

TOWN OF CALVIN, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2010

Ralph Osborn
Certified Public Accountant
500 South Chestnut
P.O. Box 1015
Bristow, Oklahoma 74010-1015

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the Board of Trustees
Town of Calvin, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Calvin, Oklahoma as of and for the year ended June 30, 2010, which collectively comprise the Town of Calvin, Oklahoma's basic financial statements. These financial statements are the responsibility of Town of Calvin, Oklahoma's management. My responsibility is to express an opinion on these financial statements based on my audit.

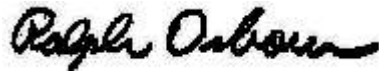
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Town of Calvin, Oklahoma as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, in conformity with accounting principles generally accepted in the United States of America.

The Town of Calvin, Oklahoma has not presented Management's Discussion and Analysis or budgetary comparisons that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 30, 2012, on my consideration of Town of Calvin, Oklahoma's internal control over financial reporting and on my 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 conjunction with this report in assessing the results of my audit.

My audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Town of Calvin, Oklahoma's financial statements of the Town taken as a whole. The combining financial statements presented for purposes of additional analysis are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Ralph Osborn". The signature is written in a cursive, slightly slanted style.

Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
October 30, 2012

TOWN OF CALVIN, OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 157,790	\$ 7,547	\$ 165,337
Investments	60,490	-	60,490
Restricted cash and equivalents	-	16,076	16,076
Committed cash and equivalents	-	16,705	16,705
Accounts receivable, net	-	19,399	19,399
Due from other governments	11,697	-	11,697
Internal balances	(48,864)	48,864	-
Capital assets:			
Land	19,950	95,000	114,950
Other capital assets, net of depreciation	150,771	564,157	714,928
Total assets	351,834	767,748	1,119,582
LIABILITIES:			
Accounts payable and accrued liabilities	11,664	1,421	13,085
Meter deposit liability	-	9,785	9,785
Long-term liabilities:			
Due within one year	-	31,527	31,527
Due in more than one year	-	113,703	113,703
Total liabilities	11,664	156,436	168,100
NET ASSETS:			
Non-spendable	133,554	582,190	715,744
Restricted for debt service	-	16,076	16,076
Committed for meter deposits	-	15,162	15,162
Committed for emergency fund	-	1,542	1,542
Assigned	8,902	(3,658)	5,244
Unrestricted	197,714	-	197,714
Total net assets	\$ 340,170	\$ 611,312	\$ 951,482

See accompanying notes to the basic financial statements.

TOWN OF CALVIN, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>		
				<u>Primary Government</u>		
				<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary Government:						
Governmental activities:						
General government	\$ 211,847	\$ -	\$ -	\$ (211,847)	\$ -	\$ (211,847)
Community services	-	-	-	-	-	-
Total governmental activities	<u>211,847</u>	<u>-</u>	<u>-</u>	<u>(211,847)</u>	<u>-</u>	<u>(211,847)</u>
Business-type activities:						
Utilities	<u>182,945</u>	<u>187,160</u>	<u>14,512</u>	<u>-</u>	<u>18,727</u>	<u>18,727</u>
Total business-type activities	<u>182,945</u>	<u>187,160</u>	<u>14,512</u>	<u>-</u>	<u>18,727</u>	<u>18,727</u>
Total primary government	<u>\$ 394,792</u>	<u>\$ 187,160</u>	<u>\$ 14,512</u>	<u>(211,847)</u>	<u>18,727</u>	<u>(193,120)</u>
General revenues:						
Taxes:						
Sales and use taxes				144,790	-	144,790
Franchise taxes				6,784	-	6,784
Cigarette taxes				1,830	-	1,830
Liquor taxes				2,786	-	2,786
Gasoline taxes				492	-	492
Commercial vehicle tax				2,499	-	2,499
Fines and court fees				64,263	-	64,263
Investment income				893	127	1,020
Royalties				18,000	-	18,000
Miscellaneous				15,785	-	15,785
Transfers - Internal activity				(2,050)	2,050	-
Total general revenues				<u>256,072</u>	<u>2,177</u>	<u>258,249</u>
Change in net assets				44,225	20,904	65,129
Net assets - beginning				<u>295,945</u>	<u>590,408</u>	<u>886,353</u>
Net assets - ending				<u>\$ 340,170</u>	<u>\$ 611,312</u>	<u>\$951,482</u>

See accompanying notes to the basic financial statements.

