

# CITY OF YALE

St. Clair County, Michigan

---

## FINANCIAL STATEMENTS

June 30, 2021

---

**BERTHIAUME  
& COMPANY**

---

Certified Public Accountants







## TABLE OF CONTENTS

	PAGE
<b>Independent Auditors' Report</b> .....	1
<b>Management's Discussion and Analysis</b> .....	4
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Position.....	10
Statement of Activities .....	11
Fund Financial Statements	
Governmental Funds	
Balance Sheet .....	13
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities .....	14
Statement of Revenues, Expenditures and Changes in Fund Balances.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Proprietary Funds	
Statement of Net Position .....	17
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	19
Statement of Cash Flows.....	20
Fiduciary Funds	
Statement of Fiduciary Net Position.....	22
Statement of Changes in Fiduciary Net Position.....	23
Component Units	
Combining Statement of Net Position.....	24
Combining Statement of Activities.....	25
Notes to Financial Statements .....	27
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund .....	43
Budgetary Comparison Schedule – Major Street Fund.....	45
<b>Other Supplementary Information</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet .....	47
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	49
Schedules of Indebtedness .....	51
<b>Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b> .....	54





## INDEPENDENT AUDITORS' REPORT

To the Members of City Council  
City of Yale, Michigan

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Yale as of and for the year ended June 30, 2021, 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.

### Auditors' Responsibility

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

An audit 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 purposes 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.

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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Yale as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Members of City Council  
City of Yale, Michigan

### **Change in Accounting Principle and Emphasis of Matter**

During the year ended June 30, 2021, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 8) and budgetary comparison information (pages 43 through 45) 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.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Yale's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is 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 November 10, 2021 on our consideration of the City of Yale's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 of Yale's internal control over financial reporting and compliance.

*Bertchume & Co.*

Saginaw, Michigan  
November 10, 2021



## ***MANAGEMENT'S DISCUSSION AND ANALYSIS***



# CITY OF YALE

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

As management of the City of Yale (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

### FINANCIAL HIGHLIGHTS:

- The City's combined total net position is reported as \$11,556,080 for the fiscal year ended June 30, 2021, compared to \$11,041,602 for the fiscal year ended June 30, 2020.
- In the City's governmental activities, revenues generated were \$1,779,371 while expenses totaled \$1,344,266.
- In the City's business-type activities, revenues generated were \$661,756 while expenses totaled \$606,618.
- Total net position increased by \$514,478.

### OVERVIEW OF THE FINANCIAL STATEMENTS:

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

#### Government-wide Financial Statements:

The government-wide statements are designed to provide readers with a broad overview of the City's finances, as a whole, in a manner similar to a private sector business. The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. The *statement of activities* presents all of the City's revenues and expenses, and is reported based on when the underlying event giving rise to the revenue or expense occurs, regardless of when cash is received or paid.

The government-wide statements of the City of Yale are divided into three categories:

**Governmental Activities** – Most of the City's basic services are included here, such as the public safety, public works, recreation departments, and general administration. Property taxes, state shared revenue, and charges for services finance most of these activities.

**Business-type Activities** – The City charges fees to customers to recover all or a significant portion of certain services it provides. These business-type activities include sewer and water.

**Component Units** – The City includes the Downtown Development Authority and the Local Development Finance Authority as a discretely presented component units.

#### Fund Financial Statements:

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

# CITY OF YALE

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

The City has three types of funds:

***Governmental Funds*** – Many of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out. The funds also show the balances left at year-end that are available for spending.

The governmental funds focus on a short-term view, rather than the long-term focus of the government-wide statements, so additional information is provided after each of the governmental fund statements that explain the relationship of differences between the fund and government-wide statements.

The City maintains nine (9) individual governmental funds. Separate information is presented for the General Fund and Major Street Fund which are considered to be "major" funds. Data from the other seven (7) governmental funds, considered to be "nonmajor" funds, are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget for each of its governmental funds. Budgetary comparison statements have been presented for major governmental funds to demonstrate compliance with those budgets.

***Proprietary Funds*** – Proprietary funds are used to report services where the City charges a fee to the customer to recover most or all of the cost of the service rendered. Proprietary funds provide both long- and short-term financial information. The two types of proprietary funds are enterprise and internal service funds.

- Enterprise funds and business-type funds are the same, but the fund statements provide more detail and additional information such as cash flows. The City's enterprise funds are the Sewer Fund and Water Fund.
- Internal service funds are used to report activities that provide supplies and services to the City's other programs. The City's internal service fund is the Motor Pool Fund.

***Fiduciary Funds*** – Fiduciary funds are used to account for the resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of the funds are not available to support the City's own programs.

### Notes to the Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### Other Information:

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City. The combining statements referred to earlier in connection with the nonmajor governmental funds are presented immediately following the required supplementary information.



# CITY OF YALE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

### THE CITY OF YALE AS A WHOLE:

The City's total combined net position for the fiscal year ended June 30, 2021 is \$11,556,080, consisting of \$6,368,346 in governmental activities and \$5,187,734 in business-type activities.

Combined unrestricted net position, that part of net position that can be used to finance day-to-day operations, is \$1,179,421. Governmental activities unrestricted total is \$1,115,139, while business-type activities is \$64,282.

The following table shows comparisons of total assets, total liabilities, and total net position in a condensed format as of June 30, 2021 and June 30, 2020.

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
<b>Assets:</b>						
Current and other assets	\$ 2,108,810	\$ 1,776,649	\$ 1,073,981	\$ 744,828	\$ 3,182,791	\$ 2,521,477
Capital assets, net	4,354,023	4,226,476	5,263,579	5,429,919	9,617,602	9,656,395
Total assets	<u>6,462,833</u>	<u>6,003,125</u>	<u>6,337,560</u>	<u>6,174,747</u>	<u>12,800,393</u>	<u>12,177,872</u>
<b>Liabilities:</b>						
Current liabilities	51,535	52,826	11,491	24,290	63,026	77,116
Long-term liabilities	42,952	41,293	1,138,335	1,017,861	1,181,287	1,059,154
Total liabilities	<u>94,487</u>	<u>94,119</u>	<u>1,149,826</u>	<u>1,042,151</u>	<u>1,244,313</u>	<u>1,136,270</u>
<b>Net position:</b>						
Net investment in capital assets	4,324,318	4,226,476	4,490,079	4,417,919	8,814,397	8,644,395
Restricted	928,889	783,053	633,373	252,410	1,562,262	1,035,463
Unrestricted	<u>1,115,139</u>	<u>899,477</u>	<u>64,282</u>	<u>462,267</u>	<u>1,179,421</u>	<u>1,361,744</u>
Total net position	<u>\$ 6,368,346</u>	<u>\$ 5,909,006</u>	<u>\$ 5,187,734</u>	<u>\$ 5,132,596</u>	<u>\$ 11,556,080</u>	<u>\$ 11,041,602</u>

The City's combined total net position increased by \$514,478 during the current fiscal year. Governmental activities increased by \$459,340 while business-type activities increased by \$55,138.

### Governmental Activities:

The City's total governmental revenue is reported at \$1,779,371, an increase of \$389,525 from the prior fiscal year. Total expenses increased by \$116,501 from the prior fiscal year.

### Business-type Activities:

The City's total business-type revenue is reported at \$661,756, a decrease of \$39,890 from the prior fiscal year. Total expenses increased by \$18,737 from the prior fiscal year.

# CITY OF YALE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

The following table shows the comparison of the change in net position in a condensed format for the fiscal years ended June 30, 2021 and June 30, 2020.

