

**CITY OF YALE**  
**Yale, Oklahoma**

**BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

**CITY OF YALE  
Yale, Oklahoma**

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CITY OF YALE  
Yale, Oklahoma

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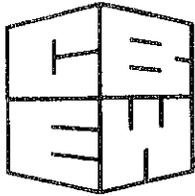
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## INDEPENDENT AUDITOR'S REPORT

October 17, 2016

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, 2016, 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, 2016, 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 that pension exhibits and budgetary comparison information on pages 37 through 41 and the notes on page 42 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 Supplementary 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 October 17, 2016, 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***

CBEW Professional Group, LLP  
Certified Public Accountants

**CITY OF YALE**  
**STATEMENT OF NET POSITION**  
June 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments:			
Cash & cash equivalents (Note 3A)	\$ 241,014	\$ 286,678	\$ 527,692
Cash on hand	800	-	800
Investments	50,000	-	50,000
Accounts receivable (net)	24,417	258,937	283,354
Grants receivable	6,132	-	6,132
Accrued governmental transfers	39,489	-	39,489
Prepaid insurance	5,872	5,872	11,744
Due to/from others	(600)	600	-
Net pension asset	79,737	-	79,737
Restricted assets:			
Cash in bank (Note 3A)	5,597	-	5,597
Cash, insurance deposit	56,710	-	56,710
<b>Capital assets:</b>			
Land	58,700	12,500	71,200
Construction in progress	-	-	-
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 3)	1,451,712	4,025,627	5,477,339
<b>Total assets</b>	<b>\$ 2,019,580</b>	<b>\$ 4,590,214</b>	<b>\$ 6,609,794</b>
<b>Deferred outflows of resources:</b>			
Deferred amounts related to pensions	95,608	-	95,608
<b>Total deferred outflows</b>	<b>95,608</b>	<b>-</b>	<b>95,608</b>
<b>Liabilities:</b>			
Accounts payable	\$ 28,600	\$ 9,737	\$ 38,337
Sales tax payable	-	2,774	2,774
Due to State of Oklahoma	1,024	-	1,024
Accrued compensated absences	18,325	1,464	19,789
Cash bonds	7,365	-	7,365
Interest payable	-	24,980	24,980
Net pension liability	31,633	-	31,633
Capital leases payable (Note 3)			
Due in one year	10,955	7,447	18,402
Due in more than one year	11,150	-	11,150
Notes payable (Note 3)			
Due in one year	-	113,835	113,835
Due in more than one year	-	2,911,310	2,911,310
<b>Total liabilities</b>	<b>109,052</b>	<b>3,071,547</b>	<b>3,180,599</b>
<b>Deferred inflows of resources:</b>			
Deferred amounts related to pensions	191,690	-	191,690
<b>Total deferred inflows</b>	<b>191,690</b>	<b>-</b>	<b>191,690</b>
<b>Net position:</b>			
Net investment in capital assets	1,488,307	988,002	2,476,309
Restricted	194,631	-	194,631
Unrestricted	131,508	530,665	662,173
<b>Total net position</b>	<b>\$ 1,814,446</b>	<b>\$ 1,518,667</b>	<b>\$ 3,333,113</b>

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

CITY OF YALE  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	
<b>Governmental activities:</b>				
General government:				
City clerk	\$ 51,459	\$ -	\$ -	\$ (51,459)
Governing board	91,768	-	-	(91,768)
General government	60,633	-	13,502	66,309
Total general government	203,860	-	13,502	(76,918)
Public safety and judiciary:				
City attorney	9,518	-	-	(9,518)
Emergency management	55	-	-	(55)
Fire	84,079	50,530	10,422	(23,127)
Municipal court	43,984	185,105	-	141,121
Police	290,884	-	-	(263,223)
Total public safety and judiciary	428,520	235,635	10,422	(154,802)
Transportation:				
Streets	129,791	-	-	(129,791)
Total transportation	129,791	-	-	(129,791)
Cultural, parks and recreation:				
Cemetery	19,316	9,959	-	(9,357)
Library	55,183	630	8,876	(45,677)
Parks	21,594	-	-	(21,594)
Swimming pool	805	-	-	(805)
Total cultural, parks and recreation	96,898	10,589	8,876	(77,433)
<b>Total governmental activities</b>	<b>859,069</b>	<b>246,224</b>	<b>32,800</b>	<b>(438,944)</b>
<b>Business-type activities</b>				
Gas service	122,451	260,788	-	138,337
Water service	652,998	339,845	-	(313,153)
Sewer service	91,935	115,518	-	23,583
Electric service	716,518	1,096,692	-	380,174
Sanitation service	120,002	128,091	-	8,089
Economic development	250	-	-	(250)
Financing costs	91,262	-	-	(91,262)
<b>Total business-type activities</b>	<b>1,795,416</b>	<b>1,940,934</b>	<b>-</b>	<b>145,518</b>
<b>Total</b>	<b>\$ 2,654,485</b>	<b>\$ 2,187,158</b>	<b>\$ 32,800</b>	<b>\$ (293,426)</b>

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

CITY OF YALE  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2016

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
<b>Net (expense)/revenue</b>	\$ (438,944)	\$ 145,518	\$ (293,426)
<b>General revenues:</b>			
Taxes:			
Sales and use taxes	268,096	-	268,096
Franchise taxes	10,965	-	10,965
Intergovernmental	18,122	-	18,122
Interest earnings	2,708	2	2,710
Connection fees and penalties	-	-	-
Pension change	42,496	-	42,496
Miscellaneous	82,149	27,594	109,743
Transfers	480,989	(480,989)	-
<b>Total general revenues and transfers</b>	<b>905,525</b>	<b>(453,393)</b>	<b>452,132</b>
<b>Change in net position</b>	466,581	(307,875)	158,706
<b>Net position - beginning of year</b>	<b>1,347,865</b>	<b>1,826,542</b>	<b>3,174,407</b>
<b>Net position - end of year</b>	<b>\$ 1,814,446</b>	<b>\$ 1,518,667</b>	<b>\$ 3,333,113</b>

