

**THE CITY OF YALE,  
OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**CITY OF YALE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Yale, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Yale, Oklahoma, as of and for the year ended June 30, 2011, 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 Yale, Oklahoma's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions

As discussed in Note 1B, the City of Yale, Oklahoma, prepares its financial statement on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Yale, Oklahoma, as of June 30, 2011, and the respective changes in financial position – modified cash basis and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1B.

In accordance with *Government Auditing Standards*, I have also issued my report dated March 15, 2012, on my consideration of the City of Yale, Oklahoma's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7

through 14 and 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Yale, Oklahoma's financial statements as a whole. The combining fund financial statements and federal and state awards information are presented for purposes of additional analysis and are not a required part of the financial statements. The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Anne Marie Elfrink, MS, CPA*

Anne Marie Elfrink, MS, CPA

Tulsa, Oklahoma

March 15, 2012

The management of the City of Yale is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2011. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

### **FINANCIAL HIGHLIGHTS**

- As reported on a modified cash basis, the City's total net assets remained relatively stable with a slight decrease of \$61,947. The assets of the City exceed its liabilities at June 30, 2011, by \$2,931,146 (net assets). Of this amount, \$518,762 (unrestricted net assets) is available to meet the government's ongoing needs.
- At June 30, 2011, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$394,750.
- At the end of fiscal year 2011, unassigned fund balance on a modified cash basis for the General Fund was \$0.

### **ABOUT THE CITY**

The City of Yale is an incorporated municipality with a population of approximately 1,227 located in Payne County in central Oklahoma. The City is a council-manager form of government and operates under the home-rule charter that provides for three branches of government:

- Legislative – the City Council is a five-member governing body elected by the citizens
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and through its Water and Sewage Trust, certain utility services including electric, gas, water, wastewater, and sanitation.

#### ***The City's Financial Reporting Entity***

This annual report includes all activities for which the City of Yale City Council is financially accountable. These activities, defined as the City's financial reporting entity, are operated within separate legal entities that make up the primary government.

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The City's financial reporting entity includes the following separate legal entities.

- **The City of Yale** – an incorporated City that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the City – *reported as part of the primary government*
- **The Yale Water and Sewage Trust** – public trust created pursuant to 60 O.S. § 176 to operate the electric, gas, water, wastewater, and sanitation services of the City, with the City Council members serving as the trustees – *considered part of the primary government presentation for reporting purposes*
- **The Yale Economic Development Authority (YEDA)** – public trust created pursuant to 60 O.S. § 176 created in August 2010 to promote and stimulate economic growth and development in and around the City. The City of Yale is the beneficiary of the trust and the City Council serves as the governing body of the trust. There has been no financial activity in the current fiscal year – *considered part of the primary government presentation for reporting purposes*

In addition, as required by state law, all debt obligations incurred by the trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the City's financial reporting entity. The public trusts do not issue separate annual financial statements.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements presented herein include all of the activities of the City of Yale (the "City") and the Yale Water and Sewage Trust (the "Trust") and the YEDA. Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the modified cash basis of accounting. They present governmental activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt).

### **Reporting the City as a Whole**

#### ***The Statement of Net Assets and Statement of Activities***

One of the most important questions to ask about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base, the condition of the City's roads, and quality of

service to assess the overall health of the City. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those City assets and liabilities resulting from cash transactions.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities: *Governmental activities* - Most of the City's basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* - Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City's electric, gas, water, sewer, and sanitation utilities are reported as business-type activities.

## **Reporting the City's Most Significant Funds - Fund Financial Statements**

### ***Fund Financial Statements***

The fund financial statements provide detailed information about the City's most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds - *governmental and proprietary* - use different accounting approaches.

*Governmental funds* - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting and current financial resources measurement focus that is different from other funds. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

*Proprietary funds* - When the City, through the Water and Sewage Trust, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on the modified cash basis of accounting and an economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The City's proprietary funds are the Water/Sewage Trust Fund, Gas Fund, Electric Fund, and Sanitation Fund.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 26-43 of this report.

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**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund, federal and state grant awards schedule and a schedule of pension trend information.

**THE CITY AS A WHOLE**

Following is a summary of net assets reported on a modified cash basis for the City of Yale for the past two fiscal years.

**Table 1**  
**NET ASSETS - Modified Cash Basis (In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2011	2010		2011	2010		2011	2010	
Current assets	\$ 402	\$ 513	-22%	\$ 356	\$ 256	39%	\$ 758	\$ 769	-1%
Capital assets, net	1,037	887	17%	1,565	1,609	-3%	2,602	2,496	4%
<b>Total assets</b>	<b>1,439</b>	<b>1,400</b>	<b>3%</b>	<b>1,921</b>	<b>1,865</b>	<b>3%</b>	<b>3,360</b>	<b>3,265</b>	<b>3%</b>
Current liabilities	7	6	17%	128	127	1%	135	133	2%
Non-current liabilities	-	-	-	294	139	112%	294	139	112%
<b>Total liabilities</b>	<b>7</b>	<b>6</b>	<b>17%</b>	<b>422</b>	<b>266</b>	<b>59%</b>	<b>429</b>	<b>272</b>	<b>58%</b>
<b>Net assets</b>									
Invested in capital assets, net of related debt	1,037	887	17%	1,270	1,470	-14%	2,307	2,357	-2%
Restricted	105	88	19%	-	-	0%	105	88	19%
Unrestricted	290	419	-31%	229	129	78%	519	548	-5%
<b>Total net assets</b>	<b>\$ 1,432</b>	<b>\$ 1,394</b>	<b>3%</b>	<b>\$ 1,499</b>	<b>\$ 1,599</b>	<b>-6%</b>	<b>\$ 2,931</b>	<b>\$ 2,993</b>	<b>-2%</b>

The largest portion of the City's net assets reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding.

Explanations for significant changes listed below:

*Business Type Activities:*

Current assets increased by \$99,989 (39%) due primarily to the payoff of internal balances.

Long-term debt increased by \$154,796 (112%) due primarily to the initial drawdown of the new OWRB debt in the amount of \$214,772.

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**Table 2**  
**CHANGES IN NET ASSETS - Modified Cash Basis (In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2011	2010		2011	2010		2011	2010	
<b>Revenues</b>									
Charges for service	\$ 226	\$ 190	19%	\$ 1,703	\$ 1,728	-1%	\$ 1,929	\$ 1,918	1%
Operating grants and contributions	22	17	29%	-	-	-	22	17	29%
Capital grants and contributions	160	41	290%	-	-	-	160	41	290%
Taxes	175	171	2%	-	-	-	175	171	2%
Intergovernmental revenue	6	7	-	-	-	-	6	7	-14%
Investment income	1	2	-50%	4	7	-43%	5	9	-44%
Miscellaneous	45	142	-68%	-	-	-	45	142	-68%
<b>Total revenues</b>	<b>635</b>	<b>570</b>	<b>11%</b>	<b>1,707</b>	<b>1,735</b>	<b>-2%</b>	<b>2,342</b>	<b>2,305</b>	<b>2%</b>
<b>Expenses</b>									
General government	271	217	25%	-	-	-	271	217	25%
Public safety	385	347	11%	-	-	-	385	347	11%
Highways and streets	130	77	69%	-	-	-	130	77	69%
Culture and recreation	121	150	-19%	-	-	-	121	150	-19%
Cemetery	15	12	25%	-	-	-	15	12	25%
Electric	-	-	-	786	784	0%	786	784	0%
Gas	-	-	-	252	334	-25%	252	334	-25%
Water and sewer	-	-	-	338	329	3%	338	329	3%
Sanitation	-	-	-	106	118	-10%	106	118	-10%
<b>Total expenses</b>	<b>922</b>	<b>803</b>	<b>15%</b>	<b>1,482</b>	<b>1,565</b>	<b>-5%</b>	<b>2,404</b>	<b>2,368</b>	<b>2%</b>
Excess (deficiency) before transfers	(287)	(233)	23%	225	170	32%	(62)	(63)	-2%
Transfers	325	350	-7%	(325)	(350)	-7%	-	-	-
Change in net assets	38	117	-68%	(100)	(180)	-44%	(62)	(63)	-2%
Beginning net assets	1,394	1,277	9%	1,599	1,779	-10%	2,993	3,056	-2%
Ending net assets	\$ 1,432	\$ 1,394	3%	\$ 1,499	\$ 1,599	-6%	\$ 2,931	\$ 2,993	-2%

Explanations for significant changes are listed below.