TOWN OF CALVIN, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General	Street And Alley	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 148,888	\$ 8,902	\$ 157,790
Investments	60,490	-	60,490
Receivables:			
Due from other governments	11,697	-	11,697
Total assets	\$ 221,075	\$ 8,902	\$ 229,977
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 11,664	-	\$ 11,664
Due to other funds	48,864	-	48,864
Total liabilities	60,528	-	60,528
Fund Balances:			
Non-spendable	-	-	-
Assigned	-	8,902	8,902
Unreserved	160,547	-	160,547
Total fund balances	160,547	8,902	169,449
Total liabilities and fund balances	\$ 221,075	\$ 8,902	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund, net of accumulated depreciation of \$151,068.	170,721
Net assets of governmental activities	\$ 340,170

See accompanying notes to the basic financial statements.

TOWN OF CALVIN, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 156,190	\$ 2,991	\$ 159,181
Fines and court fees	64,263	-	64,263
Investment income	893	-	893
Royalties	18,000	-	18,000
Miscellaneous	15,785	-	15,785
Total revenues	<u>255,131</u>	<u>2,991</u>	<u>258,122</u>
Expenditures:			
Administration	197,089	-	197,089
Capital outlay	38,842	-	38,842
Total expenditures	<u>235,931</u>	<u>-</u>	<u>235,931</u>
Excess of revenues over expenditures	19,200	2,991	22,191
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	(2,050)	-	(2,050)
Total other financing sources (uses)	<u>(2,050)</u>	<u>-</u>	<u>(2,050)</u>
Net change in fund balances	17,150	2,991	20,141
Fund balances-beginning	<u>143,397</u>	<u>5,911</u>	<u>149,308</u>
Fund balances-ending	<u>\$ 160,547</u>	<u>\$ 8,902</u>	<u>\$ 169,449</u>

See accompanying notes to the basic financial statements.

TOWN OF CALVIN, OKLAHOMA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds \$ 20,141

Amounts reported for governmental activities in the Statement
 of Activities are different because:

Governmental funds report capital outlays as expenditures
 while governmental activities report depreciation expense
 to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	38,842	
Depreciation expense	<u>(14,758)</u>	
		<u>24,084</u>

Change in net assets of governmental activities \$ 44,225

See accompanying notes to the basic financial statements.

TOWN OF CALVIN, OKLAHOMA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

	<u>Calvin Public Works Authority</u>
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 7,547
Due from other funds	48,864
Accounts receivable, net	<u>19,399</u>
Total current assets	<u>75,810</u>
Noncurrent Assets:	
Restricted cash and cash equivalents	16,076
Committed cash and cash equivalents	16,705
Land	95,000
Capital assets, net of depreciation	<u>564,157</u>
Total noncurrent assets	<u>691,938</u>
Total assets	<u><u>767,748</u></u>
LIABILITIES:	
Current Liabilities:	
Accounts payable and accrued liabilities	1,421
Meter deposit liabilities	9,785
Lease obligation - current portion	22,451
Notes payable - current portion	<u>9,076</u>
Total current liabilities	<u>42,733</u>
Noncurrent liabilities:	
Lease obligation	5,576
Notes payable	<u>108,127</u>
Total noncurrent liabilities	<u>113,703</u>
Total liabilities	<u>156,436</u>
Non-spendable	582,190
Restricted for debt service reserve	16,076
Committed for meter deposits	15,162
Committed for emergency fund	1,542
Assigned	<u>(3,658)</u>
Total net assets	<u><u>\$ 611,312</u></u>

See accompanying notes to the basic financial statements.

