944	(26,335)
Routine maintenance - bridges	10,000	8,000	7,613	(387)
Traffic services	110,398	73,117	51,714	(21,403)
Winter maintenance	121,800	172,017	141,131	(30,886)
Administration	86,941	58,983	55,399	(3,584)
Trunkline maintenance	102,651	188,247	150,670	(37,577)
	<u>942,251</u>	<u>1,700,794</u>	<u>1,557,441</u>	<u>(143,353)</u>
Revenues (under) expenditures	<u>146,749</u>	<u>(367,260)</u>	<u>(179,526)</u>	<u>187,734</u>
Other financing sources (uses)				
Transfers in	-	-	4,439	4,439
Transfers out	(130,000)	(136,000)	(134,050)	1,950
	<u>(130,000)</u>	<u>(136,000)</u>	<u>(129,611)</u>	<u>6,389</u>
Net changes in fund balance	16,749	(503,260)	(309,137)	194,123
Fund balance, beginning of year	<u>1,306,474</u>	<u>1,306,474</u>	<u>1,306,474</u>	<u>-</u>
Fund balance, end of year	<u><u>\$1,323,223</u></u>	<u><u>\$ 803,214</u></u>	<u><u>\$ 997,337</u></u>	<u><u>\$ 194,123</u></u>

CITY OF YPSILANTI, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Local Streets Fund
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
				<u>Final Budget</u>
Revenues				
Licenses and permits	\$ 12,000	\$ 20,000	\$ 3,250	\$ (16,750)
Intergovernmental - state	291,559	291,559	289,225	(2,334)
Investment earnings	16,000	14,000	15,180	1,180
Other revenues	-	106	201	95
	<u>319,559</u>	<u>325,665</u>	<u>307,856</u>	<u>(17,809)</u>
Expenditures				
Public works:				
Street construction	-	54,954	52,843	(2,111)
Routine maintenance	330,026	307,071	175,184	(131,887)
Traffic services	66,759	34,749	28,123	(6,626)
Winter maintenance	77,326	152,839	126,387	(26,452)
Administration	29,428	32,775	33,131	356
	<u>503,539</u>	<u>582,388</u>	<u>415,668</u>	<u>(166,720)</u>
Revenues (under) expenditures	<u>(183,980)</u>	<u>(256,723)</u>	<u>(107,812)</u>	<u>148,911</u>
Other financing sources (uses)				
Transfers in	130,000	130,000	132,424	2,424
Transfers out	-	(2,500)	(2,149)	351
	<u>130,000</u>	<u>127,500</u>	<u>130,275</u>	<u>2,775</u>
Net changes in fund balance	(53,980)	(129,223)	22,463	151,686
Fund balance, beginning of year	<u>485,176</u>	<u>485,176</u>	<u>485,176</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 431,196</u></u>	<u><u>\$ 355,953</u></u>	<u><u>\$ 507,639</u></u>	<u><u>\$ 151,686</u></u>

CITY OF YPSILANTI, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Garbage and Rubbish Fund
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Revenues				
Taxes and special assessments	\$ 1,103,952	\$ 1,028,279	\$ 1,031,433	\$ 3,154
Intergovernmental	-	3,000	3,000	-
Investment earnings	7,500	13,000	13,834	834
Other revenues	11,000	18,600	24,117	5,517
Total revenues	1,122,452	1,062,879	1,072,384	9,505
Expenditures				
Refuse collection	1,122,452	1,205,461	1,171,953	(33,508)
Revenues (under) expenditures	-	(142,582)	(99,569)	43,013
Other financing sources				
Transfers in	-	142,582	99,664	(42,918)
Net changes in fund balance	-	-	95	95
Fund balance, beginning of year	33,838	33,838	33,838	-
Fund balance, end of year	<u>\$ 33,838</u>	<u>\$ 33,838</u>	<u>\$ 33,933</u>	<u>\$ 95</u>

CITY OF YPSILANTI, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Community Development Block Grant (CDBG) Fund
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Revenues				
Intergovernmental	\$ 345,902	\$ -	\$ -	\$ -
Investment earnings	50	700	777	77
Other revenues	-	1,250	1,250	-
	<u>345,952</u>	<u>1,950</u>	<u>2,027</u>	<u>77</u>
Expenditures				
Community development	<u>50,000</u>	<u>50,000</u>	<u>50,605</u>	<u>605</u>
Revenues (under) expenditures	<u>295,952</u>	<u>(48,050)</u>	<u>(48,578)</u>	<u>(528)</u>
Other financing sources (uses)				
Transfers in	50,000	50,000	50,000	-
Transfers out	<u>(345,902)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other sources (uses)	<u>(295,902)</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net changes in fund balance	50	1,950	1,422	(528)
Fund balance, beginning of year	<u>5,405</u>	<u>5,405</u>	<u>5,405</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 5,455</u></u>	<u><u>\$ 7,355</u></u>	<u><u>\$ 6,827</u></u>	<u><u>\$ (528)</u></u>

CITY OF YPSILANTI, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Police Fund
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
				<u>Final Budget</u>
Revenues				
Intergovernmental	\$ 60,000	\$ 68,000	\$ 80,911	\$ 12,911
Investment earnings	25,200	37,415	41,742	4,327
Other revenues	10,000	22,000	38,927	16,927
	<u>95,200</u>	<u>127,415</u>	<u>161,580</u>	<u>34,165</u>
Expenditures				
Public safety	<u>36,500</u>	<u>37,812</u>	<u>35,838</u>	<u>(1,974)</u>
Revenues over expenditures	58,700	89,603	125,742	36,139
Other financing uses				
Transfers out	<u>(224,822)</u>	<u>(131,422)</u>	<u>(111,607)</u>	<u>19,815</u>
Net changes in fund balance	(166,122)	(41,819)	14,135	55,954
Fund balance, beginning of year	<u>907,748</u>	<u>907,748</u>	<u>907,748</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 741,626</u></u>	<u><u>\$ 865,929</u></u>	<u><u>\$ 921,883</u></u>	<u><u>\$ 55,954</u></u>

CITY OF YPSILANTI, MICHIGAN
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2008

	<u>2001 General Obligation Roads</u>	<u>2001 Revenue Bonds</u>	<u>2002-A Revenue Bonds</u>	<u>2002 General Obligation Bonds</u>	<u>2002-B Revenue Bonds</u>	<u>2002-C Revenue Bonds</u>	<u>Water Supply and Sewer Refunding</u>	<u>2003 Unlimited Tax Bonds</u>	<u>Total</u>
<u>ASSETS</u>									
Cash and cash equivalents	\$ 130,302	\$ 381,117	\$ 434,594	\$ -	\$ 44,395	\$ 602,758	\$ 281,466	\$ 127,370	\$ 2,002,002
<u>LIABILITIES AND FUND BALANCES</u>									
Liabilities									
Due to other funds	\$ 117,130	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,572	\$ 245,702
Tax refunds payable	49,739	-	-	-	-	-	-	50,854	100,593
Total liabilities	166,869	-	-	-	-	-	-	179,426	346,295
Fund balances (deficits)									
Unreserved, undesignated	(36,567)	381,117	434,594	-	44,395	602,758	281,466	(52,056)	1,655,707
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 130,302</u>	<u>\$ 381,117</u>	<u>\$ 434,594</u>	<u>\$ -</u>	<u>\$ 44,395</u>	<u>\$ 602,758</u>	<u>\$ 281,466</u>	<u>\$ 127,370</u>	<u>\$ 2,002,002</u>

CITY OF YPSILANTI, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Debt Service Funds
For the Year Ended June 30, 2008

	2001 General Obligation Roads	2001 Revenue Bonds	2002-A Revenue Bonds	2002 General Obligation Bonds	2002-B Revenue Bonds	2002-C Revenue Bonds	Water Supply and Sewer Refunding	2003 Unlimited Tax Bonds	Total
Revenues									
Taxes and special assessments	\$ 636,173	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 649,791	\$ 1,285,964
Intergovernmental	-	84,190	104,413	-	29,750	419,700	645,985	-	1,284,038
Investment earnings	2,206	-	-	-	-	-	-	1,824	4,030
Total revenues	638,379	84,190	104,413	-	29,750	419,700	645,985	651,615	2,574,032
Expenditures									
Debt service:									
Principal	445,000	30,000	40,000	25,000	20,000	220,000	510,000	440,000	1,730,000
Interest and fiscal charges	242,925	54,190	64,413	12,774	9,750	199,700	135,985	262,869	982,606
Total expenditures	687,925	84,190	104,413	37,774	29,750	419,700	645,985	702,869	2,712,606
Revenues under expenditures	(49,546)	-	-	(37,774)	-	-	-	(51,254)	(138,574)
Other financing sources									
Transfers in	-	-	-	37,774	-	-	-	-	37,774
Net changes in fund balances	(49,546)	-	-	-	-	-	-	(51,254)	(100,800)
Fund balances (deficits), beginning of year	12,979	381,117	434,594	-	44,395	602,758	281,466	(802)	1,756,507
Fund balances (deficits), end of year	\$ (36,567)	\$ 381,117	\$ 434,594	\$ -	\$ 44,395	\$ 602,758	\$ 281,466	\$ (52,056)	\$ 1,655,707

CITY OF YPSILANTI, MICHIGAN
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2008

	<u>Capital Improvement Reserve</u>	<u>Sidewalk Improvement</u>	<u>2002 General Obligation Capital Improvements</u>	<u>2003-D Water Supply and Sewer</u>	<u>2004-A Water Bonds</u>	<u>2004-B Water and Sewer</u>	<u>2003 General Obligation Improvement Bonds</u>
<u>ASSETS</u>							
Cash and cash equivalents	\$ 411,953	\$ 286,595	\$ -	\$ 338,926	\$ 162,583	\$ 345,272	\$ -
Accounts receivable	-	107	-	-	-	-	-
Land held for resale	-	-	44,520	-	-	-	84,445
Special assessments receivable	-	12,810	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
<u>TOTAL ASSETS</u>	<u>\$ 411,953</u>	<u>\$ 299,512</u>	<u>\$ 44,520</u>	<u>\$ 338,926</u>	<u>\$ 162,583</u>	<u>\$ 345,272</u>	<u>\$ 84,445</u>
 <u>LIABILITIES AND FUND BALANCES</u>							
Liabilities							
Accounts payable	\$ 1,155	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-
Deferred revenue	-	12,810	-	-	-	-	-
	<u>1,155</u>	<u>12,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficit)							
Reserved for land held for resale	-	-	44,520	-	-	-	84,445
Reserved for debt service	-	-	-	338,926	162,583	345,272	-
Unreserved, undesignated	410,798	286,702	-	-	-	-	-
Total fund balances	<u>410,798</u>	<u>286,702</u>	<u>44,520</u>	<u>338,926</u>	<u>162,583</u>	<u>345,272</u>	<u>84,445</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 411,953</u>	<u>\$ 299,512</u>	<u>\$ 44,520</u>	<u>\$ 338,926</u>	<u>\$ 162,583</u>	<u>\$ 345,272</u>	<u>\$ 84,445</u>