*Governmental Activities:*

Capital grants and contributions - \$119,006 increase (290%) due to a two capital grants received totaling \$150,000 for the purpose of a highways and street project.

Miscellaneous - \$96,571 decrease (68%) due to receipts from the sale of donated and other capital assets and an insurance recovery in the prior year.

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**Governmental Activities**

**Table 3**  
**Net Revenue (Expense) of Governmental Activities**  
**(In Thousands)**

	<u>Total Expense of Services</u>		<u>% Inc. (Dec.)</u>	<u>Net Revenue (Expense) of Services</u>		<u>% Inc. (Dec.)</u>
	<u>2011</u>	<u>2010</u>		<u>2011</u>	<u>2010</u>	
General government	\$ 271	\$ 217	25%	\$ (240)	\$ (176)	36%
Public safety	385	347	11%	(207)	(201)	3%
Highways and streets	130	77	69%	34	(38)	-189%
Culture and recreation	121	150	-19%	(105)	(137)	-23%
Cemetery	15	12	25%	3	(2)	-250%
<b>Total</b>	<u>\$ 922</u>	<u>\$ 803</u>	15%	<u>\$ (515)</u>	<u>\$ (554)</u>	-7%

Highways and streets net expense decreased \$71,821 (189%) due mainly to the receipt of \$150,000 in street project grants.

**Business-type Activities**

**Table 4**  
**Net Revenue (Expense) of Business-Type Activities**  
**(In Thousands)**

	<u>Total Expense of Services</u>		<u>% Inc. Dec.</u>	<u>Net Revenue (Expense) of Services</u>		<u>% Inc. Dec.</u>
	<u>2011</u>	<u>2010</u>		<u>2011</u>	<u>2010</u>	
Electric	\$ 786	\$ 784	0%	\$ 132	\$ 119	11%
Gas	252	334	-25%	117	81	44%
Water and sewer	338	329	3%	(21)	(14)	50%
Sanitation	106	118	-10%	(7)	(22)	-68%
<b>Total</b>	<u>\$ 1,482</u>	<u>\$ 1,565</u>	-5%	<u>\$ 221</u>	<u>\$ 164</u>	35%

**A FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed its 2011 fiscal year, the governmental funds reported a combined fund balance of \$394,750. For the year ended June 30, 2011, the General Fund's total fund balance decreased by \$128,629.

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For proprietary funds, the City reports a decrease in net assets for the Gas Fund, Electric Fund and the Sanitation Fund of \$317,313, \$135,637 and \$18,159 respectively while reporting an increase in the Water/Sewage Trust Fund of \$370,994. The result of all proprietary funds change in net assets is a decrease of \$100,115.

**Budgetary Highlights**

For the year ended June 30, 2011, the General Fund reported actual budgetary basis revenues under final estimates by \$118,759 or a 12.6% negative variance. General Fund actual expenditures were under final appropriations by about \$16,701 or a 1.5% positive variance.

**CAPITAL ASSETS & DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2011, the City had approximately \$2.6 million in capital assets (net of accumulated depreciation), as reported on a modified cash basis, including land, buildings, machinery and equipment, and infrastructure. Below are details regarding the City's capital assets for the year ended June 30, 2011.<sup>1</sup>

Table 5  
**Capital Assets (In Thousands)**  
 (Net of accumulated depreciation)

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Land	\$ 59	\$ 59	\$ 13	\$ 13	\$ 72	\$ 72
Buildings	268	274	62	67	330	341
Machinery, furniture and equipment	511	523	187	195	698	718
Infrastructure	199	31	1,198	1,267	1,397	1,298
Construction in progress	-	-	105	67	105	67
<b>Totals</b>	<b>\$ 1,037</b>	<b>\$ 887</b>	<b>\$ 1,565</b>	<b>\$ 1,609</b>	<b>\$ 2,602</b>	<b>\$ 2,496</b>

This year's more significant capital asset additions include the following:

- Main Street Overlay Project                      \$171,825
- 2007 GMC Truck                                         \$ 11,000

**Debt Administration**

At year-end, the City had \$294,187 in long-term debt outstanding, reported on a modified cash basis, which represents a \$154,796 increase from the prior year. There was one new debt incurred in the current fiscal year for the 2011 Construction Clean Water ORF to the Oklahoma Water Resources Board, original issue amount of \$2,990,000 of which draw-downs are available. Also, the water well note payable, draw-down amount of \$82,000 was paid off in the current year.

<sup>1</sup> For more detailed information on capital asset activity please refer to pages 34-35, Note 3. Capital Assets and Depreciation

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**Management's Discussion and Analysis**  
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**Table 6**  
**Long-Term Debt**  
**(In Thousands)**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	2011	2010	2011	2010	2011	2010
Capital leases	\$ -	\$ -	\$ -	\$ 2	\$ -	\$ 2
Notes payable	-	-	294	137	294	137
<b>Totals</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 294</u>	<u>\$ 292</u>	<u>\$ 294</u>	<u>\$ 139</u>

**ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES**

The following information outlines significant known factors that will affect subsequent year finances:

- The FY 2012 budget is consistent with prior years.
- The City will begin a major sewer construction project in 2012.

**Contacting the City's Financial Management**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at 209 N. Main, Yale, Oklahoma 74085 or telephone at 918-387-2405.

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**BASIC FINANCIAL STATEMENTS – STATEMENT OF NET ASSETS AND ACTIVITIES**

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**Statement of Net Assets (Modified Cash Basis) – June 30, 2011**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$252,135	\$15,511	\$267,646
Investments	150,000	215,000	365,000
Capital assets:			
Land and construction in progress	58,700	118,029	176,729
Other capital assets, net of depreciation	978,501	1,446,574	2,425,075
Unamortized bond issuance costs	-	125,700	125,700
<b>Total Assets</b>	<b><u>1,439,336</u></b>	<b><u>1,920,814</u></b>	<b><u>3,360,150</u></b>
<b>LIABILITIES</b>			
Accounts payable	3,198	707	3,905
Due to other governments	4,187	-	4,187
Deposits subject to refund	-	126,725	126,725
Long-term liabilities:			
Due within one year	-	10,870	10,870
Due in more than one year	-	283,317	283,317
<b>Total Liabilities</b>	<b><u>7,385</u></b>	<b><u>421,619</u></b>	<b><u>429,004</u></b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,037,201	1,270,416	2,307,617
Restricted by:			
Statutory requirements	104,767	-	104,767
Unrestricted	289,983	228,779	518,762
<b>Total Net Assets</b>	<b><u>\$1,431,951</u></b>	<b><u>\$1,499,195</u></b>	<b><u>\$2,931,146</u></b>

See accompanying notes to the basic financial statements.