TOWN OF CALVIN, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Calvin Public Works Authority
Operating Revenues:	
Water	\$ 81,996
Sewer	18,728
Sanitation	85,886
Penalties & fees	550
Total operating revenues	<u>187,160</u>
Operating Expenses:	
Wages	57,609
Payroll taxes	4,757
Insurance	-
Maintenance & supplies	27,173
Miscellaneous	9,273
Postage	1,723
Telephone	4,905
License and testing	-
Landfill	13,128
Utilities	8,334
Depreciation	47,891
Total operating expense	<u>174,793</u>
Net Operating Income (Loss)	<u>12,367</u>
Non-Operating Revenues (Expenses):	
Grant	14,512
Investment income	127
Interest expense	(8,152)
Total non-operating revenues (expenses)	<u>6,487</u>
Net income (loss) before contributions and transfers	18,854
Transfer in (out)	2,050
Change in net assets	20,904
Total net assets - beginning	<u>590,408</u>
Total net assets - ending	<u><u>\$ 611,312</u></u>

See accompanying notes to the basic financial statements.

TOWN OF CALVIN, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Calvin Public Works Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 187,160
Payments to suppliers	(90,202)
Payments to employees	(57,609)
Net Cash Provided by Operating Activities	<u>39,349</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfer other funds	<u>2,050</u>
Net Cash Provided Used by Non-Capital Financing Activities	<u>2,050</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Received from CDBG Grant	14,512
Acquisition of property, plant & equipment	(27,674)
Principal paid on capital debt	(30,344)
Interest paid on capital debt	(8,152)
Net Cash Used by Capital and Related Financing Activities	<u>(51,658)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Transfers to restricted and reserved cash	(2,661)
Interest income	127
Net Cash Provided by Investing Activities	<u>(2,534)</u>
Net Decrease in Cash and Cash Equivalents	(12,793)
Cash and Cash Equivalents - beginning of the year	<u>20,340</u>
Cash and Cash Equivalents - end of the year	<u>\$ 7,547</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating income (loss)	\$ 12,367
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	47,891
Change in assets and liabilities:	
(Increase)/decrease in accounts receivable	(13,176)
(Increase)/decrease in due from other funds	-
Increase/(decrease) in meter deposit liability	-
Increase/(decrease) in accounts payable	(7,733)
Net Cash Provided by Operating Activities	<u>\$ 39,349</u>

See accompanying notes to the basic financial statements.

TOWN OF CALVIN
Calvin, Oklahoma
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as discussed in Note 1.C., the Town complies with accounting principles generally accepted in the United States of America (GAAP). These accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For business-type activities and enterprise funds, GASB Statement Nos. 20 and 34 provide the Town the option of electing to apply FASB pronouncements issued after November 30, 1989. The Town has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1.A. FINANCIAL REPORTING ENTITY

The Town's financial reporting entity is comprised of the following:

Primary Government:	Town of Calvin
Blended Component Unit	Town of Calvin Public Works Authority

In determining the financial reporting entity, the Town complies with the provisions of Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity, and includes all component units of which the Town is fiscally accountable.

The component unit is a Public Trust established pursuant to Title 60 of Oklahoma State Law. A Public Trust (Authority) has no taxing power. The Authority is generally created to finance Town services through issuance of revenue bonds or other non-general obligation debt and to enable the Board of Trustees to delegate certain functions to the governing body (Trustees) of the Authority debt or other Authority generated resources. In addition, in most cases, the Town has leased certain existing assets at the creation of the Authority to the Trustees on a long-term basis. The Town, as beneficiary of the Public Trust, receives title to any residual assets when a Public Trust is dissolved.

