

CITY OF YALE
Yale, Oklahoma

BASIC FINANCIAL STATEMENTS
June 30, 2014

**CITY OF YALE
Yale, Oklahoma**

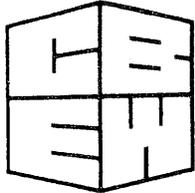
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CITY OF YALE
Yale, Oklahoma

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INDEPENDENT AUDITOR'S REPORT

January 14, 2015

Honorable Board of City Commissioners
City of Yale
Yale, Oklahoma

Report on the Financial Statements

We 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, (City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 business-type activities, each major fund and the aggregate remaining fund information of the City of Yale, Oklahoma, as of June 30, 2014, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 32 – 33 and the notes on page 34 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

The City has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements and the schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2015, 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 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* in considering the City's internal control over financial reporting and compliance.


CBEW Professional Group, LLP
Certified Public Accountants

CITY OF YALE
STATEMENT OF NET POSITION
June 30, 2014

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 3A)	\$ 173,625	\$ 47,580	\$ 221,205
Cash on hand	800	-	800
Investments	50,000	-	50,000
Accounts receivable (net)	3,522	265,626	269,148
Accrued governmental transfers	63,132	-	63,132
Due to/from others	(600)	600	-
Restricted assets:			
Cash in bank (Note 3A)	9,305	-	9,305
Cash, insurance deposit	18,344	-	18,344
Capital assets:			
Land	58,700	12,500	71,200
Construction in progress	-	-	-
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 3)	992,103	4,231,247	5,223,350
Total assets	\$ 1,368,931	\$ 4,557,553	\$ 5,926,484
Deferred outflows of resources:			
Total deferred outflows	-	-	-
Liabilities:			
Accounts payable	\$ 3,882	\$ 108,508	\$ 112,390
Sales tax payable	-	3,026	3,026
Due to State of Oklahoma	1,024	-	1,024
Accrued compensated absences	16,947	3,283	20,230
Cash bonds	9,305	-	9,305
Notes payable (Note 3)			
Due in one year	-	65,999	65,999
Due in more than one year	-	2,533,874	2,533,874
Total liabilities	31,158	2,714,690	2,745,848
Deferred inflows of resources:			
Total deferred inflows	-	-	-
Net position:			
Invested in capital assets, net of related debt	1,050,803	1,643,874	2,694,677
Restricted	210,801	-	210,801
Unrestricted	76,169	198,989	275,158
Total net position	\$ 1,337,773	\$ 1,842,863	\$ 3,180,636

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

CITY OF YALE
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government:				
City clerk	\$ 49,431	\$ -	\$ -	\$ (49,431)
Governing board	107,601	-	-	(107,601)
General government	74,922	-	53,486	(21,436)
Total general government	<u>231,954</u>	<u>-</u>	<u>53,486</u>	<u>(178,468)</u>
Public safety and judiciary:				
City attorney	15,121	-	-	(15,121)
Fire	86,534	25,274	4,474	(56,786)
Municipal court	40,402	100,022	-	59,620
Police	273,303	-	-	(273,303)
Total public safety and judiciary	<u>415,360</u>	<u>125,296</u>	<u>4,474</u>	<u>(285,590)</u>
Transportation:				
Streets	118,399	-	-	(36,549)
Total transportation	<u>118,399</u>	<u>-</u>	<u>-</u>	<u>(36,549)</u>
Cultural, parks and recreation:				
Cemetery	12,135	11,113	-	(1,022)
Library	84,881	867	3,626	(80,388)
Parks	29,013	-	80,591	55,079
Swimming pool	12,207	23,500	-	11,293
Total cultural, parks and recreation	<u>138,236</u>	<u>35,480</u>	<u>84,217</u>	<u>(15,038)</u>
Total governmental activities	<u>903,949</u>	<u>160,776</u>	<u>142,177</u>	<u>(515,645)</u>
Business-type activities				
Gas service	277,624	406,289	-	128,665
Water service	604,887	318,749	-	(286,138)
Sewer service	53,925	116,133	-	62,208
Electric service	844,778	1,203,937	-	359,159
Sanitation service	119,407	126,889	-	7,482
Economic development	2,784	-	-	(2,784)
Financing costs	19,326	-	-	(19,326)
Total business-type activities	<u>1,922,731</u>	<u>2,171,997</u>	<u>-</u>	<u>249,266</u>
Total	<u>\$ 2,826,680</u>	<u>\$ 2,332,773</u>	<u>\$ 142,177</u>	<u>\$ (266,379)</u>

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

CITY OF YALE
 STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
 Year Ended June 30, 2014

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	\$ (515,645)	\$ 249,266	\$ (266,379)
General revenues:			
Taxes:			
Sales and use taxes	302,455	-	302,455
Franchise taxes	5,115	-	5,115
Intergovernmental	34,087	-	34,087
Interest earnings	2,028	-	2,028
Connection fees and penalties	16,893	-	16,893
Miscellaneous	67,567	87,282	154,849
Transfers	179,500	(179,500)	-
Total general revenues and transfers	<u>607,645</u>	<u>(92,218)</u>	<u>515,427</u>
Change in net position	92,000	157,048	249,048
Net position - beginning of year	<u>1,245,773</u>	<u>1,685,815</u>	<u>2,931,588</u>
Net position - end of year	<u>\$ 1,337,773</u>	<u>\$ 1,842,863</u>	<u>\$ 3,180,636</u>

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

**CITY OF YALE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 3A)	\$ 33,134	\$ 140,491	\$ 173,625
Cash on hand	800	-	800
Investments	-	50,000	50,000
Accounts receivable (net)	3,522	-	3,522
Accrued governmental transfers	61,166	1,966	63,132
Restricted assets:			
Cash in bank (Note 3A)	9,305	-	9,305
Cash, insurance deposit	18,344	-	18,344
Total assets	<u>\$ 126,271</u>	<u>\$ 192,457</u>	<u>\$ 318,728</u>
Liabilities:			
Accounts payable	\$ 3,882	\$ -	\$ 3,882
Due to others	600	-	600
Due to State of Oklahoma	1,024	-	1,024
Cash bonds	9,305	-	9,305
Total liabilities	<u>14,811</u>	<u>-</u>	<u>14,811</u>
Fund balances:			
Restricted for:			
Other purposes	-	121,541	121,541
Workers compensation	18,344	-	18,344
Assigned to:			
Capital projects	-	70,916	70,916
Unassigned	93,116	-	93,116
Total fund balances	<u>111,460</u>	<u>192,457</u>	<u>303,917</u>
Total liabilities and fund balances	<u>\$ 126,271</u>	<u>\$ 192,457</u>	<u>\$ 318,728</u>