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**Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental activities:							
General Government	\$ 271,189	\$ 31,808	\$ -	\$ -	\$ (239,381)	\$ -	\$ (239,381)
Public Safety	385,265	163,751	4,398	9,886	(207,230)	-	(207,230)
Highways and Streets	129,680	-	13,336	150,000	33,656	-	33,656
Culture and Recreation	121,000	11,272	4,662	-	(105,066)	-	(105,066)
Cemetery	15,435	18,797	-	-	3,362	-	3,362
<b>Total governmental activities</b>	<b>922,569</b>	<b>225,628</b>	<b>22,396</b>	<b>159,886</b>	<b>(514,659)</b>	<b>-</b>	<b>(514,659)</b>
Business-type activities:							
Electric	786,093	918,166	-	-	-	132,073	132,073
Gas	252,366	368,895	-	-	-	116,529	116,529
Water and sewer	337,589	316,444	-	-	-	(21,145)	(21,145)
Sanitation	106,312	99,356	-	-	-	(6,956)	(6,956)
<b>Total business-type activities</b>	<b>1,482,360</b>	<b>1,702,861</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>220,501</b>	<b>220,501</b>
<b>Total primary government</b>	<b>\$2,404,929</b>	<b>\$1,928,489</b>	<b>\$22,396</b>	<b>\$159,886</b>	<b>(514,659)</b>	<b>220,501</b>	<b>(294,158)</b>
General revenues							
Taxes							
Sales tax					170,551	-	170,551
Franchise and public service taxes					4,637	-	4,637
Intergovernmental revenue not restricted to specific programs					6,495	-	6,495
Investment income					941	4,384	5,325
Miscellaneous					45,203	-	45,203
Transfers - Internal activities					325,000	(325,000)	-
<b>Total general revenues and transfers</b>					<b>552,827</b>	<b>(320,616)</b>	<b>232,211</b>
Change in net assets							
					38,168	(100,115)	(61,947)
Net assets - beginning					1,393,783	1,599,310	2,993,093
Net assets - ending					<b>\$ 1,431,951</b>	<b>\$ 1,499,195</b>	<b>\$ 2,931,146</b>

See accompanying notes to the basic financial statements.

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**BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS**

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**Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2011**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 65,960	\$ 131,408	\$ 54,767	\$ 252,135
Investments	-	100,000	50,000	150,000
Total Assets	<u>\$ 65,960</u>	<u>\$ 231,408</u>	<u>\$ 104,767</u>	<u>\$ 402,135</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	3,198	-	-	3,198
Due to other governments	4,187	-	-	4,187
Total Liabilities	<u>7,385</u>	<u>-</u>	<u>-</u>	<u>7,385</u>
Fund Balances:				
Restricted for:				
Street & alley purposes	-	-	42,817	42,817
Cemetery care	-	-	61,950	61,950
Assigned for:				
Capital projects	-	231,408	-	231,408
Self insurance	9,839	-	-	9,839
Future budgetary purposes	48,736	-	-	48,736
Total Fund Balances	<u>58,575</u>	<u>231,408</u>	<u>104,767</u>	<u>394,750</u>
Total Liabilities and Fund Balances	<u>\$ 65,960</u>	<u>\$ 231,408</u>	<u>\$ 104,767</u>	<u>\$ 402,135</u>

See accompanying notes to the basic financial statements.

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**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances**  
**(Modified Cash Basis) – Year Ended June 30, 2011**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes	\$ 173,250	\$ -	\$ -	\$ 173,250
Intergovernmental	177,378		13,336	190,714
Charges for services	82,839	-	3,531	86,370
Fines and forfeitures	127,817	-	-	127,817
Licenses and permits	234	-	-	234
Investment income	941	-	-	941
Miscellaneous	56,411	-	-	56,411
<b>Total Revenues</b>	<u>618,870</u>	<u>-</u>	<u>16,867</u>	<u>635,737</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	261,333	-	-	261,333
Public Safety	362,874	-	-	362,874
Highways and Streets	122,524	-	-	122,524
Culture and Recreation	115,579	-	-	115,579
Cemetery	14,835	-	-	14,835
Capital Outlay	195,354	-	-	195,354
<b>Total Expenditures</b>	<u>1,072,499</u>	<u>-</u>	<u>-</u>	<u>1,072,499</u>
Excess (deficiency) of revenues over expenditures	(453,629)	-	16,867	(436,762)
<b>Other Financing Sources (Uses):</b>				
Transfers in	325,000	-	-	325,000
<b>Total Other Financing Sources (Uses)</b>	<u>325,000</u>	<u>-</u>	<u>-</u>	<u>325,000</u>
Net change in fund balances	(128,629)	-	16,867	(111,762)
Fund balances - beginning	187,204	231,408	87,900	506,512
Fund balances - ending	<u>\$58,575</u>	<u>\$231,408</u>	<u>\$104,767</u>	<u>\$394,750</u>

See accompanying notes to the basic financial statements.

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**Reconciliation of Governmental Funds and Government-Wide Financial Statements:**

**Fund Balance – Net Assets Reconciliation:**

Fund balances of governmental funds	\$394,750
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities of \$1,483,673, net of accumulated depreciation of \$446,472, are not financial resources and, therefore, are not reported in the funds.	1,037,201
	1,037,201
Net assets of governmental activities	\$1,431,951

**Changes in Fund Balances – Changes in Net Assets Reconciliation:**

Net changes in fund balances - total governmental funds	(\$111,762)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	194,707
Depreciation expense	(44,777)
	149,930
Change in net assets of governmental activities	\$38,168

See accompanying notes to the basic financial statements.

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**BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS**

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**Proprietary Funds Statement of Net Assets (Modified Cash Basis) – June 30, 2011**

	<b>Proprietary Funds</b>				<b>Totals</b>
	<b>Gas Fund</b>	<b>Electric Fund</b>	<b>Water/Sewage Trust Fund</b>	<b>Sanitation Fund</b>	
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 29	\$ 503	\$ 2,881	\$ 373	\$ 3,786
Investments	-	100,000	-	-	100,000
Restricted:					
Cash and cash equivalents	-	-	11,725	-	11,725
Investments	-	-	115,000	-	115,000
Total current assets	<u>29</u>	<u>100,503</u>	<u>129,606</u>	<u>373</u>	<u>230,511</u>
Noncurrent Assets:					
Capital assets:					
Land and construction in progress	-	2,000	116,029	-	118,029
Other capital assets, net of depreciation	295,495	118,182	1,032,897	-	1,446,574
Debt issuance costs	-	-	125,700	-	125,700
Total noncurrent assets	<u>295,495</u>	<u>120,182</u>	<u>1,274,626</u>	<u>-</u>	<u>1,690,303</u>
Total Assets	<u>295,524</u>	<u>220,685</u>	<u>1,404,232</u>	<u>373</u>	<u>1,920,814</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	-	-	707	-	707
Meter deposit liability	-	-	126,725	-	126,725
Notes payable - current portion	-	-	10,870	-	10,870
Total current liabilities	<u>-</u>	<u>-</u>	<u>138,302</u>	<u>-</u>	<u>138,302</u>
Noncurrent Liabilities:					
Notes payable	-	-	283,317	-	283,317
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>283,317</u>	<u>-</u>	<u>283,317</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>421,619</u>	<u>-</u>	<u>421,619</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	295,495	120,182	854,739	-	1,270,416
Unrestricted	29	100,503	127,874	373	228,779
Total net assets	<u>\$ 295,524</u>	<u>\$ 220,685</u>	<u>\$ 982,613</u>	<u>\$ 373</u>	<u>\$ 1,499,195</u>

See accompanying notes to the basic financial statements.