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

**CITY OF YALE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2016**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Cash and investments:			
Cash & cash equivalents (Note 3A)	\$ 154,937	\$ 86,077	\$ 241,014
Cash on hand	800	-	800
Investments	-	50,000	50,000
Accounts receivable (net)	24,417	-	24,417
Grants receivable	6,132	-	6,132
Prepaid Insurance	5,872	-	5,872
Accrued governmental transfers	37,645	1,844	39,489
Restricted assets:			
Cash in bank (Note 3A)	5,597	-	5,597
Cash, insurance deposit	56,710	-	56,710
<b>Total assets</b>	<b>\$ 292,110</b>	<b>\$ 137,921</b>	<b>\$ 430,031</b>
<b>Liabilities:</b>			
Accounts payable	\$ 3,732	\$ -	\$ 3,732
Wages payable	24,868	-	24,868
Due to others	600	-	600
Due to State of Oklahoma	1,024	-	1,024
Cash bonds	7,365	-	7,365
<b>Total liabilities</b>	<b>37,589</b>	<b>-</b>	<b>37,589</b>
<b>Fund balances:</b>			
<b>Restricted for:</b>			
Other purposes	-	137,906	137,906
Workers compensation	56,710	-	56,710
<b>Assigned to:</b>			
Capital projects	-	15	15
Unassigned	197,811	-	197,811
<b>Total fund balances</b>	<b>254,521</b>	<b>137,921</b>	<b>392,442</b>
<b>Total liabilities and fund balances</b>	<b>\$ 292,110</b>	<b>\$ 137,921</b>	<b>\$ 430,031</b>

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, 2016**

**Total Fund Balances - Total Governmental Funds** \$ 392,442

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

Net pension asset		79,737
Pension related deferred outflows		95,608
Net pension liability		(31,633)
Pension related deferred inflows		(191,690)

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

Capital leases		(22,105)
Deferred compensation		(18,325)

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	406,367		
Sewer	12,176		
Sanitation	8,968		
Police	183,637		
Fire	423,427		
Culture & Recreation	63,663		
Streets	912,389		
Park	149,318		
Cemetery	15,508		
Accumulated Depreciation	<u>\$ (723,741)</u>		
Total			<u>1,451,712</u>

**Net position of governmental activities** \$ 1,814,446

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, 2016**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Sales tax	\$ 268,096	\$ -	\$ 268,096
Alcoholic beverage tax	4,155	-	4,155
Gasoline excise tax	-	2,173	2,173
Commercial vehicle tax	-	8,823	8,823
Franchise tax	10,965	-	10,965
Grants	18,314	126,942	145,256
Insure OK Subsidy	-	-	-
Connection fees and penalties	-	-	-
Miscellaneous	85,750	-	85,750
Court fines	185,105	-	185,105
Outside fire runs and dues	50,530	-	50,530
Swimming pool fees	-	-	-
Interest	2,708	-	2,708
Donations	28,645	-	28,645
Grave openings	-	-	-
Cemetery lot sales	8,734	1,225	9,959
<b>Total revenues</b>	<u>663,002</u>	<u>139,163</u>	<u>802,165</u>
<b>Expenditures:</b>			
Current:			
General government	191,352	-	191,352
Highways and roads	82,488	19,460	101,948
Public safety	401,247	-	401,247
Cultural and recreation	88,959	-	88,959
Capital outlay	555,046	17,900	572,946
Debt service:			
Principal	10,876	-	10,876
Interest	1,559	-	1,559
<b>Total expenditures</b>	<u>1,331,527</u>	<u>37,360</u>	<u>1,368,887</u>
<b>Excess of revenues over (under) expenditures</b>	(668,525)	101,803	(566,722)
<b>Other financing uses:</b>			
Loan proceeds	32,982	-	32,982
Operating transfers in (out)	638,931	(157,942)	480,989
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	3,388	(56,139)	(52,751)
<b>Fund balance - beginning of year</b>	<u>251,133</u>	<u>194,060</u>	<u>445,193</u>
<b>Fund balance - end of year</b>	<u>\$ 254,521</u>	<u>\$ 137,921</u>	<u>\$ 392,442</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**  
**Year Ended June 30, 2016**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (52,751)</b>
Amounts reported for governmental activities in the Statement of Activities are different because:	
The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.	(32,982)
Governmental Funds report lease payments as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position, the principal paid on that liability is applied against the liability. This is the amount of principal recorded in the current period. (Note 3)	10,876
Government-Wide Statement of Activities report the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The fund financial statements report pension contributions as expenditures.	42,496
Government-Wide Statement of Activities 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.	(6,222)
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities, 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.	572,946
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>(67,782)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 466,581</u></b>

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

**CITY OF YALE**  
**STATEMENT OF FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2016**

**Business-type Activities - Enterprise Funds**

	<u>Gas</u>	<u>Water &amp; Sewage</u>	<u>Electric</u>	<u>Sanitation (Non-major)</u>	<u>Yale Economic Development Authority (Non-major)</u>	<u>Totals</u>
<b>Assets:</b>						
Cash and investments:						
Cash & cash equivalents	\$ 69,759	\$ 137,153	\$ 47,095	\$ 32,603	\$ 68	\$ 286,678
Investments	-	-	-	-	-	-
Accounts receivables (net of allowance for uncollectibles)	15,668	56,961	169,868	16,440	-	258,937
Prepaid Insurance	-	5,872	-	-	-	5,872
Due from others	-	600	-	-	-	600
<b>Capital assets:</b>						
Land	-	10,500	2,000	-	-	12,500
Construction in progress	-	-	-	-	-	-
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 3)	229,836	3,472,588	323,203	-	-	4,025,627
<b>Total assets</b>	<u>\$ 315,263</u>	<u>\$ 3,683,674</u>	<u>\$ 542,166</u>	<u>\$ 49,043</u>	<u>\$ 68</u>	<u>\$ 4,590,214</u>
<b>Liabilities:</b>						
Accounts payable	\$ 2,241	\$ 5,914	\$ 1,582	\$ -	\$ -	\$ 9,737
Sales tax payable	-	-	2,774	-	-	2,774
Accrued compensated absences	-	1,464	-	-	-	1,464
Due to other funds	-	-	-	-	-	-
Interest payable	-	24,980	-	-	-	24,980
Lease payable	-	-	7,447	-	-	7,447
Notes payable						
Due in one year	-	113,835	-	-	-	113,835
Due in more than one year	-	2,911,310	-	-	-	2,911,310
<b>Total liabilities</b>	<u>2,241</u>	<u>3,057,503</u>	<u>11,803</u>	<u>-</u>	<u>-</u>	<u>3,071,547</u>
<b>Net position:</b>						
Net investment in capital assets	229,836	432,963	325,203	-	-	988,002
Restricted	-	-	-	-	-	-
Unrestricted	83,186	193,208	205,160	49,043	68	530,665
<b>Total net position</b>	<u>\$ 313,022</u>	<u>\$ 626,171</u>	<u>\$ 530,363</u>	<u>\$ 49,043</u>	<u>\$ 68</u>	<u>\$ 1,518,667</u>