<u>2003-B</u> <u>Water</u> <u>and Sewer</u>	<u>2003-C</u> <u>Water</u> <u>and Sewer</u>	<u>2002-A</u> <u>Water</u> <u>Bonds</u>	<u>2004-A</u> <u>General</u> <u>Obligation</u>	<u>2006</u> <u>General</u> <u>Obligation</u>	<u>2006</u> <u>Water and</u> <u>Sewer</u> <u>Refunding</u>	<u>2007</u> <u>Water and</u> <u>Sewer</u> <u>DWRF</u>	<u>2008</u> <u>Water and</u> <u>Sewer</u> <u>DWRF</u>	<u>Totals</u>
\$ 87,162	\$ 50,199	\$ -	\$ -	\$ 1,516,328	\$ -	\$ -	\$ -	\$ 3,199,018
-	-	-	-	852	-	-	-	959
-	-	-	80,416	-	-	-	-	209,381
-	-	-	-	-	-	-	-	12,810
-	-	-	-	-	-	-	1,455	1,455
<u>\$ 87,162</u>	<u>\$ 50,199</u>	<u>\$ -</u>	<u>\$ 80,416</u>	<u>\$ 1,517,180</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,455</u>	<u>\$ 3,423,623</u>

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,155
-	-	-	-	-	-	-	1,455	1,455
-	1,106	-	-	-	-	-	40,226	41,332
-	-	-	-	-	-	-	-	12,810
-	1,106	-	-	-	-	-	41,681	56,752
-	-	-	80,416	-	-	-	-	209,381
87,162	49,093	-	-	1,049,520	-	-	-	2,032,556
-	-	-	-	467,660	-	-	(40,226)	1,124,934
87,162	49,093	-	80,416	1,517,180	-	-	(40,226)	3,366,871
<u>\$ 87,162</u>	<u>\$ 50,199</u>	<u>\$ -</u>	<u>\$ 80,416</u>	<u>\$ 1,517,180</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,455</u>	<u>\$ 3,423,623</u>

CITY OF YPSILANTI, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Capital Projects Funds
For the Year Ended June 30, 2008

	Capital Improvement Reserve	Sidewalk Improvement	2002 General Obligation Capital Improvements	2003-D Water Supply and Sewer	2004-A Water Bonds	2004-B Water and Sewer	2003 General Obligation Improvement Bonds
Revenues							
Taxes and special assessments	\$ -	\$ 5,276	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	55,463	-	-	-	-	-
Intergovernmental	9,696	-	-	406,598	163,940	477,018	-
Charges for services	-	23,548	-	-	-	-	-
Investment earnings	8,295	9,709	-	-	-	-	-
Other revenues	41,113	-	-	-	-	-	-
Total revenues	59,104	93,996	-	406,598	163,940	477,018	-
Expenditures							
General government	87,995	-	-	-	-	-	-
Public safety	151,884	-	-	-	-	-	-
Public works	13,222	44,879	-	-	-	732	-
Culture and recreation	118,619	-	-	-	-	-	-
Community development	1,606	-	-	-	-	-	-
Debt service:							
Principal	94,375	-	-	225,000	60,000	270,000	-
Interest and fiscal charges	14,990	-	-	113,813	103,940	120,700	-
Total expenditures	482,691	44,879	-	338,813	163,940	391,432	-
Revenues over (under) expenditures	(423,587)	49,117	-	67,785	-	85,586	-
Other financing sources (uses)							
Issuance of bonds	-	-	-	-	-	-	-
Transfers in	372,546	-	-	-	-	-	-
Total other financing sources (uses)	372,546	-	-	-	-	-	-
Net changes in fund balances	(51,041)	49,117	-	67,785	-	85,586	-
Fund balances (deficit), beginning of year	461,839	237,585	44,520	271,141	162,583	259,686	84,445
Fund balances (deficit), end of year	\$ 410,798	\$ 286,702	\$ 44,520	\$ 338,926	\$ 162,583	\$ 345,272	\$ 84,445

2003-B Water and Sewer	2003-C Water and Sewer	2002-A Water Bonds	2004-A General Obligation	2006 General Obligation	2006 Water and Sewer Refunding	2007 Water and Sewer DWRP	2008 Water and Sewer DWRP	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,276
-	-	-	-	-	-	-	-	55,463
85,588	61,977	-	-	-	400,265	6,070	1,455	1,612,607
-	-	-	-	-	-	-	-	23,548
-	-	-	-	79,295	-	-	-	97,299
-	-	-	-	-	-	-	-	41,113
<u>85,588</u>	<u>61,977</u>	<u>-</u>	<u>-</u>	<u>79,295</u>	<u>400,265</u>	<u>6,070</u>	<u>1,455</u>	<u>1,835,306</u>
-	-	-	-	-	-	-	-	87,995
-	-	-	-	-	-	-	-	151,884
-	1,105	-	-	-	-	215,096	40,226	315,260
-	-	-	-	-	-	-	-	118,619
-	-	-	-	-	-	-	-	1,606
30,000	35,000	-	-	-	-	5,000	-	719,375
<u>55,588</u>	<u>16,938</u>	<u>-</u>	<u>-</u>	<u>953,260</u>	<u>403,302</u>	<u>1,070</u>	<u>1,455</u>	<u>1,785,056</u>
<u>85,588</u>	<u>53,043</u>	<u>-</u>	<u>-</u>	<u>953,260</u>	<u>403,302</u>	<u>221,166</u>	<u>41,681</u>	<u>3,179,795</u>
<u>-</u>	<u>8,934</u>	<u>-</u>	<u>-</u>	<u>(873,965)</u>	<u>(3,037)</u>	<u>(215,096)</u>	<u>(40,226)</u>	<u>(1,344,489)</u>
-	-	-	-	-	-	297,596	-	297,596
-	-	-	-	250,000	-	-	-	622,546
-	-	-	-	250,000	-	297,596	-	920,142
-	8,934	-	-	(623,965)	(3,037)	82,500	(40,226)	(424,347)
<u>87,162</u>	<u>40,159</u>	<u>-</u>	<u>80,416</u>	<u>2,141,145</u>	<u>3,037</u>	<u>(82,500)</u>	<u>-</u>	<u>3,791,218</u>
<u>\$ 87,162</u>	<u>\$ 49,093</u>	<u>\$ -</u>	<u>\$ 80,416</u>	<u>\$1,517,180</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (40,226)</u>	<u>\$ 3,366,871</u>

CITY OF YPSILANTI, MICHIGAN
Statement of Net Assets
Internal Service Funds
June 30, 2008

	<u>Motor Pool</u>	<u>Workers' Compensation</u>	<u>Retiree Benefits</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,546,668	\$ 425,862	\$ 337,146	\$ 3,309,676
Investments	804,043	647,751	-	1,451,794
Accounts receivable	2,528	107	-	2,635
Inventory	42,429	-	-	42,429
Prepaid items	-	-	34,566	34,566
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	3,395,668	1,073,720	371,712	4,841,100
Noncurrent assets - capital assets, net	<hr/>	<hr/>	<hr/>	<hr/>
	2,127,116	-	-	2,127,116
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	5,522,784	1,073,720	371,712	6,968,216
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	11,043	6,828	157,601	175,472
Due to other funds	15,128	-	-	15,128
Current portion of claims payable	-	224,800	-	224,800
	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	26,171	231,628	157,601	415,400
Noncurrent liabilities - claims payable, net	<hr/>	<hr/>	<hr/>	<hr/>
	-	337,200	-	337,200
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	26,171	568,828	157,601	752,600
Net Assets				
Invested in capital assets	2,127,116	-	-	2,127,116
Unrestricted	<hr/>	<hr/>	<hr/>	<hr/>
	3,369,497	504,892	214,111	4,088,500
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets	<u>\$ 5,496,613</u>	<u>\$ 504,892</u>	<u>\$ 214,111</u>	<u>\$ 6,215,616</u>

CITY OF YPSILANTI, MICHIGAN
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2008

	<u>Motor Pool</u>	<u>Workers' Compensation</u>	<u>Retiree Benefits</u>	<u>Total</u>
Operating revenues				
Charges for services	\$ 1,129,919	\$ 193,997	\$ 1,295,918	\$ 2,619,834
Operating expenses				
Salaries, taxes and benefits	146,468	17,703	-	164,171
Gas, oil and fuel	129,026	-	-	129,026
Depreciation	415,970	-	-	415,970
Operation and maintenance	130,102	4,206	-	134,308
Contractual services and fees	125,980	75,224	-	201,204
Insurance and other	81,587	-	-	81,587
Benefits and claims	-	74,743	1,209,592	1,284,335
Total operating expenses	<u>1,029,133</u>	<u>171,876</u>	<u>1,209,592</u>	<u>2,410,601</u>
Operating income	<u>100,786</u>	<u>22,121</u>	<u>86,326</u>	<u>209,233</u>
Nonoperating revenues				
Intergovernmental grant	607,500	-	-	607,500
Investment income	328,353	159,939	14,614	502,906
Gain on sale of equipment	7,419	-	-	7,419
Total nonoperating revenues	<u>943,272</u>	<u>159,939</u>	<u>14,614</u>	<u>1,117,825</u>
Income (loss) before transfers	1,044,058	182,060	100,940	1,327,058
Transfers out	<u>(99,664)</u>	<u>-</u>	<u>-</u>	<u>(99,664)</u>
Change in net assets	944,394	182,060	100,940	1,227,394
Net assets, beginning of year	<u>4,552,219</u>	<u>322,832</u>	<u>113,171</u>	<u>4,988,222</u>
Net assets, end of year	<u>\$ 5,496,613</u>	<u>\$ 504,892</u>	<u>\$ 214,111</u>	<u>\$ 6,215,616</u>

CITY OF YPSILANTI, MICHIGAN
Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2008