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**Proprietary Fund Statement of Revenues, Expenses and Changes in Net Assets (Modified Cash Basis) – Year Ended June 30, 2011**

	<b>Proprietary Funds</b>				<b>Totals</b>
	<b>Gas Fund</b>	<b>Electric Fund</b>	<b>Water/Sewage Trust Fund</b>	<b>Sanitation Fund</b>	
<b>Operating Revenues:</b>					
Charges for services:					
Electric	\$ -	\$ 900,833	\$ -	\$ -	\$ 900,833
Gas	361,932	-	-	-	361,932
Water and sewer	-	-	310,471	-	310,471
Sanitation	-	-	-	97,480	97,480
Miscellaneous income	-	31,845	-	-	31,845
<b>Total Operating Revenues</b>	<b>361,932</b>	<b>932,678</b>	<b>310,471</b>	<b>97,480</b>	<b>1,702,561</b>
<b>Operating Expenses:</b>					
Administration	-	-	40,029	-	40,029
Electric	-	741,122	-	-	741,122
Gas	227,540	-	-	-	227,540
Water	-	-	174,216	-	174,216
Sewer	-	-	85,738	-	85,738
Sanitation	-	-	-	103,559	103,559
Depreciation expense	14,617	19,542	66,565	-	100,724
<b>Total Operating Expenses</b>	<b>242,157</b>	<b>760,664</b>	<b>366,548</b>	<b>103,559</b>	<b>1,472,928</b>
<b>Operating Income (Loss)</b>	<b>119,775</b>	<b>172,014</b>	<b>(56,077)</b>	<b>(6,079)</b>	<b>229,633</b>
<b>Non-Operating Revenues (Expenses):</b>					
Investment income	-	366	4,018	-	4,384
Interest expense and trustee fees	-	(17)	(2,309)	-	(2,326)
Miscellaneous revenues	300	-	-	-	300
Miscellaneous expenses	-	-	(7,026)	(80)	(7,106)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>300</b>	<b>349</b>	<b>(5,317)</b>	<b>(80)</b>	<b>(4,748)</b>
<b>Net Income (Loss) Before Transfers</b>	<b>120,075</b>	<b>172,363</b>	<b>(61,394)</b>	<b>(6,159)</b>	<b>224,885</b>
Transfers in	-	-	512,388	-	512,388
Transfers out	(437,388)	(308,000)	(80,000)	(12,000)	(837,388)
<b>Change in net assets</b>	<b>(317,313)</b>	<b>(135,637)</b>	<b>370,994</b>	<b>(18,159)</b>	<b>(100,115)</b>
<b>Total net assets - beginning</b>	<b>612,837</b>	<b>356,322</b>	<b>611,619</b>	<b>18,532</b>	<b>1,599,310</b>
<b>Total net assets - ending</b>	<b>\$ 295,524</b>	<b>\$ 220,685</b>	<b>\$ 982,613</b>	<b>\$ 373</b>	<b>\$ 1,499,195</b>

See accompanying notes to the basic financial statements.

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**Proprietary Funds Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2011**

	Proprietary Funds				Totals
	Gas Fund	Electric Fund	Water/Sewage Trust Fund	Sanitation Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 361,932	\$ 932,678	\$ 310,471	\$ 97,480	\$ 1,702,561
Payments to suppliers	(192,361)	(620,396)	(261,000)	(103,559)	(1,177,316)
Payments to employees	(35,379)	(121,602)	(38,473)	-	(195,454)
Receipt of interfund loan	85,516	298,289	4,123	349	388,277
Payment of interfund loan	(20,971)	(164,090)	(428,860)	-	(613,921)
Miscellaneous revenues	300	-	-	-	300
Miscellaneous expenses	-	-	(7,026)	(80)	(7,106)
Receipts of customer utility deposits	-	-	30,331	-	30,331
Refunds of customer utility deposits	-	-	(28,909)	-	(28,909)
Net Cash Provided by (Used in) Operating Activities	<u>199,037</u>	<u>324,879</u>	<u>(419,343)</u>	<u>(5,810)</u>	<u>98,763</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from other funds	-	-	512,388	-	512,388
Transfers to other funds	(437,388)	(308,000)	(80,000)	(12,000)	(837,388)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(437,388)</u>	<u>(308,000)</u>	<u>432,388</u>	<u>(12,000)</u>	<u>(325,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchases of capital assets	-	(14,864)	(41,408)	-	(56,272)
Proceeds of capital debt	-	-	214,772	-	214,772
Capital debt issuance cost	-	-	(125,700)	-	(125,700)
Principal paid on capital debt	-	(1,861)	(58,115)	-	(59,976)
Interest paid on capital debt	-	(17)	(2,309)	-	(2,326)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>-</u>	<u>(16,742)</u>	<u>(12,760)</u>	<u>-</u>	<u>(29,502)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest and dividends	-	366	4,018	-	4,384
Net Cash Provided by Investing Activities	<u>-</u>	<u>366</u>	<u>4,018</u>	<u>-</u>	<u>4,384</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(238,351)	503	4,303	(17,810)	(251,355)
Balance - beginning of the year	238,380	-	10,303	18,183	266,866
Balance - end of the year	<u>\$ 29</u>	<u>\$ 503</u>	<u>\$ 14,606</u>	<u>\$ 373</u>	<u>\$ 15,511</u>
<b>Reconciliation to Statement of Net Assets:</b>					
Cash and cash equivalents	\$ 29	\$ 503	\$ 2,881	\$ 373	\$ 3,786
Restricted cash and cash equivalents	-	-	11,725	-	11,725
Total cash and cash equivalents	<u>\$ 29</u>	<u>\$ 503</u>	<u>\$ 14,606</u>	<u>\$ 373</u>	<u>\$ 15,511</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss)	\$ 119,775	\$ 172,014	\$ (56,077)	\$ (6,079)	\$ 229,633
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	14,617	19,542	66,565	-	100,724
Change in assets and liabilities:					
Due from other funds	85,516	298,289	4,123	349	388,277
Due to other funds	(20,971)	(164,090)	(428,860)	-	(613,921)
Accounts payable	-	-	707	-	707
Payroll withholding liabilities	(200)	(876)	(197)	-	(1,273)
Meter deposit liability	-	-	1,422	-	1,422
Miscellaneous income	300	-	-	-	300
Miscellaneous expenses	-	-	(7,026)	(80)	(7,106)
Net cash provided by operating activities	<u>\$ 199,037</u>	<u>\$ 324,879</u>	<u>\$ (419,343)</u>	<u>\$ (5,810)</u>	<u>\$ 98,763</u>

See accompanying notes to the basic financial statements.

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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

The City's financial reporting entity includes three separate legal entities reported as the primary government as follows:

- **The City of Yale** – operates the public safety, streets, health and welfare, culture and recreation, and administrative activities of the City.
- **The Yale Water and Sewage Trust (the Trust)** – that operates the electric, gas, water, wastewater, and sanitation services of the City. The City of Yale is the beneficiary of the trust and the City Council serves as the governing body of the trust.
- **The Yale Economic Development Authority (YEDA)** – public trust created pursuant to 60 O.S. § 176 created in August 2010 to promote and stimulate economic growth and development in and around the City. The City of Yale is the beneficiary of the trust and the City Council serves as the governing body of the trust. There has been no financial activity in the current fiscal year – *considered part of the primary government presentation for reporting purposes*

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "*The Financial Reporting Entity*" and includes all component units for which the City is financially accountable.

The component units and Public Trusts established pursuant to Title 60 of Oklahoma State law. A Public Trust (Trust) has no taxing power. The Trusts are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Trusts. The Trust generally retain title to assets which are acquired or constructed with the Trusts debt or other Trust generated resources. In addition, the City has leased certain existing assets at the creation for the Trust to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

The component units have the City Council as their governing body (trustees) and the City is able to impose its will on the Trust through required approval of all debt obligations issued by these entities.

