

CITY OF YALE
Yale, Oklahoma

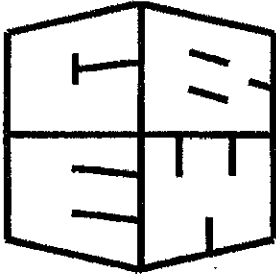
BASIC FINANCIAL STATEMENTS
June 30, 2024

**CITY OF YALE
Yale, Oklahoma**

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INDEPENDENT AUDITOR'S REPORT

September 10, 2024

Honorable Board of City Commissioners
City of Yale
Yale, Oklahoma

Opinions

We have audited the accompanying modified cash basis 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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis 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, 2024, and the respective changes in modified cash basis financial position and, where applicable, cash flows, thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Yale, Oklahoma, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Yale, Oklahoma's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Yale, Oklahoma's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The combining statements – modified cash basis are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 – modified cash basis are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the management's discussion and analysis and budgetary comparison information but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2024, 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 solely 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 effectiveness of the City's 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

CBEW Professional Group, LLP
Certified Public Accountants

CITY OF YALE
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
June 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 3A)	\$ 719,479	\$ 464,724	\$ 1,184,203
Cash on hand	800	-	800
Investments	50,000	115,000	165,000
Due to/from others	-	-	-
Restricted assets:			
Cash in bank (Note 3A)	5,088	40,356	45,444
Cash, insurance deposit	73,961	-	73,961
Capital assets:			
Land	58,700	46,784	105,484
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 3)	911,008	3,339,093	4,250,101
Total assets	\$ 1,819,036	\$ 4,005,957	\$ 5,824,993
Liabilities:			
Cash bonds	5,088	-	5,088
Meter deposits	-	159,584	159,584
Notes payable (Note 3)			
Due in one year	-	129,424	129,424
Due in more than one year	-	1,903,189	1,903,189
Total liabilities	5,088	2,192,197	2,197,285
Net position:			
Net investment in capital assets	969,708	1,353,264	2,322,972
Restricted	233,695	40,356	274,051
Unrestricted	610,545	420,140	1,030,685
Total net position	\$ 1,813,948	\$ 1,813,760	\$ 3,627,708

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

CITY OF YALE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
MODIFIED CASH BASIS
Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government:					
City clerk	\$ 81,560	\$ -	\$ -	\$ -	\$ (81,560)
City manager	52,319	-	-	-	(52,319)
Governing board	1,586	-	-	-	(1,586)
General government	265,399	1,135	5,305	-	(258,959)
Total general government	400,864	1,135	5,305	-	(394,424)
Public safety and judiciary:					
City attorney	15,594	-	-	-	(15,594)
Dispatch	189,404	-	-	-	(189,404)
Emergency management	-	-	-	-	-
Fire	52,093	36,951	14,494	-	(648)
Municipal court	48,725	157,164	-	-	108,439
Police	342,437	-	-	-	(342,437)
Total public safety and judiciary	648,253	194,115	14,494	-	(439,644)
Transportation:					
Streets	101,634	-	-	-	(101,634)
Total transportation	101,634	-	-	-	(101,634)
Cultural, parks and recreation:					
Cemetery	14,176	2,050	-	-	(12,126)
Library	82,521	-	8,361	-	(74,160)
Parks	20,994	-	-	-	(20,994)
Swimming pool	10,956	-	-	-	(10,956)
Total cultural, parks and recreation	128,647	2,050	8,361	-	(118,236)
Total governmental activities	1,279,398	197,300	28,160	-	(1,053,938)
Business-type activities					
Gas service	124,837	399,029	-	-	274,192
Water service	313,488	429,928	-	-	116,440
Sewer service	38,353	139,659	-	2,000	103,306
Electric service	1,200,508	1,298,062	-	-	97,554
Sanitation service	170,089	168,855	-	-	(1,234)
Economic development	3,228	-	-	-	(3,228)
Financing costs	71,397	-	-	-	(71,397)
Unallocated depreciation*	171,079	-	-	-	(171,079)
Total business-type activities	2,092,979	2,435,533	-	2,000	344,554
Total	\$ 3,372,377	\$ 2,632,833	\$ 28,160	\$ 2,000	\$ (709,384)

* - This amount does not include the depreciation that is included in the direct expenses of various programs.