	<u>Motor Pool</u>	<u>Workers' Compensation</u>	<u>Retiree Benefits</u>	<u>Total</u>
Cash flows from operating activities				
Cash received from interfund services	\$ 1,127,391	\$ 193,890	\$ 1,295,918	\$ 2,617,199
Cash payments to employees	(146,468)	(17,703)	-	(164,171)
Cash payments for claims	-	(33,743)	(1,209,592)	(1,243,335)
Cash payments to suppliers for goods and services	(474,874)	(84,137)	177,638	(381,373)
Net cash provided by operating activities	<u>506,049</u>	<u>58,307</u>	<u>263,964</u>	<u>828,320</u>
Cash flows from non-capital financing activities				
Transfer to other funds	(99,664)	-	-	(99,664)
Cash flows from capital and related financing activities				
Purchase of capital assets	(1,392,025)	-	-	(1,392,025)
Intergovernmental revenue	607,500	-	-	607,500
Proceeds from sale of capital assets	7,419	-	-	7,419
Net cash used by capital and related financing activities	<u>(777,106)</u>	<u>-</u>	<u>-</u>	<u>(777,106)</u>
Cash flows from investing activities				
Proceeds from matured investments	1,699,725	709,266	-	2,408,991
Purchase of investments	-	(647,751)	-	(647,751)
Investment income	328,353	159,939	14,614	502,906
Net cash provided by investing activities	<u>2,028,078</u>	<u>221,454</u>	<u>14,614</u>	<u>2,264,146</u>
Net increase in cash and cash equivalents	1,657,357	279,761	278,578	2,215,696
Cash and cash equivalents, beginning of year	889,311	146,101	58,568	1,093,980
Cash and cash equivalents, end of year	<u>\$ 2,546,668</u>	<u>\$ 425,862</u>	<u>\$ 337,146</u>	<u>\$ 3,309,676</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 100,786	\$ 22,121	\$ 86,326	\$ 209,233
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation	415,970	-	-	415,970
Changes in assets and liabilities:				
Accounts receivable	(2,528)	(107)	-	(2,635)
Inventory	(20,217)	-	-	(20,217)
Prepaid items	5,214	-	26,511	31,725
Accounts payable and accrued liabilities	(8,304)	(4,707)	151,127	138,116
Due to other funds	15,128	-	-	15,128
Claims payable	-	41,000	-	41,000
Net cash provided by operating activities	<u>\$ 506,049</u>	<u>\$ 58,307</u>	<u>\$ 263,964</u>	<u>\$ 828,320</u>

CITY OF YPSILANTI, MICHIGAN
Statement of Net Assets and
Governmental Funds Balance Sheet
Downtown Development Authority Component Unit
June 30, 2008

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets					
Cash and cash equivalents	\$ 422,372	\$ 25,349	\$ 447,721	\$ -	\$ 447,721
Accounts receivable	142	-	142	-	142
Due from other governments	39,051	86,524	125,575	-	125,575
Prepaid items	1,066	-	1,066	-	1,066
Capital assets not being depreciated	-	-	-	986,146	986,146
Capital assets being depreciated, net	-	-	-	765,359	765,359
Total assets	<u>\$ 462,631</u>	<u>\$ 111,873</u>	<u>\$ 574,504</u>	<u>1,751,505</u>	<u>2,326,009</u>
Liabilities					
Accounts payable / accrued liabilities	\$ 44,631	\$ -	\$ 44,631	-	44,631
Accrued liabilities	5,369	-	5,369	-	5,369
Due to other governments	70,190	-	70,190	-	70,190
Unearned revenue	-	16,699	16,699	-	16,699
Long-term liabilities:					
Due within one year	-	-	-	85,000	85,000
Due in more than one year	-	-	-	1,233,940	1,233,940
Total liabilities	120,190	16,699	136,889	1,318,940	1,455,829
Fund balances / net assets					
Unreserved, undesignated	<u>342,441</u>	<u>95,174</u>	<u>437,615</u>	<u>(437,615)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 462,631</u>	<u>\$ 111,873</u>	<u>\$ 574,504</u>		
Net assets:					
Invested in capital assets, net of related debt				432,565	432,565
Restricted for capital projects				95,174	95,174
Unrestricted				<u>342,441</u>	<u>342,441</u>
Total net assets (deficit)				<u>\$ 870,180</u>	<u>\$ 870,180</u>

CITY OF YPSILANTI, MICHIGAN
Statement of Activities and
Governmental Fund Revenues, Expenditures
and Changes in Fund Balance
Downtown Development Authority Component Unit
For the Year Ended June 30, 2008

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/expenses					
Community development	\$ 247,982	\$ 2,100	\$ 250,082	\$ 190,619	\$ 440,701
Debt service:					
Principal	50,000	30,000	80,000	(80,000)	-
Interest and fiscal charges	27,913	39,826	67,739	-	67,739
Total expenditures/expenses	<u>325,895</u>	<u>71,926</u>	<u>397,821</u>	<u>110,619</u>	<u>508,440</u>
Program revenues					
Operating grants and contributions	52,102	-	52,102	-	52,102
Capital grants and contributions	-	-	-	-	-
Total program revenues	<u>52,102</u>	<u>-</u>	<u>52,102</u>	<u>-</u>	<u>52,102</u>
Net program (expense) revenue	<u>(273,793)</u>	<u>(71,926)</u>	<u>(345,719)</u>	<u>(110,619)</u>	<u>(456,338)</u>
General revenues					
Property taxes	354,175	-	354,175	-	354,175
Investment earnings	12,802	1,952	14,754	-	14,754
Total general revenues	<u>366,977</u>	<u>1,952</u>	<u>368,929</u>	<u>-</u>	<u>368,929</u>
Excess of general revenues over (under) expenditures/expenses	<u>93,184</u>	<u>(69,974)</u>	<u>23,210</u>	<u>(110,619)</u>	<u>(87,409)</u>
Other financing sources (uses)					
Transfers in	-	69,825	69,825	(69,825)	-
Transfers out	(69,825)	-	(69,825)	69,825	-
Total other financing sources (uses)	<u>(69,825)</u>	<u>69,825</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	23,359	(149)	23,210	(23,210)	-
Change in net assets	-	-	-	(87,409)	(87,409)
Fund balance/net assets, beginning of year	<u>319,082</u>	<u>95,323</u>	<u>414,405</u>	<u>543,184</u>	<u>957,589</u>
Fund balance/net assets, end of year	<u>\$ 342,441</u>	<u>\$ 95,174</u>	<u>\$ 437,615</u>	<u>\$ 432,565</u>	<u>\$ 870,180</u>

CITY OF YPSILANTI, MICHIGAN
Statement of Net Assets and
Governmental Funds Balance Sheet
Depot Town Downtown Development Authority Component Unit
June 30, 2008

	<u>Special Revenue Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets			
Cash and cash equivalents	\$ 260,802	\$ -	\$ 260,802
Accounts receivable	71	-	71
Capital assets being depreciated, net	-	115,500	115,500
Total assets	<u>\$ 260,873</u>	<u>115,500</u>	<u>376,373</u>
Liabilities			
Accounts payable / accrued liabilities	\$ 1,106	-	1,106
Due to other governments	11,860	-	11,860
Long-term liabilities:			
Due within one year	-	17,402	17,402
Due in more than one year	-	104,063	104,063
Total liabilities	12,966	121,465	134,431
Fund balances / net assets			
Unreserved, undesignated	<u>247,907</u>	<u>(247,907)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 260,873</u>		
Net assets (deficit):			
Invested in capital assets, net of related debt		(5,965)	(5,965)
Unrestricted		<u>247,907</u>	<u>247,907</u>
Total net assets		<u>\$ 241,942</u>	<u>\$ 241,942</u>

CITY OF YPSILANTI, MICHIGAN
Statement of Activities and
Governmental Fund Revenues, Expenditures
and Changes in Fund Balance
Depot Town Downtown Development Authority Component Unit
For the Year Ended June 30, 2008

	<u>Special Revenue Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/expenses			
Community development	\$ 38,333	\$ 10,500	\$ 48,833
Debt service:			
Principal	12,804	(12,804)	-
Interest and fiscal charges	7,708	-	7,708
	<u>58,845</u>	<u>(2,304)</u>	<u>56,541</u>
General revenues			
Property taxes	137,962	-	137,962
Investment earnings	7,859	-	7,859
	<u>145,821</u>	<u>-</u>	<u>145,821</u>
Net changes in fund balances	86,976	(86,976)	-
Change in net assets	-	89,280	89,280
Fund balance/net assets, beginning of year	<u>160,931</u>	<u>(8,269)</u>	<u>152,662</u>
Fund balance/net assets, end of year	<u><u>\$ 247,907</u></u>	<u><u>\$ (5,965)</u></u>	<u><u>\$ 241,942</u></u>

CITY OF YPSILANTI, MICHIGAN
Statement of Net Assets and
Governmental Funds Balance Sheet
Economic Development Corporation
June 30, 2008

	Special Revenue Fund	Adjustments	Statement of Net Assets
Assets			
Cash and cash equivalents	\$ 194,075	\$ -	\$ 194,075
Capital assets not being depreciated	-	53,200	53,200
	Total assets	53,200	247,275
 Liabilities			
Due to other governments	\$ 72,164	-	72,164
 Fund balances / net assets			
Unreserved, undesignated	121,911	(121,911)	-
	Total liabilities and fund balances	194,075	
 Net assets (deficit):			
Invested in capital assets		53,200	53,200
Unrestricted		121,911	121,911
	Total net assets	175,111	175,111

CITY OF YPSILANTI, MICHIGAN
Statement of Activities and
Governmental Fund Revenues, Expenditures
and Changes in Fund Balance
Economic Development Corporation
For the Year Ended June 30, 2008

	<u>Special Revenue Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/expenses			
Community development	\$ 2,227	\$ -	\$ 2,227
General revenues			
Investment earnings	<u>7,530</u>	<u>-</u>	<u>7,530</u>
Net changes in fund balances	5,303	(5,303)	-
Change in net assets	-	5,303	5,303
Fund balance/net assets, beginning of year	<u>116,608</u>	<u>53,200</u>	<u>169,808</u>
Fund balance/net assets, end of year	<u>\$ 121,911</u>	<u>\$ 53,200</u>	<u>\$ 175,111</u>

CITY OF YPSILANTI, MICHIGAN
Statement of Net Assets and
Governmental Funds Balance Sheet
Brownfield Redevelopment Authority Component Unit
June 30, 2008