As required by state law, all debt obligations incurred by the above trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the City's financial reporting entity. The public trusts do not issue separate annual financial statements.

## B. Basis of Presentation and Accounting

### *Government-Wide Financial Statements:*

The statement of net assets and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- capital assets and the depreciation of those assets, where applicable
- long-term debt
- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Program revenues within the statement of activities are derived directly from each activity or from parties outside the City's taxpayers. The City has the following program revenues in each activity:

- General government: License and permits and penalties
- Public safety: Fine revenue, fire runs and operating and capital grants
- Streets and highways: Gas excise and commercial vehicle taxes and capital grants
- Culture and recreation: Recreation fees and operating grants
- Cemetery: Lot sales and interments

For business-type activities, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as they apply to the modified cash basis, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

### *Governmental Funds:*

General Fund – The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund.

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Special Revenue Funds – are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

Capital Project Funds – are used to account for and report financial resources that are restricted, committed, or assigned to expend for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

*Proprietary Funds:*

Enterprise Funds – are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

The City’s governmental funds are comprised of the following:

**Major Funds:**

- General Fund – accounts for all activities not accounted for in other special-purpose funds

Due to the implementation of GASB 54, the following funds have been reclassified as accounts of the General Fund. They were previously reported as special revenue funds:

- Equipment/Building Capital Outlay – accounts for capital outlay of other equipment and buildings
- Police Capital Outlay – accounts for capital outlay for the police department
- Fire Capital Outlay – accounts for capital outlay for the fire department
- Capital Outlay Fund (Capital Project Fund) – accounts for capital outlay project activities

**Non-Major Funds (Reported as Other Governmental Funds):**

**Special Revenue Fund:**

- Street and Alley Fund – accounts for state shared gasoline excise and commercial vehicle taxes legally restricted for street and alley purposes

**Capital Project Fund:**

- Cemetery Care Fund – accounts for 12.5 percent of cemetery revenues restricted by State law for cemetery capital improvements. This was previously reported as a special revenue fund.

The governmental funds are reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities resulting from cash transactions are included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period. The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide

financial statements is the result of the use of the economic resources measurement focus at the government-wide level.

*Proprietary Funds:*

The City's proprietary funds are comprised of the following:

- Water and Sewage Trust Fund – accounts for the operation of the water and wastewater activities
- Gas Fund – accounts for the operation of the gas activities
- Electric Fund – accounts for the operation of the electric activities
- Sanitation Fund – accounts for the operation of the sanitation activities

For purposes of the statement of revenues, expenses and changes in fund net assets, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

All of the above noted funds are legally required to adopt annual budgets or appropriations. The public trusts (or Trusts) are not required to adopt legal annual appropriations. While each trust develops an annual budget, it is for financial management purposes and does not constitute legal appropriations.

**C. Cash, Cash Equivalents, and Investments**

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit, and any short-term investments with an original maturity of three months or less, and open-end government mutual funds. Investments consist of long-term certificates of deposits and are reported at cost.

**D. Capital Assets and Depreciation**

Reported capital assets are limited to those acquired with cash and cash equivalents consistent with the modified cash basis of accounting. The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund type or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. In the government-wide and proprietary fund financial statements, property, plant and equipment are accounted for as capital assets, net of accumulated depreciation where applicable. In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures and not reported as capital assets.

Capital assets consist of land, buildings and building improvements, machinery and equipment, and infrastructure. A capitalization threshold of \$500 is used to report capital assets. Capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Prior to July 1, 2003, governmental funds' infrastructure assets, such as streets, bridges, drainage systems, and traffic signal systems were not capitalized. Infrastructure assets acquired with cash since July 1, 2003 are recorded at cost.

Depreciable capital assets are depreciated on a straight-line basis over their estimated useful lives. The range of estimated useful lives by type of asset is as follows:

- Buildings 40 years – Business-type activities; 100 years – Governmental activities
- Machinery, furniture and equipment 3-10 years
- Utility property and improvements 40 years
- Infrastructure 20-50 years

**E. Long-Term Debt**

Reported long-term debt is limited to debt arising from cash transactions consistent with the modified cash basis of accounting. Accounting treatment of long-term debt varies depending upon whether source of repayment is from governmental fund types or proprietary fund type resources and whether they are reported in the government-wide or fund financial statements. All long-term debt resulting from cash transactions to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

**F. Compensated Absences**

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 11.

**G. Fund Balances and Net Assets**

*Fund Statements:*

Governmental fund equity is classified as fund balance. Since the City early implemented GASB Statement 54, fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – included amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance.

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- d. Assigned – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund.

It is the City’s policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance is available. The City’s policy for the use of the unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

*Net Assets:*

Net assets are displayed in three components:

- a. *Invested in capital assets, net of related debt* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted net assets* - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net assets* - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is the City’s policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**H. Internal and Interfund Balances and Transfers**

The City’s policy is to eliminate interfund transfers and balances in the statement of activities and net assets to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

**I. Use of Estimates**

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgments and may vary from actual results.

**2. Deposits and Investments**

For the year ended June 30, 2011, the City recognized \$5,325 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits with maturity dates of a year or less.

At June 30, 2011, the primary government held the following deposits and investments:

Type	<u>Credit Rating</u>	<u>Carrying Value</u>
<b><u>Deposits:</u></b>		
Demand deposits		\$264,973
Time deposits		365,000
Cash on hand		<u>2,673</u>
<b>Total</b>		<b><u><u>\$632,646</u></u></b>

**Reconciliation to the Statement of Net Assets:**

Cash and cash equivalents	\$267,646
Investments	<u>365,000</u>
	<b><u><u>\$632,646</u></u></b>

*Custody Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty's trust, department or agent, but not in the government's name.

As of June 30, 2011, the City was not exposed to custodial credit risk as defined above.

*Investment Interest Rate Risk* - the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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*Investment Credit Risk* - The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

As of June 30, 2011, the City did not hold any securities with credit ratings since they are all non-negotiable time deposits.

*Concentration of Investment Credit Risk* - the City places no limit on the amount it may invest in any one issuer.

*Restricted Cash and Investments* – The amounts reported as restricted assets on the Proprietary Fund Statement of Net Assets are comprised of amounts restricted for debt service, debt reserve, and utility deposits. The restricted assets as of June 30, 2011 are as follows:

<u>Type of Restricted Assets</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Total</u>
Utility Deposits	\$ 11,725	\$ 115,000	\$ 126,725
	<hr/>	<hr/>	<hr/>
Total Restricted Assets	<u>\$ 11,725</u>	<u>\$ 115,000</u>	<u>\$ 126,725</u>

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**3. Capital Assets and Depreciation**

For the year ended June 30, 2011, capital assets balances changed as follows:

