

TOWN OF CALVIN, OKLAHOMA  
ANNUAL FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2011

Ralph Osborn  
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INDEPENDENT AUDITORS' REPORT

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

I was engaged to audit 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, 2011, which collectively comprise 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.

As discussed in Note A, Town of Calvin, Oklahoma prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The Town failed to maintain adequate support documentation for expenditures claimed in the financial statements. I was unable to use other means to obtain support documentation. I am not able to issue an opinion on the financial statements without this documentation.

Because of the significance of the matters discussed in the preceding paragraph, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion of the financial statements of the Town of Calvin, Oklahoma.

In accordance with *Government Auditing Standards*, I have also issued my report dated February 5, 2015, on my consideration of Town of Calvin, Oklahoma's internal control over financial reporting and 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 assessing the results of my audit.



Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
February 5, 2015

**TOWN OF CALVIN, OKLAHOMA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 125,790	\$ 6,991	\$ 132,781
Restricted assets:			
Cash and cash equivalents	-	36,242	36,242
Accounts receivable, net	-	19,399	19,399
Due from other governments	11,697	-	11,697
Interfund receivable		48,864	48,864
Capital assets:			
Other capital assets, net of depreciation	356,876	611,157	968,033
 Total assets	 494,363	 722,653	 1,217,016
<b>LIABILITIES:</b>			
Accounts payable and accrued liabilities	11,664	14,544	26,208
Interfund payable	48,864		48,864
Long-term liabilities:			
Due within one year	-	14,887	14,887
Due in more than one year	-	98,887	98,887
 Total liabilities	 60,528	 128,318	 188,846
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	356,876	497,383	854,259
Restricted for:			
Restricted for meter Deposits, OWRB	-	36,242	36,242
Unrestricted	76,959	60,710	137,669
 Total net assets	 \$ 433,835	 \$ 594,335	 \$ 1,028,170

See accompanying notes to the basic financial statements.

**TOWN OF CALVIN, OKLAHOMA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Charges for Services	Capital Grants	Net (Expense) Revenue and Changes in Net Assets		
				Primary Government		
				Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>						
Governmental activities:						
General government	\$ 234,232	\$ -	\$ 202,280	\$ (31,952)	\$ -	\$ (31,952)
Total governmental activities	<u>234,232</u>	<u>-</u>	<u>202,280</u>	<u>(31,952)</u>	<u>-</u>	<u>(31,952)</u>
Business-type activities:						
Utilities	271,197	180,101	-	-	(91,096)	(91,096)
Total business-type activities	<u>271,197</u>	<u>180,101</u>	<u>-</u>	<u>-</u>	<u>(91,096)</u>	<u>(91,096)</u>
<b>Total primary government</b>	<b><u>\$ 505,429</u></b>	<b><u>\$ 180,101</u></b>	<b><u>\$ 202,280</u></b>	<b><u>(31,952)</u></b>	<b><u>(91,096)</u></b>	<b><u>(123,048)</u></b>
General revenues:						
Taxes:						
Sales and use taxes				114,742	-	114,742
Franchise taxes				6,218	-	6,218
Cigarette taxes				1,515	-	1,515
Liquor taxes				2,845	-	2,845
Commercial vehicle				1,996	-	1,996
Fines and court fees				28,481	-	28,481
Investment income				280	124	404
Miscellaneous				43,536	-	43,536
Transfers - Internal activity				(73,996)	73,996	-
Total general revenues				<u>125,617</u>	<u>74,120</u>	<u>199,737</u>
Change in net assets				93,665	(16,976)	76,689
Net assets - beginning				<u>340,170</u>	<u>611,311</u>	<u>951,481</u>
Net assets - ending				<u>\$ 433,835</u>	<u>\$ 594,335</u>	<u>\$ 1,028,170</u>

See accompanying notes to the basic financial statements.

