

CITY OF YALE

St. Clair County, Michigan

FINANCIAL STATEMENTS

June 30, 2009

CITY OF YALE

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INDEPENDENT AUDITORS' REPORT

To the Members of City Council
City of Yale, Michigan

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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Yale's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, and each major fund of the City of Yale as of June 30, 2009, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2009 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

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 accompanying supplemental 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 supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Berthiaume & Co.

Saginaw, Michigan
September 22, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2009. 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 assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$7,700,027 (net assets). Of this amount, \$1,794,925 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and others.

During the fiscal year, the City's total net assets increased by \$207,729. Governmental activities accounted for \$104,093 of this increase, while business-type activities accounted for \$103,636.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,041,137, an increase of \$57,897 in comparison with prior year. Approximately 15 percent of this total or \$157,643 is reserved for various purposes, leaving an unreserved, undesignated fund balance of \$883,494.

At the end of the current fiscal year, unreserved fund balance for the General Fund was \$700,786, or approximately 77 percent of the General Fund's annual expenditures.

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 supplemental information and other supplemental 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, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, earned but unused vacation leave).

The government-wide financial statements can be found on pages 12 through 13 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

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. The City, like other state or local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus on governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 10 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and City Street Fund, which are considered to be major funds. Data from the other 8 governmental 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 provided for the General Fund and City Street Fund, the City's major funds, to demonstrate compliance with those budgets.

Proprietary Funds – The City maintains two different types of proprietary funds. Enterprise Funds are used to report the same functions as business-type activities in the government-wide financial statements. The City uses Enterprise Funds to account for sewage collection and water distribution. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses Internal Service Funds to account for equipment, economic development and public improvements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer and Water Funds, which are considered to be major funds of the City. The Internal Service Funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual data for the Internal Service Funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 18 through 22 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 those 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 supplemental information concerning the City.

The combining statements referred to earlier in connection with the nonmajor governmental funds are presented immediately following the required supplemental information.

Government-wide Financial Analysis

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For all activities, assets exceeded liabilities by \$7,700,027 at the close of the most recent fiscal year. Most of this amount (72 percent) reflects the investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to its citizens; thus, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (4 percent) represents resources that are subject to external restrictions on how they are to be used. The remaining balance of unrestricted net assets (\$1,794,925) may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF YALE

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Yale's Net Assets

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Assets:						
Other assets	\$ 1,541,776	\$ 1,603,120	\$ 706,673	\$ 671,544	\$ 2,248,449	\$ 2,274,664
Capital assets	<u>2,585,488</u>	<u>2,497,255</u>	<u>5,670,046</u>	<u>5,786,579</u>	<u>8,255,534</u>	<u>8,283,834</u>
Total assets	<u>4,127,264</u>	<u>4,100,375</u>	<u>6,376,719</u>	<u>6,458,123</u>	<u>10,503,983</u>	<u>10,558,498</u>
Liabilities:						
Other liabilities	79,905	111,296	30,291	30,182	110,196	141,478
Long-term liabilities	<u>453,286</u>	<u>499,099</u>	<u>2,240,474</u>	<u>2,425,623</u>	<u>2,693,760</u>	<u>2,924,722</u>
Total liabilities	<u>533,191</u>	<u>610,395</u>	<u>2,270,765</u>	<u>2,455,805</u>	<u>2,803,956</u>	<u>3,066,200</u>
Net assets:						
Invested in capital assets, net of related debt	2,136,880	2,005,084	3,432,046	3,363,579	5,568,926	5,368,663
Restricted	235,675	204,292	100,501	97,610	336,176	301,902
Unrestricted	<u>1,221,518</u>	<u>1,280,604</u>	<u>573,407</u>	<u>541,129</u>	<u>1,794,925</u>	<u>1,821,733</u>
Total net assets	<u>\$ 3,594,073</u>	<u>\$ 3,489,980</u>	<u>\$ 4,105,954</u>	<u>\$ 4,002,318</u>	<u>\$ 7,700,027</u>	<u>\$ 7,492,298</u>

Statement of Activities

During the current fiscal year, the government's total net assets increased by \$207,729. Governmental activities accounted for \$104,093 of this increase, while business-type activities accounted for \$103,636.

CITY OF YALE

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Yale's Changes in Net Assets

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
Revenues:						
Program revenues						
Charges for services	\$ 186,479	\$ 216,900	\$ 562,185	\$ 632,480	\$ 748,664	\$ 849,380
Operating grants	153,120	159,886	-	-	153,120	159,886
Capital grants	117,051	7,651	-	36,856	117,051	44,507
General revenues						
Property taxes	543,853	523,279	-	-	543,853	523,279
State revenue sharing	197,424	221,177	-	-	197,424	221,177
Investment earnings	48,017	71,918	27,277	19,389	75,294	91,307
Miscellaneous	8,282	8,186	-	-	8,282	8,186
Total revenues	<u>1,254,226</u>	<u>1,208,997</u>	<u>589,462</u>	<u>688,725</u>	<u>1,843,688</u>	<u>1,897,722</u>
Program Expenses:						
General government	225,893	245,489	-	-	225,893	245,489
Public safety	422,234	391,109	-	-	422,234	391,109
Public works	415,075	437,560	-	-	415,075	437,560
Recreation and culture	68,366	65,378	-	-	68,366	65,378
Interest on long-term debt	21,591	25,174	-	-	21,591	25,174
Sewer	-	-	205,749	227,731	205,749	227,731
Water	-	-	280,077	284,773	280,077	284,773
Total program expenses	<u>1,153,159</u>	<u>1,164,710</u>	<u>485,826</u>	<u>512,504</u>	<u>1,638,985</u>	<u>1,677,214</u>
Increase in net assets before other items	<u>101,067</u>	<u>44,287</u>	<u>103,636</u>	<u>176,221</u>	<u>204,703</u>	<u>220,508</u>
Other items:						
Contributions to principal	7,595	1,750	-	-	7,595	1,750
Sale of capital assets - gain (loss)	(4,569)	29,974	-	-	(4,569)	29,974
Transfers	-	107,870	-	-	-	107,870
Total other items	<u>3,026</u>	<u>139,594</u>	<u>-</u>	<u>-</u>	<u>3,026</u>	<u>139,594</u>
Change in net assets	104,093	183,881	103,636	176,221	207,729	360,102
Net assets, beginning	<u>3,489,980</u>	<u>3,306,099</u>	<u>4,002,318</u>	<u>3,826,097</u>	<u>7,492,298</u>	<u>7,132,196</u>
Net assets, ending	<u>\$ 3,594,073</u>	<u>\$ 3,489,980</u>	<u>\$ 4,105,954</u>	<u>\$ 4,002,318</u>	<u>\$ 7,700,027</u>	<u>\$ 7,492,298</u>

CITY OF YALE

MANAGEMENT'S DISCUSSION AND ANALYSIS

City Funds Financial Analysis

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as show accountability for certain activities. The City's major governmental funds are the General Fund and City Street Fund. Additionally, the City reports the Sewer and Water funds as major proprietary funds.

The General Fund accounts for functions relating to the general government activities of the City, which are financed by property tax levies, distribution of State revenues, and fees charged for various municipal activities and services. This fund had an increased fund balance of \$48,249.

The Sewer Fund covers the operations of the City's sewage treatment plant and the maintenance and construction of the sewer distribution system.

The Water Fund finances the operations of the water treatment plant and the entire transmission and distribution system.

General Fund Budgetary Highlights

Over the course of the year, the City Council and City management monitor and amend the budget to account for unanticipated events during the year.

Capital Assets and Capital Debt Administration

Capital Assets – The City's investment in capital assets for governmental and business-type activities as of June 30, 2009 amounts to \$8,255,534 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, vehicles, furniture and equipment, sewer and water systems, streets, and sidewalks. Governmental activities included additions of \$161,184 for a police car, cemetery fence, mower/tractor, office copier, street infrastructure, sidewalks and various other equipment. Business-type activities included additions of \$42,720 for minor equipment purchases and additions to the water system.

Debt – At the end of the current fiscal year, the City had total debt outstanding of \$2,686,608. Of this amount, \$1,168,608 comprises debt backed by the full faith and credit of the government. The remaining of the City's debt (\$1,518,000) is backed solely by specified revenue sources.

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. The taxable value of property in the City has remained flat for several years, resulting in small increases in property taxes; however, current economic conditions will result in a decrease in taxable value and a resulting decrease in property tax collections. The State of Michigan has experienced budget deficits and has reduced revenue-sharing payments to local governments to help in reducing their deficit; and the economy has restricted the City in what it can charge its customers.

MANAGEMENT'S DISCUSSION AND ANALYSIS

We are continuing to plan for the long term, and will continue to balance the budgets through controls over spending. While we strive to provide the City's residents with the same level of service to which they have been accustomed, it is inevitable that service reductions will be necessary unless the State increases the revenue-sharing payments or additional revenue sources are identified.