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

CITY OF YALE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE
STATEMENT OF NET POSITION
June 30, 2014

Total Fund Balances - Total Governmental Funds \$ 303,917

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

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Deferred compensation		(16,947)
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$ 58,700	58,700
General Government	388,467	
Sewer	12,176	
Sanitation	8,968	
Police	126,844	
Fire	413,636	
Culture & Recreation	58,323	
Streets	422,767	
Park	149,318	
Cemetery	15,508	
Accumulated Depreciation	\$ (603,904)	
Total		992,103

Net position of governmental activities \$ 1,337,773

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

CITY OF YALE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Sales tax	\$ 302,455	\$ -	\$ 302,455
Alcoholic beverage tax	4,024	-	4,024
Gasoline excise tax	-	3,061	3,061
Commercial vehicle tax	-	9,413	9,413
Franchise tax	5,115	-	5,115
Grants	7,481	215,927	223,408
Insure OK Subsidy	14,173	-	14,173
Connection fees and penalties	16,893	-	16,893
Miscellaneous	42,427	29,423	71,850
Court fines	100,022	-	100,022
Outside fire runs and dues	25,274	-	25,274
Swimming pool fees	23,500	-	23,500
Interest	2,028	-	2,028
Donations	4,120	-	4,120
Grave openings	-	312	312
Cemetery lot sales	9,613	1,188	10,801
Total revenues	<u>557,125</u>	<u>259,324</u>	<u>816,449</u>
Expenditures:			
Current:			
General government	225,587	-	225,587
Highways and roads	91,572	9,992	101,564
Public safety	392,975	-	392,975
Cultural and recreation	129,884	-	129,884
Capital outlay	25,050	105,342	130,392
Total expenditures	<u>865,068</u>	<u>115,334</u>	<u>980,402</u>
Excess of revenues over (under) expenditures	(307,943)	143,990	(163,953)
Other financing uses:			
Operating transfers in (out)	343,500	(164,000)	179,500
Excess of revenues over (under) expenditures & transfers	35,557	(20,010)	15,547
Fund balance - beginning of year	<u>75,903</u>	<u>212,467</u>	<u>288,370</u>
Fund balance - end of year	<u>\$ 111,460</u>	<u>\$ 192,457</u>	<u>\$ 303,917</u>

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

CITY OF YALE
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES AND CHANGES
IN NET POSITION
Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ 15,547
Amounts reported for governmental activities in the Statement of Activities are different because:	
Government-Wide Statement of Activities and Changes in Net Position report accrued compensated absences in the period incurred. However, Governmental Funds do not pay on this liability until the employee has left employment. The amount of the change in accrued absences recorded in the current period.	343
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	130,392
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.	(54,282)
Change in Net Position of Governmental Activities	<u>\$ 92,000</u>

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

CITY OF YALE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Business-type Activities - Enterprise Funds					Totals
	Gas	Water & Sewage	Electric	Sanitation (Non-major)	Yale Economic Development Authority (Non-major)	
Assets:						
Cash and investments:						
Cash & cash equivalents	\$ 17,162	\$ 6,491	\$ 12,080	\$ 11,509	\$ 338	\$ 47,580
Investments	-	-	-	-	-	-
Accounts receivables (net of allowance for uncollectibles)	18,232	56,785	176,430	14,179	-	265,626
Due from others	-	600	-	-	-	600
Capital assets:						
Land	-	10,500	2,000	-	-	12,500
Construction in progress	-	-	-	-	-	-
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 3)	258,649	3,747,610	224,988	-	-	4,231,247
Total assets	\$ 294,043	\$ 3,821,986	\$ 415,498	\$ 25,688	\$ 338	\$ 4,557,553
Liabilities:						
Accounts payable	\$ 8,202	\$ 28,112	\$ 63,778	\$ 8,416	\$ -	\$ 108,508
Sales tax payable	-	-	3,026	-	-	3,026
Accrued compensated absences	-	198	3,085	-	-	3,283
Notes payable						
Due in one year	-	65,999	-	-	-	65,999
Due in more than one year	-	2,533,874	-	-	-	2,533,874
Total liabilities	8,202	2,628,183	69,889	8,416	-	2,714,690
Net position:						
Invested in capital assets, net of related debt	258,649	1,158,237	226,988	-	-	1,643,874
Restricted	-	-	-	-	-	-
Unrestricted	27,192	35,566	118,621	17,272	338	198,989
Total net position	\$ 285,841	\$ 1,193,803	\$ 345,609	\$ 17,272	\$ 338	\$ 1,842,863

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

CITY OF YALE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds					Totals
	Gas	Water & Sewage	Electric	Sanitation	Yale Economic Development Authority	
Revenues:						
Gas revenue	\$ 406,289	\$ -	\$ -	\$ -	\$ -	\$ 406,289
Water revenue	-	318,749	-	-	-	318,749
Sewer revenue	-	116,133	-	-	-	116,133
Electric revenue	-	-	1,203,937	-	-	1,203,937
Sanitation revenue	-	-	-	126,889	-	126,889
Miscellaneous revenue	10,000	31,092	46,190	-	-	87,282
Total revenues	416,289	465,974	1,250,127	126,889	-	2,259,279
Operating expense:						
Salaries and payroll taxes	30,942	114,894	81,411	-	-	227,247
Gas purchases	193,434	-	-	-	-	193,434
Electric energy purchases	-	-	689,244	-	-	689,244
Water purchases	-	201,669	-	-	-	201,669
Sanitation Collection Service	-	-	-	119,407	-	119,407
Materials and supplies	38,932	159,189	63,975	-	-	262,096
Economic development	-	-	-	-	2,784	2,784
Water expense	-	65,125	-	-	-	65,125
Sewer expense	-	14,287	-	-	-	14,287
Depreciation	14,316	103,648	10,148	-	-	128,112
Total operating expenses	277,624	658,812	844,778	119,407	2,784	1,903,405
Income before non-operating revenues, expenses & transfers	138,665	(192,838)	405,349	7,482	(2,784)	355,874
Non-operating revenues (expenses):						
Interest revenue	-	-	-	-	-	-
Interest expense	-	(19,326)	-	-	-	(19,326)
Total	-	(19,326)	-	-	-	(19,326)
Income (loss) before operating transfers	138,665	(212,164)	405,349	7,482	(2,784)	336,548
Transfers in (out)	(145,500)	215,500	(254,500)	4,000	1,000	(179,500)
Change in net position	(6,835)	3,336	150,849	11,482	(1,784)	157,048
Net position at beginning of year	292,676	1,190,467	194,760	5,790	2,122	1,685,815
Net position at end of year	\$ 285,841	\$ 1,193,803	\$ 345,609	\$ 17,272	\$ 338	\$ 1,842,863