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

CITY OF YALE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
MODIFIED CASH BASIS
Year Ended June 30, 2024

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	\$ (1,053,938)	\$ 344,554	\$ (709,384)
General revenues:			
Taxes:			
Sales and use taxes	397,822	-	397,822
Franchise taxes	2,222	-	2,222
Intergovernmental	17,700	-	17,700
Interest earnings	42,795	1,635	44,430
Miscellaneous	268,406	-	268,406
Transfers	309,839	(309,839)	-
Total general revenues and transfers	1,038,784	(308,204)	730,580
Change in net position	(15,154)	36,350	21,196
Net position - beginning of year	1,829,102	1,777,410	3,606,512
Net position - end of year	\$ 1,813,948	\$ 1,813,760	\$ 3,627,708

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

CITY OF YALE
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
June 30, 2024

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 3A)	\$ 609,745	\$ 109,734	\$ 719,479
Cash on hand	800	-	800
Investments	-	50,000	50,000
Restricted assets:			
Cash in bank (Note 3A)	5,088	-	5,088
Cash, insurance deposit	73,961	-	73,961
Total assets	<u><u>\$ 689,594</u></u>	<u><u>\$ 159,734</u></u>	<u><u>\$ 849,328</u></u>
Liabilities:			
Due to others	\$ -	\$ -	\$ -
Cash bonds	5,088	-	5,088
Total liabilities	<u><u>5,088</u></u>	<u><u>-</u></u>	<u><u>5,088</u></u>
Fund balances:			
Restricted for:			
Other purposes	-	95,719	95,719
Assigned to:			
Capital projects	-	64,015	64,015
Unassigned	610,545	-	610,545
Total fund balances	<u><u>684,506</u></u>	<u><u>159,734</u></u>	<u><u>844,240</u></u>
Total liabilities and fund balances	<u><u>\$ 689,594</u></u>	<u><u>\$ 159,734</u></u>	<u><u>\$ 849,328</u></u>

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

CITY OF YALE
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF ASSETS, LIABILITIES, AND FUND
BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
MODIFIED CASH BASIS
June 30, 2024

Total Fund Balances - Total Governmental Funds **\$ 844,240**

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

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	394,337	
Sewer	12,176	
Sanitation	-	
Police	67,702	
Fire	426,945	
Culture & Recreation	43,982	
Streets	896,188	
Park	178,242	
Cemetery	750	
Accumulated Depreciation	<u>\$(1,109,314)</u>	
Total		<u>911,008</u>

Net position of governmental activities **\$ 1,813,948**

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

CITY OF YALE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
Year Ended June 30, 2024

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Sales and use taxes	\$ 397,822	\$ -	\$ 397,822
Alcoholic beverage tax	5,977	-	5,977
Cigarette tax	1,975	-	1,975
Gasoline excise tax	-	1,885	1,885
Commercial vehicle tax	-	7,863	7,863
Franchise tax	2,222	-	2,222
Grants	12,281	-	12,281
Licenses and permits	1,135	-	1,135
Miscellaneous	268,406	-	268,406
Court fines	157,164	-	157,164
Outside fire runs and dues	36,951	-	36,951
Interest	42,795	-	42,795
Donations	15,879	-	15,879
Cemetery lot sales	1,794	256	2,050
Total revenues	<u>944,401</u>	<u>10,004</u>	<u>954,405</u>
Expenditures:			
Current:			
General government	392,472	-	392,472
Highways and roads	53,303	7,350	60,653
Public safety	631,422	-	631,422
Cultural and recreation	121,695	-	121,695
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>1,198,892</u>	<u>7,350</u>	<u>1,206,242</u>
Excess of revenues over (under) expenditures	(254,491)	2,654	(251,837)
Other financing uses:			
Loan proceeds	-	-	-
Operating transfers in (out)	<u>309,839</u>	<u>-</u>	<u>309,839</u>
Excess of revenues over (under) expenditures & transfers	55,348	2,654	58,002
Fund balance - beginning of year	<u>629,158</u>	<u>157,080</u>	<u>786,238</u>
Fund balance - end of year	<u><u>\$ 684,506</u></u>	<u><u>\$ 159,734</u></u>	<u><u>\$ 844,240</u></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 REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
MODIFIED CASH BASIS
Year Ended June 30, 2024