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

STATEMENT OF NET ASSETS

June 30, 2009

	<i>Primary Government</i>			<i>Component Units</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
Assets:				
Cash, cash equivalents and investments	\$ 1,107,726	\$ 508,255	\$ 1,615,981	\$ 149,616
Receivables	269,081	97,239	366,320	381
Prepaid expenses	35,052	678	35,730	-
Restricted cash and cash equivalents	-	100,501	100,501	-
Capital assets:				
Nondepreciable capital assets	653,126	-	653,126	-
Depreciable capital assets, net	1,932,362	5,670,046	7,602,408	-
Investment in Industrial Park	129,917	-	129,917	-
Total assets	<u>4,127,264</u>	<u>6,376,719</u>	<u>10,503,983</u>	<u>149,997</u>
Liabilities:				
Accounts payable and accrued expenses	79,905	30,291	110,196	501
Long-term liabilities:				
Due within one year	43,359	160,000	203,359	-
Due in more than one year	409,927	2,080,474	2,490,401	-
Total liabilities	<u>533,191</u>	<u>2,270,765</u>	<u>2,803,956</u>	<u>501</u>
Net assets:				
Invested in capital assets, net of related debt	2,136,880	3,432,046	5,568,926	-
Restricted for:				
Debt service	-	100,501	100,501	-
Streets	113,084	-	113,084	-
Nonexpendable cemetery principal	118,540	-	118,540	-
State construction code activities	4,051	-	4,051	-
Unrestricted	1,221,518	573,407	1,794,925	149,496
Total net assets	<u>\$ 3,594,073</u>	<u>\$ 4,105,954</u>	<u>\$ 7,700,027</u>	<u>\$ 149,496</u>

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

CITY OF YALE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
<i>Governmental activities:</i>					
General government	\$ 225,893	\$ 27,094	\$ -	\$ 12,944	\$ (185,855)
Public safety	422,234	21,730	9,514	-	(390,990)
Public works	415,075	137,155	124,449	104,107	(49,364)
Community and economic development	-	500	-	-	500
Recreation and culture	68,366	-	19,157	-	(49,209)
Interest on long-term debt	21,591	-	-	-	(21,591)
Total governmental activities	<u>1,153,159</u>	<u>186,479</u>	<u>153,120</u>	<u>117,051</u>	<u>(696,509)</u>
<i>Business-type activities:</i>					
Sewer	205,749	284,362	-	-	78,613
Water	280,077	277,823	-	-	(2,254)
Total business-type activities	<u>485,826</u>	<u>562,185</u>	<u>-</u>	<u>-</u>	<u>76,359</u>
Total primary government	<u>\$ 1,638,985</u>	<u>\$ 748,664</u>	<u>\$ 153,120</u>	<u>\$ 117,051</u>	<u>\$ (620,150)</u>
COMPONENT UNITS:					
Downtown development authority	\$ 40,929	\$ -	\$ -	\$ -	\$ (40,929)
Local development finance authority	<u>27,863</u>	<u>-</u>	<u>27,440</u>	<u>-</u>	<u>(423)</u>
Total component units	<u>\$ 68,792</u>	<u>\$ -</u>	<u>\$ 27,440</u>	<u>\$ -</u>	<u>\$ (41,352)</u>

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

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>	
<i>Changes in net assets:</i>				
Net (Expense) Revenue	\$ (696,509)	\$ 76,359	\$ (620,150)	\$ (41,352)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	474,468	-	474,468	-
Property taxes, levied for police protection	69,385	-	69,385	-
Property taxes, captured by component units	-	-	-	96,709
Grants and contributions not restricted to specific programs	197,424	-	197,424	-
Unrestricted investment earnings	48,017	27,277	75,294	3,317
Miscellaneous	8,282	-	8,282	190
Contributions to principal of permanent funds	7,595	-	7,595	-
Special item-Gain (loss) from sale of capital assets	(4,569)	-	(4,569)	-
Total general revenues, contributions, and special item	<u>800,602</u>	<u>27,277</u>	<u>827,879</u>	<u>100,216</u>
Change in net assets	104,093	103,636	207,729	58,864
Net assets, beginning of year	<u>3,489,980</u>	<u>4,002,318</u>	<u>7,492,298</u>	<u>90,632</u>
Net assets, end of year	<u>\$ 3,594,073</u>	<u>\$ 4,105,954</u>	<u>\$ 7,700,027</u>	<u>\$ 149,496</u>

CITY OF YALE

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2009

	<i>General Fund</i>	<i>City Street Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Assets:				
Cash, cash equivalents and investments	\$ 497,647	\$ 30,968	\$ 270,093	\$ 798,708
Accounts receivable - tax account	155,770	-	-	155,770
Accounts receivable	21,672	-	-	21,672
Accrued interest receivable	417	-	986	1,403
Due from other governmental units	60,637	-	19,148	79,785
Due from other funds	-	-	502	502
Prepaid expenditures	34,702	-	350	35,052
	<u>770,845</u>	<u>30,968</u>	<u>291,079</u>	<u>1,092,892</u>
Total assets	<u>\$ 770,845</u>	<u>\$ 30,968</u>	<u>\$ 291,079</u>	<u>\$ 1,092,892</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 21,939	\$ 13,179	\$ 5,259	\$ 40,377
Accrued expenses	9,113	-	1,509	10,622
Due to other governmental units	254	-	-	254
Due to other funds	-	-	502	502
	<u>31,306</u>	<u>13,179</u>	<u>7,270</u>	<u>51,755</u>
Total liabilities	<u>31,306</u>	<u>13,179</u>	<u>7,270</u>	<u>51,755</u>
Fund balances:				
Reserved for:				
Prepaid expenditures	34,702	-	350	35,052
Nonexpendable cemetery principal	-	-	118,540	118,540
State construction code activities	4,051	-	-	4,051
Unreserved:				
General fund	709,596	-	-	709,596
Special revenue funds	-	17,789	164,919	182,708
	<u>748,349</u>	<u>17,789</u>	<u>283,809</u>	<u>1,049,947</u>
Total fund balances	<u>748,349</u>	<u>17,789</u>	<u>283,809</u>	<u>1,049,947</u>
Total liabilities and fund balances	<u>\$ 779,655</u>	<u>\$ 30,968</u>	<u>\$ 291,079</u>	<u>\$ 1,101,702</u>

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

CITY OF YALE

RECONCILIATION OF FUND BALANCES OF THE GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2009

Total fund balances for governmental funds \$ 1,049,947

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Governmental capital assets	2,511,164	
Less accumulated depreciation	<u>(514,719)</u>	1,996,445

Interest payable in the governmental activities is not payable from
current resources and therefore is not reported in the governmental
funds. (14,340)

Long-term liabilities are not due and payable in the current year and
therefore are not reported in the governmental funds:

Purchase agreement	(287,490)	
Compensated absences payable	<u>(4,678)</u>	(292,168)

The assets and liabilities of internal service funds are included in governmental
activities in the statement of net assets. 862,999

Net assets of governmental activities try again

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, 2009

	<i>General Fund</i>	<i>City Street Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues:				
Property taxes	\$ 543,853	\$ -	\$ -	\$ 543,853
Licenses and permits	6,936	-	-	6,936
Federal grants	-	40,147	-	40,147
State grants	198,667	5,859	119,875	324,401
Contributions from other units	73,644	-	8,945	82,589
Charges for services	92,130	-	19,644	111,774
Fines and forfeits	2,269	-	-	2,269
Investment income and rents	29,610	434	8,020	38,064
Other revenue	15,982	5,487	27,126	48,595
Total revenues	<u>963,091</u>	<u>51,927</u>	<u>183,610</u>	<u>1,198,628</u>
Expenditures:				
Current				
General government	181,924	-	23,185	205,109
Public safety	392,828	-	825	393,653
Public works	209,388	-	84,702	294,090
Recreation and culture	45,777	-	12,362	58,139
Other	10,989	-	-	10,989
Capital outlay	36,362	124,672	30,143	191,177
Debt service				
Principal	17,181	-	-	17,181
Interest and fees	13,578	-	-	13,578
Total expenditures	<u>908,027</u>	<u>124,672</u>	<u>151,217</u>	<u>1,183,916</u>
Excess (deficiency) of revenues over expenditures	<u>55,064</u>	<u>(72,745)</u>	<u>32,393</u>	<u>14,712</u>
Other financing sources (uses):				
Insurance recoveries	1,995	-	-	1,995
Transfers from other funds	-	50,000	3,502	53,502
Transfers to other funds	-	-	(3,502)	(3,502)
Net other financing sources (uses)	<u>1,995</u>	<u>50,000</u>	<u>-</u>	<u>51,995</u>
Net change in fund balances	57,059	(22,745)	32,393	66,707
Fund balances, beginning of year	<u>691,290</u>	<u>40,534</u>	<u>251,416</u>	<u>983,240</u>
Fund balances, end of year	<u>\$ 748,349</u>	<u>\$ 17,789</u>	<u>\$ 283,809</u>	<u>\$ 1,049,947</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, 2009

Net change in fund balances - total governmental funds \$ 66,707

Total change in net assets 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.