**TOWN OF CALVIN, OKLAHOMA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2011**

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 125,790	\$ -	\$ 125,790
Receivables:			
Due from other governments	11,697	-	11,697
<b>Total assets</b>	<b>\$ 137,487</b>	<b>\$ -</b>	<b>\$ 137,487</b>
 <b>LIABILITIES AND FUND BALANCES:</b>			
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:			
Reserved for:			
Fire		-	-
Unreserved	76,959	-	76,959
Special revenue funds	-	-	-
Total fund balances	76,959	-	76,959
<b>Total liabilities and fund balances</b>	<b>\$ 137,487</b>	<b>\$ -</b>	

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 \$166,071	356,876
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Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:

Notes payable obligation	-
Net assets of governmental activities	<b>\$ 433,835</b>

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, 2011**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
Taxes	\$127,316	\$ -	\$ 127,316
Intergovernmental		-	-
Fines and court fees	28,481	-	28,481
Investment income	280	-	280
Grants	202,280	-	202,280
Miscellaneous	43,536	-	43,536
Total revenues	<u>401,893</u>	<u>-</u>	<u>401,893</u>
<b>Expenditures:</b>			
Administration	234,232	-	234,232
Community services	-	-	-
Capital outlay	200,913	-	200,913
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>435,145</u>	<u>-</u>	<u>435,145</u>
Excess of revenues over expenditures	(33,252)	-	(33,252)
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	-
Capital Lease Proceeds	-	-	-
Transfers out	(73,996)	-	(73,996)
Total other financing sources (uses)	<u>(73,996)</u>	<u>-</u>	<u>(73,996)</u>
Net change in fund balances	(107,248)	-	(107,248)
Fund balances - beginning	<u>184,207</u>	<u>-</u>	<u>184,207</u>
Fund balances - ending	<u>\$ 76,959</u>	<u>\$ -</u>	<u>\$ 76,959</u>

See accompanying notes to the basic financial statements.

**TOWN OF CALVIN, OKLAHOMA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Net change in fund balances - total governmental funds \$ (107,248)

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	200,913
Depreciation expense	-
	200,913

Debt proceeds provide current financial resources to governmental funds, but but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:

Capital lease obligation principal payments	-
Other obligations	-
	-

Change in net assets of governmental activities \$ 93,665

See accompanying notes to the basic financial statements.

**TOWN OF CALVIN, OKLAHOMA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2011**

	<u>Calvin Public Works Authority</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and cash equivalents	\$ 6,991
Due from other funds	48,864
Accounts receivable, net	19,399
Total current assets	<u>75,254</u>
Noncurrent Assets:	
Restricted cash and cash equivalents	36,242
Capital assets, net of depreciation	611,157
Total noncurrent assets	<u>647,399</u>
Total assets	<u>722,653</u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts payable and accrued liabilities	14,544
Notes payable - current portion	14,887
Total current liabilities	<u>29,431</u>
Noncurrent liabilities:	
Notes payable	98,887
Total noncurrent liabilities	<u>98,887</u>
Total liabilities	<u>128,318</u>
Invested in capital assets, net of related debt	497,383
Reserved for construction, emergency & meter deposits	36,242
Unrestricted	60,710
Total net assets	<u>\$ 594,335</u>
Calculation of invested in capital assets:	
Net book value	\$ 611,157
Current and noncurrent debt	(113,774)
Invested in capital assets, net of related debt	<u>\$ 497,383</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, 2011**

	<u>Calvin Public Works Authority</u>
<b>Operating Revenues:</b>	
Water	\$ 66,665
Sewer	19,444 ✓
Sanitation	88,379 ✓
Misc	5,613
Total operating revenues	<u>180,101</u>
<b>Operating Expenses:</b>	
Wages	59,481 ✓
Payroll taxes	7,160
Insurance	-
Maintenance & supplies	96,991
Fuel	12,391
Postage	-
Telephone	-
Licenses/Testing	-
Landfill	20,820
Utilities	17,334
Depreciation	48,000
Total operating expenses	<u>262,177</u>
Net Operating Income (Loss)	<u>(82,076)</u>
<b>Non-Operating Revenues (Expenses):</b>	
Investment income	124
Interest expense	(9,020)
Total non-operating revenues (expenses)	<u>(8,896)</u>
Net income (loss) before contributions and transfers	(90,972)
Transfer in (out)	<u>73,996</u>
Change in net assets	(16,976)
Total net assets - beginning	<u>611,311</u>
Total net assets - ending	<u>\$ 594,335</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, 2011**

	<b>Calvin Public Works Authority</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 180,100
Payments to suppliers	(151,357)
Payments to employees	(59,481)
Net Cash Provided by Operating Activities	(30,738)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfer other funds	73,996
Net Cash Used by Non-Capital Financing Activities	73,996
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Change in restricted cash	(3,461)
Principal paid on capital debt	(31,457)
Interest paid on capital debt	(9,020)
Net Cash Used by Capital and Related Financing Activities	(43,938)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest from restricted funds	124
Net Cash Provided by Investing Activities	124
Net Decrease in Cash and Cash Equivalents	(556)
Cash and Cash Equivalents - beginning of the year	7,547
Cash and Cash Equivalents - end of the year	\$ 6,991
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ (82,076)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	48,000
Change in assets and liabilities:	
Receivables, net	-
Accounts payable	3,338
Net Cash Provided by Operating Activities	\$ (30,738)

See accompanying notes to the basic financial statements.