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  
 PROPRIETARY FUNDS  
 Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds					Totals
	Gas	Water & Sewage	Electric	Sanitation	Yale Economic Development Authority	
<b>Revenues:</b>						
Gas revenue	\$ 260,788	\$ -	\$ -	\$ -	\$ -	\$ 260,788
Water revenue	-	339,845	-	-	-	339,845
Sewer revenue	-	115,518	-	-	-	115,518
Electric revenue	-	-	1,096,692	-	-	1,096,692
Sanitation revenue	-	-	-	128,091	-	128,091
Miscellaneous revenue	-	27,594	-	-	-	27,594
<b>Total revenues</b>	<b>260,788</b>	<b>482,957</b>	<b>1,096,692</b>	<b>128,091</b>	<b>-</b>	<b>1,968,528</b>
<b>Operating expense:</b>						
Salaries and payroll taxes	29,638	99,934	35,476	-	-	165,048
Gas purchases	71,913	-	-	-	-	71,913
Electric energy purchases	-	-	589,356	-	-	589,356
Water purchases	-	-	-	-	-	-
Sanitation Collection Service	-	-	-	-	-	-
Materials and supplies	6,584	124,219	76,397	120,002	-	327,202
Economic development	-	-	-	-	250	250
Water expense	-	323,730	-	-	-	323,730
Sewer expense	-	64,975	-	-	-	64,975
Depreciation	14,316	132,075	15,289	-	-	161,680
<b>Total operating expenses</b>	<b>122,451</b>	<b>744,933</b>	<b>716,518</b>	<b>120,002</b>	<b>250</b>	<b>1,704,154</b>
<b>Income before non-operating revenues, expenses &amp; transfers</b>	<b>138,337</b>	<b>(261,976)</b>	<b>380,174</b>	<b>8,089</b>	<b>(250)</b>	<b>264,374</b>
<b>Non-operating revenues (expenses):</b>						
Interest revenue	-	2	-	-	-	2
Interest expense	-	(77,244)	(739)	-	-	(77,983)
<b>Total</b>	<b>-</b>	<b>(90,521)</b>	<b>(739)</b>	<b>-</b>	<b>-</b>	<b>(91,260)</b>
<b>Income (loss) before operating transfers</b>	<b>138,337</b>	<b>(352,497)</b>	<b>379,435</b>	<b>8,089</b>	<b>(250)</b>	<b>173,114</b>
<b>Transfers in (out)</b>	<b>(140,116)</b>	<b>(74,199)</b>	<b>(266,924)</b>	<b>-</b>	<b>250</b>	<b>(480,989)</b>
<b>Change in net position</b>	<b>(1,779)</b>	<b>(426,696)</b>	<b>112,511</b>	<b>8,089</b>	<b>-</b>	<b>(307,875)</b>
<b>Net position at beginning of year</b>	<b>314,801</b>	<b>1,052,867</b>	<b>417,852</b>	<b>40,954</b>	<b>68</b>	<b>1,826,542</b>
<b>Net position at end of year</b>	<b>\$ 313,022</b>	<b>\$ 626,171</b>	<b>\$ 530,363</b>	<b>\$ 49,043</b>	<b>\$ 68</b>	<b>\$ 1,518,667</b>

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, 2016

	Business-type Activities - Enterprise Funds					
	Gas	Water & Sewage	Electric	Sanitation	Yale Economic Development Authority	Totals
<b>Cash flows from operating activities:</b>						
Cash received from customers & service users	\$ 262,920	\$ 481,665	\$ 1,099,555	\$ 128,025	\$ -	\$ 1,972,165
Cash payments for goods & services & employees	(108,720)	(615,904)	(703,613)	(120,002)	(250)	(1,548,489)
Other operating revenues	-	-	-	-	-	-
<b>Net cash provided by operating activities</b>	<u>154,200</u>	<u>(134,239)</u>	<u>395,942</u>	<u>8,023</u>	<u>(250)</u>	<u>423,676</u>
<b>Cash flows from noncapital financing activities:</b>						
Operating transfers out to other funds	(140,116)	(451,181)	(375,753)	-	-	(967,050)
Operating transfers in from other funds	-	376,982	108,828	-	250	486,060
Change in due to/from accounts	-	-	-	-	-	-
<b>Net cash provided (used) for noncapital financing activities</b>	<u>(140,116)</u>	<u>(74,199)</u>	<u>(266,925)</u>	<u>-</u>	<u>250</u>	<u>(480,990)</u>
<b>Cash flows from capital and related financing activities:</b>						
Acquisition & sale of capital assets	-	-	(104,941)	-	-	(104,941)
Proceeds from new debt	-	454,433	-	-	-	454,433
Principal paid on debt	-	(74,902)	(7,033)	-	-	(81,935)
Interest paid on debt	-	(77,837)	(739)	-	-	(78,576)
<b>Net cash provided (used) for capital and related financing activities</b>	<u>-</u>	<u>288,415</u>	<u>(112,713)</u>	<u>-</u>	<u>-</u>	<u>175,702</u>
<b>Cash flows from investing activities:</b>						
(Purchase) liquidation of investments - restricted	-	-	-	-	-	-
Interest on investments	-	2	-	-	-	2
<b>Net cash provided by investing activities</b>	<u>-</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>
<b>Net increase (decrease) in cash &amp; cash equivalents</b>	14,084	79,979	16,304	8,023	-	118,390
<b>Cash and cash equivalents - beginning of year</b>	55,675	57,174	30,791	24,580	68	168,288
<b>Cash and cash equivalents - end of year</b>	<u>\$ 69,759</u>	<u>\$ 137,153</u>	<u>\$ 47,095</u>	<u>\$ 32,603</u>	<u>\$ 68</u>	<u>\$ 286,678</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>						
Operating income	\$ 138,337	\$ (261,976)	\$ 380,174	\$ 8,089	\$ (250)	\$ 264,374
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>						
Depreciation	14,316	132,075	15,289	-	-	161,680
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	2,132	(1,292)	2,863	(66)	-	3,637
(Increase) decrease in prepaids	-	(472)	-	-	-	(472)
Increase (decrease) in accounts payable	(488)	(3,054)	(1,623)	-	-	(5,165)
Increase (decrease) in accrued expenses	(97)	480	(761)	-	-	(378)
<b>Total adjustments</b>	<u>15,863</u>	<u>127,737</u>	<u>15,768</u>	<u>(66)</u>	<u>-</u>	<u>159,302</u>
<b>Net cash provided by operating activities</b>	<u>\$ 154,200</u>	<u>\$ (134,239)</u>	<u>\$ 395,942</u>	<u>\$ 8,023</u>	<u>\$ (250)</u>	<u>\$ 423,676</u>