Capital outlay	188,777	
Less depreciation expense	<u>(78,358)</u>	110,419

Repayments of principal on purchase agreements are expenditures in governmental funds, but the payment reduces long-term liabilities in the statement of net assets. 17,181

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	2,250	
Change in accrued interest payable	<u>(377)</u>	1,873

The net revenue (expense) of the internal service funds is reported with governmental activities. (83,277)

Change in net assets of governmental activities try again

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

CITY OF YALE

PROPRIETARY FUNDS STATEMENT OF NET ASSETS

June 30, 2009

	<i>Business-type Activities</i>			<i>Governmental</i>
	<i>Sewer</i>	<i>Water</i>	<i>Total</i>	<i>Internal</i>
	<i>Fund</i>	<i>Fund</i>		<i>Service</i>
				<i>Funds</i>
Assets:				
Current assets:				
Cash, cash equivalents and investments	\$ 369,211	\$ 139,044	\$ 508,255	\$ 309,018
Accounts receivable	48,500	45,171	93,671	8,547
Accrued interest receivable	1,991	1,577	3,568	1,904
Prepaid expenses	339	339	678	-
Total current assets	<u>420,041</u>	<u>186,131</u>	<u>606,172</u>	<u>319,469</u>
Noncurrent assets:				
Restricted cash, cash equivalents and investments	-	100,501	100,501	-
Capital assets:				
Depreciable capital assets, net	2,773,208	2,896,838	5,670,046	589,043
Investment in Industrial Park	-	-	-	129,917
Total noncurrent assets	<u>2,773,208</u>	<u>2,997,339</u>	<u>5,770,547</u>	<u>718,960</u>
Total assets	<u>3,193,249</u>	<u>3,183,470</u>	<u>6,376,719</u>	<u>1,038,429</u>
Liabilities:				
Current liabilities:				
Accounts payable	3,020	2,938	5,958	10,596
Accrued expenses	841	1,391	2,232	212
Accrued interest payable	3,600	18,501	22,101	3,504
Current portion of long-term debt	140,000	20,000	160,000	26,939
Total current liabilities	<u>147,461</u>	<u>42,830</u>	<u>190,291</u>	<u>41,251</u>
Noncurrent liabilities:				
Compensated absences payable	997	1,477	2,474	-
Long-term debt	580,000	1,498,000	2,078,000	134,179
Total noncurrent liabilities	<u>580,997</u>	<u>1,499,477</u>	<u>2,080,474</u>	<u>134,179</u>
Total liabilities	<u>728,458</u>	<u>1,542,307</u>	<u>2,270,765</u>	<u>175,430</u>
Net assets:				
Invested in capital assets, net of related debt	2,053,208	1,378,838	3,432,046	427,925
Restricted for:				
Debt service	-	100,501	100,501	-
Unrestricted	<u>411,583</u>	<u>161,824</u>	<u>573,407</u>	<u>435,074</u>
Total net assets	<u>\$ 2,464,791</u>	<u>\$ 1,641,163</u>	<u>\$ 4,105,954</u>	<u>\$ 862,999</u>

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

CITY OF YALE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended June 30, 2009

	<i>Business-type Activities</i>			<i>Governmental</i>
	<i>Sewer</i>	<i>Water</i>	<i>Total</i>	<i>Internal</i>
				<i>Service</i>
	<i>Fund</i>	<i>Fund</i>	<i>Total</i>	<i>Funds</i>
Operating revenues:				
Charges for services	\$ 277,686	\$ 271,846	\$ 549,532	\$ 12,600
Penalties	5,926	5,977	11,903	-
Equipment rental	-	-	-	81,225
Other	750	-	750	-
Total operating revenues	<u>284,362</u>	<u>277,823</u>	<u>562,185</u>	<u>93,825</u>
Operating expenses:				
Personnel	37,215	54,674	91,889	13,604
Fringe benefits	8,723	16,670	25,393	4,246
Supplies	3,470	16,571	20,041	9,367
Contracted services	11,672	4,619	16,291	28,015
Telephone	1,146	-	1,146	-
Dues and membership fees	630	1,153	1,783	-
Education and training	115	305	420	-
Printing and publishing	-	145	145	-
Insurance	473	473	946	-
Utilities	11,186	9,788	20,974	-
Repair and maintenance	19,036	8,525	27,561	19,986
Equipment rental	12,755	17,542	30,297	-
Other services and supplies	-	-	-	210
Depreciation	84,253	75,000	159,253	68,814
Total operating expenses	<u>190,674</u>	<u>205,465</u>	<u>396,139</u>	<u>144,242</u>
Operating income (loss)	<u>93,688</u>	<u>72,358</u>	<u>166,046</u>	<u>(50,417)</u>
Non-operating revenues (expenses):				
Interest income	13,426	13,851	27,277	13,778
Rental income	-	-	-	15,567
Gain (loss) from sale of capital assets	-	-	-	(4,569)
Interest expense	(15,075)	(74,612)	(89,687)	(7,636)
Total non-operating revenues (expenses)	<u>(1,649)</u>	<u>(60,761)</u>	<u>(62,410)</u>	<u>17,140</u>

continued

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

PROPRIETARY FUNDS
**STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET ASSETS, CONTINUED**

Year Ended June 30, 2009

	<i>Business-type Activities</i>			<i>Governmental Activities</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>	<i>Internal Service Funds</i>
Net income (loss) before transfers	92,039	11,597	103,636	(33,277)
Transfers to other funds	-	-	-	(50,000)
Net income (loss)	92,039	11,597	103,636	(83,277)
Net assets, beginning of year	2,372,752	1,629,566	4,002,318	946,276
Net assets, end of year	\$ 2,464,791	\$ 1,641,163	\$ 4,105,954	\$ 862,999

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

CITY OF YALE

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
 Year Ended June 30, 2009

	<u><i>Business-type Activities</i></u>			<u><i>Governmental Activities</i></u>
	<u><i>Sewer Fund</i></u>	<u><i>Water Fund</i></u>	<u><i>Total</i></u>	<u><i>Internal Service Funds</i></u>
Cash flows from operating activities:				
Cash received from customers	\$ 285,126	\$ 278,146	\$ 563,272	\$ 9,943
Cash received (paid) interfund	-	-	-	46,955
Cash payments to employees	(37,407)	(54,287)	(91,694)	(13,661)
Cash payments to suppliers for goods/services	(68,483)	(75,461)	(143,944)	(53,433)
Net cash provided (used) by operating activities	<u>179,236</u>	<u>148,398</u>	<u>327,634</u>	<u>(10,196)</u>
Cash flows from non-capital financing activities:				
Transfers to other funds	-	-	-	(50,000)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(15,676)	(27,044)	(42,720)	(46,628)
Gain (loss) from sale of capital assets	-	-	-	(4,569)
Principal payments on capital debt	(135,000)	(50,000)	(185,000)	(26,382)
Interest paid on capital debt	(15,750)	(75,221)	(90,971)	(8,318)
Net cash used by capital and related financing activities	<u>(166,426)</u>	<u>(152,265)</u>	<u>(318,691)</u>	<u>(85,897)</u>
Cash flows from investing activities:				
Interest received	14,393	13,379	27,772	14,252
Rental income	-	-	-	15,567
Net cash provided by investing activities	<u>14,393</u>	<u>13,379</u>	<u>27,772</u>	<u>29,819</u>
Net increase (decrease) in cash, cash equivalents and investments	27,203	9,512	36,715	(116,274)
Cash, cash equivalents and investments, beginning of year	<u>342,008</u>	<u>230,033</u>	<u>572,041</u>	<u>425,292</u>
Cash, cash equivalents and investments, end of year	<u>\$ 369,211</u>	<u>\$ 239,545</u>	<u>\$ 608,756</u>	<u>\$ 309,018</u>

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, 2009

	<u>Business-type Activities</u>			<u>Governmental Activities</u>
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>	<u>Internal Service Funds</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 93,688	\$ 72,358	\$ 166,046	\$ (50,417)
Adjustments:				
Depreciation	84,253	75,000	159,253	68,814
Change in assets and liabilities:				
Accounts receivable	764	323	1,087	(6,207)
Due from other funds	-	-	-	3,550
Prepaid expenses	2	2	4	-
Accounts payable	721	328	1,049	8,391
Accrued expenses	19	325	344	(57)
Due to other governmental units	-	-	-	(34,270)
Compensated absences payable	(211)	62	(149)	-
Net cash provided (used) by operating activities	<u>\$ 179,236</u>	<u>\$ 148,398</u>	<u>\$ 327,634</u>	<u>\$ (10,196)</u>

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

FIDUCIARY FUND
STATEMENT OF NET ASSETS

June 30, 2009

	<u><i>Agency Funds</i></u>
Assets:	
Cash and cash equivalents	\$ 156,425
Total assets	<u>156,425</u>
Liabilities:	
Accounts payable and accrued expenses	197
Undistributed tax collections	<u>156,228</u>
Total liabilities	<u>156,425</u>
Net Assets:	
Unrestricted	<u>-</u>
Total net assets	<u>\$ -</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, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Yale, Michigan, established in 1905, is a public corporation created under the Constitution and statutes of the State of Michigan. Located in St. Clair County, the City of Yale covers an area of approximately one square mile and is one of seven cities in St. Clair County, Michigan, each of which is a separate governmental entity. 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, ambulance services, water, sewer, solid waste disposal, streets, and parks and recreation to approximately 2,100 residents.