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

CITY OF YALE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

Business-type Activities - Enterprise Funds						
	Gas	Water & Sewage	Electric	Sanitation	Yale Economic Development Authority	Totals
Cash flows from operating activities:						
Cash received from customers & service users	\$ 419,027	\$ 455,994	\$ 1,228,062	\$ 127,147	\$ -	\$ 2,230,230
Cash payments for goods & services & employees	(256,461)	(528,638)	(823,976)	(120,791)	(2,784)	(1,732,650)
Other operating revenues	-	-	-	-	-	-
Net cash provided by operating activities	<u>162,566</u>	<u>(72,644)</u>	<u>404,086</u>	<u>6,356</u>	<u>(2,784)</u>	<u>497,580</u>
Cash flows from noncapital financing activities:						
Operating transfers out to other funds	(145,500)	-	(400,000)	(2,000)	-	(547,500)
Operating transfers in from other funds	-	215,500	145,500	6,000	1,000	368,000
Change in due to/from accounts	-	(600)	-	-	-	(600)
Net cash provided (used) for noncapital financing activities	<u>(145,500)</u>	<u>214,900</u>	<u>(254,500)</u>	<u>4,000</u>	<u>1,000</u>	<u>(180,100)</u>
Cash flows from capital and related financing activities:						
Acquisition & sale of capital assets	-	(57,090)	(145,500)	-	-	(202,590)
Principal paid on debt	-	(79,475)	-	-	-	(79,475)
Interest paid on debt	-	(19,326)	-	-	-	(19,326)
Net cash provided (used) for capital and related financing activities	<u>-</u>	<u>(155,891)</u>	<u>(145,500)</u>	<u>-</u>	<u>-</u>	<u>(301,391)</u>
Cash flows from investing activities:						
(Purchase) liquidation of investments - restricted	-	-	-	-	-	-
Interest on investments	-	-	-	-	-	-
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash & cash equivalents	<u>17,066</u>	<u>(13,635)</u>	<u>4,086</u>	<u>10,356</u>	<u>(1,784)</u>	<u>16,089</u>
Cash and cash equivalents - beginning of year	<u>96</u>	<u>20,126</u>	<u>7,994</u>	<u>1,153</u>	<u>2,122</u>	<u>31,491</u>
Cash and cash equivalents - end of year	<u>\$ 17,162</u>	<u>\$ 6,491</u>	<u>\$ 12,080</u>	<u>\$ 11,509</u>	<u>\$ 338</u>	<u>\$ 47,580</u>
Reconciliation of operating income to net cash provided by operating activities:						
Operating income	\$ 138,665	\$ (192,838)	\$ 405,349	\$ 7,482	\$ (2,784)	\$ 355,874
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	14,316	103,648	10,148	-	-	128,112
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	2,738	(9,980)	(22,065)	258	-	(29,049)
(Increase) decrease in banked electric	-	-	-	-	-	-
Increase (decrease) in accounts payable	8,202	27,242	9,775	(1,384)	-	43,835
Increase (decrease) in accrued expenses	(1,355)	(716)	879	-	-	(1,192)
Total adjustments	<u>23,901</u>	<u>120,194</u>	<u>(1,263)</u>	<u>(1,126)</u>	<u>-</u>	<u>141,706</u>
Net cash provided by operating activities	<u>\$ 162,566</u>	<u>\$ (72,644)</u>	<u>\$ 404,086</u>	<u>\$ 6,356</u>	<u>\$ (2,784)</u>	<u>\$ 497,580</u>

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

**CITY OF YALE
STATEMENT OF FIDUCIARY ASSETS
FIDUCIARY FUNDS
June 30, 2014**

	<u>Agency Funds Meter Trust</u>
Assets:	
Cash and investments	<u>\$ 128,615</u>
Total assets	<u><u>\$ 128,615</u></u>
Liabilities:	
Deposits	<u>\$ 128,615</u>
Total liabilities	<u><u>\$ 128,615</u></u>

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

CITY OF YALE
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Yale, Oklahoma (the City) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

The City of Yale, Oklahoma was organized under the statutes of the State of Oklahoma. The City operates under a council form of government and is governed by a five-member board of commissioners. The commissioners elect the mayor from their own body. As required by generally accepted accounting principles, these financial statements present the activities of the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with the data of the primary government. The City provides the following services as authorized by its charter: general government, public safety (fire and police), streets, public works (electric, gas, water, sewer, and refuse), judicial, health and social services, culture, parks and recreation, public improvements, and planning and zoning for the geographical area organized as the City of Yale, Oklahoma.

Blended Component Units:

The Yale Water and Sewage Trust (the Trust) was created pursuant to a Trust Indenture dated December 5, 1972 to finance, operate, construct and administer any public works, improvements or facilities for the benefit of the City of Yale, Oklahoma. The public works systems owned by the City have been leased to the Trust. The Trust is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of five trustees identical with the City Council. The Trust is exempt from State and Federal income taxes. The Trust is reported as an enterprise fund and includes the Water and Sewage Fund, the Electric Fund, the Gas Fund and the Sanitation Fund.

The Yale Economic Development Authority (YEDA) was 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. The Trust is exempt from State and Federal income taxes. The Trust is reported as an enterprise fund.

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

CITY OF YALE
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

The statement of net position presents the financial condition of the governmental and business-type activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the city, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Major funds represent 10% of assets, liabilities, revenues, or expenditures of the corresponding element for all funds of that category *and* is at least 5% of the corresponding element total for all governmental and enterprise funds combined *or* is a fund that the government believes is important enough for financial statement users to be reported as a major fund. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting – The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds – are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims, and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Sales taxes collected and held by the state at year-end on behalf of the City are susceptible to accrual and are recognized as revenue. Other receipts and taxes (franchise taxes, licenses, etc.) become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible-to-accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following are the City's major governmental funds:

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

CITY OF YALE
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

Other governmental funds of the City that are considered non-major funds include:

Special Revenue Funds - account for specific revenue sources that are legally restricted or committed to expenditures for specific purposes (not including major capital projects). The following are the City's Special Revenue Funds: Cemetery Lot Care Fund, COEDD REAP Grant Fund and Street & Alley.

Capital Projects Fund – account for and report resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities, other than those activities financed by proprietary activities or held in trust for individuals, private organizations or other governments. Capital Project Funds of the City include the Capital Outlay Fund.