	<u>Special Revenue Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets			
Cash and cash equivalents	\$ 619,980	\$ -	\$ 619,980
Liabilities			
Accounts payable / accrued liabilities	\$ 590,295	-	590,295
Unearned revenue	15,300	-	15,300
Total liabilities	605,595	-	605,595
Fund balances / net assets			
Unreserved, undesignated	14,385	(14,385)	-
Total liabilities and fund balances	<u>\$ 619,980</u>		
Unrestricted net assets		<u>\$ 14,385</u>	<u>\$ 14,385</u>

CITY OF YPSILANTI, MICHIGAN
Statement of Activities and
Governmental Fund Revenues, Expenditures
and Changes in Fund Balance
Brownfield Redevelopment Authority Component Unit
For the Year Ended June 30, 2008

	<u>Special Revenue Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/expenses			
Community development	\$ 599,777	\$ -	\$ 599,777
General revenues			
Property taxes	599,777	-	599,777
Investment earnings	4,918	-	4,918
Total general revenues	604,695	-	604,695
Net changes in fund balances	4,918	(4,918)	-
Change in net assets	-	4,918	4,918
Fund balance/net assets, beginning of year	9,467	-	9,467
Fund balance/net assets, end of year	<u>\$ 14,385</u>	<u>\$ -</u>	<u>\$ 14,385</u>

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Ypsilanti's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health

Contents	Page
Financial Trends (schedules 1 thru 4)	81
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity (schedules 5 thru 8)	87
<i>These schedules contain information to help the reader assess the government's most significant local revenue sources: property taxes and water and wastewater usage fees.</i>	
Debt Capacity (schedules 9 thru 12)	91
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information (schedules 13 and 14)	95
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information (schedules 15 thru 18)	97
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF YPSILANTI, MICHIGAN
Net Assets by Component (A)
Last Six Fiscal Years
(accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities						
Invested in capital assets, net of related debt	\$ 1,188,191	\$ 1,901,299	\$ 1,125,536	\$ 12,857,112	\$ 15,049,123	\$ 15,179,422
Restricted	12,304,472	6,247,200	6,452,591	9,093,066	7,108,155	10,909,451
Unrestricted (deficit)	<u>4,314,607</u>	<u>430,852</u>	<u>5,570,379</u>	<u>(10,295,576)</u>	<u>(7,045,772)</u>	<u>(9,406,528)</u>
Total governmental activities net assets	<u>\$ 17,807,270</u>	<u>\$ 8,579,351</u>	<u>\$ 13,148,506</u>	<u>\$ 11,654,602</u>	<u>\$ 15,111,506</u>	<u>\$ 16,682,345</u>

(A) - City of Ypsilanti implemented GASB Statement No. 34 as of and for the year ended June 30, 2003. Accordingly, data prior to 2003 is not available.

Source: City of Ypsilanti Finance Department

CITY OF YPSILANTI, MICHIGAN
Changes in Net Assets - Governmental Activities
Last Six Fiscal Years (A)
(accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses						
General government	\$ 1,581,277	\$ 1,419,098	\$ 1,532,445	\$ 1,679,364	\$ 2,021,481	\$ 2,212,245
Public safety	6,583,816	7,429,566	7,251,128	8,185,587	9,601,958	9,618,481
Public works	6,864,588	7,794,953	2,092,229	6,423,905	4,470,462	2,084,186
Highways, streets, and bridges	617,387	2,102,452	1,921,935	1,736,108	2,022,071	2,562,769
Culture and recreation	1,012,428	1,208,152	1,250,186	1,013,582	784,039	570,113
Community development	569,456	825,539	878,517	439,851	415,116	340,815
Interest on long-term debt	1,612,540	2,583,923	2,958,920	2,866,288	2,514,514	2,834,154
Total expenses	<u>18,841,492</u>	<u>23,363,683</u>	<u>17,885,360</u>	<u>22,344,685</u>	<u>21,829,641</u>	<u>20,222,763</u>
Program revenues						
Charges for services:						
General government	354,671	472,612	450,699	462,082	544,717	1,097,252
Public safety	649,394	572,581	420,034	570,059	499,197	720,555
Public works	456,297	586,563	714,187	538,989	516,539	-
Culture and recreation	60,668	51,059	115,362	138,705	87,033	-
Community development	-	-	-	-	-	1,250
Operating grants and contributions	3,161,931	2,504,507	2,794,375	2,433,593	2,878,483	3,504,349
Capital grants and contributions	2,249,767	4,420,907	3,727,652	3,087,106	4,891,245	672,269
Total program revenues	<u>6,932,728</u>	<u>8,608,229</u>	<u>8,222,309</u>	<u>7,230,534</u>	<u>9,417,214</u>	<u>5,995,675</u>
Net (expense) / revenue	<u>(11,908,764)</u>	<u>(14,755,454)</u>	<u>(9,663,051)</u>	<u>(15,114,151)</u>	<u>(12,412,427)</u>	<u>(14,227,088)</u>
General revenues						
Property taxes	9,196,969	9,629,815	9,735,731	10,560,479	11,310,693	11,503,422
Unrestricted grants and contributions	3,841,320	3,489,839	3,375,034	3,338,792	3,276,430	3,070,879
Unrestricted investment earnings	456,872	161,630	1,121,441	(284,207)	1,118,294	1,223,621
Other general revenues	27,739	34,650	-	5,183	163,914	-
Total general revenues	<u>13,522,900</u>	<u>13,315,934</u>	<u>14,232,206</u>	<u>13,620,247</u>	<u>15,869,331</u>	<u>15,797,922</u>
Special item						
Change in fair value of land held for resale	-	(7,788,399)	-	-	-	-
Change in net assets	<u>\$ 1,614,136</u>	<u>\$ (9,227,919)</u>	<u>\$ 4,569,155</u>	<u>\$ (1,493,904)</u>	<u>\$ 3,456,904</u>	<u>\$ 1,570,834</u>

(A) - City of Ypsilanti implemented GASB Statement No. 34 as of and for the year ended June 30, 2003. Accordingly, data prior to 2003 is not available.

Source: City of Ypsilanti Finance Department

CITY OF YPSILANTI, MICHIGAN
Fund Balances - Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
General fund					
Reserved	\$ 125,795	\$ 127,851	\$ 119,949	\$ 365,416	\$ 501,530
Unreserved, designated	1,765,092	1,843,570	2,267,577	2,387,259	1,844,976
Unreserved, undesignated	-	-	-	-	331,293
Total general fund	<u>1,890,887</u>	<u>1,971,421</u>	<u>2,387,526</u>	<u>2,752,675</u>	<u>2,677,799</u>
Other governmental funds					
Reserved	109,748	109,748	109,748	1,476,645	23,126,978
Unreserved, designated	-	-	-	-	-
Unreserved, undesignated					
reported in:					
Special revenue funds	2,159,535	2,340,331	2,634,993	2,439,727	3,729,777
Debt service funds	-	-	5,647	905,503	608,079
Capital projects funds	817,691	1,408,918	9,227,197	11,838,241	766,971
Total all other governmental funds	<u>3,086,974</u>	<u>3,858,997</u>	<u>11,977,585</u>	<u>16,660,116</u>	<u>28,231,805</u>
Total governmental funds	<u>\$ 4,977,861</u>	<u>\$ 5,830,418</u>	<u>\$ 14,365,111</u>	<u>\$ 19,412,791</u>	<u>\$ 30,909,604</u>

Source: City of Ypsilanti Finance Department

Schedule 3
Unaudited

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 477,742	\$ 99,780	\$ 99,518	\$ 311,238	\$ 284,902
1,318,413	1,990,157	2,457,812	2,198,717	3,995,995
915,139	1,586,873	1,670,594	3,078,083	2,969,171
2,711,294	3,676,810	4,227,924	5,588,038	7,250,068
14,949,777	10,111,447	9,432,511	8,174,089	6,788,292
-	-	-	429,428	609,332
3,547,024	4,183,232	3,370,274	1,826,258	1,858,287
2,203,846	1,856,755	1,952,024	1,756,508	1,655,707
(2,054,443)	(769,583)	597,400	796,632	1,169,857
18,646,204	15,381,851	15,352,209	12,982,915	12,081,475
\$ 21,357,498	\$ 19,058,661	\$ 19,580,133	\$ 18,570,953	\$ 19,331,543

CITY OF YPSILANTI, MICHIGAN
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Revenues					
Taxes and special assessments	\$ 7,185,572	\$ 7,366,461	\$ 7,511,992	\$ 8,857,543	\$ 9,243,969
Licenses and permits	417,885	531,631	551,898	665,519	553,615
Intergovernmental	5,473,537	5,701,644	5,885,714	7,828,181	6,883,669
Charges for services	625,307	714,535	610,166	673,919	559,197
Fines and forfeits	230,503	122,306	177,516	151,455	216,850
Investment earnings	160,930	180,371	223,178	123,792	82,413
Other revenues	682,157	1,124,076	1,068,954	1,131,386	2,660,547
Total revenues	<u>14,775,891</u>	<u>15,741,024</u>	<u>16,029,418</u>	<u>19,431,795</u>	<u>20,200,260</u>
Expenditures					
General government	2,570,795	2,250,764	2,364,848	2,586,286	2,778,807
Public safety	7,335,730	7,259,729	7,132,399	7,360,420	7,330,976
Public works	1,358,270	2,421,864	2,545,164	9,235,084	6,165,266
Refuse collection	921,146	771,472	864,996	989,225	918,796
Highways, streets and bridges	1,136,045	949,452	1,038,153	1,039,049	2,357,975
Culture and recreation	1,073,785	1,034,207	994,379	996,835	1,042,526
Other expenditures	274,209	231,272	325,232	19,208	232,846
Unallocated employee benefits	583,417	616,473	688,096	703,342	853,329
Capital outlay	-	-	-	621,877	19,536,533
Debt service:					
Principal	-	-	-	590,000	987,281
Interest and fiscal charges	32,082	-	6,458	407,469	776,324
Total expenditures	<u>15,285,479</u>	<u>15,535,233</u>	<u>15,959,725</u>	<u>24,548,795</u>	<u>42,980,659</u>
Revenues over (under) expenditures	<u>(509,588)</u>	<u>205,791</u>	<u>69,693</u>	<u>(5,117,000)</u>	<u>(22,780,399)</u>
Other financing sources (uses)					
Transfers in	530,125	851,067	791,319	1,271,181	2,606,504
Transfers out	(557,797)	(851,067)	(791,319)	(1,331,181)	(2,631,504)
Issuance of debt	255,834	835,000	8,465,000	10,224,680	33,788,904
Payment to refunding escrow agent	-	-	-	-	-
Total other financing sources (uses)	<u>228,162</u>	<u>835,000</u>	<u>8,465,000</u>	<u>10,164,680</u>	<u>33,763,904</u>
Extraordinary item - change in market value of land held for resale	-	-	-	-	-
Net changes in fund balances	<u><u>\$ (281,426)</u></u>	<u><u>\$ 1,040,791</u></u>	<u><u>\$ 8,534,693</u></u>	<u><u>\$ 5,047,680</u></u>	<u><u>\$ 10,983,505</u></u>
Debt service as a percentage of noncapital expenditures	<u>0.2%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>4.2%</u>	<u>7.5%</u>