BLENDDED COMPONENT UNITS

Blended component units are separate legal entities that meet the GASB 14 component unit criteria and whose governing body is the same or substantially the same as the Board of Trustees or the component unit provides services entirely to the Town. The component units' funds are blended into the Town's by appropriate fund type to comprise the primary government presentation. The component unit that is blended into the primary government's fund types of the Town's report is present below:

TOWN OF CALVIN
 Calvin, Oklahoma
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>	<u>Included Funds</u>
Calvin Public Works Authority (CPWA)	Created to finance, develop and operate the water, sewer, and solid waste activities of the Town. Current Board of Trustees serves as entire governing body (Trustees) of the Authority.	CPWA Enterprise Fund

1.B. BASIS OF PRESENTATION

Government-Wide Financial Statements:

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all financial activities of the reporting entity except for fiduciary activities. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between the expenses and program revenues directly associated with the different governmental functions and business-type activities to arrive at the net revenue or expense of the function or activity prior to the use of taxes and other general revenues. Program revenues include (1) fees, fines, and service charges generated by the program or activity, (2) operating grants and contributions that are restricted to meeting the operational requirements of the program or activity, and (3) capital grants and contributions that are restricted to meeting the capital requirements of the program or activity.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds with the governmental and proprietary categories.

A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

TOWN OF CALVIN
Calvin, Oklahoma
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

GOVERNMENTAL FUNDS

General Fund

The General Fund is the primary operating fund of the Town. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. The General Fund is reported as a major governmental fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes. The reporting entity includes the following special revenue fund:

<u>Fund</u>	<u>Brief Description</u>
Street and Alley Fund	Accounts for gasoline excise tax and commercial vehicle tax restricted by state law for street and alley improvements.

ENTERPRISE FUNDS

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund, which is reported as major fund:

<u>Fund</u>	<u>Brief Description</u>
Calvin Public Works Authority Fund	Accounts for the activities of the public trust in providing water, sewer, and solid waste services to the public.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

Government-Wide, Proprietary and Fiduciary Fund Financial Statements

In the government-wide Statement of Net Assets and the Statement of Activities, and the proprietary and fiduciary fund statements the "economic resources" measurement focus is applied. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported.

TOWN OF CALVIN
Calvin, Oklahoma
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

Governmental Fund Financial Statements

In the governmental fund financial statements, a "current financial resources" measurement focus is applied. Under this focus, only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recorded when due. All proprietary and fiduciary funds utilize the accrual basis of accounting.

1.D. ASSETS, LIABILITIES AND EQUITY

Cash and Cash Equivalents

Cash and cash equivalents include all demand accounts, savings accounts, money market investment in trust accounts, certificates of deposit and short-term investments with an original maturity of three months or less. Investments in open-ended mutual fund shares are also considered cash.

Investments

Investments classified on the balance sheet consist entirely of certificates of deposit whose original maturity term exceeds three months. Investments are carried at cost. Additional cash and investment disclosures are presented in note 2.B. and Note 3.A.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants and fines. Business-type activities report utilities and interest earnings as its major receivables.

TOWN OF CALVIN
Calvin, Oklahoma
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, fines and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings comprise the majority of proprietary fund receivable. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inter-fund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that result in amounts being owed between funds. Those related to goods and services type transaction are classified as "due to and from other funds." Short-term inter-fund loans are reported as "inter-fund receivables and payables". Long-term inter-fund loans (non-current portion) are reported as "advances from and to other funds."

Inventories

Inventories are valued at average cost. The cost of governmental funds inventories are recorded as expenditures when consumed rather than when purchased. This practice is consistent with previous years and does not have a material impact on the financial statements.

Restricted Assets

Restricted assets reported in the fund financial statements include current assets of enterprise funds and similar discretely presented component units that are legally restricted as to their use. The primary restricted assets are related to utility customer deposits, debt reserves and revenue bond trustee accounts.

Capital Assets and Depreciation

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements:

In the government-wide financial statements, property, plant and equipment are accounted for as capital assets. There are no available detailed capital asset records for the governmental activities or the business-type activities that contain a complete detail of all property and equipment still in service. Therefore, the capital assets reported in the financial statements represent estimates of cost of assets still in service. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

TOWN OF CALVIN
Calvin, Oklahoma
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

The Town's governmental activities' infrastructure assets were not capitalized. These assets are not reported on the statement of net assets.