	Balance at July 1, 2010	Additions	Disposals	Balance at June 30, 2011
<b>Governmental:</b>				
Capital assets not being depreciated:				
Land	\$ 58,700	\$ -	\$ -	\$ 58,700
Total capital assets not being depreciated	58,700	-	-	58,700
Other capital assets:				
Buildings	401,754	-	-	401,754
Infrastructure	32,883	171,825	-	204,708
Machinery and Equipment	795,629	22,882	-	818,511
Total other capital assets at historical cost	1,230,266	194,707	-	1,424,973
Less accumulated depreciation for:				
Buildings	128,092	5,828	-	133,920
Infrastructure	1,432	3,792	-	5,224
Machinery and Equipment	272,171	35,157	-	307,328
Total accumulated depreciation	401,695	44,777	-	446,472
Other capital assets, net	828,571	149,930	-	978,501
Governmental, net capital assets	\$ 887,271	\$ 149,930	\$ -	\$ 1,037,201
<b>Business-Type:</b>				
Capital assets not being depreciated:				
Land	\$ 12,500	\$ -	\$ -	\$ 12,500
Construction in progress	67,364	38,165	-	105,529
Total capital assets not being depreciated	79,864	38,165	-	118,029
Other capital assets:				
Buildings	220,332	-	-	220,332
Machinery and Equipment	772,638	14,243	-	786,881
Infrastructure	2,992,165	3,864	-	2,996,029
Total other capital assets at historical cost	3,985,135	18,107	-	4,003,242
Less accumulated depreciation for:				
Buildings	153,671	5,098	-	158,769
Machinery and Equipment	577,396	22,822	-	600,218
Infrastructure	1,724,877	72,804	-	1,797,681
Total accumulated depreciation	2,455,944	100,724	-	2,556,668
Other capital assets, net	1,529,191	(82,617)	-	1,446,574
Business-Type, net capital assets	\$ 1,609,055	\$ (44,452)	\$ -	\$ 1,564,603

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Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

<i>Governmental Activities:</i>		<i>Business-type Activities:</i>	
General government	\$ 9,856	Electric	\$ 19,542
Public safety	21,744	Gas	14,617
Highways and streets	7,156	Water	39,939
Culture and recreation	5,421	Sewer	26,626
Cemetery	600		
<b>Total depreciation</b>	<b><u>\$ 44,777</u></b>	<b>Total depreciation</b>	<b><u>\$ 100,724</u></b>

**4. Long-Term Debt and Debt Service Requirements**

For the year ended June 30, 2011, the reporting entity's long-term debt changed as follows:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>	<u>Amount Due Within One Year</u>
<i>Business-Type:</i>					
Capital leases payable	\$ 1,861	\$ -	\$ 1,861	\$ -	\$ -
Notes payable	<u>137,530</u>	<u>214,772</u>	<u>58,115</u>	<u>294,187</u>	<u>10,870</u>
<b>Total Long-term Debt</b>	<b><u>\$ 139,391</u></b>	<b><u>\$ 214,772</u></b>	<b><u>\$ 59,976</u></b>	<b><u>\$ 294,187</u></b>	<b><u>\$ 10,870</u></b>

*Governmental Activities:*

At June 30, 2011, the governmental activities had no long-term debt.

*Business-Type Activities:*

Long-term commitments payable from net revenues generated by the utility resources or other resources pledged to the City's business-type activities at June 30, 2011, includes the following:

Notes Payable:

Note payable to Oklahoma Department of Commerce, collateralized by water and sewer revenues, payable in 240 monthly installments of \$583 beginning October 2000, interest at 0%, final payment due October 2020. \$65,334

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Note payable to American Heritage Bank, collateralized by library annex building, payable in 120 monthly installments of \$372, including interest at 4.95%, final payment due March 2018. 14,081

2011 Series Interim Construction Clean Water ORF Promissory Note to Oklahoma Water Resources Board, original issue amount available for draw of \$2,990,000, secured by utilities revenues, payable in semi-annual installments, interest rate at 3.42%, final maturity March 15, 2042. 214,772

Total Notes Payable \$294,187

	Current portion	\$10,870
	Non-current portion	<u>283,317</u>
	Total Notes Payable	<u>\$294,187</u>

*Payment Requirements to Maturity:*

Business-Type Activities

Year Ended June 30,	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 10,870	\$ 593
2013	110,733	101,803
2014	110,939	98,188
2015	108,540	94,604
2016	106,667	91,180
2017-2021	528,667	404,772
2022-2026	498,333	319,557
2027-2031	498,333	234,342
2032-2036	498,333	149,127
2037-2041	498,333	63,912
2042	<u>99,667</u>	<u>2,556</u>
Total	\$3,069,415	<u>\$1,560,634</u>
Less amount to be drawn down	<u>(2,775,228)</u>	
	<u>\$294,187</u>	

**5. Sales Tax Revenue**

Sales tax revenue represents a 3 cent tax on each dollar of taxable sales. All three cents is recorded in the General Fund.

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**6. Property Tax Levy**

The City presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the City.

**7. Schedule of Transfers Between Funds and Legal Entities**

Transfers between funds and legal entities are comprised of the following:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Nature of Transfer</u>
Electric Fund	General Fund	\$195,000	Operating transfer
Water/Sewage Trust Fund	General Fund	80,000	Operating transfer
Gas Fund	General Fund	50,000	Operating transfer
		\$325,000	
<b>Reconciliation to Fund Financials and Statement of Activities:</b>			
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Activities	\$325,000	-	\$325,000
Business-Type Activities	512,388	837,388	(325,000)
Total	\$837,388	\$837,388	-

**8. Risk Management**

The City and its public trusts are exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City purchases commercial insurance for protection against loss other than health, life, and workers compensation. Deductibles on property, vehicle, and general liability policies range from \$0 - \$1,000. Settled claims have not exceeded the commercial coverage during the past three years.

The City is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year.

As a member of the Plan, the City is required to pay fees set by the Plan according to an established payment schedule. The City is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. A Loss Fund has been established from the proceeds of fees paid by the City. The City's loss fund balance at June 30, 2011 was \$29,870. The State Insurance Fund provides coverage in excess of the Loss Fund so the City's liability for claim loss is limited to the balance of that fund. However, failure of the State Insurance to honor its obligations could result in losses to the Plan.

## 9. Employee Retirement Plan Participation

The City of Yale participates in two pension or retirement plan:

- Oklahoma Firefighter’s Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust (OMRF-DBP) – an agent multiple-employer defined benefit plan

### *OFPRS*

The City of Yale, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter’s Pension and Retirement System (OFPRS) as a result of the employment of volunteer firefighters. The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ fulltime or volunteer firefighters. For 2011, 2010, and 2009, the City's annual required contribution was \$1,080, \$1,020, and \$1,020, respectively, for the OFPRS plan and was equal to the City's actual contribution for each year.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OFPRS  
4545 N. Lincoln Blvd., Suite 265  
Oklahoma City, OK 73105-3414

### *OMRF Defined Benefit Plan*

The City contributes to the City of Yale’s Plan and Trust in the form of The Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust, an agent multiple employer - defined benefit plan, for all eligible employees except for those covered by the Firefighter Pension Systems. Administration of the City’s individual plan rests with the City Council. The overall operations of OMRF are supervised by a nine-member Council of Trustees elected by the participating municipalities. JP Morgan Chase of Oklahoma City acts as administrator and securities custodian.

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Eligibility Factors, Contribution Methods and Benefit Provisions

Provision	OMRF Plan
a. Eligible to Participate	Full-time, non-uniformed employees of the City upon hire.
b. Contribution Requirements:	
-Authorization	By City ordinance
-Actuarially Determined	Yes
-Employer Rate	8.75% of covered payroll
-Employee Rate	6.00% of earnings
c. Period Required to Vest	10 years of credited service
d. Eligibility for Distribution	-Normal retirement at age 65 with 10 years of service -Early retirement at age 55 with 80 points and 10 or more years of service -Points are equal to age plus completed years of service -Disability retirement with 10 years of service -Marital death benefit with 10 years of service
e. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
f. Benefit Determination Methods:	
-Normal Retirement	3% of final average salary multiplied by credited years of service
-Early Retirement	Actuarially reduced benefit based upon age and years of service at termination
-Disability Retirement	Same as normal retirement
-Death Benefit	50% of employee's accrued benefit, but terminates upon spouse remarriage
-Prior to 10 Years Service	Return of employee contributions with accrued interest
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, optional form based on actuarial equivalent.