Source: City of Ypsilanti Finance Department

Schedule 4
UNAUDITED

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 9,680,279	\$ 9,779,484	\$ 10,559,261	\$ 11,310,662	\$ 11,503,422
630,677	750,293	617,089	576,436	665,684
9,150,474	7,499,981	7,254,893	7,750,482	7,826,046
633,599	698,086	931,525	987,433	416,730
153,178	225,384	362,432	297,667	394,089
(45,083)	437,809	(297,092)	932,581	912,077
2,199,836	1,465,233	1,410,678	1,704,958	534,781
<u>22,402,960</u>	<u>20,856,270</u>	<u>20,838,786</u>	<u>23,560,219</u>	<u>22,252,829</u>
2,901,404	2,888,462	2,300,056	2,375,208	2,409,836
7,398,919	7,121,191	8,114,602	9,811,440	8,744,920
9,352,172	6,969,115	2,659,544	1,954,923	997,305
982,302	963,935	1,016,505	1,079,251	1,171,953
1,211,559	1,232,042	1,180,647	1,814,492	1,973,109
834,871	302,147	206,698	162,189	446,196
291,779	215,156	214,575	179,915	178,636
754,956	739,790	847,947	925,577	1,161,692
8,656,714	6,660,712	2,375,227	840,776	-
3,182,693	1,718,202	2,299,949	2,665,245	2,501,875
<u>2,041,157</u>	<u>4,468,430</u>	<u>3,145,864</u>	<u>2,766,159</u>	<u>2,767,662</u>
<u>37,608,526</u>	<u>33,279,182</u>	<u>24,361,614</u>	<u>24,575,175</u>	<u>22,353,184</u>
<u>(15,205,566)</u>	<u>(12,422,912)</u>	<u>(3,522,828)</u>	<u>(1,014,956)</u>	<u>(100,355)</u>
2,973,600	2,355,341	1,924,858	1,139,551	999,347
(2,973,600)	(2,373,144)	(1,924,858)	(1,189,551)	(899,683)
13,441,864	14,262,866	16,827,648	9,895,000	297,596
-	(4,120,988)	(12,783,348)	(9,839,224)	-
<u>13,441,864</u>	<u>10,124,075</u>	<u>4,044,300</u>	<u>5,776</u>	<u>397,260</u>
<u>(7,788,399)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (9,552,101)</u>	<u>\$ (2,298,837)</u>	<u>\$ 521,472</u>	<u>\$ (1,009,180)</u>	<u>\$ 296,905</u>
<u>18.0%</u>	<u>23.2%</u>	<u>24.8%</u>	<u>22.6%</u>	<u>25.1%</u>

CITY OF YPSILANTI, MICHIGAN
Assessed and Taxable Value of Property
Last Ten Fiscal Years

Tax Year	Fiscal Year Ended June 30,	Real Property (1)		Personal Property (1)		Total		Total Direct Tax Rate
		Taxable Value	Assessed Value	Taxable Value	Assessed Value	Taxable Value	Assessed Value	
2007	2008	\$ 358,621,343	\$ 471,237,912	\$ 55,108,200	\$ 55,215,000	\$ 413,729,543	\$ 526,452,912	29.5795
2006	2007	340,765,351	446,378,408	55,300,150	55,896,200	396,065,501	502,274,608	29.5299
2005	2006	314,776,856	423,184,122	44,418,300	44,418,300	359,195,156	467,602,422	29.0301
2004	2005	299,731,615	394,903,750	46,307,000	46,307,000	346,038,615	441,210,750	27.9161
2003	2004	288,510,359	369,609,400	49,798,100	49,798,100	338,308,459	419,407,500	28.2820
2002	2003	275,588,059	336,132,580	52,025,100	52,025,100	327,613,159	388,157,680	27.4085
2001	2002	255,024,845	303,049,100	54,863,200	54,863,200	309,888,045	357,912,300	27.3675
2000	2001	239,483,547	272,728,300	54,122,700	54,122,700	293,606,247	326,851,000	24.4575
1999	2000	228,364,900	248,347,800	57,740,400	57,740,400	286,105,300	306,088,200	24.5990
1998	1999	220,404,696	233,781,191	56,666,990	56,666,990	277,071,686	290,448,181	24.5990

(1) Includes properties subject to Industrial Facility Tax exemptions.

Source: City of Ypsilanti Assessing Division

CITY OF YPSILANTI, MICHIGAN
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$1,000 of taxable value)

Fiscal Year Ended June 30,	Ypsilanti Public Schools	State Education Tax	Washtenaw		Washtenaw Community College	Ypsilanti District Library	Totals		
			Intermediate School District	County			Homestead	Non- Homestead	
2008	29.5795	25.0000	6.0000	3.9745	5.6768	3.6956	2.1553	58.0817	76.0817
2007	29.5299	25.0000	6.0000	3.9745	5.6768	3.7082	2.3475	58.2369	76.2369
2006	29.0301	25.0000	6.0000	3.9970	5.5024	3.7249	2.3475	57.6019	75.6019
2005	27.9161	25.0000	6.0000	4.0350	5.5493	3.7748	2.3540	56.6292	74.6292
2004	28.2820	25.0000	5.0000	3.0552	5.5819	3.8343	2.3540	55.1074	73.1074
2003	27.4085	24.6593	6.0000	3.0738	5.6186	3.8559	2.3937	55.3505	73.0098
2002	27.3675	24.7018	6.0000	3.1050	5.6772	3.9721	2.4511	55.5729	73.2747
2001	24.4575	24.7267	6.0000	3.1311	5.4759	3.9944	2.4719	52.5308	70.2575
2000	24.5990	24.8092	6.0000	3.1568	5.5197	4.0319	2.4840	52.7914	70.6006
1999	24.5990	25.0000	6.0000	3.3168	5.4957	4.1029	1.5940	52.1084	70.1084

SOURCES: Annual Apportionment Report of Washtenaw County and City of Ypsilanti Treasury Division

CITY OF YPSILANTI, MICHIGAN
Principal Property Taxpayers
Current Year and Nine Years Ago
(amounts expressed in thousands)

Taxpayer	2008			1999		
	Taxable Valuation	Rank	% of Total City Taxable Value	Taxable Valuation	Rank	% of Total City Taxable Value
Automotive Components Holdings (formerly Ford Motors)	\$ 36,350	1	8.79%	\$ 28,032	1	10.12%
Peninsular Place	9,494	2	2.29%	-		-
DTE (formerly Detroit Edison Utilities)	9,086	3	2.20%	3,874	3	1.40%
Forest Health Medical	7,492	4	1.81%	-		-
University Housing Leforge	3,502	5	0.85%	-		-
River Drive Apts	3,334	6	0.81%	-		-
Barnes & Barnes Properties	3,284	7	0.79%	-		-
Riverrain Apts	2,181	8	0.53%	1,828	7	0.66%
Chidester 2005, L.L.C.	1,810	9	0.44%	-		-
Asad Khailany	1,771	10	0.43%	-		-
Mich Con Utility	-		-	4,407	2	1.59%
Motor Wheel Industrial	-		-	3,452	4	1.25%
White Randolph & Co Apartments	-		-	3,185	5	1.15%
Crown Paper Company Manufacturing	-		-	2,727	6	0.98%
Beyer Hospital Doctors Office	-		-	1,779	8	0.64%
Huron View Apartments	-		-	1,473	9	0.53%
Exemplar Manufacturing	-		-	1,536	10	0.55%
	<u>\$ 78,305</u>		<u>18.93%</u>	<u>\$ 52,293</u>		<u>12.64%</u>

Source: City of Ypsilanti Assessing Division

CITY OF YPSILANTI, MICHIGAN
Property Tax Levies and Collections
Last Ten Fiscal Years

(1) Fiscal Year Ended June 30,	(2) Taxes Levied for the Fiscal Year	Collected within the		(3) Delinquent Collections	Total Collections to Date	
		Fiscal Year of the Levy			Amount	% of Levy
		Amount	% of Levy		Amount	% of Levy
2008	\$ 9,710,088	\$ 8,824,251	90.9%	\$ 798,331	\$ 9,622,582	99.1%
2007	9,239,461	8,399,585	90.9%	418,419	8,818,004	95.4%
2006	9,075,900	8,391,389	92.5%	594,060	8,985,449	99.0%
2005	8,394,563	7,870,141	93.8%	335,805	8,205,946	97.8%
2004	8,217,008	7,648,000	93.1%	461,140	8,109,140	98.7%
2003	8,012,572	7,342,773	91.6%	518,308	7,861,081	98.1%
2002	7,579,060	6,921,014	91.3%	637,677	7,558,691	99.7%
2001	7,485,346	6,935,216	92.7%	481,687	7,416,903	99.1%
2000	7,350,468	6,828,922	92.9%	505,918	7,334,840	99.8%
1999	7,137,646	6,440,306	90.2%	611,352	7,051,658	98.8%

(1) Property taxes are levied July 1 of the current fiscal year based on taxable property values as of the preceding December 31. Summer taxes become delinquent as of September 15. Winter Taxes become delinquent as of February 14. The City's delinquent real property taxes are purchased by the Washtenaw County Delinquent Uncollected Tax Revolving Fund. Uncollected Personal property taxes are sent to the Ypsilanti Credit Bureau on June 1 for collection.

(2) Includes Industrial Facility Tax.

(3) Includes settlement from Washtenaw County Delinquent Tax Revolving for purchase of delinquent real property taxes.