Net Change in Fund Balances - Total Governmental Funds	\$ 58,002
Amounts reported for governmental activities in the Statement of Activities are different because:	
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources.	
Therefore, depreciation expense is not reported as expenditures in Governmental Funds.	<u>(73,156)</u>
Change in Net Position of Governmental Activities	<u>\$ (15,154)</u>

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

CITY OF YALE
STATEMENT OF FUND NET POSITION
MODIFIED CASH BASIS
PROPRIETARY FUNDS
June 30, 2024

	Business-type Activities - Enterprise Funds		
	Yale Water & Sewage Trust Authority	Yale Economic Development Authority (Non-major)	Totals
Assets:			
Cash and investments:			
Cash & cash equivalents	\$ 464,566	\$ 158	\$ 464,724
Investments	115,000	-	115,000
Due from others	-	-	-
Restricted assets:			
Cash	40,356	-	40,356
Capital assets:			
Land	46,784	-	46,784
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 3)	3,339,093	-	3,339,093
Total assets	\$ 4,005,799	\$ 158	\$ 4,005,957
Liabilities:			
Meter deposits	\$ 159,584	\$ -	\$ 159,584
Notes payable			
Due in one year	129,424	-	129,424
Due in more than one year	1,903,189	-	1,903,189
Total liabilities	2,192,197	-	2,192,197
Net position:			
Net investment in capital assets	1,353,264	-	1,353,264
Restricted	40,356	-	40,356
Unrestricted	419,982	158	420,140
Total net position	\$ 1,813,602	\$ 158	\$ 1,813,760

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

CITY OF YALE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
MODIFIED CASH BASIS
PROPRIETARY FUNDS
Year Ended June 30, 2024

	Business-type Activities - Enterprise Funds		
	Yale Water & Sewage Trust Authority	Yale Economic Development Authority	Totals
Revenues:			
Gas revenue	\$ 399,029	\$ -	\$ 399,029
Water revenue	429,928	-	429,928
Sewer revenue	139,659	-	139,659
Electric revenue	1,298,062	-	1,298,062
Sanitation revenue	168,855	-	168,855
Miscellaneous revenue	-	-	-
Total revenues	2,435,533	-	2,435,533
Operating expense:			
Gas service	124,837	-	124,837
Water service	313,488	-	313,488
Sewer service	38,353	-	38,353
Electric service	1,200,508	-	1,200,508
Sanitation service	170,089	-	170,089
Economic development	-	3,228	3,228
Depreciation	171,079	-	171,079
Total operating expenses	2,018,354	3,228	2,021,582
Income before non-operating revenues, expenses & transfers	417,179	(3,228)	413,951
Non-operating revenues (expenses):			
Interest revenue	1,635	-	1,635
Grant revenue	2,000	-	2,000
Interest expense	(63,968)	-	(63,968)
Trustee fees	(7,429)	-	(7,429)
Total	(67,762)	-	(67,762)
Income (loss) before operating transfers	349,417	(3,228)	346,189
Transfers in (out)	(312,339)	2,500	(309,839)
Change in net position	37,078	(728)	36,350
Net position at beginning of year	1,776,524	886	1,777,410
Net position at end of year	\$ 1,813,602	\$ 158	\$ 1,813,760