The accounting policies of the City of Yale conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City and its component units. In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are included in the City's reporting entity because of their operational or financial relationship with the City.

Discretely Presented Component Units - The component units' columns in the government-wide financial statements include the financial data of the City's two component units. These units are reported in a separate column to emphasize that they are legally separate from the City. The component units are described as follows:

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

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.

Separate financial statements for the component units are not prepared.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2009

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The City’s net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the City’s functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The City does not allocate indirect costs. In creating the government-wide financial statements the City has eliminated interfund transactions.

The government-wide focus is on the sustainability of the City as an entity and the change in the City’s net assets resulting from current year activities.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2009

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

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. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The City reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the City. It is used to account for all financial resources, except for those required to be accounted for in another fund.

City Street Fund – The City Street Fund is used to account for the maintenance and construction of the City's street system.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2009

The City reports the following major enterprise funds:

Sewer Fund – The Sewer Fund is used to account for the revenues and expenses for the operation of a sewer system.

Water Fund – The Water Fund is used to account for the revenues and expenses for the operation of a water system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Assets, Liabilities and Equity:

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.

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Inventories and Prepaid Items – Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. 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 – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The City defines capital assets as assets with an initial individual cost in excess of \$2,500. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if any were acquired after July 1, 2003. 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

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2009

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. 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 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 statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

Property Taxes:

Property taxes attach as an enforceable lien on property as of the date they are levied. City and community college taxes are levied and due July 1 and become delinquent after September 15. County, school, and library 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 to the extent that they result in current receivables.

The 2008 taxable valuation of the City totaled \$40,221,721 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments), on which ad valorem taxes levied consisted of 12.4992 mills for the City’s operating purposes and 1.9318 mills for police protection.

The delinquent real property taxes of the City are purchased by St. Clair County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

CITY OF YALE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2009

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by a City Council resolution.
4. The City Manager is authorized to transfer budgeted amounts between line items within an activity. However, any revision that alters the total expenditures of any fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the City Council is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

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:

	<u><i>Final Budget</i></u>	<u><i>Actual</i></u>	<u><i>Excess</i></u>
General Fund:			
Capital outlay	\$ 27,937	\$ 36,362	\$ 8,425

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, 2008	\$ 4,059
Current year building permit revenue	6,861
Related expenses:	
Direct costs	<u>6,869</u>
Cumulative surplus at June 30, 2009	<u>\$ 4,051</u>

CITY OF YALE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2009

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. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$1,690,589 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$1,067,703 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:

<u>Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
U.S. Government Agency	\$ 347,579	Counterparty

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:

CITY OF YALE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2009

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
U.S. Government Agency Federal National Mortgage Association	\$ 347,579	14 years

Credit Risk:

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

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
U.S. Government Agency Federal National Mortgage Association	\$ 347,579	Not Rated	Not Rated

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:

<u>Investment</u>	<u>Fair Value</u>	<u>Concentration</u>
U.S. Government Agency Federal National Mortgage Association	\$ 347,579	100%

NOTE 4: RESTRICTED ASSETS AND BOND RESERVES

The ordinance authorizing issuance of the 2001 Water Supply System Revenue 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.

Bond Reserve Account - Excess funds of up to \$2,750 per quarter are to be transferred to this account until \$111,000 is accumulated.

CITY OF YALE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2009

As of June 30, 2009, the City has set aside sufficient amounts as follows:

	<u>Water</u>
Restricted cash, cash equivalents and investments:	
Bond and interest redemption	\$ 23,501
Bond reserve	<u>77,000</u>
	<u>\$ 100,501</u>

NOTE 5: CAPITAL ASSETS

Capital assets activity of the City's governmental and business-type activities was as follows:

	<u>July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2009</u>
Governmental activities:				
<i>Nondepreciable capital assets:</i>				
Land	\$ 564,863	\$ -	\$ -	\$ 564,863
Construction in progress - infrastructure	<u>-</u>	<u>88,263</u>	<u>-</u>	<u>88,263</u>
Total nondepreciable capital assets	<u>564,863</u>	<u>88,263</u>	<u>-</u>	<u>653,126</u>
<i>Depreciable capital assets:</i>				
Buildings and improvements	588,997	2,708	-	591,705
Furniture, machinery and equipment	939,266	27,156	(5,486)	960,936
Infrastructure	1,126,278	85,432	-	1,211,710
Land/Site improvements	34,651	12,885	-	47,536
Vehicles	<u>108,987</u>	<u>33,003</u>	<u>(25,910)</u>	<u>116,080</u>
Total depreciable capital assets	2,798,179	161,184	(31,396)	2,927,967
Accumulated depreciation	<u>(865,787)</u>	<u>(147,172)</u>	<u>17,354</u>	<u>(995,605)</u>
Depreciable capital assets, net	<u>1,932,392</u>	<u>14,012</u>	<u>(14,042)</u>	<u>1,932,362</u>
Governmental activities, capital assets, net	<u>\$ 2,497,255</u>	<u>\$ 102,275</u>	<u>\$ (14,042)</u>	<u>\$ 2,585,488</u>

CITY OF YALE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2009

	<u>July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2009</u>
Business-type activities:				
<i>Depreciable capital assets:</i>				
Equipment	\$ 240,631	\$ 15,675	\$ -	\$ 256,306
Sewer system	3,630,710	-	-	3,630,710
Water system	3,400,421	27,045	-	3,427,466
Total depreciable capital assets	7,271,762	42,720	-	7,314,482
Accumulated depreciation	(1,485,183)	(159,253)	-	(1,644,436)
Depreciable capital assets, net	5,786,579	(116,533)	-	5,670,046
Business-type activities, capital assets, net	<u>\$ 5,786,579</u>	<u>\$ (116,533)</u>	<u>\$ -</u>	<u>\$ 5,670,046</u>

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General government	\$ 9,861	\$ -
Public safety	32,547	-
Public works	96,308	-
Recreation and culture	8,456	-
Sewer	-	84,253
Water	-	75,000
	<u>\$ 147,172</u>	<u>\$ 159,253</u>

NOTE 6: DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

At year end, the City had no deferred revenue.

NOTE 7: 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 long-term obligations include compensated absences.

CITY OF YALE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2009

The following is a summary of long-term liabilities transactions for the year ended June 30, 2009:

	<u>July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2009</u>	<u>Due Within One Year</u>
Governmental activities:					
Notes and Agreements:					
2001 Purchase Contract - Fire Truck, due in annual amounts ranging from \$12,500 to \$17,500 plus interest at 4.75% through 2016.	\$ 112,500	\$ -	\$ (12,500)	\$ 100,000	\$ 12,500
2007 Loan - Street Sweeper, due in annual amounts of \$16,856 including interest at 3.96% through 2013.	75,000	-	(13,882)	61,118	14,439
2006 Municipal Purchase Agreement - Property, due in annual amounts of \$30,760 including interest at 4.99% through 2022.	304,671	-	(17,181)	287,490	16,420
Compensated absences	<u>6,928</u>	<u>-</u>	<u>(2,250)</u>	<u>4,678</u>	<u>-</u>
Total governmental activities - long-term liabilities	<u>\$ 499,099</u>	<u>\$ -</u>	<u>\$ (45,813)</u>	<u>\$ 453,286</u>	<u>\$ 43,359</u>
Business-type activities:					
Bonds Payable:					
1993 General Obligation Bond (County of St. Clair) - Project 5086-01, due in annual amounts ranging from \$140,000 to \$150,000 plus interest at 2.00% through 2014.	\$ 855,000	\$ -	\$ (135,000)	\$ 720,000	\$ 140,000
2001 Water Supply System Revenue Bond, due in annual amounts ranging from \$20,000 to \$90,000 plus interest at 4.875% through 2041.	1,568,000	-	(50,000)	1,518,000	20,000
Compensated absences	<u>2,623</u>	<u>-</u>	<u>(149)</u>	<u>2,474</u>	<u>-</u>
Total business-type activities - long-term liabilities	<u>\$ 2,425,623</u>	<u>\$ -</u>	<u>\$ (185,149)</u>	<u>\$ 2,240,474</u>	<u>\$ 160,000</u>

CITY OF YALE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2009

Annual debt service requirements to maturity for the above long-term liabilities are as follows:

<i>Year Ended</i> <i>June 30,</i>	<i>Governmental Activities</i>			<i>Business-type Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2010	\$ 43,359	\$ 21,210	\$ 64,569	\$ 160,000	\$ 86,515	\$ 246,515
2011	44,742	19,233	63,975	162,000	82,691	244,691
2012	46,195	17,186	63,381	169,000	78,719	247,719
2013	50,065	15,013	65,078	170,000	74,625	244,625
2014	34,944	12,716	47,660	176,000	70,432	246,432
2015-2019	148,179	39,725	187,904	146,000	324,286	470,286
2020-2024	81,124	8,079	89,203	183,000	284,431	467,431
2025-2029	-	-	-	231,000	234,217	465,217
2030-2034	-	-	-	293,000	170,596	463,596
3035-3039	-	-	-	372,000	90,041	462,041
2040-2041	-	-	-	176,000	8,678	184,678
	<u>\$ 448,608</u>	<u>\$ 133,162</u>	<u>\$ 581,770</u>	<u>\$ 2,238,000</u>	<u>\$ 1,505,231</u>	<u>\$ 3,743,231</u>