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

**CITY OF YALE  
STATEMENT OF FIDUCIARY ASSETS  
FIDUCIARY FUNDS  
June 30, 2016**

	<u>Agency Funds Meter Trust</u>
<b>Assets:</b>	
Cash & cash equivalents	\$ 33,269
Investments	<u>115,000</u>
<b>Total assets</b>	<u>\$ 148,269</u>
<b>Liabilities:</b>	
Deposits	<u>\$ 148,269</u>
<b>Total liabilities</b>	<u>\$ 148,269</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, 2016**

**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, 2016

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. 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 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.

**CITY OF YALE**  
**Yale, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

**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. 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, 2016

**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, 2016**

**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 <u>Estimated Lives</u>	Business-Type Activities <u>Estimated Lives</u>	Component Unit <u>Estimated Lives</u>
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, 2016

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.

CITY OF YALE  
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2016

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	\$ 2,445
Library Network Assessment Grant	5,340
Rural Fire Department Assistance	4,290
Rural Fire Matching Grant	9,790
CDBG – CIP	20,000
CDBG Reap Grant	<u>104,942</u>
Total	<u>\$ 146,808</u>

3. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

*Custodial Credit Risk*

At June 30, 2016, the City held deposits of approximately \$789,067 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, 2016

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, 2016 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, 2016

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. Fair Value Measurements

Fair value disclosures are provided as required by GASB 72 *Fair Value Measurements*. This standard established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

---

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities

---

Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly

---

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable

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The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of June 30, 2016:

**Assets at Fair Value  
as of June 30, 2016**

	Level 1	Level 2	Level 3	Total
CDs	\$ 165,000	\$ -	\$ -	\$ 165,000
<b>Total assets at fair value</b>	<b>\$ 880,568</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 880,568</b>

CITY OF YALE  
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2016

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. Restricted Cash and Investments

Other restricted cash includes \$33,269 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 \$5,597.

D. 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	\$ -	\$ -	\$ -	\$ -	\$ (2,376)	\$ (2,376)
Water	-	(11,359)	-	-	-	(11,359)
Sewer	-	(3,440)	-	-	-	(3,440)
Gas	-	-	-	(7,347)	-	(7,347)
Electric	-	-	(25,500)	-	-	(25,500)
Total	<u>\$ -</u>	<u>\$ (14,799)</u>	<u>\$ (25,500)</u>	<u>\$ (7,347)</u>	<u>\$ (2,376)</u>	<u>\$ (50,022)</u>

CITY OF YALE  
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2016

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

E. Capital Assets

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

	Balance 6/30/15	Additions	Disposals	Balance 6/30/16
<b>Governmental Activities:</b>				
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	401,754	-	-	401,754
Infrastructure	310,050	462,622	-	772,672
Machinery & Equipment	890,703	110,324	-	1,001,027
Total depreciable assets	<u>1,602,507</u>	<u>572,946</u>	<u>-</u>	<u>2,175,453</u>
Less accumulated depreciation:				
Buildings	(157,586)	(5,827)	-	(163,413)
Infrastructure	(48,081)	(14,091)	-	(62,172)
Machinery & Equipment	(450,292)	(47,864)	-	(498,156)
Total accumulated depreciation	<u>(655,959)</u>	<u>(67,782)</u>	<u>-</u>	<u>(723,741)</u>
Net depreciable assets	<u>946,548</u>	<u>505,164</u>	<u>-</u>	<u>1,451,712</u>
Net governmental activities capital assets	<u>\$ 1,005,248</u>	<u>\$ 505,164</u>	<u>\$ -</u>	<u>\$ 1,510,412</u>
<b>Business-Type Activities:</b>				
Non-depreciable assets:				
Land	\$ 12,500	\$ -	\$ -	\$ 12,500
Construction in progress	-	-	-	-
Total non-depreciable assets	<u>12,500</u>	<u>-</u>	<u>-</u>	<u>12,500</u>
Depreciable assets:				
Buildings	220,332	-	-	220,332
Machinery & Equipment	1,035,068	-	-	1,035,068
Infrastructure	5,870,413	104,942	-	5,975,355
Total depreciable assets	<u>7,125,813</u>	<u>104,942</u>	<u>-</u>	<u>7,230,755</u>
Less accumulated depreciation:				
Buildings	(178,442)	(4,740)	-	(183,182)
Machinery & Equipment	(704,702)	(18,794)	-	(723,496)
Infrastructure	(2,160,305)	(138,145)	-	(2,298,450)
Total accumulated depreciation	<u>(3,043,449)</u>	<u>(161,679)</u>	<u>-</u>	<u>(3,205,128)</u>
Net depreciable assets	<u>4,082,364</u>	<u>(56,737)</u>	<u>-</u>	<u>4,025,627</u>
Net business-type activities capital assets	<u>\$ 4,094,864</u>	<u>\$ (56,737)</u>	<u>\$ -</u>	<u>\$ 4,038,127</u>

**CITY OF YALE**  
**Yale, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

**3. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**E. 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	\$ 6,287	Electric	\$ 15,289
Public Safety	26,849	Gas	14,316
Highways and Streets	26,707	Water & Sewer	132,075
Culture and Recreation	7,201		
Cemetery	<u>739</u>		
Total Depreciation	<u>\$ 67,783</u>		<u>\$ 161,680</u>

**F. Capitalized Leases**

The City has entered into a capitalized lease for the acquisition of a 2016 Ford Police Interceptor. The lease agreements met the criteria of a capital lease as defined by *FASB Accounting Standards Codification (ASC) 840-10, Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as expenditures on the fund financial statements.