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 311,178	\$ 200,802	\$ 664,364	\$ 683,496	\$ 975,542	\$ 884,298
Operating grants	285,724	233,027	-	-	285,724	233,027
Capital grants	197,505	-	-	-	197,505	-
General revenues						
Property taxes	710,485	691,399	-	-	710,485	691,399
Franchise fees	6,450	8,315	-	-	6,450	8,315
Unrestricted grants	245,291	206,231	-	-	245,291	206,231
Investment earnings	7,584	41,496	(2,608)	17,015	4,976	58,511
Other	15,154	8,576	-	1,135	15,154	9,711
Total revenues	<u>1,779,371</u>	<u>1,389,846</u>	<u>661,756</u>	<u>701,646</u>	<u>2,441,127</u>	<u>2,091,492</u>
<b>Program Expenses:</b>						
General government	237,327	174,611	-	-	237,327	174,611
Public safety	393,592	399,402	-	-	393,592	399,402
Public works	640,210	585,984	-	-	640,210	585,984
Recreation and culture	73,110	66,960	-	-	73,110	66,960
Interest on long-term debt	-	808	-	-	-	808
Sewer	-	-	261,519	238,478	261,519	238,478
Water	-	-	345,099	349,403	345,099	349,403
Total program expenses	<u>1,344,266</u>	<u>1,227,765</u>	<u>606,618</u>	<u>587,881</u>	<u>1,950,884</u>	<u>1,815,646</u>
Increase in net position before other items	<u>435,105</u>	<u>162,081</u>	<u>55,138</u>	<u>113,765</u>	<u>490,243</u>	<u>275,846</u>
<b>Other items:</b>						
Contributions to principal	-	265	-	-	-	265
Sale of capital assets	24,235	(32,735)	-	-	24,235	(32,735)
Transfers	-	(13,921)	-	13,921	-	-
Total other items	<u>24,235</u>	<u>(46,391)</u>	<u>-</u>	<u>13,921</u>	<u>24,235</u>	<u>(32,470)</u>
<b>Changes in net position</b>	<u>459,340</u>	<u>115,690</u>	<u>55,138</u>	<u>127,686</u>	<u>514,478</u>	<u>243,376</u>
Net position, beginning	<u>5,909,006</u>	<u>5,793,316</u>	<u>5,132,596</u>	<u>5,004,910</u>	<u>11,041,602</u>	<u>10,798,226</u>
Net position, ending	<u>\$ 6,368,346</u>	<u>\$ 5,909,006</u>	<u>\$ 5,187,734</u>	<u>\$ 5,132,596</u>	<u>\$ 11,556,080</u>	<u>\$ 11,041,602</u>

### THE CITY OF YALE'S FUNDS:

Presentation of the City of Yale's major funds and nonmajor funds begins on page 13, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Funds are created to help manage money for specific purposes, as well as show accountability for certain activities, such as specific property tax millages and restricted receipts from Federal and State sources.

# CITY OF YALE

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

The General Fund is the City's largest governmental fund and one of two governmental funds that are considered a major fund. It pays for most of the City's government services. Its major components of revenue are property taxes and state shared revenue. For the year ended June 30, 2021, General Fund financing sources exceeded its financing uses by \$168,818, increasing its ending fund balance to \$708,390. The City's second major governmental fund, the Major Street Fund, increased its ending fund balance by \$79,115 to \$462,426.

### **General Fund Budgetary Highlights:**

The General Fund budget, as originally adopted, projected a net increase in fund balance of \$53,347. During the year, the City made budget amendments which changed the projection to a net increase in fund balance of \$55,347. The actual results for the year yielded an increase in fund balance of \$168,818.

### **Capital Assets and Debt Administration:**

At June 30, 2021, the City of Yale had \$9,617,602 invested in a range of capital assets including land, land improvements, buildings and improvements, furniture, machinery and equipment, vehicles, water and sewer lines, streets, and other infrastructure, net of accumulated depreciation. At June 30, 2020, this total was \$9,656,395. Additional information about the City's capital assets is presented in Note 1 and Note 5 of the Notes to the Financial Statements.

At June 30, 2021, the City of Yale's total long-term indebtedness (excluding compensated absences) was \$1,133,000, of which \$758,000 was backed by specific revenue sources and the remaining \$375,000 was backed by the full faith and credit of the City. During the current fiscal year, the City issued the 2021 Capital Improvement Bonds in the amount of \$375,000 to be used for a water meter replacement project. Additional information about the City's indebtedness is presented in Note 6 of the Notes to the Financial Statements.

### **Future Economic Factors:**

The City of Yale's economic future is currently dependent upon many factors that are beyond the control of the City Council and City management. The major sources of revenue for the City are property taxes, State-shared revenues, and charges for services. These sources have certain limitations outside of the City's control.

### **Contacting the City's Financial Management:**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact John Osborn, City Manager, 111 West Mechanic Street, Yale, MI 48097.



## ***BASIC FINANCIAL STATEMENTS***

# CITY OF YALE

## STATEMENT OF NET POSITION

June 30, 2021

	<i>Primary Government</i>			<i>Component Units</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,104,535	\$ 229,769	\$ 1,334,304	\$ 147,927
Investments	781,098	95,679	876,777	78,613
Receivables	201,175	111,294	312,469	10,039
Prepaid expenses	22,002	3,866	25,868	380
Restricted cash and cash equivalents	-	633,373	633,373	-
Capital assets not being depreciated	620,634	15,500	636,134	-
Capital assets being depreciated, net	3,733,389	5,248,079	8,981,468	-
Total assets	6,462,833	6,337,560	12,800,393	236,959
<b>Liabilities:</b>				
Accounts payable and accrued expenses	51,535	11,491	63,026	1,588
Long-term liabilities:				
Due within one year				
Current portion of long-term debt	-	117,000	117,000	-
Due in more than one year				
Long-term debt	-	1,016,000	1,016,000	-
Compensated absences	42,952	5,335	48,287	-
Total liabilities	94,487	1,149,826	1,244,313	1,588
<b>Net position:</b>				
Net investment in capital assets	4,324,318	4,490,079	8,814,397	-
Restricted for:				
Cemetery operations	10,737	-	10,737	-
Debt service	-	93,873	93,873	-
Repair, replacement, and improvements	-	539,500	539,500	-
Law enforcement programs	9,527	-	9,527	-
Nonexpendable cemetery principal	170,095	-	170,095	-
Parks and recreation activities	39,148	-	39,148	-
State construction code activities	19,353	-	19,353	-
Streets	680,029	-	680,029	-
Unrestricted	1,115,139	64,282	1,179,421	235,371
Total net position	\$ 6,368,346	\$ 5,187,734	\$ 11,556,080	\$ 235,371

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

# CITY OF YALE

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>PRIMARY GOVERNMENT:</b>					
<i>Governmental activities:</i>					
General government	\$ 237,327	\$ 56,169	\$ -	\$ -	\$ (181,158)
Public safety	393,592	17,758	42,243	167,800	(165,791)
Public works	640,210	237,251	233,802	-	(169,157)
Community and economic development	27	-	-	29,705	29,678
Recreation and culture	73,110	-	9,679	-	(63,431)
Total governmental activities	<u>1,344,266</u>	<u>311,178</u>	<u>285,724</u>	<u>197,505</u>	<u>(549,859)</u>
<i>Business-type activities:</i>					
Sewer	261,519	215,906	-	-	(45,613)
Water	<u>345,099</u>	<u>448,458</u>	<u>-</u>	<u>-</u>	<u>103,359</u>
Total business-type activities	<u>606,618</u>	<u>664,364</u>	<u>-</u>	<u>-</u>	<u>57,746</u>
Total primary government	<u>\$ 1,950,884</u>	<u>\$ 975,542</u>	<u>\$ 285,724</u>	<u>\$ 197,505</u>	<u>\$ (492,113)</u>
<b>COMPONENT UNITS:</b>					
Downtown development authority	\$ 76,148	\$ -	\$ -	\$ -	\$ (76,148)
Local development finance authority	<u>1,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,077)</u>
Total component units	<u>\$ 77,225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (77,225)</u>

continued

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



# CITY OF YALE

## STATEMENT OF ACTIVITIES, CONTINUED

Year Ended June 30, 2021

	<i>Primary Government</i>			
	<i>Governmental</i>	<i>Business-</i>		<i>Component</i>
	<i>Activities</i>	<i>type</i>	<i>Total</i>	<i>Units</i>
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Units</u>
<i>Changes in net position:</i>				
Net (Expense) Revenue	\$ (549,859)	\$ 57,746	\$ (492,113)	\$ (77,225)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	477,380	-	477,380	-
Property taxes, levied for police protection	90,353	-	90,353	-
Property taxes, levied for streets and sidewalks	59,010	-	59,010	-
Property taxes, levied for medical responders	16,639	-	16,639	-
Property taxes, levied for fire equipment	67,103	-	67,103	-
Property taxes, captured by component units	-	-	-	82,003
Franchise taxes	6,450	-	6,450	-
Grants and contributions not restricted to specific programs	245,291	-	245,291	9,531
Unrestricted investment earnings	7,584	(2,608)	4,976	746
Other	15,154	-	15,154	-
Special item - Sale of capital assets	24,235	-	24,235	-
Total general revenues and special item	<u>1,009,199</u>	<u>(2,608)</u>	<u>1,006,591</u>	<u>92,280</u>
Change in net position	459,340	55,138	514,478	15,055
Net position, beginning of year	<u>5,909,006</u>	<u>5,132,596</u>	<u>11,041,602</u>	<u>220,316</u>
Net position, end of year	<u>\$ 6,368,346</u>	<u>\$ 5,187,734</u>	<u>\$ 11,556,080</u>	<u>\$ 235,371</u>