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>
Receivables:				
Accounts receivable - tax account	\$ 155,770	\$ -	\$ 155,770	\$ -
Accounts receivable	32,123	93,671	125,794	-
Accrued interest receivable	1,403	3,568	4,971	236
Intergovernmental	79,785	-	79,785	145
Total receivables	<u>\$ 269,081</u>	<u>\$ 97,239</u>	<u>\$ 366,320</u>	<u>\$ 381</u>
Accounts payable and accrued expenses:				
Accounts payable	\$ 50,973	\$ 5,958	\$ 56,931	\$ 501
Payroll and related liabilities	10,834	2,232	13,066	-
Intergovernmental	254	-	254	-
Accrued interest payable	17,844	22,101	39,945	-
Total accounts payable and accrued expenses	<u>\$ 79,905</u>	<u>\$ 30,291</u>	<u>\$ 110,196</u>	<u>\$ 501</u>

CITY OF YALE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2009

NOTE 9: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at June 30, 2009 is as follows:

<i>Receivable Fund</i>	<i>Payable Fund</i>	<i>Amount</i>
Cemetery Operating Fund	Cemetery Perpetual Care Fund	<u>\$ 502</u>

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers reported in the fund statements were as follows:

<i>Funds Transferred From</i>	<i>Funds Transferred To</i>	<i>Amount</i>
Nonmajor Governmental Funds: Public Improvement Fund	Internal Service Funds: City Street Fund	\$ 50,000
Nonmajor Governmental Funds: Cemetery Perpetual Care Fund	Nonmajor Governmental Funds: Cemetery Operating Fund	<u>3,502</u>
		<u>\$ 53,502</u>

NOTE 10: 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 11: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Pension Plan:

The City does not have an employee pension plan.

Post Employment Benefits:

The City currently has no requirement to pay employees post employment benefits.

CITY OF YALE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2009

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 ICMA Retirement Corporation. 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 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 12: FUND EQUITY

Specific reservations on fund equity include:

Reserved for prepaid expenditures – This reserve was created to indicate that portion of fund balance represented by prepaid expenditures is not available for appropriation.

Reserved for nonexpendable cemetery principal – This reserve was created to indicate that portion of fund balance representing the nonexpendable principal portion required to be retained in perpetuity for cemetery care.

Reserved for state construction code activities – This reserve was created to indicate that portion of fund balance required to be used for construction code costs.

NOTE 13: COMPONENT UNITS REPORTING

Combining Statement of Net Assets

June 30, 2009:

	<i>Downtown Development Authority</i>	<i>Local Development Finance Authority</i>	<i>Total</i>
Assets:			
Cash and cash equivalents	\$ 95,109	\$ 54,507	\$ 149,616
Receivables	282	-	282
Total assets	<u>95,391</u>	<u>54,507</u>	<u>149,898</u>
Liabilities:			
Accounts payable and accrued expenses	<u>501</u>	<u>-</u>	<u>501</u>
Net assets:			
Unrestricted	<u>94,890</u>	<u>54,606</u>	<u>149,496</u>
Total net assets	<u>\$ 94,890</u>	<u>\$ 54,606</u>	<u>\$ 149,496</u>

CITY OF YALE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2009

Combining Statement of Activities
Year Ended June 30, 2009:

	<i><u>Downtown Development Authority</u></i>	<i><u>Local Development Finance Authority</u></i>	<i><u>Total</u></i>
Revenues:			
<i>Program revenues:</i>			
Operating grants and contributions	\$ -	\$ 27,440	\$ 27,440
<i>General revenues:</i>			
Property taxes	68,825	27,884	96,709
Investment earnings	1,962	1,355	3,317
Miscellaneous	190	-	190
Total revenues	<u>70,977</u>	<u>56,679</u>	<u>127,656</u>
Expenses:			
Community and economic development	<u>40,929</u>	<u>27,863</u>	<u>68,792</u>
Net change in net assets	30,048	28,816	58,864
Net assets, beginning of year	<u>64,842</u>	<u>25,790</u>	<u>90,632</u>
Net assets, end of year	<u>\$ 94,890</u>	<u>\$ 54,606</u>	<u>\$ 149,496</u>

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF YALE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2009

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i>
				<i>Final Budget</i>
Revenues:				
Property taxes	\$ 539,911	\$ 539,911	\$ 543,853	\$ 3,942
Licenses and permits	8,050	8,050	6,936	(1,114)
State grants	201,180	201,180	198,667	(2,513)
Contributions from other units	-	67,282	73,644	6,362
Charges for services	93,840	93,840	92,130	(1,710)
Fines and forfeits	3,500	3,500	2,269	(1,231)
Interest and rents	34,200	34,200	29,610	(4,590)
Other revenue	7,000	7,000	15,982	8,982
Total revenues	<u>887,681</u>	<u>954,963</u>	<u>-</u>	<u>8,128</u>
Expenditures:				
Current				
General government	202,289	202,789	181,924	(20,865)
Public safety	380,155	392,912	392,828	(84)
Public works	211,100	215,100	209,388	(5,712)
Recreation and culture	37,000	45,810	45,777	(33)
Other	12,400	12,400	10,989	(1,411)
Capital outlay	33,537	27,937	36,362	8,425
Debt service				
Principal	-	17,181	17,181	-
Interest and fees	-	13,578	13,578	-
Total expenditures	<u>876,481</u>	<u>927,707</u>	<u>908,027</u>	<u>(19,680)</u>
Excess (deficiency) of revenues over expenditures	<u>11,200</u>	<u>27,256</u>	<u>(908,027)</u>	<u>(935,283)</u>
Other financing sources (uses):				
Insurance recoveries	-	-	1,995	1,995
Transfers to other funds	<u>(108,000)</u>	<u>(108,000)</u>	<u>-</u>	<u>108,000</u>
Net other financing sources (uses)	<u>(108,000)</u>	<u>(108,000)</u>	<u>1,995</u>	<u>109,995</u>
Net change in fund balance	(96,800)	(80,744)	(906,032)	(825,288)
Fund balance, beginning of year	<u>691,290</u>	<u>691,290</u>	<u>691,290</u>	<u>-</u>
Fund balance, end of year	<u>\$ 594,490</u>	<u>\$ 610,546</u>	<u>\$ (214,742)</u>	<u>\$ (825,288)</u>

CITY OF YALE

CITY STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2009

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i>
				<i>Final Budget</i>
Revenues:				
Federal grants	\$ -	\$ -	\$ 40,147	\$ 40,147
State grants	-	-	5,859	5,859
Interest and rents	-	-	434	434
Other revenue	-	-	5,487	5,487
Total revenues	-	-	51,927	51,927
Expenditures:				
Capital outlay	188,000	188,000	124,672	(63,328)
Total expenditures	188,000	188,000	124,672	(63,328)
Excess (deficiency) of revenues over expenditures	(188,000)	(188,000)	(72,745)	115,255
Other financing sources:				
Transfers from other funds	158,000	158,000	50,000	(108,000)
Net change in fund balance	(30,000)	(30,000)	(22,745)	7,255
Fund balance, beginning of year	40,534	40,534	40,534	-
Fund balance, end of year	\$ 10,534	\$ 10,534	\$ 17,789	\$ 7,255

SUPPLEMENTAL INFORMATION

CITY OF YALE

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended June 30, 2009

Revenues:

Current Taxes:

Property taxes	\$ 519,559
Trailer tax	254
Penalties and interest on taxes	5,644
Administration fees	18,396
	<u>543,853</u>

Licenses and permits:

Nonbusiness licenses and permits	<u>6,936</u>
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State Grants:

Liquor license fees	1,243
State revenue sharing - sales tax	197,424
	<u>198,667</u>

Contribution from other units:

St. Clair County Public Library	8,810
School DARE program	6,361
Downtown Development Authority	30,760
Local Development Finance Authority	27,713
	<u>73,644</u>

Charges for services:

Refuse collection fees	91,505
Zoning permits and lot splits	500
Other	125
	<u>92,130</u>

Fines and forfeits:

Police fines and reports	<u>2,269</u>
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Interest and rents:

Interest	25,785
Rents	3,825
	<u>29,610</u>

Other Revenue:

Contributions and donations	625
Refunds and rebates	5,165
Other	1,382
	<u>7,172</u>

Total revenues	<u>954,281</u>
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Other Financing Sources:

Insurance recoveries	<u>1,995</u>
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Total revenues and other financing sources	<u>\$ 956,276</u>
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CITY OF YALE

GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES
Year Ended June 30, 2009

General Government:

Council:

Personnel	\$ 8,925
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Manager:

Personnel	61,105
Fringe benefits	21,120
Supplies	15
Telephone	440
Mileage	1,159
Education and training	120
Other	84
	<u>84,043</u>

Clerk:

Personnel	6,525
Fringe benefits	516
Supplies	87
Mileage	50
Dues and memberships	25
Other	22
	<u>7,225</u>