Actuarial Assumptions

**For Plan Year July 1, 2011 (Date of Last Actuarial Valuation)**

a. Actuarial Cost Method	Entry age normal
b. Rate of Return on Investments	7.5%
c. Projected Salary Increase	Rates by age
d. Post Retirement Cost-of-Living Increase	N/A
e. Inflation Rate	Separate inflation rate not available; inflation included in projected salary increase
f. Mortality	UP 94 mortality
g. Asset Valuation Method	Actuarial method

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<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2009	\$13,016	\$10,922
2010	\$54,677	\$30,315
2011	\$46,365	\$38,152

OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 100 N. Broadway, Oklahoma City, Oklahoma, 73102.

Funded Status and Funding Progress

As of January 1, 2011, the funded status of the OMRF agent multiple employer defined benefit plan is as follows:

Actuarial accrued liability (AAL)	\$1,078,100
Actuarial value of plan assets	<u>991,921</u>
Unfunded (Overfunded) actuarial accrued liability (AAL)	\$ <u><u>86,179</u></u>
Funded ratio (actuarial value of plan assets/AAL)	92.0%
Annual covered payroll (active plan members)	493,802
Unfunded AAL as a percentage of covered payroll	17.5%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**11. Commitments and Contingencies**

*Compensated Absences:*

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2011 is \$17,435.

*Lone Chimney Water Association:*

The City of Yale, together with seven other cities and rural water districts located in Noble, Pawnee, and Payne Counties, Oklahoma, have jointly formed Lone Chimney Water Association. The purpose of the Association is to provide a water system for the benefit of its members and other users. The Association has entered into various loan agreements with the U.S. Rural Development and Oklahoma Water Resources Board to provide financing for the facility. Under the terms of the agreements regarding the Lone Chimney Water Association, each member contracted to purchase a minimum amount of water from the Association during the 40-year term of the notes. In addition, each individual member is proportionately liable for any debts that exceed the assets of the

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Association to the extent of one and one-half times the percentage of ownership interest held by the entity pursuant to the agreement. The City is contingently liable for 21.7% of these obligations of the Association, which total approximately \$2,062,063 to Rural Development and \$549,552 to OWRB at June 30, 2011. The City's contingent share of Lone Chimney Water Association's debt is \$566,720.

*Consent Order:*

A consent order requiring the city to make certain wastewater treatment improvements was issued by the Oklahoma Department of Environmental Quality. The total cost of these required improvements is estimated to be around \$2.5 to \$2.6 million and is being funded with OWRB debt.

*Litigation:*

The City and its public trusts are parties to various legal proceedings or have threatened litigation which normally occurs in the course of municipal governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State Constitution and statutes provide for the levy of an ad valorem tax over a three-year period by a Sinking Fund for the payment of any court assessed judgment rendered against the City. (This provision is not available to public trusts.) While the outcome of the above noted proceedings or threatened litigation cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

*Federal and State Award Programs:*

The City of Yale participates in various federal or state grant/loan programs from year to year. In 2011, the City's involvement in federal and state award programs was not significant. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

*Business Incentive/Loan Rebate Program:*

The YEDA developed a business development incentive loan/rebate program whereby businesses can apply and be eligible for a rebate or loan of sales tax revenue generated. New or expanding businesses must show proof of economic benefit or growth to the City.

The YEDA entered into such an agreement with Yale Subway, LLC (Subway) in May 2011. In accordance with the agreement, Subway must continue in business for three years from November 3, 2010. Subway will be eligible for a rebate of 50% of City Sales tax generated since that time until the total rebate reaches a total of \$25,000 or until the end of the agreement on November 1, 2015, whichever comes first. No payments were made under the terms of this agreement during the current fiscal year.

**12. Expenditures Exceeding Appropriations**

The City is required to adopt appropriations for all funds of the City of Yale's legal entity. The level at which expenditures should not exceed appropriations is at the department level within a fund as provided by the Municipal Budget Act. Transfers of appropriation may be approved by the City management; however, supplemental appropriations must be approved by the City Council and subsequently filed with the State Auditor's Office.

For the year ended June 30, 2011, The City of Yale complied in all material respects with the above requirements.

**13. Related Party Transactions**

The City purchased \$3,064 of supplies during fiscal year 2011 from a business owned by a City Council member. It is the only business of its type within the City limits and City management believes it is impractical to go elsewhere for incidental items.

**14. Subsequent Events**

Subsequent events have been evaluated through March 15, 2012, which is the date the financial statements were available to be issued.

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**REQUIRED SUPPLEMENTAL INFORMATION**

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**OMRF Agent Multiple Employer Defined Benefit Pension Plan - Schedule of Funding Progress**  
**(Unaudited)**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -- Entry Age	Unfunded (Overfunded) Liability UAAL	Funded Ratio	Covered Payroll	(Overfunded) AAL as a Percentage of Covered Payroll
1/1/06	\$1,176,178	\$1,055,660	\$(120,519)	111.4%	\$304,905	(39.5)%
1/1/07	\$1,207,954	\$1,080,265	\$(127,689)	111.8%	\$330,493	(38.6)%
1/1/08	\$1,266,057	\$1,162,379	\$(103,678)	108.9%	\$370,702	(28.0)%
1/1/09	\$1,178,774	\$1,202,616	\$ 23,843	98.0%	\$318,022	7.5%
1/1/10	\$1,124,875	\$1,196,025	\$71,149	94.1%	\$392,205	18.1%
1/1/11	\$991,921	\$1,078,100	\$86,179	92.0%	\$493,802	17.5%

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**Budgetary Comparison Schedule (Modified Cash Basis) – Year Ended June 30, 2011 (Unaudited)**

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>Beginning Budgetary Fund Balance:</b>	\$ 36,000	\$ 159,000	\$ 159,127	\$ 127
<b>Resources (Inflows):</b>				
Taxes	139,000	218,100	173,250	(44,850)
Intergovernmental	152,500	169,600	177,378	7,778
Charges for services	25,100	72,485	82,839	10,354
Fines and forfeitures	120,700	132,600	127,817	(4,783)
Licenses and permits	150	300	234	(66)
Investment income	2,700	900	897	(3)
Miscellaneous	70,800	63,600	56,411	(7,189)
Transfers in	370,000	405,000	325,000	(80,000)
<b>Total Resources (Inflows)</b>	880,950	1,062,585	943,826	(118,759)
<b>Amounts available for appropriation</b>	\$916,950	\$ 1,221,585	\$1,102,953	(\$118,632)
<b>Charges to Appropriations (Outflows):</b>				
Governing board	59,605	67,300	66,505	795
City clerk	53,290	67,300	66,742	558
City attorney	12,000	16,400	16,256	144
Municipal court	5,285	17,800	17,405	395
Police	223,820	285,500	283,235	2,265
Fire	72,449	100,200	99,274	926
Streets	236,883	297,200	295,554	1,646
Parks	31,000	13,000	12,790	210
General government	93,255	100,300	94,425	5,875
Library	74,922	80,700	79,948	752
Cemetery	8,500	15,100	14,835	265
Swimming pool	36,849	26,300	24,327	1,973
Emergency management	500	2,100	1,203	897
<b>Total Charges to Appropriations</b>	908,358	1,089,200	1,072,499	16,701
<b>Ending Budgetary Fund Balance</b>	\$ 8,592	\$ 132,385	\$ 30,454	\$ (101,931)
<b>Reconciliation to General Fund Revenues, Expenditures and Changes in Fund Balance:</b>				
Equipment/Building Capital Outlay Fund			15,000	
Police Capital Outlay Fund			17	
Fire Capital Outlay Fund			13,104	
Fund Balance per Statement of Revenues, Expenditures and Changes in Fund Balance			\$ 58,575	

**Footnotes to Budgetary Comparison Schedules:**

1. The legal level of appropriation control is the department level within a fund. Transfer appropriations require the City Manager's approval and supplemental appropriations require City Council's approval.