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

CITY OF YALE
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
PROPRIETARY FUNDS
Year Ended June 30, 2024

	Business-type Activities - Enterprise Funds		
	Yale Water & Sewage Trust Authority	Yale Economic Development Authority	Totals
Cash flows from operating activities:			
Cash received from customers & service users	\$ 2,435,533	\$ -	\$ 2,435,533
Cash payments for goods & services & employees	(1,847,275)	(3,228)	(1,850,503)
Other operating revenues	-	-	-
Net cash provided by operating activities	588,258	(3,228)	585,030
Cash flows from noncapital financing activities:			
Operating transfers out to other funds	(365,000)	-	(365,000)
Operating transfers in from other funds	52,661	2,500	55,161
Grant revenues	2,000	-	2,000
Change in meter deposits	1,620	-	1,620
Change in due to/from accounts	-	-	-
Net cash provided (used) for noncapital financing activities	(308,719)	2,500	(306,219)
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(23,995)	-	(23,995)
Proceeds from new debt	-	-	-
Principal paid on debt	(159,461)	-	(159,461)
Interest paid on debt	(63,968)	-	(63,968)
Trustee fees	(7,429)	-	(7,429)
Net cash provided (used) for capital and related financing activities	(254,853)	-	(254,853)
Cash flows from investing activities:			
(Purchase) liquidation of investments - restricted	-	-	-
Interest on investments	1,635	-	1,635
Net cash provided by investing activities	1,635	-	1,635
Net increase (decrease) in cash & cash equivalents	26,321	(728)	25,593
Cash and cash equivalents - beginning of year	478,601	886	479,487
Cash and cash equivalents - end of year	\$ 504,922	\$ 158	\$ 505,080
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 417,179	\$ (3,228)	\$ 413,951
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	171,079	-	171,079
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	-	-	-
Total adjustments	171,079	-	171,079
Net cash provided by operating activities	\$ 588,258	\$ (3,228)	\$ 585,030

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, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Yale, Oklahoma (the City) accounting policies and financial statement presentation conform to the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles and are recommended by the Government Financial Officers Association (GFOA) small government annual financial report model. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

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

If the City utilized the basis of accounting recognized as generally accepted by GASB, the government-wide financial statements would be presented on the accrual basis of accounting, the governmental funds would utilize the modified accrual basis of accounting, and the proprietary funds would utilize the accrual basis of accounting.

The more significant accounting policies established in the modified cash basis of accounting and used by the City as well as a further description of departures from governmental GAAP 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. 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 water, sewage, electric, gas, and sanitation services.

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.

CITY OF YALE
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 normally prepared using the accrual basis of accounting but the City of Yale's presentation is on a modified cash basis.

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.

The statement of net position presents the financial condition of the governmental and business-type activities at year-end on a modified cash basis. 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. 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. The City presents its governmental activities on the modified cash basis of accounting rather than generally accepted accounting principles (GAAP). GAAP requires that governmental fund types would use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under that basis of accounting, revenues would be 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. GAAP provides that all revenues are available if they are collected within 60 days after year-end. For GAAP, expenditures would be recorded when the fund liability is incurred with certain exceptions (general long-term debt and certain compensated absences, claims and judgments). The City records governmental fund expenditures as they are paid rather than when the obligation is incurred.

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.

CITY OF YALE
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 main 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.

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 – Proprietary funds are classified as enterprise funds. For GAAP purposes these funds are generally 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 the City's modified cash basis financial statements revenues are recorded when received and expenditures are recorded when paid with the exception of payroll taxes withheld, other withholdings, and accrued compensated absences which the City records as a modification to the cash basis of accounting. The accrual amounts are not material to the financial statement presentation.

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:

Yale Water and Sewage Trust – accounts for the operations of providing public works (water, sewage, electric, gas and sanitation) 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.

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

**CITY OF YALE
Yale, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 does not have an agency fund at this time.

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 financial statements; however, accounts receivable and accounts payable are not reflected in the financial statements due to modified cash basis presentation.