The capital leases are described below.

- (1) Lease payable to American Heritage Bank for the lease purchase of a police interceptor. Semi-annual payments of \$5,650 plus interest at 1.751% are due on December 15th and June 15th to be paid from the General Fund.

	<u>22,106</u>
Total	<u>\$ 22,106</u>

The following is a summary of capitalized lease transactions for the year:

	Balance July 1, 2015	Additions	Payments and Cancellations	Balance June 30, 2016	Current Portion
Capital lease obligations	\$ <u>-</u>	\$ <u>32,982</u>	\$ <u>10,876</u>	\$ <u>22,106</u>	\$ <u>10,955</u>

The annual debt service requirements to maturity, including principal and interest, for leases are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 10,955	\$ 344	\$ 11,299
2018	11,151	149	11,300
Total	<u>\$ 22,106</u>	<u>\$ 493</u>	<u>\$ 22,599</u>

**CITY OF YALE  
Yale, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2016**

**3. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**G. Long-term Debt**

*Governmental Activities:*

As of June 30, 2016 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.	\$ 29,750
2) 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.	66,594
3) 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.	2,477,620
4) Lease payable to Ford Motor Credit, collateralized by 2014 Ford F150 pickup, payable in 2 semi-annual installments of \$3,886, including interest at 5.80%, final payment due July 2017.	7,447
5) 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.	451,180

Total business-type activities long-term debt	<u><u>\$ 3,032,591</u></u>
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As of June 30, 2015, the annual principal requirements to retire Business-Type activities long-term debt are as follows:

Year Ending June 30,	Principal	Interest
2017	\$ 121,282	\$ 78,258
2018	117,451	76,148
2019	121,190	73,621
2020	124,842	71,333
2021	123,799	69,259
2022-2026	650,051	308,950
2027-2031	453,666	246,605
2032-2036	538,703	176,387
2037-2041	639,918	80,974
2042	141,689	10,419
Total	<u><u>\$ 3,032,591</u></u>	<u><u>\$ 1,191,954</u></u>

CITY OF YALE  
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2016

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

G. Long-term Debt (Continued)

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

	Balance July 1, 2015	Additions	Payments	Balance June 30, 2016	Current Portion
Notes payable	\$ 2,645,614	\$ 454,433	\$ 74,903	\$ 3,025,144	\$ 113,835
Leases payable	14,480	-	7,033	7,447	7,447
<b>Total</b>	<b>\$ 2,660,094</b>	<b>\$ 454,433</b>	<b>\$ 81,936</b>	<b>\$ 3,032,591</b>	<b>\$ 121,282</b>

H. Fund Transfers

The following presents a summary of transfers between funds:

Fund	Transfer To	Transfer From	Fund
General	\$ -	\$ 53,000	Capital Outlay
General	-	135,000	Gas
General	250	-	YEDA
General	3,500	-	GAP Plan
Capital Outlay	53,000	-	General
Capital Outlay	-	451,181	Water Trust
GAP Plan	-	3,500	General
CDBG Reap	104,942	-	Electric
YEDA	-	250	General
Water Trust	5,753	-	Electric
Water Trust	451,181	-	Capital Outlay
Water Trust	-	370,000	Electric
Water Trust	-	1,229	Gas
Electric	-	-	General
Electric	-	5,753	Water Trust
Electric	370,000	-	Water Trust
Electric	-	104,942	
Electric	-	3,886	Gas
Gas	135,000	-	General
Gas	1,229	-	Water Trust
Gas	3,886	-	Electric
<b>Totals</b>	<b>\$ 1,128,741</b>	<b>\$ 1,128,741</b>	

**CITY OF YALE**  
**Yale, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

**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 \$56,710 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, 2016

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 13.15% of these obligations of the Association, which total approximately \$4,578,179 to ORWB at June 30, 2016. The City's contingent share of Lone Chimney Water Association's debt is \$601,826.

*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](http://www.ok.gov/fprs).

**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.

CITY OF YALE  
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2016

4. OTHER INFORMATION (Continued)

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

Benefits for members hired after 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 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 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. Contributions to the pension plan from the City were \$1,140 (fiscal year contributions). The State of Oklahoma also made on-behalf contributions to FPRS in an amount during the calendar year and this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$0. These on-behalf payments did not meet the criteria of a special funding situation.

**Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At June 30, 2016, the City reported a liability of \$31,633 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information the City's proportion was 0.00298%.

For the year ended June 30, 2016, the City recognized pension expense of \$1,674. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of resources</u>
Differences between expected and actual experience	\$ 625	\$ -
Net difference between projected and actual earnings on pension plan investments	1,121	3,479
Changes in proportion and differences between City contributions and proportionate share of contributions	-	5,381
City contributions subsequent to the measurement date	<u>1,140</u>	<u>-</u>
Total	<u>\$ 2,886</u>	<u>\$ 8,861</u>

CITY OF YALE  
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2016

4. OTHER INFORMATION (Continued)

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

\$1,140 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (3,131)
2018	(3,131)
2019	(3,131)
2020	1,832
2021	138
Thereafter	8
	<u>\$ (7,415)</u>

**Actuarial Assumptions** – The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	3.5% to 9.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	5.48%
Domestic equity	37%	9.61%
International equity	20%	9.24%
Real Estate	10%	7.76%
Other assets	13%	6.88%

CITY OF YALE  
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2016

4. OTHER INFORMATION (Continued)

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

**Discount Rate** – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** – The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percent point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Employers' net pension liability (asset)	\$41,068	\$31,633	\$23,714

**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](http://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](http://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.

**Summary of Significant Accounting Policies** – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by OkMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on published market prices. Detailed information about the OkMRF plans' fiduciary net position is available in the separately issued OkMRF financial report.