**TOWN OF CALVIN**  
**Calvin, Oklahoma**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2011**

**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.

**TOWN OF CALVIN**  
**Calvin, Oklahoma**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**BLENDED 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:

<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.

**TOWN OF CALVIN**  
**Calvin, Oklahoma**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. 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 within 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.

**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.

**TOWN OF CALVIN**  
**Calvin, Oklahoma**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 a major fund:

<u>Fund</u>	<u>Brief Description</u>
Calvin Public Works Authority	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, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**I.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (continued)**

*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.

**I.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.

TOWN OF CALVIN  
Calvin, Oklahoma

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**1.D. ASSETS, LIABILITIES AND EQUITY (continued)**

**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.

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 receivables. 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."

**TOWN OF CALVIN**  
**Calvin, Oklahoma**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**1.D. ASSETS, LIABILITIES AND EQUITY (continued)**

**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.

For the year ended June 30, 2010, the Town changed its basis of accounting from a modified cash basis to generally accepted accounting principles. As a result, estimated capital asset balances, net of estimated accumulated depreciation, are now included, where applicable, in the 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 detail 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, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**1.D. ASSETS, LIABILITIES AND EQUITY (continued)**

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 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.

TOWN OF CALVIN  
Calvin, Oklahoma

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**1.D. ASSETS, LIABILITIES AND EQUITY (continued)**

**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 three components:

1. Invested in capital assets, net of related debt – 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.
2. Restricted net assets – 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. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

*Fund Financial Statements:*

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

**TOWN OF CALVIN**  
**Calvin, Oklahoma**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**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.

**TOWN OF CALVIN**  
**Calvin, Oklahoma**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**1.E. REVENUES, EXPENDITURES AND EXPENSES (continued)**

**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.

The Town's Volunteer Fire Department is not included in the report.

**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.

**TOWN OF CALVIN**  
**Calvin, Oklahoma**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**1.G. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES (continued)**

*Government-Wide Financial Statements:*

Interfund activity and balances, if any, are eliminated or reclassified in the governmental wide financial statements as follows:

1. Internal balances – amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Interactivities – amounts reported as interfund transfers in the fund financial statements are eliminated in the government-side statement of activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal activities.
3. The effect of interfund services between funds is not eliminated in the statement of activities. Primary government and component unit activity and balances - resource flows between the primary government (the Town and Public Works authority) are classified separately from internal balances and activities within the primary government.

*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.

**TOWN OF CALVIN**  
**Calvin, Oklahoma**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**1.G. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES (continued)**

- 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

**1.H.** The Town has evaluated events subsequent to the Balance Sheet Date (June 30, 2011) through February 21, 2013, the date the financial Statements were available to be issued

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

By its nature as a local government unit, 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

**TOWN OF CALVIN**  
**Calvin, Oklahoma**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)**

**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.
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.

**TOWN OF CALVIN**  
Calvin, Oklahoma

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)**

**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, 2011, 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, 2011, the Town had two 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, 2011**

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)**

**2.C. REVENUE RESTRICTIONS (continued)**

**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, 2011, 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 must 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, 2011**

**NOTE 3. DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS**

**3.A. DEPOSITS AND INVESTMENT**

Schedule of Deposit and Investments by type as of June 30, 2011:

Primary Government Type	Fair Value	Maturities in Years		
		On Demand	Less Than One	More Than One
Demand Accounts	\$ 169,023	\$ 169,023	\$ -	\$ -
Subtotal	\$ 169,023	<u>\$ 169,023</u>	<u>\$ -</u>	<u>\$ -</u>
Certificates of Deposit	-			
Total Investments and Deposits	<u>\$ 169,023</u>			
Reconciliation to Statement of Net Assets:				
Cash & Cash Equivalents	\$ 132,781			
Investments	-			
Restricted:				
Cash & Cash Equivalents	36,242			
Investments	-			
Total	<u>\$ 169,023</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.