Proprietary Funds – are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In compliance with the Governmental Accounting Standards Board (GASB) Statement No. 20 the City has elected to only apply Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) and Accounting Research Board (ARB) materials issued on or before November 30, 1989 that do not conflict with GASB. Proprietary funds are classified as enterprise.

Enterprise Funds – are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability. The Yale Water and Sewage Trust and the Yale Economic Development Authority are accounted for as enterprise funds.

The following are the City's major enterprise funds:

Water and Sewage Fund – accounts for the operations of providing public works (water and sewer) to the City.

Electric Fund – accounts for the operations of providing public works (electric) to the City.

Gas Fund – accounts for the operations of providing public works (gas) to the City.

The other enterprise funds of the City do not meet the percentage criteria for major funds but the City has elected to treat the following two non-major funds as though they were major funds for purposes of presentation within the proprietary funds of the financial statements rather than aggregating this information separately solely for the benefit of user understandability of the financial statements.

Sanitation Fund – accounts for the contracting of garbage services for the City.

Yale Economic Development Authority – accounts for operations of economic development for the City.

Fiduciary Funds – account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency Funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity. The City's agency fund is composed of the Customer Meter Deposit Fund.

CITY OF YALE
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity

1. Deposits and Investments

Oklahoma statutes authorize the City to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the City can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the City's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with a maturity date of three months or less. Debt instruments with a maturity date of more than three months are considered to be investments. Investments are stated at cost.

2. Restricted Cash and Investments

The restricted cash and investments are the result of cash bonds held for pending court appearances. Additional restricted assets represent customer deposits, other reserves and Cemetery Trust funds.

3. Fair Value of Financial Instruments

The City's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The City's estimates of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

4. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

5. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other/due to other funds".

6. Inventories

Inventories in both governmental funds and proprietary funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of such inventories are recorded as expenditures when purchased rather than when consumed.

7. Capital Assets and Infrastructure

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net position and in the respective funds.

CITY OF YALE
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

7. Capital Assets and Infrastructure (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of roads, bridges, curbs and gutter, streets and sidewalks, drainage system, lighting systems and similar assets that are immovable and of value only to the City. Such infrastructure assets acquired after July 1, 2003 are capitalized in accordance with the requirements of GASB 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value of the asset or materially extend an asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement.

Depreciation is computed on the straight-line method with estimated useful lives as follows:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives	Component Unit Estimated Lives
Buildings & Improvements	40 - 100 years	20 - 40 years	5 - 30 years
Furniture, Fixtures and Equipment	5 - 40 years	10 - 40 years	5 - 15 years
Vehicles	5 - 40 years	5 - 40 years	
Utility systems		40 years	
Transmission and distribution		40 years	

8. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation time. Full-time employees who have been employed continuously for at least 1 year are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Generally, after six consecutive months of service, employees are entitled to all accrued vacation leave upon termination. Sick leave may be accumulated to a maximum of 1,000 hours and is partially reimbursable only for employees with 5 or more years of service. Those who qualify are entitled to receive 10% of the accumulated unused sick leave calculated at retirement date. The expense and related liability for vested vacation benefits and compensatory time is recorded in the respective funds of the City or component unit.

CITY OF YALE
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

9. Long-term Obligations

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

10. Net Position/Fund Balance

In the government-wide financial statement, net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted are available.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents amount that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The City Ordinance is the highest level of decision-making authority of the City.

CITY OF YALE
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

10. Net Position/Fund Balance (Continued)

Assigned fund balance represents amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

11. Bad Debt Policy

It is the City's policy to charge bad debts against revenue.

12. Resource Use Policy

It is in the City's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the City considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the City's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the City considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Grants and Awards

The City was the recipient of the following operating grants during the year:	
State Aid Grant, Library	\$ 3,007
Rural Fire Department Assistance	4,474
Oklahoma Highway Safety Grant	81,850
CDBG Reap Grant	<u>134,077</u>
Total	<u>\$223,408</u>

3. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

At June 30, 2014, the City held deposits of approximately \$428,268 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the City or by its agent in the City's name.

CITY OF YALE
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

A. Deposits and Investments (Continued)

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.

Investment Credit Risk

The City has no policy that limits its investment choices other than the limitation of state law as follows:

Section 1.

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. 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.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

Section 2. Trust authority funds may be invested in mutual funds whose portfolio is invested in tax-exempt securities, governmental securities, and high-grade government bonds.

Section 3. Investments shall be made with judgment and care under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of the principal as well as the probable income to be derived.

The investments held at June 30, 2014 are as follows:

Type	Weighted Avg Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Certificate of deposit	12.00	N/A	165,000	165,000
Total investments			<u>\$ 165,000</u>	<u>\$ 165,000</u>

Reconciliation to Statement of Net Position

Governmental activities	\$ 50,000
Business-type activities	-
Agency funds	115,000
	<u>\$ 165,000</u>

CITY OF YALE
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

A. Deposits and Investments (Continued)

Concentration of Investment Credit Risk

The City places no limit on the amount it may invest in any one issuer. The City has the following of credit risk: 100% in Certificates of deposit (\$165,000).

B. Restricted Cash and Investments

Other restricted cash includes \$13,615 in cash and \$115,000 in certificates of deposit held for meter deposits held in the Agency Fund. Restricted cash in governmental activities is comprised of cash bonds held for pending court appearances \$9,305.

C. Uncollectible Accounts

Accounts receivable in the financial statements are reflected net of allowances. The City's estimates of uncollectible accounts receivable by fund and activity are as follows:

	General Fund	Water & Sewer Fund	Electric Fund	Gas Fund	Sanitation Fund	Total
Garbage	\$ -	\$ -	\$ -	\$ -	\$ (1,340)	\$ (1,340)
Water	-	(10,105)	-	-	-	(10,105)
Sewer	-	(2,515)	-	-	-	(2,515)
Gas	-	-	-	(5,053)	-	(5,053)
Electric	-	-	(19,415)	-	-	(19,415)
Total	<u>\$ -</u>	<u>\$ (12,620)</u>	<u>\$ (19,415)</u>	<u>\$ (5,053)</u>	<u>\$ (1,340)</u>	<u>\$ (38,428)</u>

CITY OF YALE
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

D. Capital Assets

Primary Government capital asset activity for the year ended is as follows:

Land	\$ 58,700	\$ -	\$ -	\$ 58,700
Total non-depreciable assets	<u>58,700</u>	<u>-</u>	<u>-</u>	<u>58,700</u>
Depreciable assets:				
Buildings	401,754	-	-	401,754
Infrastructure	204,708	105,342	-	310,050
Machinery & Equipment	859,153	25,050	-	884,203
Total depreciable assets	<u>1,465,615</u>	<u>130,392</u>	<u>-</u>	<u>1,596,007</u>
Less accumulated depreciation:				
Buildings	(145,575)	(6,183)	-	(151,758)
Infrastructure	(25,695)	(12,151)	-	(37,846)
Machinery & Equipment	(378,351)	(35,948)	-	(414,299)
Total accumulated depreciation	<u>(549,621)</u>	<u>(54,282)</u>	<u>-</u>	<u>(603,903)</u>
Net depreciable assets	<u>915,994</u>	<u>76,110</u>	<u>-</u>	<u>992,104</u>
Net governmental activities capital assets	<u>\$ 974,694</u>	<u>\$ 76,110</u>	<u>\$ -</u>	<u>\$ 1,050,804</u>
Business-Type Activities:				
Non-depreciable assets:				
Land	\$ 12,500	\$ -	\$ -	\$ 12,500
Construction in progress	2,814,994	-	2,814,994	-
Total non-depreciable assets	<u>2,827,494</u>	<u>-</u>	<u>2,814,994</u>	<u>12,500</u>
Depreciable assets:				
Buildings	220,332	-	-	220,332
Machinery & Equipment	793,877	224,366	-	1,018,243
Infrastructure	3,077,193	2,793,220	-	5,870,413
Total depreciable assets	<u>4,091,402</u>	<u>3,017,586</u>	<u>-</u>	<u>7,108,988</u>
Less accumulated depreciation:				
Buildings	(168,964)	(4,738)	-	(173,702)
Machinery & Equipment	(641,315)	(40,466)	-	(681,781)
Infrastructure	(1,939,352)	(82,906)	-	(2,022,258)
Total accumulated depreciation	<u>(2,749,631)</u>	<u>(128,110)</u>	<u>-</u>	<u>(2,877,741)</u>
Net depreciable assets	<u>1,341,771</u>	<u>2,889,476</u>	<u>-</u>	<u>4,231,247</u>
Net business-type activities capital assets	<u>\$ 4,169,265</u>	<u>\$ 2,889,476</u>	<u>\$ 2,814,994</u>	<u>\$ 4,243,747</u>

**CITY OF YALE
Yale, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

D. Capital Assets (Continued)

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	\$ 5,902	Electric	\$ 10,148
Public Safety	22,448	Gas	14,315
Highways and Streets	17,581	Water & Sewer	103,647
Culture and Recreation	7,751		
Cemetery	<u>600</u>		
Total Depreciation	<u>\$ 54,282</u>		<u>\$ 128,110</u>

E. Long-term Debt

Governmental Activities:

As of June 30, 2014 the governmental activities had no long-term debt.

Business-type Activities:

The following is summary of long-term debt of the City's Business-Type activities.

Notes Payable:

- | | |
|---|-----------|
| 1) Note Payable to Oklahoma Department of Commerce, collateralized by water and sewer revenues, payable in 240 monthly installments of \$583 beginning in October 2000, interest at 0%, matures October 2020. | \$ 43,167 |
| 2) 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. | 1,594 |
| 3) 2011 Series Interim Construction Clean water ORF Prom issory Note to Oklahoma water Resources Board, original issue amount available for draw of \$2,990,000, secured by utilities revenues, payable in semi-annual principal installments of \$45,950, interest at 3.42%, matures March 15, 2042. | 2,555,111 |

Total business-type activities long-term debt

\$ 2,599,872

**CITY OF YALE
Yale, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

E. Long-term Debt (Continued)

As of June 30, 2014, the annual principal requirements to retire Business-Type activities long-term debt are as follows:

Year Ending June 30,	Principal	Interest
2015	\$ 65,999	\$ 74,799
2016	66,688	72,500
2017	68,443	70,745
2018	70,250	68,938
2019	72,111	67,077
2020-2024	363,600	305,508
2025-2029	410,871	250,069
2030-2034	474,957	185,983
2035-2039	549,039	111,901
2040-2044	457,914	28,543
Total	<u>\$ 2,599,872</u>	<u>\$ 1,236,063</u>

The changes in Business-Type activities long-term debt are as follows:

	Balance July 1, 2013	Additions	Payments	Balance June 30, 2014
Notes Payable	<u>\$ 2,679,348</u>	<u>\$ -</u>	<u>\$ 79,476</u>	<u>\$ 2,599,872</u>
Total	<u>\$ 2,679,348</u>	<u>\$ -</u>	<u>\$ 79,476</u>	<u>\$ 2,599,872</u>

CITY OF YALE
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

F. Fund Transfers

The following presents a summary of transfers between funds:

Fund	Transfer To	Transfer From	Fund
General	\$ -	\$ 190,000	Electric
General	-	2,000	Sanitation
General	-	140,000	Gas
General	-	12,500	Cap Outlay
General	1,000	-	YEDA
General	6,650	-	GAP Plan
REAP	145,500	-	Electric
GAP Plan	-	6,650	General
Cap Outlay	12,500	-	General
Cap Outlay	6,000	-	Sanitation
YEDA	-	1,000	General
Water Trust	-	210,000	Electric
Water Trust	-	5,500	Gas
Electric	190,000	-	General
Electric	210,000	-	Water Trust
Electric	-	145,500	REAP
Gas	140,000	-	General
Gas	5,500	-	Water Trust
Sanitation	2,000	-	General
Sanitation	-	6,000	Cap Outlay
Totals	<u>\$719,150</u>	<u>\$719,150</u>	

CITY OF YALE
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

4. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The City purchases commercial insurance for protection against loss other than health, life, and workers compensation. Settled claims have not exceeded the commercial coverage during the past three fiscal 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. A Loss Fund has been established from the proceeds of these fees for each participant in the Plan. 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. The City's loss fund balance at June 30, 2014 was \$61,586. 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 Fund to honor its obligations could result in losses to the Plan.

In addition to the Loss Fund, the City maintains two additional funds with the Plan. The Rate Stabilization Reserve (RSR), which can be applied against future premium increases and an Escrow Fund made up of past refunds left on deposit with the Plan. Escrow funds earn interest and are readily available for use by the governing board. In accordance with GASB No. 10, the City reports the required contribution to the pool, net of refunds, as insurance expense. The balances in the RSR Fund and the Escrow Fund were \$18,344 and \$0, respectively.