CITY OF YALE  
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2016

4. OTHER INFORMATION (Continued)

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

Eligibility Factors and Benefit Provisions

<u>Provision</u>	<u>As of 07/01/15 OkMRF Plan</u>
a. Eligible to participate	Full-time employees except police, firefighters and other employees who are covered under an approved system.
b. Period Required to Vest	10 years of credited service
c. Eligibility for Distribution	-Normal retirement at age 60 with 10 years of service -Early retirement at age 55 with 10 years of service -Disability retirement upon disability with 10 years of service -Death benefit with 10 years of service for married employees
d. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
e. Benefit Determination Methods:	
Normal Retirement	-2.625% of final average salary multiplied by credited years of service
Early Retirement	-Actuarially reduced benefit based upon age, final average salary, and years of service at termination
Disability Retirement	-Same as normal retirement
Death Benefit	-50% of employees accrued benefit, but terminates upon spouse re-marriage
Prior to 7 Years' Service	-No benefits
f. Benefit Authorization	-Benefits are established and amended by City Council adoption of an ordinance in accordance with O.S. Title, 11, Section 48-101-102
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, option form based on actuarial equivalent.

Employees Covered by Benefit Terms

Active Employees	14
Deferred Vested Former Employees	4
Retirees or Retiree Beneficiaries	<u>6</u>
Total	<u>24</u>

CITY OF YALE  
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2016

4. OTHER INFORMATION (Continued)

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

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 9.81% of covered payroll. For the year ended June 30, 2016, the City recognized \$46,992 of employer contributions to the plan which equals the actuarially determined amount based on covered payroll of \$479,021. Employees contribute a fixed 6% to the plan in accordance with the plan provisions adopted by the City Council.

Actuarial Assumptions

Date of Last Actuarial Valuation	July 1, 2015
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.75%
c. Projected Salary Increase	Rates by age
d. Post Retirement cost-of-Living Increase	None
e. Inflation Rate	3%
f. Mortality Table	UP 1994, with projected mortality improvement
g. Percent of married employees	100%
h. Spouse age difference	3 years (female spouses younger)
i. Turnover	Select and ultimate rates Ultimate rates are age-related as shown  Additional rates per thousand are added during the first 5 years: Year 1: 215 Year 2: 140 Year 3: 95 Year 4: 65 Year 5: 40
j. Date of last experience study	September 2012 for fiscal years 2007 thru 2011

Discount Rate – The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.75% since the plan's net fiduciary position is projected to be sufficient to make projected benefit payments.

CITY OF YALE  
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2016

4. OTHER INFORMATION (Continued)

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

The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2015 are summarized in the following table:

	<u>Target Allocation</u>	<u>Real Return</u>	<u>Weighted Return</u>
Large cap stocks S&P 500	25%	5.40%	1.35%
Small/mid cap stocks Russell 2500	10%	7.50%	0.75%
Long/short equity MSCI ACWI	10%	6.10%	0.61%
International stocks MSCI EAFE	20%	5.10%	1.02%
Fixed income bonds Barclay's Capital Aggregate	30%	2.60%	0.78%
Real estate NCREIF	5%	4.80%	0.24%
Cash equivalents 3 month Treasury	<u>0%</u>	0.00%	<u>0.00%</u>
TOTAL	<u>100%</u>		
Average Real Return			4.75%
Inflation			<u>3.00%</u>
Long-term expected return			<u>7.75%</u>

**Changes in Net Pension Liability** – The total pension liability was determined based on an actuarial valuation performed as of July 1, 2015 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2015 and the City's report ending date of June 30, 2016, that would have had a significant impact on the net pension liability. The following table reports the components of changes in net pension liability:

CITY OF YALE  
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2016

4. OTHER INFORMATION (Continued)

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

Sensitivity of the net pension liability (asset) to changes in the discount rate – The following presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Employers' net pension liability (asset)	\$56,922	(\$79,737)	(\$192,392)

The City reported \$1,114 in pension expense for the year ended June 30, 2016. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of resources
Differences between expected and actual experience	\$ -	\$ 116,977
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	45,730	65,852
City contributions subsequent to the measurement date	<u>46,992</u>	<u>-</u>
Total	<u>\$ 92,722</u>	<u>\$ 182,829</u>

\$46,992 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (45,024)
2018	(45,024)
2019	(45,024)
2020	(2,029)
2021	<u>2</u>
	<u>\$ (137,099)</u>

D. Other Post-Employment Benefits

*Plan Description:* The City provides post-employment 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 provisions for these benefits are not formalized in a contract or plan document but are referenced in the administrative policy manual. 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-employment 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, 2016, no retired employees are receiving benefits under this plan.

CITY OF YALE  
Yale, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2016

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 2016, 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, 2016 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.

**CITY OF YALE**  
**Yale, Oklahoma**

**REQUIRED SUPPLEMENTAL INFORMATION**  
**June 30, 2016**

CITY OF YALE  
Yale, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION  
Year Ended June 30, 2016

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

**Defined Benefit Cost Sharing Plans:**

*Fire*

Schedule of the City's proportionate share of the net pension liability (asset)

Schedule of City contributions

**Defined Benefit Agent Multi-Employer Plan**

*OkMRF*

Schedule of change in net pension liability & related ratios

Schedule of employer contributions

**Budgetary Comparison Schedule – General & Special Revenue Funds**

**CITY OF YALE**  
**Yale, Oklahoma**

**REQUIRED SUPPLEMENTAL INFORMATION**  
**ON PENSION PLAN FUNDING PROGRESS**  
**Year Ended June 30, 2016**

**Exhibit 1**  
**Schedule of the City of Yale's Proportionate Share of the Net Pension Liability (Asset)**  
**Oklahoma Firefighters Pension & Retirement System**  
**Last 10 Fiscal Years\***

	<u>2014</u>	<u>2015</u>
City's proportion of the net pension liability	0.0035%	0.00298%
City's proportionate share of the net pension liability	\$36,319	\$31,633
City's covered-employee payroll	\$ -	\$ -
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	0%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%

\*The amounts present for each fiscal year were determined as of 6/30

**Notes to Schedule:**

Only the last 2 current fiscal years are presented because 10-year data is not yet available