Depreciation of all exhaustible capital assets with a cost of \$1,500 or more is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

<u>Assets</u>	<u>Life</u>
Buildings	40 years
Building improvements	40 years
Vehicles	5-10 years
Machinery and equipment	10-20 years
Computer equipment	3-10 years

In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures.

Governmental Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for as assets and depreciated the same as in the government-wide statements.

Long-Term Debt

Accounting treatment of long-term debt varies depending upon the source of repayment and whether the debt is reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources and business-type and similar discretely presented component unit resources are reported as liabilities in the government-wide statements. The long-term debt consists of notes payable and revenue bonds payable.

Equity Classifications

Government-Wide Financial Statements:

Equity is classified as net assets and displayed in five components:

1. Non-spendable - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, and any other assets in a non-spendable form such as inventories and accounts receivable

TOWN OF CALVIN
Calvin, Oklahoma
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

2. Restricted - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
3. Committed - Consists of net assets constrained for a specific purpose by a government using its highest level of decision-making authority. It would require action by the same group to remove or change the constraints placed on the resources.
4. Assigned - Any remaining positive equity in all funds except the general fund and any amount in the general fund constrained for the intent to be used for a specific purpose by the governing body
5. Unassigned net assets - All other net assets that do not meet the definition of "non-spendable", "restricted", or "assigned"

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, reserved, assigned, and unassigned. The reservations include reserves for encumbrances. Proprietary fund equity is classified the same as in the government-wide statements.

1.E. REVENUES, EXPENDITURES AND EXPENSES

Sales Tax

The Town presently levies a three-cent sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors.

Property Tax

At the present time, the Town levies no property tax. Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and court-assessed judgments.

Program Revenues

In the Statement of Activities, revenues are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues. The Town has the following program revenues in each activity:

General Government	Licenses and permits and rental income.
Public Safety	Fine revenue operating and capital grants and contributions
Street & Public Works	Commercial vehicle and gasoline excise tax shared by the State.

TOWN OF CALVIN
Calvin, Oklahoma
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds and similar discretely presented component unit are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are reported on the accrual basis and are classified by function for both governmental and business-type activities. In the fund financial statements, expenditures/expenses are classified as follows:

- | | |
|--|--|
| Governmental Funds - By Character: | Current (further classified by activity) |
| | Capital outlay |
| | Debt service |
| Proprietary Funds - By Operating and Non-Operating | |

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

1.F. USE OF ESTIMATES

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

1.G. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

In the process of aggregating the financial information for the government-wide statement of net assets and statement of activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements:

Inter-fund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Inter-fund loans - amounts provided with a requirement for repayment are reported as inter-fund receivables and payables.
2. Inter-fund services - sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Inter-fund reimbursements - repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Inter-fund transfers - flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

TOWN OF CALVIN
Calvin, Oklahoma
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unity, the Town and its component units are subject to various federal, state and local laws and contractual regulations. An analysis of the Town's compliance with significant laws and regulations and demonstration of its stewardship over Town resources follows:

2.A. FUND ACCOUNTING REQUIREMENTS

The Town complies, in all material respects, with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the Town include the following:

<u>Fund</u>	<u>Required By</u>
Public Works Authority	Bond Indenture

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee. As reflected in Note 3.A., all deposits were fully insured or collateralized.

Investments of a Town (excluding Public Trusts) are limited by State law to the following:

1. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged.
2. Certificates of deposit or savings accounts either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
3. With certain limitation, negotiable certificates of deposit, prime banker's acceptances, prime commercial paper and repurchase agreements with certain limitations.
4. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.

TOWN OF CALVIN
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NOTES TO BASIC FINANCIAL STATEMENTS
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5. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
6. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c. and d.

Public trusts created under O.S. Title 60, are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2010, the Town and its public trusts complied, in all material respects, with these investment restrictions.

2.C. REVENUE RESTRICTIONS

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Gasoline Excise	Street & Alley Purposes
Commercial Vehicle Tax	Street & Alley Purposes
Water & Sewer Revenue	Debt Service & Utility operations

General Long-Term Debt

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of net assessed valuation. For the year ended June 30, 2010, the Town had no general obligation debt outstanding.