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

# CITY OF YALE

## GOVERNMENTAL FUNDS

### BALANCE SHEET

June 30, 2021

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>
<b>Assets:</b>				
Cash and cash equivalents	\$ 581,264	\$ 166,569	\$ 241,737	\$ 989,570
Investments	33,890	270,635	191,666	496,191
Taxes receivable	3,681	-	-	3,681
Utility bills receivable	19,221	-	-	19,221
Accounts receivable	13,193	-	6,732	19,925
Land contract receivable	32,083	-	-	32,083
Accrued interest receivable	10	510	486	1,006
Due from other governments	86,552	25,815	10,909	123,276
Prepaid expenditures	14,871	-	47	14,918
<b>Total assets</b>	<b>\$ 784,765</b>	<b>\$ 463,529</b>	<b>\$ 451,577</b>	<b>\$ 1,699,871</b>
<b>Liabilities:</b>				
Accounts payable	\$ 28,658	\$ 624	\$ 3,620	\$ 32,902
Accrued wages payable	15,634	479	847	16,960
<b>Total liabilities</b>	<b>44,292</b>	<b>1,103</b>	<b>4,467</b>	<b>49,862</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue	32,083	-	-	32,083
<b>Fund balances:</b>				
Nonspendable	14,871	-	170,142	185,013
Restricted	19,353	462,426	276,968	758,747
Committed	29,000	-	-	29,000
Assigned	76,755	-	-	76,755
Unassigned	568,411	-	-	568,411
<b>Total fund balances</b>	<b>708,390</b>	<b>462,426</b>	<b>447,110</b>	<b>1,617,926</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 784,765</b>	<b>\$ 463,529</b>	<b>\$ 451,577</b>	<b>\$ 1,699,871</b>

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

# CITY OF YALE

---

## RECONCILIATION OF FUND BALANCES OF THE GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2021

<b>Fund balances of governmental funds</b>	\$ 1,617,926
Net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Capital assets not being depreciated	620,634
Capital assets being depreciated, net	3,733,389
Capital assets accounted for in the internal service fund	(500,631)
Some assets are not available to pay for current year expenditures. Those assets (such as certain receivables) are offset by deferred inflows of resources in the governmental funds, and thus not included in fund balance.	32,083
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds.	
Compensated absences payable	(42,952)
An internal service fund is used by management to charge the costs of certain activities, such as equipment usage, to individual funds. A portion of the assets and liabilities of the internal service fund is included in the governmental activities in the statement of net position.	<u>907,897</u>
<b>Net position of governmental activities</b>	<u><u>\$ 6,368,346</u></u>

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



# CITY OF YALE

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2021

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>Revenues:</b>				
Property taxes	\$ 584,372	\$ -	\$ 59,010	\$ 643,382
Special assessments	-	-	19,526	19,526
Licenses and permits	21,420	-	-	21,420
Federal grants	49,831	-	-	49,831
State grants	237,173	157,658	75,124	469,955
Contributions from other units	-	-	17,199	17,199
Charges for services	176,225	-	52,486	228,711
Fines and forfeits	2,788	-	-	2,788
Interest and rents	5,787	(666)	7,003	12,124
Other revenue	13,962	654	2,588	17,204
Total revenues	<u>1,091,558</u>	<u>157,646</u>	<u>232,936</u>	<u>1,482,140</u>
<b>Expenditures:</b>				
Current				
General government	241,271	-	-	241,271
Public safety	384,715	-	1,666	386,381
Public works	246,401	52,160	105,085	403,646
Recreation and culture	51,822	-	6,574	58,396
Capital outlay	3,894	26,371	54,340	84,605
Total expenditures	<u>928,103</u>	<u>78,531</u>	<u>167,665</u>	<u>1,174,299</u>
Excess (deficiency) of revenues over expenditures	<u>163,455</u>	<u>79,115</u>	<u>65,271</u>	<u>307,841</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	<u>5,363</u>	<u>-</u>	<u>-</u>	<u>5,363</u>
Changes in fund balances	168,818	79,115	65,271	313,204
Fund balances, beginning of year	<u>539,572</u>	<u>383,311</u>	<u>381,839</u>	<u>1,304,722</u>
Fund balances, end of year	<u>\$ 708,390</u>	<u>\$ 462,426</u>	<u>\$ 447,110</u>	<u>\$ 1,617,926</u>

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

# CITY OF YALE

---

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

Changes in fund balances of governmental funds	\$ 313,204
Change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.	
Purchases of capital assets	391,081
Purchases of capital assets accounted for in the internal service fund	(310,370)
Contributed capital assets	29,705
Depreciation expense	(293,239)
Depreciation expense accounted for in the internal service fund	81,746
Deferred inflows of resources from unavailable revenue does not provide current financial resources in the governmental funds.	(5,728)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in compensated absences payable	(1,659)
An internal service fund is used by management to charge the costs of certain activities, such as equipment usage, to individual funds. The net revenues (expenses) attributable to that fund are included in the governmental activities statement of activities.	<u>254,600</u>
Change in net position of governmental activities	<u>\$ 459,340</u>

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

# CITY OF YALE

## PROPRIETARY FUNDS STATEMENT OF NET POSITION June 30, 2021

	<i>Enterprise Funds</i>			<i>Internal Service Fund</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>	
<b>Assets:</b>				
<b><i>Current assets:</i></b>				
Cash and cash equivalents	\$ 229,769	-	\$ 229,769	\$ 114,965
Investments	95,679	-	95,679	284,907
Taxes receivable	-	-	-	1,430
Utility bills receivable	35,935	72,124	108,059	-
Accounts receivable	3,235	-	3,235	-
Accrued interest receivable	-	-	-	553
Due from other funds	8,223	-	8,223	-
Prepaid expenses	1,933	1,933	3,866	7,084
Total current assets	374,774	74,057	448,831	408,939
<b><i>Noncurrent assets:</i></b>				
Restricted cash and cash equivalents	-	90,000	90,000	-
USDA bond reserve	-	3,873	3,873	-
USDA bond and interest redemption	-	180,000	180,000	-
USDA RRI reserve	-	359,500	359,500	-
Water meter replacement	-	15,500	15,500	-
Capital assets not being depreciated	-	-	-	-
Capital assets being depreciated, net	2,010,726	3,237,353	5,248,079	500,631
Total noncurrent assets	2,010,726	3,886,226	5,896,952	500,631
Total assets	2,385,500	3,960,283	6,345,783	909,570
<b>Liabilities:</b>				
<b><i>Current liabilities:</i></b>				
Current portion of long-term debt	-	117,000	117,000	-
Accounts payable	854	2,214	3,068	1,442
Due to other funds	-	8,223	8,223	-
Accrued interest payable	-	5,040	5,040	-
Accrued wages payable	1,553	1,830	3,383	231
Total current liabilities	2,407	134,307	136,714	1,673
<b><i>Noncurrent liabilities:</i></b>				
Long-term debt	-	1,016,000	1,016,000	-
Compensated absences payable	2,504	2,831	5,335	-
Total noncurrent liabilities	2,504	1,018,831	1,021,335	-
Total liabilities	4,911	1,153,138	1,158,049	1,673

continued

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

# CITY OF YALE

## PROPRIETARY FUNDS STATEMENT OF NET POSITION, CONTINUED June 30, 2021

	<i>Enterprise Funds</i>			<i>Internal Service Fund</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>	
Net position:				
Net investment in capital assets	2,010,726	2,479,353	4,490,079	500,631
Restricted for:				
Debt service	-	93,873	93,873	-
Repair, replacement and improvements	-	539,500	539,500	-
Unrestricted (deficit)	369,863	(305,581)	64,282	407,266
Total net position	<u>\$ 2,380,589</u>	<u>\$ 2,807,145</u>	<u>\$ 5,187,734</u>	<u>\$ 907,897</u>

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

# CITY OF YALE

## PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

Year Ended June 30, 2021

	<i>Enterprise Funds</i>			<i>Internal Service Fund</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>	
<b>Operating revenues:</b>				
Charges for services				
Sales	\$ 214,295	\$ 445,148	\$ 659,443	\$ -
Other	750	1,000	1,750	-
Penalties	861	2,310	3,171	-
Equipment rental	-	-	-	134,265
Total operating revenues	<u>215,906</u>	<u>448,458</u>	<u>664,364</u>	<u>134,265</u>
<b>Operating expenses:</b>				
Personal services	56,267	80,783	137,050	19,519
Supplies	970	6,817	7,787	7,961
Contracted services	3,875	18,902	22,777	634
Other services and charges	86,936	112,349	199,285	27,068
Depreciation	113,471	104,872	218,343	81,746
Total operating expenses	<u>261,519</u>	<u>323,723</u>	<u>585,242</u>	<u>136,928</u>
Operating income (loss)	<u>(45,613)</u>	<u>124,735</u>	<u>79,122</u>	<u>(2,663)</u>
<b>Non-operating revenues (expenses):</b>				
Property taxes for fire equipment	-	-	-	67,103
Interest income (loss)	(3,849)	1,241	(2,608)	(2,240)
Sale of capital assets	-	-	-	24,600
Interest expense	-	(21,376)	(21,376)	-
Net non-operating revenues (expenses)	<u>(3,849)</u>	<u>(20,135)</u>	<u>(23,984)</u>	<u>89,463</u>
Changes in net position before capital contributions	(49,462)	104,600	55,138	86,800
Capital contributions - federal grants	-	-	-	163,333
Capital contributions - other governments	-	-	-	4,467
Changes in net position	(49,462)	104,600	55,138	254,600
Net position, beginning of year	<u>2,430,051</u>	<u>2,702,545</u>	<u>5,132,596</u>	<u>653,297</u>
Net position, end of year	<u>\$ 2,380,589</u>	<u>\$ 2,807,145</u>	<u>\$ 5,187,734</u>	<u>\$ 907,897</u>