B. Contingent Liabilities

The City is a defendant in legal actions arising from normal governmental activities. Most of these actions are covered by insurance. Although the outcome of these lawsuits is not presently determinable, management believes that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Amounts received or receivable from grant agencies are subject to audit and 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 City expects such amounts, if any, to be immaterial.

**CITY OF YALE
Yale, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

4. OTHER INFORMATION (Continued)

B. Contingent Liabilities (Continued)

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 United States of America (USDA Rural Development) and the 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 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 13.146% of these obligations of the Association, which total approximately \$4,749,012 to ORWB at June 30, 2014. The City's contingent share of Lone Chimney Water Association's debt is \$624,305.

Business Incentives:

The Yale Economic Development Authority (YEDA) developed an 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 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. As of June 30, 2014, the City has paid Subway \$10,832.

C. Employee Retirement Plans

Description of Plan

The City provides pension benefits for substantially all of its full-time employees (excluding firemen who are covered under a separate state retirement system) through a defined benefit cost-sharing plan with the Oklahoma Municipal Retirement Fund (OMRF), an agent multiple employer defined benefit plan. An employee includes any person who, if last hired after July 1, 1971, had not reached his 60th birthday at the time of hiring. An employee is eligible to participate in the Plan on the employee's employment commencement date, which means the first day of the first pay period during which the employee receives wages as an employee from which federal taxes are withheld. An employee becomes fully vested after ten years. The Oklahoma Municipal Retirement Fund issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Municipal Retirement Fund, 100 North Broadway, Oklahoma City, OK 73102, or by calling 1-800-395-2662.

**CITY OF YALE
Yale, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

4. OTHER INFORMATION (Continued)

C. Employee Retirement Plans (Continued)

Funding Policy

The required contribution rate for the 2013-2014 plan year was 16.19% of each participant's payroll. This consisted of 6.00% contributed by the employee and 10.19% contributed by the City. The required contribution rate changes each year, reflecting the investment earnings of the OMRF fund and the demographic experience of the participant group. Since the employee contribution rate is fixed by the terms of the plan, the City's required contribution rate is the amount necessary to bring the total contribution rate to at least the total required contribution rate. The total salary as reported on Form W-2, paid to the employee during the year, is used in computing the costs.

Annual Pension Cost

The City's annual pension cost of \$48,392 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2014 actuarial valuation. The liabilities and costs were determined using the aggregate entry age normal cost method, considering the unfunded past service requirements to be the excess of the present value of all benefits over the present value of future normal costs and current assets. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases rated by age. The actuarial value of OMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments by factoring in individual period adjustments, if any, for the current period and each of the nine preceding periods. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls. The remaining amortization period at June 30, 2014 was 30 years.

The contributions from the City for this plan were \$48,392, \$48,282 and \$41,645 for plan years ending June 30, 2014, 2013, and 2012 respectively.

Schedule of Funding Progress

Actuarial Valuation Date	Value of Assets	Asset Valuation Basis	Actuarial Accrued Liability (AAL)*	Unfunded AAL (UAAL)	Funded Ratio
1/1/2004	1,071,366	Actuarial	1,043,589	(27,777)	102.7%
1/1/2005	1,085,617	Actuarial	1,016,621	(68,996)	106.8%
1/1/2006	1,176,178	Actuarial	1,055,660	(120,518)	111.4%
1/1/2007	1,207,954	Actuarial	1,080,265	(127,689)	111.8%
1/1/2008	1,266,057	Actuarial	1,162,379	(103,678)	108.9%
1/1/2009	1,178,774	Actuarial	1,202,616	23,842	98.0%
1/1/2010	1,124,875	Actuarial	1,196,025	71,150	94.1%
1/1/2011	991,921	Actuarial	1,078,100	86,179	92.0%
1/1/2012	1,050,986	Actuarial	1,176,868	125,882	89.3%
1/1/2013	1,136,538	Actuarial	1,298,248	161,710	87.5%
1/1/2014	1,211,653	Actuarial	1,305,523	93,870	92.8%

Funded * Covered payroll is the total annualized rate of pay as of the valuation date based on actual pay for the preceding year.

CITY OF YALE
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

4. OTHER INFORMATION (Continued)

C. Employee Retirement Plans (Continued)

Status Progress

As of January 1, 2014, the funded status of the OMRF agent multiple employer defined benefit plan is as follows:

Actuarial Accrued Liability (AAL)	\$1,305,523
Actuarial value of plan assets	<u>1,211,653</u>
Unfunded (Overfunded) actuarial accrued liability	<u>\$ 93,870</u>
Funded Ratio (actuarial value of plan assets/AAL)	92.8%

Firefighters' Pension Plan

All full-time or volunteer firefighters hired before age 45 are covered by a statewide cost-sharing multi-employer defined benefit plan adopted under Oklahoma Statutes. This plan is operated and administered by the Oklahoma Firefighters Pension and Retirement System (OFPRS). Under this plan the City contributes \$60 for each volunteer fireman. The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414, or by calling 1-800-525-7461.

The required contribution from the City for this plan was \$1,080, \$2,088 and \$1,080 for 2014, 2013, and 2012 respectively. The required contribution was fully contributed. At June 30, 2014, the system held no related-party investments of the City or of its related entities.

D. Other Post-Employment Benefits

Plan Description: The City provides post-retirement benefit options for health care, prescription drug, dental and vision benefits for retired employees and their dependents that elect to make required contributions. The benefits are provided in accordance with State law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The relationship for these benefits is not formalized in a contract or plan document, only a few sentences in the administrative policy. These benefits are considered for accounting purposes to be provided in accordance with a single employer substantive plan. A substantive plan is one in which the plan terms are understood by the City and plan members. This understanding is based on communications between the employers and plan member and the historical pattern of practice with regard to the sharing of benefit costs.

Substantially all of the government's employees may become eligible for those post-retirement benefits if they reach normal retirement age while working for the City. The plan is only provided for employees between the ages of 62 and 65. As of June 30, 2014, no retired employees are receiving benefits under this plan.

CITY OF YALE
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

4. OTHER INFORMATION (Continued)

D. Other Post-Employment Benefits (Continued)

Funding Policy. The contribution requirement of the City is an implicit subsidy. The implicit subsidy is not a direct payment from the employer on behalf of the member but rather stems from retiree contribution levels that are less than the claims cost at retiree ages. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retiree. The amount required to fund the implicit rate is based on projected pay-as-you-go financing requirements. For fiscal year 2014, the City contributed 0% to the plan for previously retired employees (0 retirees) and 0% of premiums on newly retired employees (0 retirees).