Other Long-Term Debt

As required by the Oklahoma State Constitution, the Town (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. As of June 30, 2010, the Town had no note obligations payable.

Revenue Bond Debt

The various bond indentures and loan agreements relating to the revenue bond issuances and Rural Utility Service, formerly known as FmHA, loans of the Calvin Public Works Authority contain a number of restrictions or covenants that are financial related.

TOWN OF CALVIN
Calvin, Oklahoma
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

Deficit Prohibition

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. For the year ended June 30, 2010, the Town had not incurred a fund balance deficit in any individual fund.

2.D. BUDGETARY COMPLIANCE

The Town prepares its annual operating budget under the provision of the Municipal Budget Act (the "Budget Act"). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, a proposed budget is submitting to the Board of Trustee's for the fiscal year commencing the following July 1.
- b. Public hearings are conducted to obtain citizens comments. At least one public hearing must be held no later than 15 days prior to July 1.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is adopted by resolution of the Board of Trustee's.
- d. The adopted budget is filed with the office of State Auditor and Inspector within 30 days of the start of the year.

The legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund.

All transfers of appropriations between departments and supplemental appropriations require Board of Trustee's approval. Supplemental appropriations much also be filed with the Office of State Auditor and Inspector.

NOTE 3. DETAIL NOTES-TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues and expenditures/expenses.

TOWN OF CALVIN
Calvin, Oklahoma
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

3.A. DEPOSITS AND INVESTMENT

Schedule of Deposit and Investments by type as of June 30, 2010:

Primary government Type	Fair Value	Maturities in Years		
		On Demand	Less Than One	More Than One
Demand Accounts	\$ 198,118	\$ 198,118	\$ -	\$ -
Subtotal	\$ 198,118	<u>\$ 198,118</u>	<u>\$ -</u>	<u>\$ -</u>
Certificates of Deposit	<u>60,490</u>			
Total Investments and Deposits	<u>\$ 258,608</u>			
Reconciliation to Statement of net Assets:				
Cash & Cash Equivalents	\$ 165,337			
Investments	60,490			
Restricted Cash & Equivalents	16,076			
Committed Cash & Equivalents	16,705			
Investments	<u>-</u>			
Total	<u>\$ 258,608</u>			

Primary Government Deposits:

Investment Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy to manage exposure to fair value losses arising from increasing interest rates. The Town discloses its exposure to interest rate risk by disclosing the maturity dates of its various instruments.

Custodial Credit Risk:

Exposure to custodial credit risk related to deposits exists when the Town hold deposits that are uninsured and uncollateralized; collateralization with securities held by the pledging financial institution, or by its trust department or agent but not in the Town's name, or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the Town holds investments that are uninsured and unregistered, with securities held by the counterpart or by its trust department or agent but not in the Towns name.

As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee. At June 30, 2010 the Town was not exposed to custodial credit risk.

TOWN OF CALVIN
 Calvin, Oklahoma
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

Concentration of Investment Credit Risk:

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the Town (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration.

At June 30, 2010, the Town had no concentration of credit risk as defined above.

3.B. RECEIVABLES

Accounts receivable of the business-type activities consist of customer utilities services provided, both billed and unbilled, due at year end, reported net of allowance for uncollectible amounts. The governmental activities receivables include taxes and miscellaneous receivables.

3.C. RESTRICTED ASSETS

The amounts reported as restricted assets in the fund financial statements are comprised of cash and investments held by the trustee bank on behalf of the various public trusts (Authorities) related to their required revenue bond accounts as described in Note 2.C. and deposits held for refund.

The restricted assets as of June 30, 2010 were as follows:

Type of Restricted Asset	Current Cash & Cash Equivalents	Investments	Total
Revenue Bond Deposit	\$ 16,023	\$ -	\$16,023
Total Restricted Assets	<u>\$ 16,023</u>	<u>\$ -</u>	<u>\$16,023</u>

3.D. LONG-TERM DEBT

The Town's long-term debt is segregated between the amounts to be repaid from governmental type funds (General Long-Term Debt) and the amounts to be repaid from proprietary type funds (Enterprise Fund Debt).