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

# CITY OF YALE

## PROPRIETARY FUNDS STATEMENT OF CASH FLOWS Year Ended June 30, 2021

	<i>Enterprise Funds</i>			<i>Internal Service Fund</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>	
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 218,726	\$ 455,145	\$ 673,871	\$ -
Cash received (paid) interfund	(21,851)	(19,926)	(41,777)	134,265
Payments to and on behalf of employees	(55,114)	(80,938)	(136,052)	(19,541)
Payments to suppliers for goods, services, other	(89,508)	(109,631)	(199,139)	(36,143)
Net cash provided (used) by operating activities	52,253	244,650	296,903	78,581
<b>Cash flows from capital and related financing activities:</b>				
Property taxes for fire equipment	-	-	-	68,487
Acquisition and construction of capital assets	(31,433)	(20,570)	(52,003)	(310,370)
Sale of capital assets	-	-	-	24,600
Federal grants	-	-	-	163,333
Contributions from local governments	-	-	-	4,467
Proceeds from debt	-	375,000	375,000	-
Principal payments on debt	-	(254,000)	(254,000)	-
Interest paid on debt	-	(21,421)	(21,421)	-
Net cash provided (used) by capital and related financing activities	(31,433)	79,009	47,576	(49,483)
<b>Cash flows from investing activities:</b>				
Interest received	(3,598)	1,533	(2,065)	(2,735)
Net increase (decrease)	17,222	325,192	342,414	26,363
Cash, cash equivalents and investments, beginning of year	308,226	308,181	616,407	373,509
Cash, cash equivalents and investments, end of year	\$ 325,448	\$ 633,373	\$ 958,821	\$ 399,872

continued

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



# CITY OF YALE

## *PROPRIETARY FUNDS* **STATEMENT OF CASH FLOWS, CONTINUED** Year Ended June 30, 2021

	<i>Enterprise Funds</i>			<i>Internal Service Fund</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>	<i>Fund</i>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (45,613)	\$ 124,735	\$ 79,122	\$ (2,663)
Adjustments:				
Depreciation	113,471	104,872	218,343	81,746
Change in assets and liabilities:				
Utility bills receivable	2,820	6,687	9,507	-
Accounts receivable	-	-	-	1,000
Due from other funds	(8,223)	-	(8,223)	-
Prepaid expenses	2,897	314	3,211	(2,422)
Accounts payable	(14,252)	(26)	(14,278)	942
Due to other funds	-	8,223	8,223	-
Accrued wages payable	956	568	1,524	(22)
Compensated absences payable	197	(723)	(526)	-
Net cash provided (used) by operating activities	<u>\$ 52,253</u>	<u>\$ 244,650</u>	<u>\$ 296,903</u>	<u>\$ 78,581</u>

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

# CITY OF YALE

---

*FIDUCIARY FUND*  
**STATEMENT OF FIDUCIARY NET POSITION**  
June 30, 2021

	<u><i>Custodial Fund</i></u>
	<u><i>Current Tax Collection Fund</i></u>
<b>Assets:</b>	
Cash and cash equivalents	\$ -
<b>Liabilities:</b>	
Accounts payable	-
<b>Net position:</b>	
Held for others	\$ -

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

# CITY OF YALE

---

*FIDUCIARY FUND*  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
Year Ended June 30, 2021

	<u><i>Custodial Fund</i></u> <u><i>Current Tax Collection Fund</i></u>
<b>Additions:</b>	
Property taxes collected for other units of government	\$ 1,005,688
<b>Deductions:</b>	
Property taxes paid to other units of government	<u>1,005,688</u>
Net change	<u>-</u>
Net position, beginning of year	<u>-</u>
Net position, end of year	<u><u>\$ -</u></u>

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

# CITY OF YALE

*COMPONENT UNITS*  
**COMBINING STATEMENT OF NET POSITION**  
June 30, 2021

	<i>Downtown Development Authority</i>	<i>Local Development Finance Authority</i>	<i>Total</i>
<b>Assets:</b>			
Cash and cash equivalents	\$ 10,460	\$ 137,467	\$ 147,927
Investments	-	78,613	78,613
Taxes receivable	64	9,972	10,036
Accrued interest receivable	-	3	3
Prepaid expenses	380	-	380
Total assets	10,904	226,055	236,959
<b>Liabilities:</b>			
Accounts payable	1,499	-	1,499
Accrued wages payable	89	-	89
Total liabilities	1,588	-	1,588
<b>Net position:</b>			
Unrestricted	\$ 9,316	\$ 226,055	\$ 235,371

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

# CITY OF YALE

## COMPONENT UNITS COMBINING STATEMENT OF ACTIVITIES Year Ended June 30, 2021

	<i><u>Downtown Development Authority</u></i>	<i><u>Local Development Finance Authority</u></i>	<i><u>Total</u></i>
<b>Revenues:</b>			
<i>General revenues:</i>			
Property taxes	\$ 53,698	\$ 28,305	\$ 82,003
State grants	9,401	130	9,531
Investment earnings	12	734	746
Total revenues	<u>63,111</u>	<u>29,169</u>	<u>92,280</u>
<b>Expenses:</b>			
Community and economic development	75,142	1,077	76,219
Debt service - interest	<u>1,006</u>	<u>-</u>	<u>1,006</u>
Total expenses	<u>76,148</u>	<u>1,077</u>	<u>77,225</u>
Change in net position	(13,037)	28,092	15,055
Net position, beginning of year	<u>22,353</u>	<u>197,963</u>	<u>220,316</u>
Net position, end of year	<u>\$ 9,316</u>	<u>\$ 226,055</u>	<u>\$ 235,371</u>

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

***NOTES TO FINANCIAL STATEMENTS***



# CITY OF YALE

---

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

---

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

---

The following is a summary of the significant accounting policies used by the City of Yale, (the "City"):

#### **Reporting Entity:**

The City of Yale, located in St. Clair County, Michigan, established in 1905, is a public corporation created under the Constitution and statutes of the State of Michigan. It covers an area of approximately one square mile. The City operates under an elected City Council which consists of a Mayor, Clerk, Treasurer, and six Council members and provides services in many areas including law enforcement, fire protection, water, sewer, solid waste disposal, streets, and parks and recreation to approximately 2,000 residents.

The accompanying financial statements present the City as the primary government. Component units are separate legal entities for which the City is financially accountable. Blended component units are, in substance, part of the primary government's operations, and presented as funds of the primary government. Discretely presented component units are reported in separate columns in the government-wide financial statements. The City has determined that it has two component units and that they should be discretely presented.

#### **Discretely Presented Component Units:**

The component units are described as follows:

***Downtown Development Authority*** – The members of the governing board of the Downtown Development Authority (DDA) are appointed by the City Council. The issuance of bonded debt and levying of taxes by the DDA must be approved by the City Council. The City also has the ability to significantly influence operations of the DDA.

***Local Development Finance Authority*** – The members of the governing board of the Local Development Finance Authority (LDFA) are appointed by the City Council. The issuance of bonded debt and levying of taxes by the LDFA must be approved by the City Council. The City also has the ability to significantly influence operations of the LDFA.

#### **Joint Venture:**

Under MCL 124.1, et. seq., the City has an intergovernmental agreement with Brockway Township effective August 14, 2020. Pursuant to the agreement, Brockway Township will provide medical first response (MFR) services within the City limits, when requested by Tri-Hospital EMS. The City is required to contribute \$5,500 per year as well as \$120 per call.

#### **Accounting and Reporting Principles:**

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Government Accounting Standards Board.

#### **Report Presentation:**

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting.

# CITY OF YALE

---

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

---

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

---

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are not included in the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### **Fund Accounting:**

The City accounts for its various activities in several different funds in order to demonstrate accountability for how it has spent certain resources - separate funds allow the City to show the particular expenditures that specific revenues were used for. The various funds are aggregated into three broad fund types:

**Governmental funds** include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, and capital project funds.

**Proprietary funds** provide goods or services to users in exchange for charges or fees.

**Fiduciary funds** account for the resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of the funds are not available to support the City's own programs.