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**SUPPLEMENTAL INFORMATION**

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**Combining Balance Sheet – General Fund Accounts (Modified Cash Basis) – June 30, 2011**

	<u>General Fund</u>	<u>Equip/Building Capital Outlay Fund</u>	<u>Police Capital Outlay Fund</u>	<u>Fire Capital Outlay Fund</u>	<u>Totals</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 37,839	\$ 15,000	\$ 17	\$ 13,104	\$ 65,960
Total Assets	<u>37,839</u>	<u>15,000</u>	<u>17</u>	<u>13,104</u>	<u>65,960</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	3,198	-	-	-	3,198
Due to other governments	4,187	-	-	-	4,187
Total Liabilities	<u>7,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,385</u>
Fund Balances:					
Assigned for:					
Self insurance	9,839	-	-	-	9,839
Future budgetary purposes	48,736	-	-	-	48,736
Unassigned	(28,121)	15,000	17	13,104	-
Total Fund Balances	<u>30,454</u>	<u>15,000</u>	<u>17</u>	<u>13,104</u>	<u>58,575</u>
Total Liabilities and Fund Balances	<u>\$ 37,839</u>	<u>\$ 15,000</u>	<u>\$ 17</u>	<u>\$ 13,104</u>	<u>\$ 65,960</u>

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**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund**  
**Accounts (Modified Cash Basis) – Year Ended June 30, 2011**

	<u>General Fund</u>	<u>Equip/Building Capital Outlay Accounts</u>	<u>Police Capital Outlay Accounts</u>	<u>Fire Capital Outlay Accounts</u>	<u>Totals</u>
<b>Revenues:</b>					
Taxes	\$ 173,250	\$ -	\$ -	\$ -	\$ 173,250
Intergovernmental	177,378	-	-	-	177,378
Charges for services	82,839	-	-	-	82,839
Fines & forfeitures	127,817	-	-	-	127,817
Licenses & permits	234	-	-	-	234
Investment income	897	-	-	44	941
Miscellaneous	56,411	-	-	-	56,411
<b>Total Revenues</b>	<u>618,826</u>	<u>-</u>	<u>-</u>	<u>44</u>	<u>618,870</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	261,333	-	-	-	261,333
Public safety	362,874	-	-	-	362,874
Highways and streets	122,524	-	-	-	122,524
Culture and recreation	115,579	-	-	-	115,579
Cemetery	14,835	-	-	-	14,835
Capital outlay	195,354	-	-	-	195,354
<b>Total Expenditures</b>	<u>1,072,499</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,072,499</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(453,673)	-	-	44	(453,629)
<b>Other Financing Sources (Uses):</b>					
Transfers in	325,000	-	-	-	325,000
Transfer out	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>325,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>325,000</u>
<b>Net change in fund balances</b>	(128,673)	-	-	44	(128,629)
<b>Fund balances (deficit), beginning</b>	159,127	15,000	17	13,060	187,204
<b>Fund balances, ending</b>	<u>\$ 30,454</u>	<u>\$ 15,000</u>	<u>\$ 17</u>	<u>\$ 13,104</u>	<u>\$ 58,575</u>

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**Combining Balance Sheet – Nonmajor Governmental Funds (Modified Cash Basis) – June 30, 2011**

	<u>Other Governmental Funds</u>		
	Special Revenue Fund	Capital Project Fund	
	Street & Alley Fund	Cemetery Care Fund	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 42,817	\$ 11,950	\$ 54,767
Investments	-	50,000	50,000
 Total Assets	<u>42,817</u>	<u>61,950</u>	<u>104,767</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Due to other funds	-	-	-
 Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted for:			
Street & alley purposes	42,817	-	42,817
Cemetery care	-	61,950	61,950
Total Fund Balances	<u>42,817</u>	<u>61,950</u>	<u>104,767</u>
 Total Liabilities and Fund Balances	<u>\$ 42,817</u>	<u>\$ 61,950</u>	<u>\$ 104,767</u>

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**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds (Modified Cash Basis) – Year Ended June 30, 2011**

	<u>Other Governmental Funds</u>		
	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	
	<u>Street &amp; Alley Fund</u>	<u>Cemetery Care Fund</u>	<u>Totals</u>
<b>Revenues:</b>			
Intergovernmental	\$ 13,336	\$ -	\$ 13,336
Charges for services	-	3,531	3,531
Investment income	-	-	-
Miscellaneous	-	-	-
<b>Total Revenues</b>	<u>13,336</u>	<u>3,531</u>	<u>16,867</u>
<b>Expenditures:</b>			
Current:			
Capital outlay	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures</b>	13,336	3,531	16,867
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	-
Transfer out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	13,336	3,531	16,867
<b>Fund balances (deficit), beginning</b>	29,481	58,419	87,900
<b>Fund balances, ending</b>	<u>\$ 42,817</u>	<u>\$ 61,950</u>	<u>\$ 104,767</u>

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**Schedule of Expenditures of State Awards (Modified Cash Basis) – For year ended June 30, 2011**

Federal/State Grantor/Pass Through Agency Grantor/Program Title	Federal CFDA Number	Grant #	Award Amount	Awards Expended
<b>FEDERAL AWARDS:</b>				
<u>US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Pass through Oklahoma Department of Commerce: Community Development Block Grant	14.228	14141 CDBG 10	\$ 75,000	\$ 75,000
<u>US DEPARTMENT OF HOMELAND SECURITY:</u>				
Passed through Oklahoma Department of Public Safety: Mobile Laptop Project	97.004	104.014	10,226	9,886
<u>US DEPARTMENT OF LIBRARIES:</u>				
Passed through Oklahoma Department of Libraries: Reference Materials Grant	45.310	N/A	2,000	2,000
Total Federal Awards			<u>\$ 87,226</u>	<u>\$ 86,886</u>
<b>STATE AWARDS:</b>				
<u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u>				
Library State Aid	N/A	N/A	\$ 2,662	\$ 2,662
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>				
Fire Operating Grant	N/A	N/A	4,398	4,398
<u>CENTRAL OKLAHOMA ECONOMIC DEVELOPMENT DISTRICT:</u>				
CDBG REAP Grant	N/A	2009-2010 REAP Fund 21	75,000	75,000
Total State Awards			<u>\$ 82,060</u>	<u>\$ 82,060</u>

**Note 1. Basis of Presentation**

This schedule includes the grant activity of the City of Yale, Oklahoma under programs of the federal and state governments for the year ended June 30, 2011. Because the schedule presents only a selected portion of the operations of the City of Yale, Oklahoma, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City of Yale, Oklahoma.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the modified cash basis of accounting which may be different from other information contained in the City's financial statements.

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**INTERNAL CONTROL AND COMPLIANCE**

**CITY OF YALE, OKLAHOMA  
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# Anne Marie Elfrink, MS, CPA

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## 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*

To the City Council  
City of Yale, Oklahoma

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Yale, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City of Yale, Oklahoma's basic financial statements and have issued my report thereon dated March 15, 2012. The City of Yale, Oklahoma prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. I conducted my 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 my audit, I considered the City of Yale, Oklahoma's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Yale, Oklahoma's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Yale, Oklahoma's internal control over financial reporting.

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Yale, Oklahoma's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which

could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in black ink that reads "Anne Marie Elfrink, MS, CPA". The signature is written in a cursive style.

Anne Marie Elfrink, MS, CPA

Tulsa, Oklahoma

March 15, 2012