4. Estimates

The preparation of financial statements 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.

**CITY OF YALE
Yale, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

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.

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 acquisition 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	Business-Type Activities
	Estimated Lives	Estimated Lives
Buildings & Improvements	40 - 100 years	20 - 40 years
Furniture, Fixtures and Equipment	5 - 40 years	10 - 40 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. As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid.

CITY OF YALE
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024

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 investment in capital assets 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 its 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.

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.

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.

CITY OF YALE
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024

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.

11. 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	\$ 22,847
Library Technology Grant	5,000
COEED REAP Grant	67,958
FEMA	6,462
OMAG Public Safety Grant	2,000
Rural Fire Department Assistance	9,993
Total	<u>\$ 114,261</u>

3. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

At June 30, 2024, the City held deposits of approximately \$1,469,408 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.

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:

CITY OF YALE
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

A. Deposits and Investments (Continued)

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, 2024 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			115,000	
			<u>\$ 165,000</u>	

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

Restricted cash in governmental activities is comprised of cash bonds held for pending court appearances \$5,088 and OMAG fund held for insurance in the amount of \$73,961. Restricted cash in business-type activities is comprised of cash held by Bank of Oklahoma for the purpose of making loan payments in the amount of \$40,356.

CITY OF YALE
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. Capital Assets

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

	Balance 6/30/23	Additions	Disposals	Balance 6/30/24
Governmental Activities:				
Non-depreciable assets:				
Land	\$ 58,700	\$ -	\$ -	\$ 58,700
Total non-depreciable assets	<u>58,700</u>	<u>-</u>	<u>-</u>	<u>58,700</u>
Depreciable assets:				
Buildings	422,334	-	-	422,334
Infrastructure	664,447	-	-	664,447
Machinery & Equipment	990,534	-	56,993	933,541
Total depreciable assets	<u>2,077,315</u>	<u>-</u>	<u>56,993</u>	<u>2,020,322</u>
Less accumulated depreciation:				
Buildings	(211,180)	(7,199)	-	(218,379)
Infrastructure	(291,514)	(33,222)	-	(324,736)
Machinery & Equipment	(590,458)	(32,734)	(56,993)	(566,199)
Total accumulated depreciation	<u>(1,093,152)</u>	<u>(73,155)</u>	<u>(56,993)</u>	<u>(1,109,314)</u>
Net depreciable assets	<u>984,163</u>	<u>(73,155)</u>	<u>-</u>	<u>911,008</u>
Net governmental activities capital assets	\$ <u>1,042,863</u>	\$ <u>(73,155)</u>	\$ <u>-</u>	\$ <u>969,708</u>
Business-Type Activities:				
Non-depreciable assets:				
Land	\$ 46,784	\$ -	\$ -	\$ 46,784
Total non-depreciable assets	<u>46,784</u>	<u>-</u>	<u>-</u>	<u>46,784</u>
Depreciable assets:				
Buildings	220,332	-	-	220,332
Machinery & Equipment	1,235,287	23,995	6,500	1,252,782
Infrastructure	6,368,806	-	-	6,368,806
Total depreciable assets	<u>7,824,425</u>	<u>23,995</u>	<u>6,500</u>	<u>7,841,920</u>
Less accumulated depreciation:				
Buildings	(216,361)	(1,336)	-	(217,697)
Machinery & Equipment	(956,905)	(37,650)	(6,500)	(988,055)
Infrastructure	(3,164,982)	(132,093)	-	(3,297,075)
Total accumulated depreciation	<u>(4,338,248)</u>	<u>(171,079)</u>	<u>(6,500)</u>	<u>(4,502,827)</u>
Net depreciable assets	<u>3,486,177</u>	<u>(147,084)</u>	<u>-</u>	<u>3,339,093</u>
Net business-type activities capital assets	\$ <u>3,532,961</u>	\$ <u>(147,084)</u>	\$ <u>-</u>	\$ <u>3,385,877</u>