The City reports the following major governmental funds:

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

***Special Revenue Fund – Major Street Fund*** accounts for the maintenance and construction of streets designated by the Michigan Department of Transportation as major streets in the City.

The City reports the following major proprietary funds:

***Enterprise Fund – Sewer Fund*** accounts for the operations of the City's sewage system.

***Enterprise Fund – Water Fund*** accounts for the operations of the City's water system.

Additionally, the City reports the following fund types:

# CITY OF YALE

---

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

---

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

---

**Special Revenue Funds** – Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Permanent Fund** – Permanent Funds account for the resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the government or its citizenry.

**Internal Service Fund – Motor Pool Fund** – The Motor Pool Fund provides vehicle and equipment use to other departments or agencies of the government on a cost reimbursement basis.

**Fiduciary Funds** – Custodial Funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds.

#### **Basis of Accounting:**

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources. Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: most state-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal period.

Proprietary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

#### **Specific Balances and Transactions:**

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

**Prepaid Items** – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** – Capital assets, which include property, plant, equipment and infrastructure assets (e.g., streets, bridges, sidewalks and other assets that are immovable and of value only to the government) are defined by the City as assets with an individual cost in excess of \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

# CITY OF YALE

---

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

---

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

---

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Vehicles	5-10 years
Furniture and other equipment	4-30 years
Distribution systems - water and sewer	5-50 years
Infrastructure - streets	20 years
Site/Land improvements	20 years

**Compensated Absences** – It is the City’s policy to permit employees to accumulate earned but unused sick or vacation days depending on type of employee. Under the police union contract, employees with 5 or more years of service at separation will be paid 50% of the first 500 hours of accumulated sick days and 25% of the remainder, up to 980 hours. The City Manager, Police Chief and DPW Supervisor, per contract, will be paid for 50% of personal days up to a maximum of 60. Other employees not covered under any specific contract with 1 or more years of service at separation will be paid for accumulated vacation days at their current rate of pay. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment – generally when an individual’s employment has terminated as of year end.

**Long-term Obligations** – In the government-wide financial statements and the proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. The General Fund is generally used to liquidate governmental long-term debt.

**Deferred Outflows/Inflows of Resources** – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue qualifies for reporting in this category and arises only under a modified accrual basis of accounting.

**Net Position Flow Assumption** – Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Fund Balance Flow Assumption** – Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

# CITY OF YALE

---

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

---

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

---

It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Fund Balance Policies** – In the fund financial statements, fund balance may be presented in five possible categories, each of which identifies the extent to which the City is bound to honor constraints on the specific purpose for which amounts can be spent:

*Nonspendable* – amounts which cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

*Restricted* – amounts that have constraints placed on their use by an external party or constitutional provisions or enabling legislation (grants, contributions, specific fee mandates).

*Committed* – amounts that are committed for specific purposes by the City Council, as the City's highest level of decision-making authority, pursuant to constraints imposed by formal actions taken, such as majority vote or resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specific use through the same type of formal action taken to establish the commitment.

*Assigned* – amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Manager has the authority to assign amounts to be used for specific purposes.

*Unassigned* – amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. However, unassigned balances also include negative balances in other governmental funds.

**Property Taxes** – Property taxes attach as an enforceable lien on property as of the date they are levied. City taxes for operations and police protection are levied and due on July 1 and become delinquent after September 15. City street taxes are levied and due December 1 and become delinquent after February 14. City property tax revenues are recognized in the fiscal year for which the taxes are levied.

The 2020 taxable valuation of the City totaled \$33,768,531 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments), on which ad valorem taxes levied consisted of 14.7699 mills for the City's operating purposes, 2.9539 mills for police protection, 1.9744 mills for fire equipment, .4935 mills for medical responders, 1.5000 mills for streets, and .2500 mills for sidewalks. The delinquent real property taxes of the City are purchased by St. Clair County.

**Proprietary Funds Operating Classification** – Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. The proprietary funds recognize as capital contributions the tap fees intended to recover the cost of connecting new customers to the system, if any, and as nonoperating revenues rental income and investment income. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All expenses not included in these classifications are reported as nonoperating expenses.

# CITY OF YALE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### Use of Estimates:

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

#### Interfund Activity:

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### Budgetary Information:

Annual budgets for all governmental funds are adopted in compliance with Michigan Law. The budgets are prepared on the modified accrual basis, which is consistent with generally accepted accounting principles. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is the function level for the general fund and special revenue funds. The City does not formally record encumbrances in the accounting records during the year as a normal practice. Appropriations lapse at the end of the fiscal year and amounts are reappropriated for expenditures to be incurred in the next fiscal year.

#### Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the City incurred expenditures that were in excess of the amounts budgeted, as follows:

	<i>Final Budget</i>	<i>Actual</i>	<i>Excess</i>
<b>General Fund:</b>			
Current			
General government			
Council	\$ 7,170	\$ 7,846	\$ 676
General government	78,940	79,064	124
Elections	2,300	3,748	1,448
Public safety			
Police	324,732	325,537	805



# CITY OF YALE

---

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

---

### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, CONTINUED

---

#### State Construction Code Act:

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at July 1, 2020	\$ 17,903
Current year building permit revenue	14,970
Related expenses:	
Direct costs	<u>11,357</u>
Cumulative surplus at June 30, 2021	<u>\$ 21,516</u>

---

### NOTE 3: DEPOSITS AND INVESTMENTS

---

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the City Council is in accordance with Public Act 196 of 1997. The City's deposits and investments have been made in accordance with statutory authority.

The City's deposits and investments are subject to several types of risk, which are examined in more detail below:

#### Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State law does not require and the City does not have a deposit policy for custodial credit risk. At year end, the City had \$2,131,370 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$250,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

#### Custodial Credit Risk of Investments:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or an agent in the City's name:

# CITY OF YALE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### NOTE 3: DEPOSITS AND INVESTMENTS, CONTINUED

<i>Investment</i>	<i>Fair Value</i>	<i>Concentration</i>
U.S. Government bonds	\$ 199,762	20.91%
Certificates of deposit	702,277	73.51%
Mutual funds - municipal bond	53,351	5.58%

#### Interest Rate Risk:

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a maximum 270 day maturity. At year end, the average maturities of investments are as follows:

<i>Investment</i>	<i>Fair Value</i>	<i>Weighted Average Maturity</i>
U.S. Government bonds	\$ 199,762	4.72 years
Certificates of deposit	702,277	5.26 years

#### Credit Risk:

As of year end, the credit quality ratings of debt securities are as follows:

<i>Investment</i>	<i>Carrying Value</i>	<i>How Held</i>
U.S. Government bonds	\$ 199,762	Counterparty
Certificates of deposit	702,277	Counterparty
Mutual funds - municipal bond	53,351	Counterparty

#### Concentration of Credit Risk:

The City places no limit on the amount the City may invest in any one issuer. At year end, the City had more than 5% of its investments in the following:

<i>Investment</i>	<i>Fair Value</i>	<i>Rating</i>	<i>Rating Organization</i>
U.S. Government bonds	\$ 199,762	AA+	S & P
Certificates of deposit	702,277	Not rated	N/A
Mutual funds - municipal bond	53,351	Not rated	N/A

#### Fair Value Measurements:

The City categorizes its fair value measurements of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of year-end. The City's investments are valued using quoted market prices (Level 1 inputs). The City does not have any investments that are Level 2 or Level 3 inputs.

# CITY OF YALE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### NOTE 4: RESTRICTED ASSETS AND BOND RESERVES

The ordinance authorizing issuances of the 2012 Water Supply System Revenue Bonds and the 2021 Water Supply System Revenue Refunding Bonds required that specific accounts be established and monies deposited as follows:

***Receiving Account*** - All receipts are initially deposited into this account.

***Operation and Maintenance Account*** - Quarterly transfers are to be made to cover upcoming operating expenses.

***Bond and Interest Redemption Account*** - Quarterly transfers are to be made equal to 1/2 of the next interest payment due plus 1/4 of the next principal payment due for the 2012 Water Supply System Revenue Bonds in the amount of \$3,873.

***Bond Reserve Account*** - For the 2012 Water Supply System Revenue Bonds, the annual reserve requirement is determined to be \$21,600 and must be deposited annually for the life of the loan. \$1,600 of this amount must be deposited in the Bond Reserve Account until \$16,000 is accumulated. The remaining \$20,000 must be deposited in a Repair, Replacement and Improvement (RRI Fund). When the bond reserve is fully funded, the entire \$21,600 annual requirement must be deposited in the RRI Fund. At June 30, 2021, the bond reserve account balance was \$14,400 and the RRI Fund was \$180,000.