Annual OPEB Cost and Net OPEB Obligation. The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. GASB 45 requires entities with over 200 employees to have the actuarial valuation performed biennially. The City is not required to perform the actuarial valuation of the OPEB cost and related OPEB obligation for the year ended June 30, 2014 since no one is participating at this time.

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, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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.

5. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

CITY OF YALE
Yale, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2014

CITY OF YALE
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL GOVERNMENTAL FUNDS
Year Ended June 30, 2014
(Unaudited)

GENERAL FUND

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Sales, Use and Bev Taxes	\$ 195,000	\$ 262,500	\$ 311,594	\$ 49,094
Grants	37,500	41,950	7,481	(34,469)
Miscellaneous	70,000	89,950	56,600	(33,350)
Court fines	130,600	125,500	100,022	(25,478)
Outside fire runs and contracts	50,000	66,500	42,167	(24,333)
Swimming pool fees	-	-	23,500	23,500
Interest	3,500	2,500	2,028	(472)
Donations	-	33,000	4,120	(28,880)
Grave openings	-	-	-	-
Cemetery lot sales	-	-	9,613	9,613
Total revenues	<u>486,600</u>	<u>621,900</u>	<u>557,125</u>	<u>(64,775)</u>
Expenditures:				
General Government	255,350	240,380	225,587	(14,793)
Public safety	414,850	466,090	392,975	(73,115)
Parks/recreation	121,400	127,490	123,459	(4,031)
Highways and roads	72,650	135,700	116,622	(19,078)
Cemetery	12,000	8,500	6,425	(2,075)
Total expenditures	<u>876,250</u>	<u>978,160</u>	<u>865,068</u>	<u>(113,092)</u>
Excess of revenue over (under) expenditures	(389,650)	(356,260)	(307,943)	48,317
Other financing sources (uses):				
Operating transfers in (out)	<u>357,000</u>	<u>297,800</u>	<u>343,500</u>	<u>45,700</u>
Net changes in fund balance	(32,650)	(58,460)	35,557	94,017
Fund balance at beginning of year	<u>67,000</u>	<u>67,000</u>	<u>75,903</u>	<u>(8,903)</u>
Fund balance at end of year	<u>\$ 34,350</u>	<u>\$ 8,540</u>	<u>\$ 111,460</u>	<u>\$ 85,114</u>

The Notes to Required Supplemental Information are an integral part of this statement.

CITY OF YALE
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL GOVERNMENTAL FUNDS
Year Ended June 30, 2014
(Unaudited)

SPECIAL REVENUE FUNDS

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Gasoline excise tax	\$ 1,200	\$ 2,200	\$ 3,061	\$ 861
Commercial vehicle tax	8,000	9,000	9,413	413
Grants	50,000	50,000	215,927	165,927
Grave openings	1,500	1,000	312	(688)
Cemetery lot sales	1,500	900	1,188	288
Total revenues	<u>62,200</u>	<u>63,100</u>	<u>229,901</u>	<u>166,801</u>
Expenditures:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Parks/recreation	-	-	-	-
Streets	50,000	50,000	9,992	40,008
Cemetery	-	-	-	-
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>9,992</u>	<u>40,008</u>
Excess of revenue over (under) expenditures	12,200	13,100	219,909	206,809
Other financing sources (uses):				
Operating transfers in (out)	<u>(42,000)</u>	<u>(42,000)</u>	<u>(164,000)</u>	<u>(122,000)</u>
Net changes in fund balance	(29,800)	(28,900)	55,909	84,809
Fund balance at beginning of year	<u>260,000</u>	<u>260,000</u>	<u>212,467</u>	<u>(47,533)</u>
Fund balance at end of year	<u>\$ 230,200</u>	<u>\$ 231,100</u>	<u>\$ 268,376</u>	<u>\$ 37,276</u>

The Notes to Required Supplemental Information are an integral part of this statement.

**CITY OF YALE
Yale, Oklahoma**

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
For the Year Ended June 30, 2014
(Unaudited)**

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds. The enterprise funds and internal service fund adopt budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for the agency funds. Budgetary data for enterprise funds, internal service, and permanent funds are not presented in these financial statements.

Prior to July 1, the City Manager (not an elected official) submits a proposed operating budget for the fiscal year commencing July 1, to the Commissioners (elected officials). Public hearings are held at regular or special meetings to obtain taxpayer input. Prior to July 1, the budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, maintenance and operations, capital outlay, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. A more detailed budget is used for operating purposes. All budget revisions at the legal level are subject to final approval by the City Council. Within these control levels, management may transfer appropriations without council approval. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end.

CITY OF YALE
Yale, Oklahoma

OTHER INFORMATION
June 30, 2014

**CITY OF YALE
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014**

	<u>Capital Projects</u>	<u>Special Revenue</u>			<u>Total Non-Major Govern- mental Funds</u>
	<u>Capital Outlay</u>	<u>Cemetery Care Fund</u>	<u>Street and Alley Fund</u>	<u>COEDD Reap Grant Fund</u>	
Assets:					
Cash in bank (Note 3A)	\$ 70,916	\$ 16,598	\$ 52,977	\$ -	\$ 140,491
Investments	-	50,000	-	-	50,000
Accrued governmental transfers	-	-	1,966	-	1,966
Total assets	<u>\$ 70,916</u>	<u>\$ 66,598</u>	<u>\$ 54,943</u>	<u>\$ -</u>	<u>\$ 192,457</u>
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to State of Oklahoma	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Reserved	70,916	66,598	54,943	-	192,457
Unreserved	-	-	-	-	-
Total fund balances	<u>70,916</u>	<u>66,598</u>	<u>54,943</u>	<u>-</u>	<u>192,457</u>
Total liabilities and fund balances	<u>\$ 70,916</u>	<u>\$ 66,598</u>	<u>\$ 54,943</u>	<u>\$ -</u>	<u>\$ 192,457</u>