**CITY OF YALE
Yale, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024**

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

D. Long-term Debt

Governmental Activities:

As of June 30, 2024, 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 Central Oklahoma Economic Development District, collateralized by utility revenues, payable in 120 monthly installments of \$820, including interest at 4.25%, final payment due June 2024. This loan was paid off in the current year. | - |
| 2) 2011 Series Interim Construction Clean water ORF Promissory Note to Oklahoma water Resources Board, original issue amount available for draw of \$2,990,000, secured by utilities revenues, payable in semi-annual principal installments of \$45,950, interest at 3.42%, matures March 15, 2042. | 1,934,801 |
| 3) Note payable to American Heritage Bank, collateralized by the equipment purchased, payable in 6 semi-annual installments of \$12,814 beginning in July 2021, interest at 3%, matures January 2024. This loan was paid off in the current year. | - |
| 4) Note payable to American Heritage Bank, collateralized by water and sewer revenues, payable in 120 monthly installments of \$4,388 beginning in June 2016, interest at 3%, matures May 2026. | 97,812 |

Total business-type activities long-term debt

\$ 2,032,613

As of June 30, 2024, the annual principal requirements to retire Business-Type activities long-term debt are as follows:

Year Ending June 30,	Principal	Interest
2025	\$ 129,424	\$ 68,670
2026	129,177	64,578
2027	84,636	60,797
2028	87,440	57,993
2029	90,655	54,778
2030-2034	502,984	224,183
2035-2039	597,356	129,809
2040-2042	410,941	25,359
Total	<u><u>\$ 2,032,613</u></u>	<u><u>\$ 686,167</u></u>

CITY OF YALE
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

D. Long-term Debt (Continued)

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

	Balance July 1, 2023	Additions	Payments	Balance June 30, 2024	Current Portion
Notes payable	\$ 2,192,074	\$ -	\$ 159,461	\$ 2,032,613	\$ 129,424
Total	<u>\$ 2,192,074</u>	<u>\$ -</u>	<u>\$ 159,461</u>	<u>\$ 2,032,613</u>	<u>\$ 129,424</u>

E. Fund Transfers

The following presents a summary of transfers between funds:

Fund	Transfer To	Transfer From	Fund
General	\$ 52,661	\$ 365,000	Water Trust
General	2,500	-	YEDA
General	2,500	-	GAP
GAP Plan	-	2,500	General
YEDA	-	2,500	General
Water Trust	365,000	52,661	General
Total	<u>\$ 422,661</u>	<u>\$ 422,661</u>	

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 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 \$0 and \$73,961, respectively.

**CITY OF YALE
Yale, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024**

4. OTHER INFORMATION (Continued)

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.

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 13.15% of these obligations of the Association, which total approximately \$3,230,730 to ORWB at June 30, 2024. The City's contingent share of Lone Chimney Water Association's debt is \$424,697.

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.

C. Employee Retirement System and Other Benefit Plans

The City participates in two employee pension systems as follows:

Oklahoma Firefighters Pension and Retirement Plan--Cost Sharing Multiple Employer - Defined Benefit Plan

Oklahoma Municipal Retirement Fund (OkMRF) Agent Multiple Employer – Defined Benefit Plan

Oklahoma Firefighters Pension & Retirement Plan

Plan Description – The City of Yale, as the employer, participates in the Firefighters Pension & Retirement – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at www.ok.gov/fprs.

CITY OF YALE
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024

4. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

Benefits provided – FPRS provides retirement, disability and death benefits to members of the plan.

Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per years of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Contributions – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay or \$60 for volunteer firefighters. Contributions to the pension plan from the City were \$900 (fiscal year contributions).

The required contribution from the City for these plans was \$900, \$1,260 and \$900 for 2024, 2023 and 2022, respectively. The required contribution was fully contributed. At June 30, 2024 the system held no related-party investments of the City or of its related entities.

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS; which can be located at www.ok.gov/fprs.