For the 2021 Water Supply System Revenue Bonds, the reserve requirement is determined to be \$75,600.

As of June 30, 2021, the City had the following:

	<i><b>Water Fund</b></i>
<b>Required:</b>	
Repair, Replacement, and Improvement (RRI) Reserve	\$ 180,000
Bond and Interest Redemption	3,873
Bond Reserve	90,000
	<u>\$ 273,873</u>
<b>City's Restricted Cash, Cash Equivalents and Investments:</b>	
Repair, Replacement, and Improvement (RRI) Reserve	\$ 180,000
Bond and Interest Redemption	3,873
Bond Reserve	90,000
	<u>\$ 273,873</u>

In addition to the above restricted cash and cash equivalents, the City has \$359,500 of bond proceeds to be used for the water meter replacement project.

# CITY OF YALE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2021 was as follows:

	<i>July 1, 2020</i>	<i>Additions</i>	<i>Retirements</i>	<i>June 30, 2021</i>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 564,863	\$ -	\$ -	\$ 564,863
Industrial Park Land	38,246	-	-	38,246
Construction in progress	-	17,525	-	17,525
Total capital assets not being depreciated	603,109	17,525	-	620,634
Capital assets being depreciated:				
Buildings and improvements	719,707	-	-	719,707
Furniture, machinery and equipment	789,987	336,075	(70,264)	1,055,798
Infrastructure	4,621,545	67,186	-	4,688,731
Land/Site improvements	29,483	-	-	29,483
Vehicles	452,203	-	-	452,203
Total capital assets being depreciated	6,612,925	403,261	(70,264)	6,945,922
Less accumulated depreciation for:				
Buildings and improvements	(451,495)	(18,328)	-	(469,823)
Furniture, machinery and equipment	(601,468)	(43,291)	70,264	(574,495)
Infrastructure	(1,563,652)	(189,518)	-	(1,753,170)
Land/Site improvements	(23,339)	(788)	-	(24,127)
Vehicles	(349,604)	(41,314)	-	(390,918)
Total accumulated depreciation	(2,989,558)	(293,239)	70,264	(3,212,533)
Capital assets being depreciated, net	3,623,367	110,022	-	3,733,389
Governmental activities, capital assets, net	\$ 4,226,476	\$ 127,547	\$ -	\$ 4,354,023

# CITY OF YALE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### NOTE 5: CAPITAL ASSETS, CONTINUED

	<i>July 1, 2020</i>	<i>Additions</i>	<i>Retirements</i>	<i>June 30, 2021</i>
<b>Business-type activities:</b>				
Capital assets being depreciated:				
Construction in progress - water system	\$ -	\$ 15,500	\$ -	\$ 15,500
Capital assets being depreciated:				
Equipment	\$ 311,357	\$ 25,758	\$ -	\$ 337,115
Site improvements	62,132	-	-	62,132
Sewer system	3,785,044	10,745	-	3,795,789
Water system	4,832,810	-	-	4,832,810
Total capital assets being depreciated	8,991,343	36,503	-	9,027,846
Less accumulated depreciation for:				
Equipment	(240,800)	(37,278)	-	(278,078)
Site improvements	(29,772)	(3,107)	-	(32,879)
Sewer system	(1,811,537)	(78,613)	-	(1,890,150)
Water system	(1,479,315)	(99,345)	-	(1,578,660)
Total accumulated depreciation	(3,561,424)	(218,343)	-	(3,779,767)
Capital assets being depreciated, net	5,429,919	(181,840)	-	5,248,079
Business-type activities, capital assets, net	<u>\$ 5,429,919</u>	<u>\$ (166,340)</u>	<u>\$ -</u>	<u>\$ 5,263,579</u>

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

	<i>Governmental Activities</i>	<i>Business-type Activities</i>
General government	\$ 5,583	\$ -
Public safety	49,353	-
Public works	224,000	-
Recreation and culture	14,303	-
Sewer	-	113,471
Water	-	104,872
	<u>\$ 293,239</u>	<u>\$ 218,343</u>

### NOTE 6: LONG-TERM DEBT

The City may issue bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other liabilities include compensated absences.

# CITY OF YALE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### NOTE 6: LONG-TERM DEBT, CONTINUED

Long-term debt transactions for the City for the year ended June 30, 2021:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2021</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
<i>Other liabilities:</i>					
Compensated absences	\$ 41,293	\$ 1,659	\$ -	\$ 42,952	\$ -
<b>Business-type activities:</b>					
<i>Direct Placements:</i>					
2012 Water Supply System Revenue Bond	\$ 256,000	\$ -	\$ (20,000)	\$ 236,000	\$ 9,000
2020 Water Supply System Revenue Refunding Bond	756,000	-	(234,000)	522,000	108,000
<i>Direct Borrowings:</i>					
2021 Capital Improvement Bonds (Limited Tax General Obligation)	-	375,000	-	375,000	-
<i>Other liabilities:</i>					
Compensated absences	5,861	-	(526)	5,335	-
Total business-type activities	\$ 1,017,861	\$ 375,000	\$ (254,526)	\$ 1,138,335	\$ 117,000
<b>Component units:</b>					
<i>Advances Payable:</i>					
Advance from Primary Government and Component Unit					
General Fund	\$ 15,477	\$ -	\$ (15,477)	\$ -	\$ -
Component Unit - LDFA	15,477	-	(15,477)	-	-
Total component units	\$ 30,954	\$ -	\$ (30,954)	\$ -	\$ -

Debt issues outstanding for the City for the year ended June 30, 2021 are as follows:

	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
<b>Business-type activities:</b>				
<i>Direct Placements:</i>				
2012 Water Supply System Revenue Bond	2040	\$ 344,000	2.75%	\$ 236,000
2020 Water Supply System Revenue Refunding Bond	2026	756,000	2.10%	522,000
<i>Direct Borrowings:</i>				
2021 Capital Improvement Bonds (Limited Tax General Obligation)	2027	375,000	1.25%	375,000



# CITY OF YALE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### NOTE 6: LONG-TERM DEBT, CONTINUED

Annual debt service requirements to maturity for the direct placements and direct borrowings are as follows:

<i>Year Ended</i> <i>June 30,</i>	<i>Business-type Activities</i>			<i>Business-type Activities</i>		
	<i>Direct Placements</i>			<i>Direct Borrowings</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2022	\$ 117,000	\$ 16,738	\$ 133,738	\$ -	\$ 4,883	\$ 4,883
2023	136,000	14,033	150,033	-	4,688	4,688
2024	90,000	11,596	101,596	-	4,688	4,688
2025	168,000	8,821	176,821	-	4,688	4,688
2026	61,000	5,943	66,943	264,000	3,869	267,869
2027-2031	58,000	22,468	80,468	111,000	694	111,694
2032-2036	69,000	13,944	82,944	-	-	-
2037-2040	59,000	3,988	62,988	-	-	-
	<u>\$ 758,000</u>	<u>\$ 97,531</u>	<u>\$ 855,531</u>	<u>\$ 375,000</u>	<u>\$ 23,510</u>	<u>\$ 398,510</u>

### NOTE 7: INTERFUND BALANCES AND TRANSFERS

There were no interfund receivable and payable balances outstanding at June 30, 2021.

There were no interfund transfers during the current fiscal year.

### NOTE 8: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the City's primary government and component units in the aggregate are as follows:

	<i>Governmental</i> <i>Activities</i>	<i>Business-type</i> <i>Activities</i>	<i>Total</i> <i>Primary</i> <i>Government</i>	<i>Component</i> <i>Units</i>
<b>Receivables:</b>				
Property taxes receivable	\$ 5,111	\$ -	\$ 5,111	\$ 10,036
Utility bills receivable	19,221	108,059	127,280	-
Accounts receivable	19,925	3,235	23,160	-
Land contract receivable	32,083	-	32,083	-
Accrued interest receivable	1,559	-	1,559	3
Intergovernmental	123,276	-	123,276	-
Total receivables	<u>\$ 201,175</u>	<u>\$ 111,294</u>	<u>\$ 312,469</u>	<u>\$ 10,039</u>
<b>Accounts payable and accrued expenses:</b>				
Accounts payable	\$ 34,344	\$ 3,068	\$ 37,412	\$ 1,499
Payroll and related liabilities	17,191	3,383	20,574	89
Intergovernmental	-	-	-	-
Accrued interest payable	-	5,040	5,040	-
Total accounts payable and accrued expenses	<u>\$ 51,535</u>	<u>\$ 11,491</u>	<u>\$ 63,026</u>	<u>\$ 1,588</u>

# CITY OF YALE

---

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

---

### NOTE 9: RISK MANAGEMENT

---

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The City has purchased commercial insurance for risks to cover these losses. The City also carries commercial insurance for other risks of loss, including employee health insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

---

### NOTE 10: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

---

#### Deferred Compensation Plan:

The employees of the City are allowed to contribute on a voluntary basis to a deferred compensation plan through payroll deductions. The plan is made available to all eligible employees by authority of Section 457 of the Internal Revenue Code (IRC), and is administered by Nationwide Trust Company. Employees may set aside and invest portions of their current income to meet their financial requirements and supplement their retirement and social security benefits. In addition to the employees' voluntary contribution, the City contributes 10 percent of gross wages for all full-time employees of the City. There was one part-time police officer the City contributed 5 percent of gross wages through November 2020 and then 10 percent afterward when the police officer became full-time. City contributions were \$36,754 during fiscal year 2021.

In accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the City has placed all deferred compensation plan assets with a trustee, relinquishing all fiduciary accountability for the assets. Accordingly, the related assets and liabilities of the plan are not reported in the City's financial statements.

---

### NOTE 11: FUND BALANCES

---

Fund balances are classified as Nonspendable, Restricted, Committed, Assigned or Unassigned. The classifications are described in Note 1. The following illustrates the segregation of fund balances of the governmental funds shown on page 13.

The definitions for the fund balance classifications can be found on page 30.

# CITY OF YALE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### NOTE 11: FUND BALANCES, CONTINUED

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>
Nonspendable:				
Prepaid expenditures	\$ 14,871	\$ -	\$ 47	\$ 14,918
Nonexpendable cemetery principal	-	-	170,095	170,095
Total nonspendable	<u>14,871</u>	<u>-</u>	<u>170,142</u>	<u>185,013</u>
Restricted for:				
Cemetery operations	-	-	10,690	10,690
Law enforcement programs	-	-	9,527	9,527
Parks and recreation activities	-	-	39,148	39,148
State construction code activities	19,353	-	-	19,353
Streets	-	462,426	217,603	680,029
Total restricted	<u>19,353</u>	<u>462,426</u>	<u>276,968</u>	<u>758,747</u>
Committed for:				
Future blight enforcement	<u>29,000</u>	<u>-</u>	<u>-</u>	<u>29,000</u>
Assigned to:				
Library operations	-	-	-	-
Economic development	57,343	-	-	57,343
Capital improvements/purchases	<u>19,412</u>	<u>-</u>	<u>-</u>	<u>19,412</u>
Total assigned	<u>76,755</u>	<u>-</u>	<u>-</u>	<u>76,755</u>
Unassigned	<u>568,411</u>	<u>-</u>	<u>-</u>	<u>568,411</u>
Total fund balances	<u>\$ 708,390</u>	<u>\$ 462,426</u>	<u>\$ 447,110</u>	<u>\$ 1,617,926</u>

***REQUIRED SUPPLEMENTARY INFORMATION***

# CITY OF YALE

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2021

	<i>Budgeted Amounts</i>			<i>Variances with Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
<b>Revenues:</b>				
Property taxes	\$ 583,145	\$ 583,145	\$ 584,372	\$ 1,227
Licenses and permits	15,200	15,200	21,420	6,220
Federal grants	-	6,000	49,831	43,831
State grants	207,100	207,100	237,173	30,073
Charges for services	106,300	169,122	176,225	7,103
Fines and forfeits	7,500	7,500	2,788	(4,712)
Interest and rents	2,710	2,710	5,787	3,077
Other revenue	3,500	3,500	13,962	10,462
<b>Total revenues</b>	<b>925,455</b>	<b>994,277</b>	<b>1,091,558</b>	<b>97,281</b>
<b>Expenditures:</b>				
<b>Current</b>				
General government				
Council	9,170	7,170	7,846	(676)
General management	108,230	109,030	108,796	234
Clerk	7,892	7,892	7,726	166
Board of review	505	505	425	80
Treasurer	10,759	10,759	10,607	152
Assessor	12,522	13,722	13,559	163
General government	76,840	78,940	79,064	(124)
Elections	4,500	2,300	3,748	(1,448)
Building and grounds	16,800	9,800	9,500	300
Total general government	<b>247,218</b>	<b>240,118</b>	<b>241,271</b>	<b>(1,153)</b>
Public safety				
Police	323,732	324,732	325,537	(805)
Fire/Medical responders	53,930	53,930	47,821	6,109
Building inspection department	10,000	12,000	11,357	643
Total public safety	<b>387,662</b>	<b>390,662</b>	<b>384,715</b>	<b>5,947</b>
Public works				
Department of public works	120,414	110,414	103,293	7,121
Street lighting	40,000	46,600	46,312	288
Solid waste	94,000	97,000	96,796	204
Total public works	<b>254,414</b>	<b>254,014</b>	<b>246,401</b>	<b>7,613</b>

continued

# CITY OF YALE

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE, CONTINUED

Year Ended June 30, 2021

	<i>Budgeted Amounts</i>			<i>Variances with Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
Recreation and culture				
Parks	38,970	46,970	46,708	262
Library	4,744	5,244	5,114	130
Total recreation and culture	43,714	52,214	51,822	392
Capital outlay	3,900	3,900	3,894	6
Total expenditures	936,908	940,908	928,103	12,805
Excess (deficiency) of revenues over expenditures	(11,453)	53,369	163,455	110,086
<b>Other financing sources (uses):</b>				
Interfund transfers in	64,800	1,978	-	(1,978)
Change in fund balance	53,347	55,347	168,818	113,471
Fund balance, beginning of year	539,572	539,572	539,572	-
Fund balance, end of year	<u>\$ 592,919</u>	<u>\$ 594,919</u>	<u>\$ 708,390</u>	<u>\$ 113,471</u>

# CITY OF YALE

## MAJOR STREET FUND BUDGETARY COMPARISON SCHEDULE Year Ended June 30, 2021

	<i>Budgeted Amounts</i>			<i>Variances with Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
<b>Revenues:</b>				
State grants	\$ 149,000	\$ 149,000	\$ 157,658	\$ 8,658
Interest and rents	3,400	3,400	(666)	(4,066)
Other revenue	-	-	654	654
Total revenues	152,400	158,400	157,646	(754)
<b>Expenditures:</b>				
Current				
Public works	152,400	125,400	52,160	73,240
Capital outlay	-	27,000	26,371	629
Total expenditures	152,400	152,400	78,531	73,869
Fund balance, beginning of year	383,311	383,311	383,311	-
Fund balance, end of year	\$ 383,311	\$ 389,311	\$ 462,426	\$ 73,115

***OTHER SUPPLEMENTARY INFORMATION***



# CITY OF YALE

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING BALANCE SHEET

June 30, 2021

	<i>Special Revenue Funds</i>			
	<i>Local Street Fund</i>	<i>Municipal Street Fund</i>	<i>Criminal Justice Training Fund</i>	<i>Park/ Recreation Fund</i>
<b>Assets:</b>				
Cash and cash equivalents	\$ 68,773	\$ 122,398	\$ 1,682	\$ 17,812
Investments	10,613	-	-	21,226
Accounts receivable	-	5,090	-	-
Accrued interest receivable	55	-	-	110
Due from other governments	10,909	-	-	-
Prepaid expenditures	-	-	-	-
Total assets	<u>\$ 90,350</u>	<u>\$ 127,488</u>	<u>\$ 1,682</u>	<u>\$ 39,148</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued wages payable	235	-	-	-
Total liabilities	<u>235</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances:</b>				
Nonspendable:				
Prepaid expenditures	-	-	-	-
Nonexpendable cemetery principal	-	-	-	-
Restricted for:				
Streets	90,115	127,488	-	-
Law enforcement programs	-	-	1,682	-
Parks and recreation activities	-	-	-	39,148
Cemetery operations	-	-	-	-
Total fund balances	<u>90,115</u>	<u>127,488</u>	<u>1,682</u>	<u>39,148</u>
Total liabilities and fund balances	<u>\$ 90,350</u>	<u>\$ 127,488</u>	<u>\$ 1,682</u>	<u>\$ 39,148</u>

continued

# CITY OF YALE

## NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET, CONTINUED

June 30, 2021

	<u>Special Revenue Funds</u>		<u>Permanent Fund</u>	
	<u>Cemetery Operating Fund</u>	<u>Drug Asset Forfeiture Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Total</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 13,280	\$ 7,845	\$ 9,947	\$ 241,737
Investments	-	-	159,827	191,666
Accounts receivable	1,642	-	-	6,732
Accrued interest receivable	-	-	321	486
Due from other governments	-	-	-	10,909
Prepaid expenditures	47	-	-	47
Total assets	<u>\$ 14,969</u>	<u>\$ 7,845</u>	<u>\$ 170,095</u>	<u>\$ 451,577</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 3,620	\$ -	\$ -	\$ 3,620
Accrued wages payable	612	-	-	847
Total liabilities	<u>4,232</u>	<u>-</u>	<u>-</u>	<u>4,467</u>
<b>Fund balances:</b>				
Nonspendable:				
Prepaid expenditures	47	-	-	47
Nonexpendable cemetery principal	-	-	170,095	170,095
Restricted for:				
Streets	-	-	-	217,603
Law enforcement programs	-	7,845	-	9,527
Parks and recreation activities	-	-	-	39,148
Cemetery operations	10,690	-	-	10,690
Total fund balances	<u>10,737</u>	<u>7,845</u>	<u>170,095</u>	<u>447,110</u>
Total liabilities and fund balances	<u>\$ 14,969</u>	<u>\$ 7,845</u>	<u>\$ 170,095</u>	<u>\$ 451,577</u>