Source: City of Ypsilanti Treasury Division

CITY OF YPSILANTI, MICHIGAN
Ratios of General Bonded Debt Outstanding
Last Ten Years

Year	General Bonded Debt Outstanding			% of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Total		
2008	\$ 27,750,000	\$ 1,655,707	\$ 26,094,293	6.31%	\$ 1,251.58
2007	31,410,350	1,756,508	29,653,842	7.49%	1,358.59
2006	32,275,350	1,952,024	30,323,326	8.44%	1,393.09
2005	30,465,350	1,856,755	28,608,595	8.27%	1,303.41
2004	28,118,324	2,203,846	25,914,478	7.66%	1,178.52
2003	24,408,324	608,079	23,800,245	7.26%	1,075.09
2002	7,875,000	905,503	6,969,497	2.25%	312.73
2001	8,465,000	5,647	8,459,353	2.88%	378.94
2000	-	-	-	0.00%	-
1999	-	-	-	0.00%	-

Source: City of Ypsilanti Finance Department

CITY OF YPSILANTI, MICHIGAN
Computation of Net Direct and Overlapping Debt
As of June 30, 2008

	<u>Gross Amount Outstanding</u>	<u>Self-Supporting or Paid by Benefited Entity</u>	<u>Net Amount Outstanding</u>
Direct debt			
General obligation bonds	\$ 27,750,000	\$ -	\$ 27,750,000
General obligation bonds - DDA	1,315,000	1,315,000	-
Revenue bonds	35,797,596	35,797,596	-
Revenue bonds - Depot Town DDA	121,465	121,465	-
Installment obligations	<u>3,399,933</u>	<u>-</u>	<u>3,399,933</u>
Net direct debt	<u>\$ 68,383,994</u>	<u>\$ 37,234,061</u>	<u>31,149,933</u>
Overlapping debt			
Ypsilanti School District			36,449,618
Washtenaw County			2,537,785
Washtenaw Community College			1,436,719
Ypsilanti District Library			<u>1,941,108</u>
Net overlapping debt			<u>42,365,230</u>
Net direct and overlapping debt			<u>\$ 73,515,163</u>

Source: City of Ypsilanti Finance Department and Municipal Advisory Council of Michigan

CITY OF YPSILANTI, MICHIGAN
Legal Debt Margin
Last Ten Years

Legal Debt Margin Calculation for Fiscal 2008

Assessed value	<u>\$ 526,452,912</u>
Debt limit (10% of assessed value)	\$ 52,645,291
Net debt subject to limitation:	
General obligation bonds	27,750,000
Less amounts available for repayment of general obligation bonds	<u>(1,655,707)</u>
	<u>26,094,293</u>
Legal debt margin	<u>\$ 26,550,998</u>

	<u>Debt Limit</u>	<u>Total Net Debt Applicable to Limit</u>	<u>Legal Debt Margin</u>	<u>Total Net Debt Applicable to Limit as a Percentage of Debt Limit</u>
2008	\$ 52,645,291	\$ 26,094,293	\$ 26,550,998	49.57%
2007	50,227,461	29,653,842	20,573,619	59.04%
2006	46,760,242	26,645,475	20,114,767	56.98%
2005	44,121,075	27,695,470	16,425,605	62.77%
2004	41,940,750	25,697,925	16,242,825	61.27%
2003	38,815,768	21,983,237	16,832,531	56.63%
2002	35,791,230	7,809,709	27,981,521	21.82%
2001	32,685,100	8,459,353	24,225,747	25.88%
2000	30,608,820	-	30,608,820	0.00%
1999	29,044,818	-	29,044,818	0.00%

Source: City of Ypsilanti Finance Department

CITY OF YPSILANTI, MICHIGAN
Revenue Bond Coverage
Last Ten Fiscal Years

<u>Fiscal Year Ended August 31,</u>	<u>(1) Gross Revenue</u>	<u>(2) Operating Expenses</u>	<u>Net Revenue Available for Debt Service</u>	<u>Total Debt Service Requirement</u>	<u>Coverage</u>
2007	\$ 37,781,498	\$ 26,934,363	\$ 10,847,135	\$ 5,596,598	1.94
2006	33,818,172	25,512,868	8,305,304	6,534,757	1.27
2005	34,602,217	23,178,366	11,423,851	6,108,306	1.87
2004	33,550,541	21,058,612	12,491,929	5,252,872	2.38
2003	27,197,424	21,476,377	5,721,047	4,689,848	1.22
2002	26,308,768	20,241,129	6,067,639	4,335,292	1.40
2001	26,079,700	19,245,962	6,833,738	4,187,246	1.63
2000	23,556,269	18,723,057	4,833,212	3,217,769	1.50
1999	21,737,356	17,274,420	4,462,936	2,803,390	1.59
1998	22,154,647	16,710,827	5,443,820	2,922,489	1.86

Source: Ypsilanti Community Utilities Authority comprehensive annual financial report.

(Note: YCUA is on a August 31 fiscal year end; as such, the 2008 report is not yet available.)

(1) Includes operating revenue, investment earnings, connect fees and debt service contributions.

(2) Excludes depreciation expense.

(3) Includes bonds and capital leases applicable to YCUA as a whole.

CITY OF YPSILANTI, MICHIGAN
Demographic and Economic Statistics
Last Ten Years

<u>Year</u>	<u>Population</u>	<u>Per Capita Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2008	20,849 (1)	\$ 39,892 (2)	3,863 (3)	8.0% (4)
2007	21,827 (1)	39,892 (2)	3,863	4.5% (4)
2006	21,767 (1)	38,682 (2)	4,071	4.6% (4)
2005	21,949 (1)	38,211 (2)	4,141	4.4% (4)
2004	21,989 (1)	37,702 (2)	4,401	4.3% (4)
2003	22,138 (1)	36,586 (2)	4,748	4.1% (4)
2002	22,286 (1)	35,734 (2)	4,648	3.6% (4)
2001	22,324 (1)	35,557 (2)	4,665	2.9% (4)
2000	22,362 (1)	33,654 (2)	4,665	2.3% (4)
1999	22,610 (1)	31,971 (2)	4,737	1.6% (4)
1998	22,858 (1)	29,998 (2)	4,763	1.8% (4)

<u>Year</u>	<u>Population</u>	<u>Median Age</u>
2000	22,237 (1)	23.6 (1)
1990	24,846 (1)	23.5 (1)
1980	24,031 (1)	23.6 (1)
1970	29,538 (1)	23.7 (1)
1960	20,957 (1)	-
1950	18,302 (1)	-
1940	12,121	
1930	10,143	

(1) Estimate per SEMCOG and U.S. Census Bureau

(2) Estimate from U.S. Department of Commerce, Bureau of Economic Analysis; 2008 data not yet available (used prior year amount).

(3) 2008 data not yet available; used prior year amount.

(4) Labor market information at Michigan.gov (for Ann Arbor, MI Metropolitan Statistical Area).

CITY OF YPSILANTI, MICHIGAN
Principal Employers
Current Year and Nine Years Ago

Employer	2008			1999		
	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
Eastern Michigan University	1,867	1	16.29%	2,024	2	16.47%
Ypsilanti Public Schools	664	2	5.79%	673	3	5.48%
Washtenaw County	200	3	1.74%	260	5	2.12%
Bortz Health Care of Ypsilanti	162	4	1.41%	151	6	1.23%
Forest Health Services	140	5	1.22%	-	-	-
City of Ypsilanti	121	6	1.05%	146	8	1.19%
Marsh Plating & Finishing Services	85	7	0.74%	120	9	0.98%
Walgreens	45	8	0.39%	75	10	0.61%
Michigan Ladder	25	9	0.22%	30	11	0.24%
Fisher Honda	21	10	0.18%	21	12	0.17%
Ford Motor Company	-	-	-	2,268	1	18.45%
Beyer Hospital	-	-	-	370	4	3.01%
Exemplar Manufacturing	-	-	-	150	7	1.22%
	<u>3,330</u>		<u>29.05%</u>	<u>6,288</u>		<u>51.16%</u>

Source: Economic Development Department, City of Ypsilanti
Washtenaw County Economic Development & Growth
Manta.com and prior Official Statement for the City of Ypsilanti

CITY OF YPSILANTI, MICHIGAN
Full-Time Equivalent City Government Employees by Function/Program
Last Eight Years (1)

Function/Program	Full-time Equivalent Employees as of June 30,							
	2001	2002	2003	2004	2005	2006	2007	2008
Mayor and City Council	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Administrative services								
City Manager (172)	2.50	2.50	2.75	2.50	2.00	2.50	2.00	2.10
Human Resources (226)	2.00	2.00	2.00	2.00	2.00	2.00	1.80	1.90
Ordinance Enforcement (341)	1.50	1.50	1.00	1.00	1.00	1.00	1.00	1.00
Building Inspection (371)	4.00	4.00	6.00	5.00	5.00	5.00	5.00	5.00
Planning & Development (801)	5.00	5.00	5.00	5.00	5.00	4.50	3.50	3.40
Recreation (707)	4.50	4.50	4.75	1.75	1.00	-	-	-
	<u>19.50</u>	<u>19.50</u>	<u>21.50</u>	<u>17.25</u>	<u>16.00</u>	<u>15.00</u>	<u>13.30</u>	<u>13.40</u>
Citizen services								
Voters Registration, school and county election (191)	1.50	1.50	2.00	2.00	2.00	1.00	1.00	-
City Clerk (215)	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
	<u>3.50</u>	<u>3.50</u>	<u>4.00</u>	<u>4.00</u>	<u>4.00</u>	<u>3.00</u>	<u>3.00</u>	<u>2.00</u>
Fire services								
Administration (337)	3.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00
Suppression (339)	21.00	21.00	21.00	21.00	21.00	21.00	21.00	23.00
	<u>24.00</u>	<u>24.00</u>	<u>23.00</u>	<u>23.00</u>	<u>23.00</u>	<u>23.00</u>	<u>23.00</u>	<u>25.00</u>
Fiscal services								
Finance - Accounting (201)	3.00	3.00	3.00	3.00	3.00	3.00	2.70	3.20
Finance - Assessor (209)	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00
Finance - Treasurer (253)	2.50	2.50	2.50	2.50	2.00	2.00	1.80	1.50
	<u>7.50</u>	<u>7.50</u>	<u>7.50</u>	<u>7.50</u>	<u>7.00</u>	<u>7.00</u>	<u>6.50</u>	<u>5.70</u>
Police services								
Administration (305)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.00
Field Services (307)	51.00	51.00	51.00	42.00	42.00	42.00	40.00	41.00
Parking Enforcement (311)	2.00	2.00	2.00	6.00	6.00	6.00	6.00	4.00
LAWNET Grant (312 & 316)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
School Liaison Contract (317)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	<u>58.00</u>	<u>58.00</u>	<u>58.00</u>	<u>53.00</u>	<u>53.00</u>	<u>53.00</u>	<u>51.00</u>	<u>49.00</u>
Public services								
Parks, streets, building, parking lots, and garbage collection	21.00	21.00	22.00	22.00	22.00	23.00	22.00	21.75
Administration (441)	3.75	3.75	3.75	3.75	3.75	3.75	3.75	4.00
	<u>24.75</u>	<u>24.75</u>	<u>25.75</u>	<u>25.75</u>	<u>25.75</u>	<u>26.75</u>	<u>25.75</u>	<u>25.75</u>
Total full-time employees	<u>137.25</u>	<u>137.25</u>	<u>139.75</u>	<u>130.50</u>	<u>128.75</u>	<u>127.75</u>	<u>122.55</u>	<u>120.85</u>
Total council and full-time employees	<u>144.25</u>	<u>144.25</u>	<u>146.75</u>	<u>137.50</u>	<u>135.75</u>	<u>134.75</u>	<u>129.55</u>	<u>127.85</u>

(1) Data prior to fiscal 2001 is not readily available; accordingly, eight years of data is presented.