Audit:

Contracted services	<u>3,505</u>
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Board of Review:

Personnel	675
Mileage	23
	<u>698</u>

Treasurer:

Personnel	7,883
Fringe benefits	615
Supplies	778
Dues and memberships	35
Repairs and maintenance	325
	<u>9,636</u>

Assessor:

Supplies	400
Contracted services	9,787
Printing and publications	136
Repairs and maintenance	350
	<u>10,673</u>

Elections:

Supplies	<u>2,194</u>
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CITY OF YALE

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended June 30, 2009

General Government, Continued:

Building and Grounds:

Personnel	10,241
Fringe benefits	3,201
Supplies	4,627
Contracted services	77
Telephone	1,570
Mileage	177
Dues and memberships	1,750
Education and training	191
Printing and publications	2,825
Utilities	10,946
Repairs and maintenance	8,001
Equipment rental	434
Other	110
	<u>44,150</u>

Attorney:

Contracted services	<u>8,922</u>
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Decorations:

Personnel	1,062
Fringe benefits	183
Repairs and maintenance	494
Equipment rental	214
	<u>1,953</u>

Total general government 181,924

Public Safety:

Police:

Personnel	220,632
Fringe benefits	68,496
Supplies	11,422
Contracted services	4,744
Telephone	1,734
Mileage	367
Dues and memberships	100
Education and training	27
Insurance	16,741
Repairs and maintenance	10,407
Equipment rental	8,180
Other	322
	<u>343,172</u>

CITY OF YALE

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended June 30, 2009

Public Safety, Continued:

Fire:

Personnel	6,916
Fringe benefits	1,078
Supplies	3,149
Telephone	1,074
Education and training	952
Insurance	7,517
Utilities	6,066
Repairs and maintenance	10,572
Equipment rental	9
Other	524
	<u>37,857</u>

Building Inspection Department:

Contracted services	<u>6,869</u>
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Crossing Guard:

Personnel	<u>4,930</u>
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Total public safety	<u>392,828</u>
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Public Works:

Department of Public Works:

Personnel	38,402
Fringe benefits	9,595
Supplies	1,633
Contracted services	6,270
Telephone	983
Mileage	40
Education and training	175
Insurance	9,700
Utilities	4,864
Repairs and maintenance	3,711
Equipment rental	12,992
Other	17
	<u>88,382</u>

Street Lighting:

Utilities	<u>38,443</u>
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Refuse:

Supplies	1,244
Contracted services	<u>81,319</u>
	<u>82,563</u>

Total public works	<u>209,388</u>
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CITY OF YALE

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended June 30, 2009

Recreation and Culture:

Parks:

Personnel	13,404
Fringe benefits	2,693
Supplies	576
Contracted services	254
Mileage	10
Insurance	2,000
Utilities	1,145
Repairs and maintenance	3,578
Equipment rental	9,360
Other	68
	<u>33,088</u>

Library:

Personnel	1,668
Fringe benefits	413
Supplies	1,077
Contracted services	183
Insurance	1,754
Utilities	6,195
Repairs and maintenance	1,162
Equipment rental	237
	<u>12,689</u>

Total recreation and culture 45,777

Other:

Insurance and bonds	<u>10,989</u>
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Capital Outlay:

General government	7,999
Public works	28,363
	<u>36,362</u>

Debt Service:

Principal	17,181
Interest and fees	13,578
	<u>30,759</u>

Total expenditures \$ 908,027

CITY OF YALE

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

June 30, 2009

	<u>Special Revenue Funds</u>			
	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Park Improvement Fund</u>	<u>Cemetery Operating Fund</u>
Assets:				
Cash, cash equivalents and investments	\$ 22,816	\$ 74,319	\$ 37,622	\$ 13,451
Accrued interest receivable	27	48	302	-
Due from other governmental units	13,574	5,574	-	-
Due from other funds	-	-	-	502
Prepaid expenditures	-	-	-	350
Total assets	<u>\$ 36,417</u>	<u>\$ 79,941</u>	<u>\$ 37,924</u>	<u>\$ 14,303</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 882	\$ 883	\$ -	\$ 2,564
Accrued expenses	1,210	299	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>2,092</u>	<u>1,182</u>	<u>-</u>	<u>2,564</u>
Fund balances:				
Reserved for:				
Prepaid expenditures	-	-	-	350
Nonexpendable cemetery principal	-	-	-	-
Unreserved:				
Special revenue funds	<u>34,325</u>	<u>78,759</u>	<u>37,924</u>	<u>11,389</u>
Total fund balances	<u>34,325</u>	<u>78,759</u>	<u>37,924</u>	<u>11,739</u>
Total liabilities and fund balances	<u>\$ 36,417</u>	<u>\$ 79,941</u>	<u>\$ 37,924</u>	<u>\$ 14,303</u>

<i>Special Revenue Funds</i>			<i>Permanent Fund</i>	<i>Total Nonmajor Governmental Funds</i>
<i>Criminal Justice Training Fund</i>	<i>Drug Asset Forfeiture Fund</i>	<i>Library Fund</i>	<i>Cemetery Perpetual Care Fund</i>	
\$ 2,419	\$ 92	\$ 941	\$ 118,433	\$ 270,093
-	-	-	609	986
-	-	-	-	19,148
-	-	-	-	502
-	-	-	-	350
<u>\$ 2,419</u>	<u>\$ 92</u>	<u>\$ 941</u>	<u>\$ 119,042</u>	<u>\$ 291,079</u>
\$ -	\$ -	\$ 930	\$ -	\$ 5,259
-	-	-	-	1,509
-	-	-	502	502
-	-	930	502	7,270
-	-	-	-	350
-	-	-	118,540	118,540
<u>2,419</u>	<u>92</u>	<u>11</u>	<u>-</u>	<u>164,919</u>
<u>2,419</u>	<u>92</u>	<u>11</u>	<u>118,540</u>	<u>283,809</u>
<u>\$ 2,419</u>	<u>\$ 92</u>	<u>\$ 941</u>	<u>\$ 119,042</u>	<u>\$ 291,079</u>

CITY OF YALE

NONMAJOR GOVERNMENTAL FUNDS

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

Year Ended June 30, 2009

	<i>Special Revenue Funds</i>			
	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Park Improvement Fund</i>	<i>Cemetery Operating Fund</i>
Revenues:				
State grants	\$ 84,070	\$ 34,520	\$ -	\$ -
Contributions from other units	-	-	8,945	-
Charges for services	-	-	-	19,644
Interest and rents	126	2,582	1,651	84
Other revenue	-	-	1,635	16,494
Total revenues	<u>84,196</u>	<u>37,102</u>	<u>12,231</u>	<u>36,222</u>
Expenditures:				
Current				
General government	-	-	-	23,185
Public safety	-	-	-	-
Public works	57,881	26,821	-	-
Recreation and culture	-	-	3,070	-
Capital outlay	<u>12,800</u>	<u>-</u>	<u>1,635</u>	<u>12,885</u>
Total expenditures	<u>70,681</u>	<u>26,821</u>	<u>4,705</u>	<u>36,070</u>
Excess (deficiency) of revenues over expenditures	<u>13,515</u>	<u>10,281</u>	<u>7,526</u>	<u>152</u>
Other financing sources (uses):				
Transfers from other funds	-	-	-	3,502
Transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,502</u>
Net change in fund balance	13,515	10,281	7,526	3,654
Fund balances, beginning of year	<u>20,810</u>	<u>68,478</u>	<u>30,398</u>	<u>8,085</u>
Fund balances, end of year	<u>\$ 34,325</u>	<u>\$ 78,759</u>	<u>\$ 37,924</u>	<u>\$ 11,739</u>

<u>Special Revenue Funds</u>			<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Criminal Justice Training Fund</u>	<u>Drug Asset Forfeiture Fund</u>	<u>Library Fund</u>	<u>Cemetery Perpetual Care Fund</u>	
\$ 1,285	\$ -	\$ -	\$ -	\$ 119,875
-	-	-	-	8,945
-	-	-	-	19,644
18	1	56	3,502	8,020
-	-	1,402	7,595	27,126
<u>1,303</u>	<u>1</u>	<u>1,458</u>	<u>11,097</u>	<u>183,610</u>
-	-	-	-	23,185
825	-	-	-	825
-	-	-	-	84,702
-	-	9,292	-	12,362
-	-	2,823	-	30,143
<u>825</u>	<u>-</u>	<u>12,115</u>	<u>-</u>	<u>151,217</u>
<u>478</u>	<u>1</u>	<u>(10,657)</u>	<u>11,097</u>	<u>32,393</u>
-	-	-	-	3,502
-	-	-	(3,502)	(3,502)
-	-	-	(3,502)	-
478	1	(10,657)	7,595	32,393
<u>1,941</u>	<u>91</u>	<u>10,668</u>	<u>110,945</u>	<u>251,416</u>
<u>\$ 2,419</u>	<u>\$ 92</u>	<u>\$ 11</u>	<u>\$ 118,540</u>	<u>\$ 283,809</u>