General Long-Term Debt

At June 30, 2010, the general long-term debt of the financial reporting entity had no outstanding loans.

TOWN OF CALVIN
Calvin, Oklahoma
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

Enterprise Fund Long-Term Debt

As of June 30, 2010, the long-term debt payable from business-type activities resources consisted of the following:

1983	Note payable with USDA Rural Development dated July 6, 1983, original sales lease price of \$250,000 with an annual interest rate of 5.00%, due in monthly installments of \$1,228, for forty years.	<u>\$117,203</u>
	Current Portion	\$ 9,076
	Non-Current Portion	<u>108,127</u>
	Total Note Payable	<u>\$117,203</u>
2006	Lease agreement with The Empire Companies dated December 4, 2006, original sales lease price of 102,712 with an annual interest rate of 6.00%, due in monthly installments of \$1,980, for five years.	<u>\$ 28,027</u>
	Current Portion	\$ 22,451
	Non-Current Portion	<u>5,576</u>
	Total Note Payable	<u>\$ 28,027</u>
	Total Current Portion of Notes Payable	\$ 31,527
	Total Non-Current Portion	<u>113,703</u>
	Total Notes Payable	<u>\$145,230</u>

Debt Service Requirements to maturity:

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2009-2010	\$ -	\$ -	\$ 31,527	\$ 6,969
2010-2011	-	-	15,101	7,555
2011-2012	-	-	10,028	4,708
2012-2013	-	-	10,542	4,194
2013-2014	-	-	11,081	3,655
2014-2019	-	-	64,511	9,169
2019-2022	-	-	<u>2,440</u>	<u>16</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,230</u>	<u>\$ 36,266</u>

TOWN OF CALVIN
Calvin, Oklahoma
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

3.F CAPITAL ASSETS

	CAPITAL ASSETS, DEPRECIATED				Capital Assets Not Depreciated Land
	Buildings	Infrastructure & Improvements Other Than Buildings	Furniture, Machinery, And Equipment	Totals	
PRIMARY GOVERNMENT					
Governmental activities					
Balance, June 30, 2009	\$ 35,000	\$ 48,259	\$ 179,983	\$ 263,242	\$ 19,950
Increases	-	-	38,842	38,842	-
Decreases	-	-	-	-	-
Balance, June 30, 2010	<u>35,000</u>	<u>48,259</u>	<u>218,825</u>	<u>302,084</u>	<u>19,950</u>
Accumulated Depreciation					
Balance, June 30, 2009	29,534	1,339	105,682	136,555	
Increase	669	1,237	12,852	14,758	
Decreases	-	-	-	-	
Balance, June 30, 2010	<u>30,203</u>	<u>2,576</u>	<u>118,534</u>	<u>151,313</u>	
Governmental activities					
Capital Assets, Net	<u>\$ 4,797</u>	<u>\$ 45,683</u>	<u>\$ 100,291</u>	<u>\$ 150,771</u>	<u>\$ 19,950</u>
Business-type activities					
Balance, June 30, 2009	\$ -	\$ 1,159,971	\$ 111,933	\$1,271,904	\$ 95,000
Increases	-	27,674	-	27,674	-
Decreases	-	-	-	-	-
Balance, June 30, 2010	<u>-</u>	<u>1,187,645</u>	<u>111,933</u>	<u>1,299,578</u>	<u>95,000</u>
Accumulated Depreciation					
Balance, June 30, 2009	-	648,849	38,681	687,530	
Increase	-	31,374	16,517	47,891	
Decreases	-	-	-	-	
Balance, June 30, 2010	<u>-</u>	<u>680,223</u>	<u>55,198</u>	<u>735,421</u>	
Business-type Activities					
Capital Assets, Net	<u>\$ -</u>	<u>\$ 507,422</u>	<u>\$ 56,735</u>	<u>\$ 564,157</u>	<u>\$ 95,000</u>
PRIMARY GOVERNMENT					
Capital Assets, Net	<u>\$ 4,797</u>	<u>\$ 553,105</u>	<u>\$ 157,026</u>	<u>\$ 714,928</u>	<u>\$ 114,950</u>