Source: City of Ypsilanti Finance Department

CITY OF YPSILANTI, MICHIGAN
Operating Indicators by Function/Program
Last Ten Years

Function/Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public Safety										
Police services										
Number of uniform crime reporting	4,522	4,328	4,809	4,091	4,515	4,324	3,946	4,171	4,524	3,087
Number of traffic violations	n/a	n/a	2,314	2,977	3,345	2,550	3,492	3,275	3,269	3,538
Number of arrests	1,914	1,799	2,103	1,660	1,953	1,935	1,327	1,479	1,818	1,484
Number of parking violations	5,128	3,826	8,917	10,724	10,030	9,522	16,954	14,851	11,369	6,818
Fire services										
Number of calls answered	604	598	622	716	632	582	511	478	511	402
Number of inspections conducted	269	420	362	550	783	859	778	785	980	996
Public Services										
Miles of local streets maintained	20.56	20.56	20.56	20.56	20.56	20.56	20.56	20.56	21.22	21.22
Miles of major streets maintained	33.18	33.18	33.18	33.18	33.18	33.18	33.18	33.18	32.52	32.52
Public Utilities										
Miles of water mains	53.74	53.74	53.74	53.74	53.74	53.74	53.74	53.74	53.74	53.74
Number of fire hydrants	663	663	663	663	663	663	663	663	663	663

n/a = not available

Source: City of Ypsilanti Finance Department

CITY OF YPSILANTI, MICHIGAN
Capital Asset Statistics by Function/Program
Last Ten Years

<u>Function/Program</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Police Services										
Police department building	1	1	1	1	1	1	1	1	1	1
Temporary detention cells	2	2	2	2	2	2	2	2	2	2
Vehicle patrol units:										
Police service automobiles	14	14	14	14	14	13	13	12	12	10
Unmarked police vehicles	9	9	9	9	9	8	8	7	7	7
Parking enforcement	2	2	2	2	2	2	2	2	2	2
Mobile Command Vehicle.	-	-	-	-	1	1	1	1	1	1
Volunteer service vehicle.	-	-	-	-	-	-	-	1	1	1
Fire Services										
Emergency services building	1	1	1	1	1	1	1	1	1	1
Vehicle units:										
Pumper truck	3	3	3	3	3	3	3	2	2	2
Pumper ladder truck	2	2	2	2	2	2	2	1	1	1
Rescue truck	1	-	1	1	1	1	1	1	1	1
Jaws of life	-	-	1	1	1	1	1	1	1	1
Chief's city car	1	1	1	1	1	1	1	1	1	1
Trailer	1	1	1	1	1	1	1	1	1	-
Pickup truck	1	1	1	1	1	1	1	1	1	1
Utility van	1	1	1	1	1	1	1	1	1	1
Administrative Services										
Crown Victoria-CM & CH	2	2	2	2	2	2	2	2	2	2
Building enforcement vehicles	4	4	4	4	4	4	4	4	4	4
Public Services										
Passenger										
Crown Victoria	-	-	-	2	2	2	2	2	2	2
Van	2	2	2	2	2	2	2	2	2	2
Trucks:										
Pick-up	9	9	9	9	9	9	9	9	9	9
Dump	9	9	9	9	9	9	9	9	9	9
Stake	7	7	7	7	7	7	7	7	7	7

CITY OF YPSILANTI, MICHIGAN
Capital Asset Statistics by Function/Program
Last Ten Years

<u>Function/Program</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
with Aerial Lift	2	2	2	2	2	2	2	2	2	2
Recycle Truck	1	1	1	1	1	1	1	1	1	1
Packer Truck	3	3	3	3	3	3	3	3	3	3
Brush Chipper	2	2	2	2	2	2	2	2	2	2
Tractors:										
with Front Loader	2	2	2	2	2	2	2	2	2	2
with Front Loader/Rear Plow	1	1	1	1	1	1	1	1	1	1
with Bucket&Backhoe	1	1	1	1	1	1	1	1	1	1
with Drawn Rake	1	1	1	1	1	1	1	1	1	1
Garden	9	9	9	9	9	9	9	9	9	9
Loader with Bucket	2	2	2	2	2	2	2	2	2	2
Equipment:										
Gas Tester	1	1	1	1	1	1	1	1	1	1
Arrowboard	2	2	2	2	2	2	2	2	2	2
Snow Blower	4	4	4	4	4	4	4	4	4	4
Traffic Counter	8	8	8	8	8	8	8	8	8	8
Star Drill	1	1	1	1	1	1	1	1	1	1
Flail Mower	1	1	1	1	1	1	1	1	1	1
Trailer	3	3	3	3	3	3	3	3	3	3
Auger	2	2	2	2	2	2	2	2	2	2
Street Sweeper	2	2	2	2	2	2	2	2	2	2
Compactor	1	1	1	1	1	1	1	1	1	1
Cement Mixer	2	2	2	2	2	2	2	2	2	2
Bituminous	1	1	1	1	1	1	1	1	1	1
Hyd. Sewer Cleaner	2	2	2	2	2	2	2	2	2	2
Compressor	1	1	1	1	1	1	1	1	1	1
Concrete Pavement Saw	2	2	2	2	2	2	2	2	2	2
Rear Plow	1	1	1	1	1	1	1	1	1	1
Dual Line Stripper	1	1	1	1	1	1	1	1	1	1
Leaf Blower	3	3	3	3	3	3	3	3	3	3
Weed Eater	9	9	9	9	9	9	9	9	9	9
Rotary Lawn Mower	1	1	1	1	1	1	1	1	1	1
Bush Hog	1	1	1	1	1	1	1	1	1	1
Generator	2	2	2	2	2	2	2	2	2	2

CITY OF YPSILANTI, MICHIGAN
Capital Asset Statistics by Function/Program
Last Ten Years

Function/Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Compressor	1	1	1	1	1	1	1	1	1	1
Maint. Drawn Tracor Blade	1	1	1	1	1	1	1	1	1	1
Sod Cutter	1	1	1	1	1	1	1	1	1	1
Rotary Tiller	1	1	1	1	1	1	1	1	1	1
Chain Saw	11	11	11	11	11	11	11	11	11	11
Power Pruner	3	3	3	3	3	3	3	3	3	3
Stump Cutter	1	1	1	1	1	1	1	1	1	1
Chipper Box	1	1	1	1	1	1	1	1	1	1
Fork Lift	1	1	1	1	1	1	1	1	1	1
Roller	1	1	1	1	1	1	1	1	1	1
Pressure Washer	1	1	1	1	1	1	1	1	1	1
Portable Space Heater	1	1	1	1	1	1	1	1	1	1
Power MIG 255	1	1	1	1	1	1	1	1	1	1
Precision TIG 275	1	1	1	1	1	1	1	1	1	1
Row Boat	1	1	1	1	1	1	1	1	1	1
Parks & Recreation										
Parks:										
Active	8	8	8	8	8	8	8	8	8	8
Inactive	2	2	2	2	2	2	2	2	2	2
Tot Lots	2	2	2	2	2	2	2	2	2	2
Park acreage:										
Active parks	80.8	80.8	80.8	80.8	80.8	80.8	80.8	80.8	80.8	80.8
Inactive	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Tot Lots	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Picnic areas	9	9	9	9	9	9	9	9	9	9

CITY OF YPSILANTI, MICHIGAN
Capital Asset Statistics by Function/Program
Last Ten Years

Function/Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Buildings:										
Parkridge Community Center	1	1	1	1	1	1	1	1	1	1
Senior Center	1	1	1	1	1	1	1	1	1	1
Concessions	1	1	1	1	1	1	1	1	1	1
Pavilions	8	8	8	8	8	8	8	8	8	8
Swimming Pool	1	1	1	1	1	1	1	1	1	1
Amphitheater	1	1	1	1	1	1	1	1	1	1
Multiuse Trail	2	2	2	2	2	2	2	2	2	2
Park and Play Area Acreage										
Candy Cane Park	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Carrie Mattingly Tot Lot	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Charles Street Tot Lot	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33
Edith Hefley Park	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Frog Island Park	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Gilbert Park	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Parkridge Park Community Center	8.13	8.13	8.13	8.13	8.13	8.13	8.13	8.13	8.13	8.13
Peninsular Park	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Prospect Park	9.54	9.54	9.54	9.54	9.54	9.54	9.54	9.54	9.54	9.54
Recreation Park/Pool/Senior Center	17.36	17.36	17.36	17.36	17.36	17.36	17.36	17.36	17.36	17.36
Riverside Park	13.77	13.77	13.77	13.77	13.77	13.77	13.77	13.77	13.77	13.77
Waterworks Park	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
Picnic										
Candy Cane Park	1	1	1	1	1	1	1	1	1	1
Edith Hefley Park	1	1	1	1	1	1	1	1	1	1
Frog Island Park	1	1	1	1	1	1	1	1	1	1
Parkridge Park Community Center	1	1	1	1	1	1	1	1	1	1
Peninsular Park	1	1	1	1	1	1	1	1	1	1
Prospect Park	2	2	2	2	2	2	2	2	2	2
Recreation Park/Pool/Senior Center	1	1	1	1	1	1	1	1	1	1
Riverside Park	1	1	1	1	1	1	1	1	1	1
Waterworks Park	1	1	1	1	1	1	1	1	1	1

CITY OF YPSILANTI, MICHIGAN
Capital Asset Statistics by Function/Program
Last Ten Years