CITY OF YALE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	Capital Projects	Special Revenue			Total Non-Major Govern- mental Funds
	Capital Outlay	Cemetery Care Fund	Street and Alley Fund	COEDD Reap Grant Fund	
Revenues:					
Gasoline excise tax	\$ -	\$ -	\$ 3,061	\$ -	\$ 3,061
Commercial vehicle tax	-	-	9,413	-	9,413
Grants	-	-	81,850	134,077	215,927
Miscellaneous	-	-	-	29,423	29,423
Cemetery lot sales	-	1,188	-	-	1,188
Grave openings	-	312	-	-	312
Total revenues	<u>-</u>	<u>1,500</u>	<u>94,324</u>	<u>163,500</u>	<u>259,324</u>
Expenditures:					
General Government	-	-	-	-	-
Highways and roads	9,992	-	-	-	9,992
Public safety	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Capital outlay	-	-	105,342	-	105,342
Total expenditures	<u>9,992</u>	<u>-</u>	<u>105,342</u>	<u>-</u>	<u>115,334</u>
Excess of revenues over (under) expenditures	(9,992)	1,500	(11,018)	163,500	143,990
Other financing uses:					
Operating transfers in (out)	(18,500)	-	-	(145,500)	(164,000)
Excess of revenues over (under) expenditures & transfers	(28,492)	1,500	(11,018)	18,000	(20,010)
Fund balance - beginning of year	<u>99,408</u>	<u>65,098</u>	<u>65,961</u>	<u>(18,000)</u>	<u>212,467</u>
Fund balance - end of year	<u>\$ 70,916</u>	<u>\$ 66,598</u>	<u>\$ 54,943</u>	<u>\$ -</u>	<u>\$ 192,457</u>

CITY OF YALE
Yale, Oklahoma

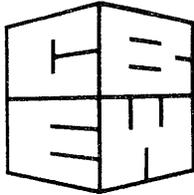
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2014

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Federal Expend- itures</u>
<u>Office of Library Services, Institute of Museum and Library Services, National Foundation on the Arts and the Humanities:</u>				
<u>Passed through the Oklahoma Department of Libraries:</u>				
Book Lease Program	45.310	1,500	1,500	1,500
State Library Program	45.310	<u>2,765</u>	<u>2,765</u>	<u>2,765</u>
Total of Expenditures of Federal Awards		\$ <u>4,265</u>	\$ <u>4,265</u>	\$ <u>4,265</u>

Note A - This schedule was prepared on an accrual (GAAP) basis of accounting consistent with the preparation of the basic financial statements.

CITY OF YALE
Yale, Oklahoma

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
June 30, 2014



CBEW
Professional
Group, LLP
Certified Public Accountants

206 N. HARRISON ● P.O. BOX 790 ● CUSHING, OKLAHOMA 74023 ● 918-225-4216 ● FAX 918-225-4315

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CHARLES E. CROOKS, CPA
TRISHA J. RIEMAN, CPA

**INDEPENDENT AUDITOR'S 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**

January 14, 2015

Honorable Board of City Commissioners
City of Yale
Yale, Oklahoma

We have audited, in accordance with the 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, 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, 2014, and the related notes to the financial statements, which collectively comprise the City of Yale, Oklahoma's basic financial statements, and have issued our report thereon dated January 14, 2015. The City has elected to not present the Management's Discussion and Analysis required by the Governmental Accounting Standards Board.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies as findings 14-1 & 14-2.

City of Yale
January 14, 2015

Compliance and Other Matters

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

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

CITY OF YALE
Yale, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2014

14-1. Internal Control – Segregation of Duties

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the city's assets and ensure accurate financial reporting.

Condition: Presently the same individual is responsible for issuing purchase orders, writing checks, making deposits, posting transactions and reconciles the monthly bank statements. This finding was also noted in 2013.

Cause: The City's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to purchasing and depositing activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: We recommend that management should consider a formal evaluation of their risks associated with these procedures. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties, such as providing increased management oversight and an independent reconciliation of accounts. For example, the entity might consider soliciting the assistance of independent volunteer labor to perform certain functions including performing compensating procedures where applicable.

Responsible Official's Response: The City concurs with the recommendation, although, the cost to correct this condition might exceed the benefit, the City has made certain changes in procedures that will improve the overall lack of segregation of duties and has implemented compensating procedures as appropriate.

14-2. Internal Control – Material Adjusting Journal Entries

Criteria: The City's management is responsible for internal controls over accounting and financial reporting. This responsibility includes the design and implementation of controls over the fair and complete presentation of the City's annual financial statements in accordance with generally accepted accounting principles (GAAP) from trial balances derived from the City's accounting records. For trial balances to be both complete and accurate, the City must have effective internal controls over recording, processing, summarizing, and adjusting accounting data. As evidence of effective internal controls over accounting and financial reporting, there should generally be few, if any, material adjustments to the trial balances required that are detected and corrected solely as a result of the financial statement audit. In other words, City management should not rely on the external auditor to detect and correct material misstatements in the books and records as part of its internal controls, but rather should have its own procedures designed and in place that are independent of the external auditor to provide reasonable, although not absolute, assurance that material misstatements will be detected and corrected in its trial balances prior to audit.

Condition: The City's trial balances for the year ended June 30, 2014, required a number of material adjusting journal entries in order for the financial statements to be prepared in accordance with GAAP. These necessary adjusting entries, identified solely as a result of the financial statement audit, included such adjustments as the following: depreciation expense, balancing and recording note payables, interest expenses, purchased assets, and accrued revenue and expense transactions. This finding was also noted in 2013.

CITY OF YALE
Yale, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2014

14-2. Internal Control – Material Adjusting Journal Entries (continued)

Cause: Although the City's accounting and financial reporting staff possess the necessary skills and experience to review and understand the financial statement presentation they don't spend sufficient time in balancing and/or reconciling specific accounts at year end to provide assurance that the trial balances used for preparing GAAP financial statements are complete and accurate prior to audit. As a result, management has had to rely on the external auditors to identify and correct a number of material misstatements in the trial balances. However, management was able to review, understand and accept the adjusting entries proposed by the auditor in order to take responsibility for them and the financial statements.

Effect or Potential Effect: As a result of this condition, without reliance on its external auditors, the City lacks the necessary internal controls over the completeness and accuracy of the trial balances that are used in the preparation of its financial statements in accordance with GAAP. This condition can result in undetected and uncorrected material misstatements in the financial statements that are not detected by management and may also not be detected by the financial statement audit. In addition, if management's intentions are to continue to rely on the external auditor to detect and correct material misstatements, this condition could place the auditor in a questionable position regarding auditor independence as required by the GAO "Yellow Book."

Recommendation: The City should consider designing and implementing sufficient internal controls over the completeness and accuracy of trial balances by assigning responsibility to regularly review, balance and reconcile interim financial statements (particularly at year end) in sufficient depth to insure that material adjusting journal entries are made timely. This process could be assigned to a specific staff person, through employment of additional qualified accounting staff, or outsources to a qualified external accounting firm. Additionally accounting staff should strive to obtain and/or maintain their proficiency through continuing education courses relative to governmental accounting.

Responsible Official's Response: The City concurs with the recommendation, and will strive to prepare and post material adjusting journal entries to the financial statements. We have seen significant progress in the City's effort to reduce the number of material adjusting entries needed by the auditor.