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

GOVERNMENT ACTIVITIES

General government	\$ 6,924
Public safety	7,751

BUSINESS-TYPE ACTIVITIES

Public works	\$ 47,395
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TOWN OF CALVIN
Calvin, Oklahoma
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 4. OTHER NOTES

4.A. COMMITMENTS AND CONTINGENCIES

Contingencies:

Grant Program Involvement

In the normal course of operations, the Town participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Litigation

The Town and the Public Works Authority are parties to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provision for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a Town "Sinking Fund" for the payment of any court assessed judgment rendered against the Town. This statutory taxing ability is not available to the Town's public trusts (Authorities).

While the outcome of the above proceedings cannot be predicted, due to the insurance coverage maintained by the Town and the State statute relating to judgments, the Town feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Town.

4.B. EMPLOYEE PENSION AND OTHER BENEFIT PLANS:

The Town participates in one employee pension system as follows:

<u>Name of Plan/System</u>	<u>Type of Plan</u>
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer- Defined Benefit Plan

TOWN OF CALVIN
 Calvin, Oklahoma
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

Oklahoma Firefighter's Pension and Retirement Systems

Town of Calvin participates in a statewide, cost-sharing multiple-employer defined benefit plan on behalf of volunteer firefighters. The system is administered by an agency of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

	<u>Oklahoma Firefighter's Pension And Retirement System</u>
Eligibility to Participate	All full-time or voluntary Firefighters of a participating Municipality hired before age 45
Authority establishing contribution obligations and benefit provisions	State Statute
Plan members' contribution rate	8% of covered payroll
Town's contribution rate	13% of covered payroll
Period required to vest	10 years
Benefits and eligibility for distribution (full time)	20 years credited service, 2 ½% Of final average salary multiplied By the years of credited service with A maximum of 30 years considered; If vested, at or after age 50, or After 10 but before 20 years of Credited service, with reduced benefits
Benefits and eligibility for distribution (Volunteer)	20 years credited service equal to \$5.46 per month per year of service With a maximum of 30 Years considered
Deferred retirement option	Yes, 20 years credited service with Continued service for 30 or more years
Provisions for:	
Cost of living adjustments (normal retirement)	Yes Yes, if vested by 5/83
Death (duty, non-duty, post-retirement)	Yes Yes
Disability	Yes Yes
Cost of living allowances	Yes Yes

The Town is required to contribute \$60 per year per volunteer firefighter. For those years in which the Town General Fund revenue falls below a statutory amount the Town is not required to make a contribution.

TOWN OF CALVIN
 Calvin, Oklahoma
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

Contributions required by State Statute:

<u>Fiscal</u> <u>Year</u>	Oklahoma Firefighter's Pension And Retirement System	
	<u>Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2010	\$ 900	100%
2009	900	100%
2008	900	100%

Trend information showing the progress of the system in accumulating sufficient assets to pay benefits when due is presented in the annual financial reports of the plan. Copies of the report may be obtained from the state retirement systems.

Volunteer firefighters receive a monthly pension based on their years of service. The volunteer may receive death or spousal benefits if certain conditions are met.

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 Honorable Mayor and Members of the Board of Trustees
Town of Calvin
Calvin, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Calvin, Oklahoma, as of and for the year ended June 30, 2010, which collectively comprise Town of Calvin, Oklahoma's basic financial statements, and have issued my report thereon dated October 30, 2012. I conducted my 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

Management of Town of Calvin is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered Town of Calvin, Oklahoma's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Calvin, Oklahoma's internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of Town of Calvin, Oklahoma's internal control over financial reporting.

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

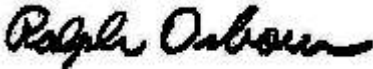
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, I consider the lack of segregation of duties to be a significant deficiency. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Calvin, Oklahoma's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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, Board of Trustees, 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.

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
October 30, 2012