**Exhibit 2**  
**Schedule of City Contributions**  
**Oklahoma Firefighters Pension & Retirement System**  
**Last 10 Fiscal Years**

	<u>2014</u>	<u>2015</u>
Statutorily required contribution	\$1,140	\$1,140
Contributions in relation to the statutorily required contribution	<u>1,140</u>	<u>1,140</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	\$60 / volunteer	\$60 / volunteer

**Notes to Schedule:**

Only the last 2 current fiscal years are presented because 10-year data is not yet available

CITY OF YALE  
Yale, Oklahoma

REQUIRED SUPPLEMENTAL INFORMATION  
ON PENSION PLAN FUNDING PROGRESS  
Year Ended June 30, 2016

**Exhibit 3**  
**Oklahoma Municipal Retirement Fund**  
**Schedule of Changes in Net Pension Liability and Related Ratios Last Fiscal Year**

	<u>2014</u>	<u>2015</u>
<b>Total pension liability</b>		
Service cost	\$ 44,720	\$ 51,613
Interest	98,388	99,471
Changes of benefit terms	-	11,627
Differences between expected and actual experience	-	(151,483)
Changes of assumptions	-	-
Benefit payments, including refunds of member contributions	<u>(91,229)</u>	<u>(77,344)</u>
<b>Net change in total pension liability</b>	<b>51,879</b>	<b>(66,116)</b>
<b>Total pension liability – beginning</b>	<u>1,269,572</u>	<u>1,321,451</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 1,321,451</u></u>	<u><u>\$ 1,255,335</u></u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 40,094	\$ 37,454
Contributions - member	23,747	25,350
Net investment income	188,297	36,778
Benefit payments, including refunds of member contributions	(91,229)	(77,344)
Administrative expense	(2,781)	(2,717)
Other	-	-
<b>Net change in plan fiduciary net position</b>	<u>158,128</u>	<u>19,521</u>
<b>Plan fiduciary net position – beginning</b>	<u>1,157,423</u>	<u>1,315,551</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 1,315,551</u></u>	<u><u>\$ 1,335,072</u></u>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<u><u>\$ 5,900</u></u>	<u><u>\$ (79,737)</u></u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	99.55%	106.35%
<b>Covered employee payroll</b>	\$ 385,493	\$ 435,522
<b>Net pension liability as a percentage of covered employee payroll</b>	1.53%	-18.31%

**Notes to Schedule:**

Only the last 2 current fiscal years are presented because 10-year data is not yet available.

**CITY OF YALE**  
**Yale, Oklahoma**

**REQUIRED SUPPLEMENTAL INFORMATION**  
**ON PENSION PLAN FUNDING PROGRESS**  
**Year Ended June 30, 2016**

**Exhibit 4**  
**Required Supplementary Information**  
**Oklahoma Municipal Retirement Fund**  
**Schedule of Employer Contributions Last Fiscal Year**

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 43,040	\$ 46,992
Contributions in relation to the actuarially determined contribution	<u>43,040</u>	<u>46,992</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 474,728	\$ 479,021
Contributions as a percentage of covered-employee payroll	8.86%	9.81%

**Notes to Schedule:**

1. Only the last 2 current fiscal years are presented because 10-year data is not yet available
2. Latest Valuation Date: July 1, 2015
3. Actuarially determined contribution rate is calculated as of July 1, 2014 and July 1, 2015  
 January 2016 through June 2016 contributions were at a rate of 9.81%.  
 July 2015 through December 2015 contributions were at a rate of 9.81%
4. Methods and assumptions used to determine contribution rates:  
 Actuarial cost method - Entry age normal  
 Amortization method - Level percent of payroll, closed  
 Remaining amortization period - 29 years  
 Asset valuation method - Actuarial:  
     Smoothing period - 4 years  
     Recognition method - Non-asymptotic  
     Corridor - 70% - 130%  
 Salary increases - 4.00% to 7.42% (varies by attained age)  
 Investment rate of return - 7.50%

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, 2016  
 (Unaudited)

GENERAL FUND

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Sales, Use and Bev Taxes	\$ 262,965	\$ 262,965	\$ 283,216	\$ 20,251
Grants	4,290	4,290	18,314	14,024
Miscellaneous	14,276	14,276	85,750	71,474
Court fines	129,891	129,891	185,105	55,214
Outside fire runs and contracts	-	-	50,530	50,530
Swimming pool fees	-	-	-	-
Interest	1,984	1,984	2,708	724
Donations	2,100	2,100	28,645	26,545
Grave openings	-	-	-	-
Cemetery lot sales	6,500	6,500	8,734	2,234
<b>Total revenues</b>	<u>422,006</u>	<u>422,006</u>	<u>663,002</u>	<u>240,996</u>
<b>Expenditures:</b>				
General Government	192,262	192,262	191,352	910
Public safety	405,476	405,476	401,247	4,229
Parks/recreation	75,044	75,044	70,381	4,663
Highways and roads	79,285	79,285	82,488	(3,203)
Cemetery	18,579	18,579	18,578	1
Capital outlay	523,433	556,415	555,046	1,369
Debt service:				
Principal	14,129	14,129	10,876	3,253
Interest	1,559	1,559	1,559	-
<b>Total expenditures</b>	<u>1,309,767</u>	<u>1,342,749</u>	<u>1,331,527</u>	<u>11,222</u>
<b>Excess of revenue over (under) expenditures</b>	(887,761)	(920,743)	(668,525)	252,218
<b>Other financing sources (uses):</b>				
Loan proceeds	-	32,982	32,982	-
Operating transfers in (out)	574,913	574,913	638,931	64,018
<b>Net changes in fund balance</b>	(312,848)	(312,848)	3,388	316,236
<b>Fund balance at beginning of year</b>	<u>34,350</u>	<u>8,540</u>	<u>251,133</u>	<u>(242,593)</u>
<b>Fund balance at end of year</b>	<u>\$ (278,498)</u>	<u>\$ (304,308)</u>	<u>\$ 254,521</u>	<u>\$ 73,643</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, 2016**  
**(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>		
<b>Revenues:</b>				
Gasoline excise tax	\$ 3,000	\$ 3,000	\$ 2,173	\$ (827)
Commercial vehicle tax	9,000	9,000	8,823	(177)
Grants	127,000	127,000	126,942	(58)
Grave openings	-	-	-	-
Cemetery lot sales	900	900	1,225	325
<b>Total revenues</b>	<u>139,900</u>	<u>139,900</u>	<u>139,163</u>	<u>(737)</u>
<b>Expenditures:</b>				
General Government	-	-	-	-
Public Safety	-	-	-	-
Parks/recreation	-	-	-	-
Streets	20,000	20,000	19,460	540
Cemetery	-	-	-	-
<b>Total expenditures</b>	<u>20,000</u>	<u>20,000</u>	<u>19,460</u>	<u>540</u>
<b>Excess of revenue over (under) expenditures</b>	119,900	119,900	119,703	(197)
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	<u>(105,000)</u>	<u>(105,000)</u>	<u>(104,942)</u>	<u>58</u>
<b>Net changes in fund balance</b>	14,900	14,900	14,761	(139)
<b>Fund balance at beginning of year</b>	<u>230,200</u>	<u>231,100</u>	<u>123,145</u>	<u>(107,955)</u>
<b>Fund balance at end of year</b>	<u>\$ 245,100</u>	<u>\$ 246,000</u>	<u>\$ 137,906</u>	<u>\$ (108,094)</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, 2016**  
**(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 SUPPLEMENTARY INFORMATION  
June 30, 2016**