Function/Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Pavilions										
Recreation Park/Pool/Senior Center	1	1	1	1	1	1	1	1	1	1
Candy Cane Park	1	1	1	1	1	1	1	1	1	1
Prospect Park	2	2	2	2	2	2	2	2	2	2
Waterworks Park	1	1	1	1	1	1	1	1	1	1
Frog Island Park	-	-	-	-	-	-	-	-	-	-
Parkridge Park Community Center	1	1	1	1	1	1	1	1	1	1
Riverside Park	1	1	1	1	1	1	1	1	1	1
Peninsular Park	1	1	1	1	1	1	1	1	1	1
City Attractions										
Farmer's Market / Freighthouse	1	1	1	1	1	1	1	1	1	1
Harriet Commerce Center	1	1	1	1	1	1	1	1	1	1
Riverside Arts Center	1	1	1	1	1	1	1	1	1	1
Ypsilanti Automotive History Museum	1	1	1	1	1	1	1	1	1	1
Ypsilanti District Library	1	1	1	1	1	1	1	1	1	1
Ypsilanti Historical Museum	1	1	1	1	1	1	1	1	1	1
Ypsilanti Water Tower	1	1	1	1	1	1	1	1	1	1
Ypsilanti West Commerce Park	1	1	1	1	1	1	1	1	1	1

Source: City of Ypsilanti Finance Department

CITY OF YPSILANTI
Schedule of Insurance
As of June 30, 2008

<u>Type of Coverage</u>	<u>Name of Company</u>	<u>Policy Period</u>	<u>Premium</u>	<u>Description</u>
Michigan Municipal League Liability and Property Pool		08/01/08-08/01/09	\$444,132	Covers general liability, police professional liability and public officials errors & omissions. Limit of liability \$2,000,000.
Michigan Municipal League Liability and Property Pool		08/01/08-08/01/09	\$64,383	Covers equipment and automobiles.
Michigan Municipal League Liability and Property Pool		08/01/08-08/01/09	\$21,654	Covers buildings and attached property.
Zurich North America		8/30/08-8/30/09	\$1,778	Covers commercial storage tank
Blue Cross - Blue Shield, Assurant, EHIM, Fort Dearborn, MECA, UNIM		FYE 06/30/08 total actual 01/01/08-12/31/08 policy year	\$1,869,728	Employee and retiree benefits: health, dental, prescription, life, vision and long-term disability.
Accident Fund		11/01/07-11/01/09	Varies	Workers compensation and employees liability excess insurance policy for self insure combined specific and aggregate agreement. Part one - employer liability \$1,000,000, part two - workers compensation limit \$5,000,000, part two - employer liability \$1,000,000.

Source: City of Ypsilanti Finance Department

**CITY OF YPSILANTI,
MICHIGAN**

SINGLE AUDIT

For the Year Ended June 30, 2008



REHMANN ROBSON

Certified Public Accountants

**CITY OF YPSILANTI, MICHIGAN
SINGLE AUDIT**

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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 19, 2008

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, Michigan* (the "City") as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated [TBD]. 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 would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of finding and questioned costs as items 2008-1 and 2008-2 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of 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 internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2008-2 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, 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 of Ypsilanti's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Ypsilanti's responses and, accordingly, we express no opinion on them.

We noted certain matters that we reported to management of the City, in a separate letter dated December 19, 2008.

This report is intended solely for the information and use of City Council, management, others within the organization, 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.





**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

December 19, 2008

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

Compliance

We have audited the compliance of the *City of Ypsilanti, Michigan* (the "City") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City's major federal programs are identified in the summary of auditors' 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 are 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 major federal programs 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 on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2008-3 and 2008-4.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with 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 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, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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

Schedule of Expenditures of Federal Awards

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, Michigan as of and for the year ended June 30, 2008, and have issued our report thereon dated December 19, 2008. 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 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.

This report is intended solely for the information and use of City Council, management, others within the organization, 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 EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Grant/ Agreement/ Account Number	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through Michigan Department of Natural Resources - DTE Energy Foundation Tree Planting Grant	10.664	07-30	\$ 3,000
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Programs:			
Bulletproof Vest Partnership Program	16.607	OMB# 1121-0235	1,869
FY 07 Edward Byrne Memorial Justice Assistance Grant	16.738	2007-DJ-BX-0563	24,970
Passed-through the Michigan Department of Community Health:			
LAWNET Conspiracy Continuation Project:			
2007/2008	16.579	7234-1-08-B	35,720
2006/2007	16.579	70771-9-07-B	4,843
Total U.S. Department of Justice			<u>67,402</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Programs:			
Homeland Security Assistance to Firefighters Program	97.044	EMW-2006-FG-11169	607,500
Assistance to Firefighters Grant	97.044	EMW-2007-FO-06440	36,113
Total U.S. Department of Homeland Security			<u>643,613</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	<u>2,750,350</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Passed through Michigan Department of Environmental Quality:			
Clean Water Capitalization Grants for Drinking Water:			
State Revolving Funds	66.468	7215-01	174,925
State Revolving Funds	66.468	7248-01	32,418
Total U.S. Environmental Protection Agency			<u>207,343</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,671,708</u>

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 presents the activity of all federal awards programs of the City of Ypsilanti, Michigan (the "City"). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The City of Ypsilanti reporting entity is defined in Note 1 of the City's basic financial statements.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 of the City's basic financial statements.

* * * * *

CITY OF YPSILANTI, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2008

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
not considered to be material weaknesses? X yes 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
not considered to be material weaknesses? 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)? X yes no

CITY OF YPSILANTI, MICHIGAN

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2008

SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants
97.044	Homeland Security Assistance to Firefighters

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

Significant Deficiency

Finding 2008-1 Preparation of Financial Statements in Accordance with GAAP

Criteria. The City is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the City's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting)

Condition. As is the case with many smaller and medium-sized entities, the City has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the City's ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the City's internal controls.

Cause. Management has made the decision that it is in its best interest to outsource the preparation of its annual financial statements to the auditors rather than to incur the time and expense of obtaining the necessary training and expertise required for the City to perform this task internally.

CITY OF YPSILANTI, MICHIGAN

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2008

Effect. As a result of this condition, the City lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials. The City has evaluated the benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the City to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Material Weakness

Finding 2008-2 Audit Adjustments

Criteria. The City is responsible for the reconciliation of all general ledger accounts, including government-wide accounts, to their proper underlying balances for the purpose of creating a reasonably adjusted trial balance, from which the government-wide financial statements are derived.

Condition. Significant GASB 34 adjustments were necessary in compensated absences to help adjust for a spreadsheet error along with a prior period adjustment for the incorrectly recorded joint venture equity interest in the Ypsilanti Community Utilities Authority.

Cause. Internal controls did not detect all adjustments necessary to properly record year-end adjustments in the current year.

Effect. As a result of this condition, the City's government-wide financial statements were initially misstated by amounts material to those full-accrual basis financial statements and required adjustment in connection with the audit.

View of Responsible Officials. Management has implemented procedures to ensure that all adjustments (including government-wide adjustments) are created, reviewed and verified by a responsible official.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2008-3 Suspension and Debarment (CFDA# 97.044)

Criteria. The City is responsible for ensuring that all federal awards program contractors, with contracts over \$25,000, are not suspended or debarred from receiving federal funds.

CITY OF YPSILANTI, MICHIGAN

Schedule of Findings and Questioned Costs (Concluded)

For the Year Ended June 30, 2008

Condition. The City did not verify that a contractor (from which a \$40,000 compressor was purchased under the Homeland Security Assistance to Firefighters Program grant) had not been suspended or debarred.

Cause. The City was not aware that all federal awards program contractors needed to be verified for suspension and debarment.

Effect. As a result of this condition, the City had not verified that the contractor was not suspended or debarred.

View of Responsible Officials. Management has implemented procedures to ensure that all contractors in the future are checked against the suspended and debarred federal website.

Finding 2008-4 Federally Purchased Asset Inventory

Criteria. OMB Circular A-110, provides that “equipment records shall be maintained; a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records; an appropriate control system shall be used to safeguard equipment; and equipment shall be adequately maintained.”

Condition. The City has not completed a physical inventory of assets acquired with federal funds within the past two years.

Cause. The City was not aware that a physical inventory must be taken every two years.

Effect. As a result of this condition, the City was not able to ensure that all federally purchased assets were properly safeguarded.

View of Responsible Officials. Management has implemented procedures to ensure that a physical inventory is completed every two years.

SECTION IV – PRIOR YEAR FINDINGS

No matters were reported.

* * * * *



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



December 19, 2008

To the City Council of the
City of Ypsilanti

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 Ypsilanti* (the "City") for the year ended June 30, 2008, and have issued our report thereon dated December 19, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter dated May 27, 2008, 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 accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with 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.

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 grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the City's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on October 14, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. 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 useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the insurance claims incurred but not reported is based on information provided by the entity's third party administrators and subsequent claims activity.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable 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.

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. The following material misstatements detected as a result of audit procedures were corrected by management:

- An increase in accrued sick and vacation was recorded in the amount of \$234,219 due to an error in a spreadsheet used to track this liability.
- An increase in beginning general fund balance was recorded in the amount of \$576,853 to account for state shared revenue that was received within 60 days following the end of the previous fiscal year.
- A decrease in beginning governmental activities net assets was recorded in the amount of \$49,625,558 due to the removal of the Ypsilanti Community Utilities Authority joint venture equity interest.

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 December 19, 2008.

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 Entity'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 governing body and management of the City of Ypsilanti and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

City of Ypsilanti

Comments and Recommendations

For the Year Ended June 30, 2008

In planning and performing our audit of the financial statements of the City of Ypsilanti as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. The deficiencies we noted that we consider to be significant deficiencies are described in the Schedule of Findings and Questioned Costs in the City's Single Audit report.

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 entity's internal control. The deficiencies we noted that we consider to be material weaknesses are described in the Schedule of Findings and Questioned Costs in the City's Single Audit report.

Other Matters

Cash Receipt Reconciliation

During testing it was noted that the City uses pre-numbered receipts for cash receipts but no accounting for the sequential order of these receipts is currently being done. To help strengthen internal controls we recommend that City have an employee independent of cash receiving function account for the sequential order of the pre-numbered receipts. We also recommend that this individual reconcile the amount of cash receipts received to the amount of receipts posted to the General Ledger.

City of Ypsilanti
Comments and Recommendations
For the Year Ended June 30, 2008

Moveable Assets

Periodic counts of moveable capital assets is a key element of capital asset management. Currently, these assets are not inventoried on a periodic basis. Accordingly, we recommend that the City perform periodic verification of moveable assets against underlying detail accounting records.

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