# CITY OF YALE

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2021

	<i>Special Revenue Funds</i>			
	<i>Local Street Fund</i>	<i>Municipal Street Fund</i>	<i>Criminal Justice Training Fund</i>	<i>Park/ Recreation Fund</i>
<b>Revenues:</b>				
State grants	\$ 66,627	7,967	\$ 530	\$ -
Contributions from other units	-	8,020	-	9,179
Charges for services	-	-	-	-
Interest and rents	118	64	4	135
Other revenue	663	91	-	-
Total revenues	<u>67,408</u>	<u>94,678</u>	<u>534</u>	<u>9,314</u>
<b>Expenditures:</b>				
Current				
Public safety	-	-	1,466	-
Public works	42,854	4,019	-	-
Recreation and culture	-	-	-	6,574
Capital outlay	-	50,980	-	3,360
Total expenditures	<u>42,854</u>	<u>54,999</u>	<u>1,466</u>	<u>9,934</u>
Changes in fund balances	24,554	39,679	(932)	(620)
Fund balances, beginning of year	<u>65,561</u>	<u>87,809</u>	<u>2,614</u>	<u>39,768</u>
Fund balances, end of year	<u>\$ 90,115</u>	<u>\$ 127,488</u>	<u>\$ 1,682</u>	<u>\$ 39,148</u>

continued

# CITY OF YALE

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES, CONTINUED

Year Ended June 30, 2021

	<i>Special Revenue Funds</i>		<i>Permanent Fund</i>	
	<i>Cemetery Operating Fund</i>	<i>Drug Asset Forfeiture Fund</i>	<i>Cemetery Perpetual Care Fund</i>	<i>Total</i>
<b>Revenues:</b>				
State grants	\$ -	\$ -	\$ -	\$ 75,124
Contributions from other units	-	-	-	17,199
Charges for services	52,486	-	-	52,486
Interest and rents	12	8	6,662	7,003
Other revenue	1,834	-	-	2,588
Total revenues	54,332	8	6,662	232,936
<b>Expenditures:</b>				
Current				
Public safety	-	200	-	1,666
Public works	58,212	-	-	105,085
Recreation and culture	-	-	-	6,574
Capital outlay	-	-	-	54,340
Total expenditures	58,212	200	-	167,665
Changes in fund balances	(3,880)	(192)	6,662	65,271
Fund balances, beginning of year	14,617	8,037	163,433	381,839
Fund balances, end of year	\$ 10,737	\$ 7,845	\$ 170,095	\$ 447,110

# CITY OF YALE

## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

June 30, 2021

#### 2012 WATER SUPPLY SYSTEM REVENUE BOND

Issue dated June 12, 2012 in the amount of	\$	344,000
Less: Principal paid in prior years	(88,000)	
Principal paid in current year	<u>(20,000)</u>	
Balance payable at June 30, 2021	<u>\$</u>	<u>236,000</u>

<i>Year Ended</i>	<i>Rate</i>	<i>Interest December 1</i>	<i>Interest June 1</i>	<i>Principal June 1</i>	<i>Total Annual Requirement</i>
2022	2.750%	\$ 3,245	\$ 3,245	\$ 9,000	\$ 15,490
2023	2.750%	3,121	3,121	10,000	16,242
2024	2.750%	2,984	2,984	10,000	15,968
2025	2.750%	2,846	2,846	10,000	15,692
2026	2.750%	2,709	2,709	11,000	16,418
2027	2.750%	2,558	2,558	11,000	16,116
2028	2.750%	2,406	2,406	11,000	15,812
2029	2.750%	2,255	2,255	12,000	16,510
2030	2.750%	2,090	2,090	12,000	16,180
2031	2.750%	1,925	1,925	12,000	15,850
2032	2.750%	1,760	1,760	13,000	16,520
2033	2.750%	1,581	1,581	13,000	16,162
2034	2.750%	1,403	1,403	14,000	16,806
2035	2.750%	1,210	1,210	14,000	16,420
2036	2.750%	1,018	1,018	15,000	17,036
2037	2.750%	811	811	15,000	16,622
2038	2.750%	605	605	15,000	16,210
2039	2.750%	399	399	16,000	16,798
2040	2.750%	<u>179</u>	<u>179</u>	<u>13,000</u>	<u>13,358</u>
		<u>\$ 35,105</u>	<u>\$ 35,105</u>	<u>\$ 236,000</u>	<u>\$ 306,210</u>

Note: The Water Fund is obligated for this debt.

# CITY OF YALE

---

## BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2021

### 2020 WATER SUPPLY SYSTEM REVENUE REFUNDING BOND

Issue dated March 19, 2020 in the amount of	\$	756,000
Less: Principal paid in prior years		-
Principal paid in current year		(234,000)
Balance payable at June 30, 2021	\$	<u>522,000</u>

<i>Year Ended</i>	<i>Rate</i>	<i>Principal October 1</i>	<i>Interest October 1</i>	<i>Principal April 1</i>	<i>Interest April 1</i>	<i>Total Annual Requirement</i>
2022	2.100%	\$ 68,000	\$ 5,481	\$ 40,000	\$ 4,767	\$ 118,248
2023	2.100%	86,000	4,347	40,000	3,444	133,791
2024	2.100%	40,000	3,024	40,000	2,604	85,628
2025	2.100%	118,000	2,184	40,000	945	161,129
2026	2.100%	<u>50,000</u>	<u>525</u>	<u>-</u>	<u>-</u>	<u>50,525</u>
		<u>\$ 362,000</u>	<u>\$ 15,561</u>	<u>\$ 160,000</u>	<u>\$ 11,760</u>	<u>\$ 549,321</u>

Note: The Water Fund is obligated for this debt.

# CITY OF YALE

## BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2021

### 2021 CAPITAL IMPROVEMENT BONDS (LIMITED TAX GENERAL OBLIGATION)

Issue dated February 16, 2021 in the amount of	\$ 375,000
Less: Principal paid in prior years	-
Principal paid in current year	-
Balance payable at June 30, 2021	<u>\$ 375,000</u>

<i>Year Ended</i>	<i>Rate</i>	<i>Principal September 1</i>	<i>Interest September 1</i>	<i>Principal March 1</i>	<i>Interest March 1</i>	<i>Total Annual Requirement</i>
2022	1.25%	\$ -	\$ 2,539	\$ -	\$ 2,344	\$ 4,883
2023	1.25%	-	2,344	-	2,344	4,688
2024	1.25%	-	2,344	-	2,344	4,688
2025	1.25%	-	2,344	-	2,344	4,688
2026	1.25%	131,000	2,344	133,000	1,525	267,869
2027	1.25%	111,000	694	-	-	111,694
		<u>\$ 242,000</u>	<u>\$ 12,609</u>	<u>\$ 133,000</u>	<u>\$ 10,901</u>	<u>\$ 398,510</u>

Note: The Water Fund is obligated for this debt.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

To the City Council  
City of Yale, Michigan

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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Yale, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Yale's basic financial statements, and have issued our report thereon dated November 10, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Yale's internal control over financial reporting (internal controls) 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 of Yale's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Yale's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given those limitations, we identified, and noted below, deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. Other material weaknesses may exist that have not been identified.

Recording, Processing and Summarizing Accounting Data

Criteria: All governments are required to have in place internal controls over recording, processing and summarizing accounting data and preparing financial statements.

Conditions: As is the case with many smaller and medium-sized entities, the City has historically relied on its independent external auditors to assist in the recording, processing and summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the City has placed reliance on its external auditors, who cannot by definition be considered a part of the City's internal controls.



To the City Council  
City of Yale, Michigan

Cause: This condition was caused by the City's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the City to perform these tasks internally.

Effect: As a result of this condition, the City lacks internal controls over the recording, processing and summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The City has evaluated the cost versus benefit of establishing internal controls over the recording, processing and summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the City to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Yale's financial statements are free from 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*.

### **Purpose of this Report**

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

*Berthiaume & Co.*

Saginaw, Michigan  
November 10, 2021