CITY OF YALE  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2016

	Capital Projects	Special Revenue			Total Non-Major Govern- mental Funds
	Capital Outlay	Cemetery Care Fund	Street and Alley Fund	COEDD Reap Grant Fund	
<b>Assets:</b>					
Cash in bank (Note 3A)	\$ 15	\$ 18,523	\$ 67,539	\$ -	\$ 86,077
Investments	-	50,000	-	-	50,000
Accrued governmental transfers	-	-	1,844	-	1,844
<b>Total assets</b>	<b>\$ 15</b>	<b>\$ 68,523</b>	<b>\$ 69,383</b>	<b>\$ -</b>	<b>\$ 137,921</b>
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to State of Oklahoma	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances:</b>					
Reserved	15	68,523	69,383	-	137,921
Unreserved	-	-	-	-	-
<b>Total fund balances</b>	<b>15</b>	<b>68,523</b>	<b>69,383</b>	<b>-</b>	<b>137,921</b>
<b>Total liabilities and fund balances</b>	<b>\$ 15</b>	<b>\$ 68,523</b>	<b>\$ 69,383</b>	<b>\$ -</b>	<b>\$ 137,921</b>

**CITY OF YALE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2016**

	<u>Capital Projects</u>	<u>Special Revenue</u>			<b>Total Non-Major Govern- mental Funds</b>
	<b>Capital Outlay</b>	<b>Cemetery Care Fund</b>	<b>Street and Alley Fund</b>	<b>COEDD Reap Grant Fund</b>	
<b>Revenues:</b>					
Gasoline excise tax	\$ -	\$ -	\$ 2,173	\$ -	\$ 2,173
Commercial vehicle tax	-	-	8,823	-	8,823
Grants	-	-	-	126,942	126,942
Miscellaneous	-	-	-	-	-
Cemetery lot sales	-	1,225	-	-	1,225
Grave openings	-	-	-	-	-
<b>Total revenues</b>	<u>-</u>	<u>1,225</u>	<u>10,996</u>	<u>126,942</u>	<u>139,163</u>
<b>Expenditures:</b>					
General Government	-	-	-	-	-
Highways and roads	-	-	8,160	11,300	19,460
Public safety	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Capital outlay	17,900	-	-	-	17,900
<b>Total expenditures</b>	<u>17,900</u>	<u>-</u>	<u>8,160</u>	<u>11,300</u>	<u>37,360</u>
<b>Excess of revenues over (under) expenditures</b>	(17,900)	1,225	2,836	115,642	101,803
<b>Other financing uses:</b>					
Operating transfers in (out)	(53,000)	-	-	(104,942)	(157,942)
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	(70,900)	1,225	2,836	10,700	(56,139)
<b>Fund balance - beginning of year</b>	<u>70,915</u>	<u>67,298</u>	<u>66,547</u>	<u>(10,700)</u>	<u>194,060</u>
<b>Fund balance - end of year</b>	<u>\$ 15</u>	<u>\$ 68,523</u>	<u>\$ 69,383</u>	<u>\$ -</u>	<u>\$ 137,921</u>

CITY OF YALE  
Yale, Oklahoma

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ending June 30, 2016

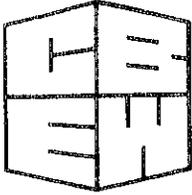
Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Program or Award Amount	Revenue Collected	Federal Expend- itures
<b><u>Department of Housing and Urban Development</u></b>				
<b><u>Passed through the Oklahoma Department of Commerce:</u></b>				
15909 CDBG 13	14.228	104,942	104,942	104,942
00276 CDBG CIP-15	14.228	20,000	20,000	20,000
<b>Sub-Total</b>		<u>124,942</u>	<u>124,942</u>	<u>124,942</u>
<b><u>Office of Library Services, Institute of Museum and Library Services, National Foundation on the Arts and the Humanities:</u></b>				
<b><u>Passed through the Oklahoma Department of Libraries:</u></b>				
State Library Program	45.310	2,445	2,445	2,445
<b>Total of Expenditures of Federal Awards</b>		<u>\$ 127,387</u>	<u>\$ 127,387</u>	<u>\$ 127,387</u>

Note A - Basis of Presentation - The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only selected portion of the operations of the City, it is not intended and does not present the financial position, changes in net assets, or cash flows of the City.

Note B - Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported using the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**CITY OF YALE**  
**Yale, Oklahoma**

**REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS***  
**June 30, 2016**



**CBEW**  
**Professional**  
**Group, LLP**  
Certified Public Accountants

WALTER H. WEBB, CPA  
JANE FRAZIER, CPA  
CHARLES E. CROOKS, CPA  
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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**

October 17, 2016

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, 2016, 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 October 17, 2016. 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses as finding 2016-001 & 2016-002.

City of Yale  
October 17, 2016

***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 report 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, 2016

2016-001. 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 2015.

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.

2016-002. 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 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, 2016, 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 2015.

CITY OF YALE  
Yale, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2016

2016-002. 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 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.