Oklahoma Municipal Retirement Fund – Defined Benefit

Plan Description – The City contributes to the OkMRF for all eligible employees except for those covered by the Police and Firefighter Pension Systems. The plan is an agent multiple employer - defined benefit plan administered by OkMRF. The OkMRF plan issues a separate financial report and can be obtained from OkMRF or from their website: www.okmrf.org/reports.html. Benefits are established or amended by the City Council in accordance with O.S. Title 11, Section 48-101-102.

Contribution Requirements

The City Council has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 8% of covered payroll. For the year ended June 30, 2024, the City recognized \$48,619 of employer contributions to the plan which equals the actuarially determined amount based on covered payroll. Employees contribute a fixed 6% to the plan in accordance with the plan provisions adopted by the City Council.

**CITY OF YALE
Yale, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2024**

4. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

The City's annual pension cost was equal to the City's required and actual contributions. The contribution from the City for this plan was \$48,619, \$45,417 and \$60,201 for 2024, 2023 and 2022, respectively.

CITY OF YALE
Yale, Oklahoma

OTHER SUPPLEMENTARY INFORMATION
June 30, 2024

CITY OF YALE
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2024

	Capital Projects	Special Revenue			Total Non-Major Govern- mental Funds
	Capital Outlay	Cemetery Care Fund	Street and Alley Fund	COEDD Reap Grant Fund	
Assets:					
Cash in bank (Note 3A)	\$ 64,015	\$ 10,872	\$ 34,847	\$ -	\$ 109,734
Investments	-	50,000	-	-	50,000
Accrued governmental transfers	-	-	-	-	-
Total assets	<u>\$ 64,015</u>	<u>\$ 60,872</u>	<u>\$ 34,847</u>	<u>\$ -</u>	<u>\$ 159,734</u>
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to State of Oklahoma	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Reserved	64,015	60,872	34,847	-	159,734
Unreserved	-	-	-	-	-
Total fund balances	<u>64,015</u>	<u>60,872</u>	<u>34,847</u>	<u>-</u>	<u>159,734</u>
Total liabilities and fund balances	<u>\$ 64,015</u>	<u>\$ 60,872</u>	<u>\$ 34,847</u>	<u>\$ -</u>	<u>\$ 159,734</u>

CITY OF YALE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2024

	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	\$ -	\$ -	\$ 1,885	\$ -	\$ 1,885
Commercial vehicle tax	-	-	7,863	-	7,863
Grants	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Cemetery lot sales	-	256	-	-	256
Grave openings	-	-	-	-	-
Total revenues	-	256	9,748	-	10,004
Expenditures:					
General Government	-	-	-	-	-
Highways and roads	-	-	7,350	-	7,350
Public safety	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	-	-	7,350	-	7,350
Excess of revenues over (under) expenditures	-	256	2,398	-	2,654
Other financing uses:					
Operating transfers in (out)	-	-	-	-	-
Excess of revenues over (under) expenditures & transfers	-	256	2,398	-	2,654
Fund balance - beginning of year	64,015	60,616	32,449	-	157,080
Fund balance - end of year	<u>\$ 64,015</u>	<u>\$ 60,872</u>	<u>\$ 34,847</u>	<u>\$ -</u>	<u>\$ 159,734</u>

CITY OF YALE
Yale, Oklahoma

OTHER INFORMATION
June 30, 2024

CITY OF YALE
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
Year Ended June 30, 2024
(Unaudited)
GENERAL FUND