CITY OF YALE

PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS

June 30, 2009

	<i>Economic Development Fund</i>	<i>Public Improvement Fund</i>	<i>Equipment Fund</i>	<i>Total</i>
Assets:				
<i>Current assets:</i>				
Cash, cash equivalents and investments	\$ 12,246	\$ 53,679	\$ 243,093	\$ 309,018
Accounts receivable	-	1,380	7,167	8,547
Accrued interest receivable	-	74	1,830	1,904
Total current assets	<u>12,246</u>	<u>55,133</u>	<u>252,090</u>	<u>319,469</u>
<i>Noncurrent assets:</i>				
Capital assets:				
Depreciable capital assets, net	-	116,724	472,319	589,043
Investment in Industrial Park	129,917	-	-	129,917
Total noncurrent assets	<u>129,917</u>	<u>116,724</u>	<u>472,319</u>	<u>718,960</u>
Total assets	<u>142,163</u>	<u>171,857</u>	<u>724,409</u>	<u>1,038,429</u>
Liabilities:				
<i>Current liabilities:</i>				
Accounts payable	-	-	10,596	10,596
Accrued expenses	-	-	212	212
Accrued interest payable	-	-	3,504	3,504
Current portion of long-term debt	-	-	26,939	26,939
Total current liabilities	<u>-</u>	<u>-</u>	<u>41,251</u>	<u>41,251</u>
<i>Noncurrent liabilities:</i>				
Long-term debt	-	-	134,179	134,179
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>134,179</u>	<u>134,179</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>175,430</u>	<u>175,430</u>
Net assets:				
Invested in capital assets, net of related debt	-	116,724	311,201	427,925
Unrestricted	142,163	55,133	237,778	435,074
Total net assets	<u>\$ 142,163</u>	<u>\$ 171,857</u>	<u>\$ 548,979</u>	<u>\$ 862,999</u>

CITY OF YALE

PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended June 30, 2009

	<i>Economic Development Fund</i>	<i>Public Improvement Fund</i>	<i>Equipment Fund</i>	<i>Total</i>
Operating revenues:				
Charges for services	\$ -	\$ -	\$ 12,600	\$ 12,600
Equipment rental	-	-	81,225	81,225
Total operating revenues	<u>-</u>	<u>-</u>	<u>93,825</u>	<u>93,825</u>
Operating expenses:				
Personnel	-	-	13,604	13,604
Fringe benefits	-	-	4,246	4,246
Supplies	-	-	9,367	9,367
Contracted services	27,440	-	575	28,015
Repair and maintenance	-	-	19,986	19,986
Other services and supplies	-	-	210	210
Depreciation	-	3,355	65,459	68,814
Total operating expenses	<u>27,440</u>	<u>3,355</u>	<u>113,447</u>	<u>144,242</u>
Operating income (loss)	<u>(27,440)</u>	<u>(3,355)</u>	<u>(19,622)</u>	<u>(50,417)</u>
Non-operating revenues (expenses):				
Interest income	651	2,089	11,038	13,778
Rental income	-	15,567	-	15,567
Gain (loss) from sale of capital assets	-	-	(4,569)	(4,569)
Interest expense	-	-	(7,636)	(7,636)
Net non-operating revenues (expenses)	<u>651</u>	<u>17,656</u>	<u>(1,167)</u>	<u>17,140</u>
Net income (loss) before transfers	<u>(26,789)</u>	<u>14,301</u>	<u>(20,789)</u>	<u>(33,277)</u>
Transfers to other funds	<u>-</u>	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>
Net income (loss)	(26,789)	(35,699)	(20,789)	(83,277)
Net assets, beginning of year	<u>168,952</u>	<u>207,556</u>	<u>569,768</u>	<u>946,276</u>
Net assets, end of year	<u>\$ 142,163</u>	<u>\$ 171,857</u>	<u>\$ 548,979</u>	<u>\$ 862,999</u>

CITY OF YALE

PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

Year Ended June 30, 2009

	<i>Economic Development Fund</i>	<i>Public Improvement Fund</i>	<i>Equipment Fund</i>	<i>Total</i>
Cash flows from operating activities:				
Cash received from customers	\$ -	\$ (1,380)	\$ 11,323	\$ 9,943
Cash received (paid) interfund	(34,270)	-	81,225	46,955
Cash payments to employees	-	-	(13,661)	(13,661)
Cash payments to suppliers for goods and services	(27,440)	-	(25,993)	(53,433)
Net cash provided (used) by operating activities	(61,710)	(1,380)	52,894	(10,196)
Cash flows from non-capital financing activities:				
Transfers to other funds	-	(50,000)	-	(50,000)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	-	(8,510)	(38,118)	(46,628)
Gain (loss) from sale of capital assets	-	-	(4,569)	(4,569)
Principal payments on capital debt	-	-	(26,382)	(26,382)
Interest paid on capital debt	-	-	(8,318)	(8,318)
Net cash used by capital and related financing activities	-	(8,510)	(77,387)	(85,897)
Cash flows from investing activities:				
Interest received	755	2,326	11,171	14,252
Rental income	-	15,567	-	15,567
Net cash provided by investing activities	755	17,893	11,171	29,819
Net increase (decrease) in cash, cash equivalents and investments	(60,955)	(41,997)	(13,322)	(116,274)
Cash, cash equivalents and investments, beginning of year	73,201	95,676	256,415	425,292
Cash, cash equivalents and investments, end of year	\$ 12,246	\$ 53,679	\$ 243,093	\$ 309,018

continued

CITY OF YALE

PROPRIETARY FUNDS – INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS, CONTINUED

Year Ended June 30, 2009

	<i>Economic Development Fund</i>	<i>Public Improvement Fund</i>	<i>Equipment Fund</i>	<i>Total</i>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (27,440)	\$ (3,355)	\$ (19,622)	\$ (50,417)
Adjustments:				
Depreciation	-	3,355	65,459	68,814
Change in assets and liabilities:				
Accounts receivable	-	(1,380)	(4,827)	(6,207)
Due from other funds	-	-	3,550	3,550
Accounts payable	-	-	8,391	8,391
Accrued expenses	-	-	(57)	(57)
Due to other governmental units	(34,270)	-	-	(34,270)
Net cash provided (used) by operating activities	<u>\$ (61,710)</u>	<u>\$ (1,380)</u>	<u>\$ 52,894</u>	<u>\$ (10,196)</u>

CITY OF YALE

COMPONENT UNITS COMBINING BALANCE SHEET

June 30, 2009

	<i>Downtown Development Authority</i>	<i>Local Development Finance Authority</i>	<i>Total</i>
Assets:			
Cash, cash equivalents and investments	\$ 95,109	\$ 54,507	\$ 149,616
Accrued interest receivable	137	99	236
Due from other governmental units	145	-	145
Total assets	<u>\$ 95,391</u>	<u>\$ 54,606</u>	<u>\$ 149,997</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 501	\$ -	\$ 501
Total liabilities	<u>501</u>	<u>-</u>	<u>501</u>
Fund balances:			
Unreserved	<u>94,890</u>	<u>54,606</u>	<u>149,496</u>
Total fund balances	<u>94,890</u>	<u>54,606</u>	<u>149,496</u>
Total liabilities and fund balances	<u>\$ 95,391</u>	<u>\$ 54,606</u>	<u>\$ 149,997</u>

CITY OF YALE

COMPONENT UNITS

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

Year Ended June 30, 2009

	<i><u>Downtown Development Authority</u></i>	<i><u>Local Development Finance Authority</u></i>	<i><u>Total</u></i>
Revenues:			
Property taxes	\$ 68,825	\$ 27,884	\$ 96,709
Interest and rents	1,962	1,355	3,317
Other revenue	<u>190</u>	<u>27,440</u>	<u>27,630</u>
Total revenues	<u>70,977</u>	<u>56,679</u>	<u>127,656</u>
Expenditures:			
Current			
Community and economic development	<u>40,929</u>	<u>27,863</u>	<u>68,792</u>
Total expenditures	<u>40,929</u>	<u>27,863</u>	<u>68,792</u>
Net change in fund balances	30,048	28,816	58,864
Fund balances, beginning of year	<u>64,842</u>	<u>25,790</u>	<u>90,632</u>
Fund balances, end of year	<u>\$ 94,890</u>	<u>\$ 54,606</u>	<u>\$ 149,496</u>

CITY OF YALE

FIDUCIARY FUNDS – AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

June 30, 2009

	<u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2009</u>
<u>Payroll Fund</u>				
Assets				
Cash and cash equivalents	\$ 1,722	\$ 678,119	\$ 679,644	\$ 197
Liabilities				
Accounts payable and accrued expenses	\$ 1,722	\$ 678,119	\$ 679,644	\$ 197
<u>Current Tax Collection Fund</u>				
Assets				
Cash and cash equivalents	\$ 556,297	\$ 1,775,718	\$ 2,175,787	\$ 156,228
Liabilities				
Undistributed tax collections	\$ 556,297	\$ 1,775,718	\$ 2,175,787	\$ 156,228
Total liabilities	\$ 556,297	\$ 1,775,718	\$ 2,175,787	\$ 156,228
<u>Total Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 558,019	\$ 2,453,837	\$ 2,855,431	\$ 156,425
Total assets	\$ 558,019	\$ 2,453,837	\$ 2,855,431	\$ 156,425
Liabilities				
Accounts payable and accrued expenses	\$ 1,722	\$ 678,119	\$ 679,644	\$ 197
Undistributed tax collections	556,297	1,775,718	2,175,787	156,228
Total liabilities	\$ 558,019	\$ 2,453,837	\$ 2,855,431	\$ 156,425