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues:				
Sales and use taxes	\$ 397,000	\$ 397,000	\$ 397,822	\$ 822
Alcoholic beverage tax	6,500	6,500	5,977	(523)
Cigarette tax	2,500	2,500	1,975	(525)
Franchise tax	5,637	5,637	2,222	(3,415)
Grants	12,281	12,281	12,281	-
Licenses and permits	1,500	1,500	1,135	(365)
Miscellaneous	267,442	267,442	268,406	964
Court fines	150,000	150,000	157,164	7,164
Outside fire runs and dues	40,500	40,500	36,951	(3,549)
Interest	33,011	33,011	42,795	9,784
Donations	4,133	4,133	15,879	11,746
Cemetery lot sales	4,050	4,050	1,794	(2,256)
Total revenues	<u>924,554</u>	<u>924,554</u>	<u>944,401</u>	<u>19,847</u>
Expenditures:				
General government	691,185	691,185	392,472	298,713
Highways and roads	54,438	54,438	53,303	1,135
Public safety	643,966	643,966	631,422	12,544
Cultural and recreation	139,189	139,189	121,695	17,494
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>1,528,778</u>	<u>1,528,778</u>	<u>1,198,892</u>	<u>329,886</u>
Excess of revenue over (under) expenditures	<u>(604,224)</u>	<u>(604,224)</u>	<u>(254,491)</u>	<u>349,733</u>
Other financing sources (uses):				
Operating transfers in (out)	<u>352,400</u>	<u>352,400</u>	<u>309,839</u>	<u>(42,561)</u>
Net changes in fund balance	<u>(251,824)</u>	<u>(251,824)</u>	<u>55,348</u>	<u>307,172</u>
Fund balance at beginning of year	<u>629,158</u>	<u>629,158</u>	<u>629,158</u>	<u>-</u>
Fund balance at end of year	<u>\$ 377,334</u>	<u>\$ 377,334</u>	<u>\$ 684,506</u>	<u>\$ 307,172</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 AND ACTUAL
GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
Year Ended June 30, 2024
(Unaudited)
SPECIAL REVENUE FUNDS

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues:				
Gasoline excise tax	\$ 2,000	\$ 2,000	\$ 1,885	\$ (115)
Commercial vehicle tax	8,000	8,000	7,863	(137)
Grants	-	-	-	-
Grave openings	-	-	-	-
Cemetery lot sales	1,000	1,000	256	(744)
Total revenues	<u>11,000</u>	<u>11,000</u>	<u>10,004</u>	<u>(996)</u>
Expenditures:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Cultural and recreation	10,500	10,500	-	10,500
Streets	10,000	10,000	7,350	2,650
Cemetery	-	-	-	-
Total expenditures	<u>20,500</u>	<u>20,500</u>	<u>7,350</u>	<u>13,150</u>
Excess of revenue over (under) expenditures	(9,500)	(9,500)	2,654	12,154
Other financing sources (uses):				
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balance	(9,500)	(9,500)	2,654	12,154
Fund balance at beginning of year	<u>93,065</u>	<u>93,065</u>	<u>93,065</u>	<u>-</u>
Fund balance at end of year	<u>\$ 83,565</u>	<u>\$ 83,565</u>	<u>\$ 95,719</u>	<u>\$ 12,154</u>

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

CITY OF YALE
Yale, Oklahoma

NOTES TO SUPPLEMENTAL INFORMATION
For the Year Ended June 30, 2024
(Unaudited)

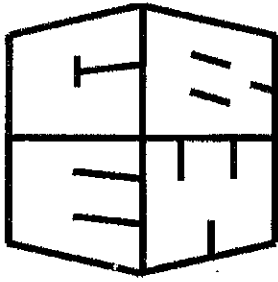
BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with the modified cash basis of accounting 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

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
June 30, 2024



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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

September 10, 2024

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 modified cash basis 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, 2024, 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 September 10, 2024.

Report on 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) as a basis for designing 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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001 and 2024-02 to be material weaknesses.

Report on 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 financial statements. 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

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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, 2024

2024-001. 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 2023.

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.

2024-002. 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 the modified cash basis of accounting 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, 2024, required a number of material adjusting journal entries in order for the financial statements to be prepared in accordance with the modified cash basis of accounting. 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 and purchased assets transactions. This finding was also noted in 2023.

CITY OF YALE
Yale, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2024

2024-002. 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 modified cash basis 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 the modified cash basis of accounting. 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.