CITY OF YALE

GOVERNMENTAL ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2009

2001 PURCHASE CONTRACT - FIRE TRUCK

Issue dated October 12, 2001 in the amount of	\$	185,000
Less: Principal paid in prior years		(72,500)
Principal paid in current year		<u>(12,500)</u>
Balance payable at June 30, 2009	\$	<u>100,000</u>

<i>Fiscal Year Ended</i>	<i>Rate</i>	<i>Principal October 1</i>	<i>Interest October 1</i>	<i>Interest April 1</i>	<i>Total Annual Requirement</i>
2010	4.75%	\$ 12,500	\$ 2,375	\$ 2,078	\$ 16,953
2011	4.75%	12,500	2,078	1,781	16,359
2012	4.75%	12,500	1,781	1,484	15,765
2013	4.75%	15,000	1,484	1,128	17,612
2014	4.75%	15,000	1,128	772	16,900
2015	4.75%	15,000	772	416	16,188
2016	4.75%	<u>17,500</u>	<u>416</u>	<u>-</u>	<u>17,916</u>
		<u>\$ 100,000</u>	<u>\$ 10,034</u>	<u>\$ 7,659</u>	<u>\$ 117,693</u>

Note: The Equipment Fund is obligated for this debt.

2007 LOAN - STREET SWEEPER

Issue dated July 10, 2007 in the amount of	\$	75,000
Less: Principal paid in prior years		-
Principal paid in current year		<u>(13,882)</u>
Balance payable at June 30, 2009	\$	<u>61,118</u>

<i>Fiscal Year Ended</i>	<i>Rate</i>	<i>Principal July 10</i>	<i>Interest July 10</i>	<i>Total Annual Requirement</i>
2010	3.96%	\$ 14,439	\$ 2,417	\$ 16,856
2011	3.96%	15,008	1,848	16,856
2012	3.96%	15,602	1,254	16,856
2013	3.96%	<u>16,069</u>	<u>637</u>	<u>16,706</u>
		<u>\$ 61,118</u>	<u>\$ 6,156</u>	<u>\$ 67,274</u>

Note: The Equipment Fund is obligated for this debt.

CITY OF YALE

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

June 30, 2009

2006 MUNICIPAL PURCHASE AGREEMENT - PROPERTY

Issue dated August 21, 2006 in the amount of	\$	320,000
Less: Principal paid in prior years		(15,329)
Principal paid in current year		<u>(17,181)</u>
Balance payable at June 30, 2009	\$	<u>287,490</u>

<u>Year Ended</u>	<u>Rate</u>	<u>Principal July 1</u>	<u>Interest July 1</u>	<u>Total Annual Requirement</u>
2010	4.99%	\$ 16,420	\$ 14,340	\$ 30,760
2011	4.99%	17,234	13,526	30,760
2012	4.99%	18,093	12,667	30,760
2013	4.99%	18,996	11,764	30,760
2014	4.99%	19,944	10,816	30,760
2015	4.99%	20,939	9,821	30,760
2016	4.99%	21,984	8,776	30,760
2017	4.99%	23,081	7,679	30,760
2018	4.99%	24,233	6,527	30,760
2019	4.99%	25,442	5,318	30,760
2020	4.99%	26,712	4,048	30,760
2021	4.99%	28,045	2,715	30,760
2022	4.99%	<u>26,367</u>	<u>1,316</u>	<u>27,683</u>
		<u>\$ 287,490</u>	<u>\$ 109,313</u>	<u>\$ 396,803</u>

Note: The General Fund is obligated for this debt.

CITY OF YALE

BUSINESS-TYPE ACTIVITIES
SCHEDULE OF INDEBTEDNESS

June 30, 2009

1993 GENERAL OBLIGATION BOND (COUNTY OF ST. CLAIR) - PROJECT 5086-01

Issue dated March 12, 1993 in the amount of	\$ 2,486,552
Less: Principal paid in prior years	(1,631,552)
Principal paid in current year	<u>(135,000)</u>
Balance payable at June 30, 2009	<u>\$ 720,000</u>

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Principal October 1</u>	<u>Interest October 1</u>	<u>Interest April 1</u>	<u>Total Annual Requirement</u>
2010	2.00%	\$ 140,000	\$ 7,200	\$ 5,800	\$ 153,000
2011	2.00%	140,000	5,800	4,400	150,200
2012	2.00%	145,000	4,400	2,950	152,350
2013	2.00%	145,000	2,950	1,500	149,450
2014	2.00%	<u>150,000</u>	<u>1,500</u>	<u>-</u>	<u>151,500</u>
		<u>\$ 720,000</u>	<u>\$ 21,850</u>	<u>\$ 14,650</u>	<u>\$ 756,500</u>

Note: The Sewer Fund is obligated for this debt.

CITY OF YALE

BUSINESS-TYPE ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2009

2001 WATER SUPPLY SYSTEM REVENUE BOND

Issue dated October 1, 2001 in the amount of	\$ 1,857,000
Less: Principal paid in prior years	(289,000)
Principal paid in current year	<u>(50,000)</u>
Balance payable at June 30, 2009	<u>\$ 1,518,000</u>

<u>Year Ended</u>	<u>Rate</u>	<u>Principal October 1</u>	<u>Interest October 1</u>	<u>Interest April 1</u>	<u>Total Annual Requirement</u>
2010	4.875%	\$ 20,000	\$ 37,001	\$ 36,514	\$ 93,515
2011	4.875%	22,000	36,514	35,977	94,491
2012	4.875%	24,000	35,977	35,392	95,369
2013	4.875%	25,000	35,392	34,783	95,175
2014	4.875%	26,000	34,783	34,149	94,932
2015	4.875%	27,000	34,149	33,491	94,640
2016	4.875%	28,000	33,491	32,809	94,300
2017	4.875%	29,000	32,809	32,102	93,911
2018	4.875%	30,000	32,102	31,371	93,473
2019	4.875%	32,000	31,371	30,591	93,962
2020	4.875%	33,000	30,591	29,786	93,377
2021	4.875%	35,000	29,786	28,933	93,719
2022	4.875%	37,000	28,933	28,031	93,964
2023	4.875%	38,000	28,031	27,105	93,136
2024	4.875%	40,000	27,105	26,130	93,235
2025	4.875%	42,000	26,130	25,106	93,236
2026	4.875%	44,000	25,106	24,034	93,140
2027	4.875%	46,000	24,034	22,912	92,946
2028	4.875%	48,000	22,912	21,742	92,654
2029	4.875%	51,000	21,742	20,499	93,241
2030	4.875%	53,000	20,499	19,207	92,706
2031	4.875%	56,000	19,207	17,842	93,049
2032	4.875%	59,000	17,842	16,404	93,246
2033	4.875%	61,000	16,404	14,917	92,321
2034	4.875%	64,000	14,917	13,357	92,274
2035	4.875%	67,000	13,357	11,724	92,081
2036	4.875%	71,000	11,724	9,994	92,718
2037	4.875%	74,000	9,994	8,190	92,184
2038	4.875%	78,000	8,190	6,289	92,479
2039	4.875%	82,000	6,289	4,290	92,579
2040	4.875%	86,000	4,290	2,194	92,484
2041	4.875%	90,000	2,194	-	92,194
		<u>\$ 1,518,000</u>	<u>\$ 752,866</u>	<u>\$ 715,865</u>	<u>\$ 2,986,731</u>

Note: The Water Fund is obligated for this debt.



**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 the financial statements of the City of Yale as of and for the year ended June 30, 2009, and have issued our report thereon dated September 22, 2009. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Yale's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We identified deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, as follows:

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 government 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 government has placed reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government'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 government to perform these tasks internally.

Effect: As a result of this condition, the government 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 government 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 government 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Berthiaume & Co.

Saginaw, Michigan
September 22, 2009



REQUIRED COMMUNICATION TO THE CITY OF YALE IN ACCORDANCE WITH PROFESSIONAL STANDARDS

To the City Council
City of Yale

We have audited 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 for the year ended June 30, 2009, and have issued our report thereon dated September 22, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 20, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Yale are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 22, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Internal Control Matters

In planning and performing our audit of the financial statements of the City of Yale as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Yale's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Municipality's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the Municipality's financial statements that is more than inconsequential will not be prevented or detected by the Municipality's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Municipality's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above.

Deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, follow:

Recording, Processing and Summarizing Accounting Data

Criteria: All governments are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements. SAS No. 112 requires us to communicate with you about this.

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

Cause: This condition was caused by the government'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 government to perform these tasks internally.

Effect: As a result of this condition, the government lacks internal controls over the recording, processing, 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 government has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

This communication is intended solely for the information and use of management, Council, and others within the Municipality, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants
Saginaw, Michigan

September 22, 2009