**TOWN OF CALVIN**  
**Calvin, Oklahoma**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 3. DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS (continued)**

**3.A. DEPOSITS AND INVESTMENT (continued)**

**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.

At June 30, 2011 the Town was exposed custodial credit risk. 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.

**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, 2011, the Town had no concentration of credit risk as defined above.

**TOWN OF CALVIN**  
**Calvin, Oklahoma**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 3. DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS (continued)**

**3.B. RECEIVABLES**

Accounts receivable of the business-type activities consist of customer utilities services provided, both bill 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 of 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, 2011 were as follows:

Type of Restricted Asset	Current Cash & Cash Equivalents	Investments	Total
Reserve Account	16,054		16,054
OWRB Project	54		54
Meter Deposits	18,584		18,584
Emergency Fund	1,550	-	1,550
<b>Total Restricted Assets</b>	<b>\$ 36,242</b>	<b>\$ -</b>	<b>\$ 36,242</b>

**NOTE 3. DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS (continued)**

**3.E. 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, 2011, 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, 2011

**NOTE 3. DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS (continued)**

**3.E. LONG-TERM DEBT**

**Enterprise Fund Long-Term Debt**

As of June 30, 2011, 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>\$108,198</u>
	Current Portion	\$ 9,311
	Non-Current Portion	<u>98,887</u>
	Total Notes Payable	<u>\$108,198</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>\$5,576</u>
	Current Portion	\$ 5,576
	Non-Current Portion	-
	Total Notes Payable	<u>\$5,576</u>
	Total Current Portion of Notes Payable	\$ 14,887
	Total Non-Current Portion	<u>98,887</u>
	Total Notes Payable	<u>\$ 113,774</u>

**TOWN OF CALVIN**  
**Calvin, Oklahoma**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 3. DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS (continued)**

**3.E. LONG-TERM DEBT**

Debt Service Requirements to Maturity:

<u>Year Ending June 30,</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011-2012	\$ 14,887	\$ 4,701
2012-2013	10,908	4,187
2013-2014	11,088	3,648
2014-2015	11,656	3,080
2015-2020	49,512	5,823
2020-2022	15,723	667
	<u>\$ 113,774</u>	<u>\$ 22,106</u>

**TOWN OF CALVIN**  
Calvin, Oklahoma

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 3. DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS (continued)**

**3.F. CAPITAL ASSETS**

	Balance at July 1, 2010	Additions	Disposals	Balance at June 30, 2011
<b>PRIMARY GOVERNMENT:</b>				
<i>Governmental Activities:</i>				
Other capital assets:				
Land	\$ 19,950	\$ -	\$ -	\$ 19,950
Buildings	35,000			35,000
Other improvements	48,259	200,913	-	249,172
Machinery and equipment	218,825	-	-	218,825
Total other capital assets at historical cost	<u>322,034</u>	<u>200,913</u>	<u>-</u>	<u>522,947</u>
Less accumulated depreciation for:				
Buildings	30,203	669	-	30,872
Other improvements	2,576	1,237	-	3,813
Machinery and equipment	118,534	12,852	-	131,386
Total accumulated depreciation	<u>151,313</u>	<u>14,758</u>	<u>-</u>	<u>166,071</u>
Governmental activities capital assets, net	<u>\$ 170,721</u>	<u>\$ 186,155</u>	<u>\$ -</u>	<u>\$ 356,876</u>
 <i>Business-Type Activities:</i>				
Capital assets not beign depreciated:				
Land	\$ 95,000	\$ -	\$ -	\$ 95,000
Total capital assets not beign depreciated	<u>95,000</u>	<u>-</u>	<u>-</u>	<u>95,000</u>
Other capital assets:				
Buildings	-	-	-	-
Other improvements	1,187,645	-	-	1,187,645
Machinery and equipment	111,933	-	-	111,933
Total other capital assets at historical cost	<u>1,299,578</u>	<u>-</u>	<u>-</u>	<u>1,299,578</u>
Less accumulated depreciation for:				
Buildings	-	-	-	-
Other improvements	680,223	33,327	-	713,550
Machinery and equipment	55,198	14,673	-	69,871
Total accumulated depreciation	<u>735,421</u>	<u>48,000</u>	<u>-</u>	<u>783,421</u>
Other capital assets, net	<u>564,157</u>	<u>(48,000)</u>	<u>-</u>	<u>516,157</u>
Business-type activities capital assets, net	<u>\$ 659,157</u>	<u>\$ (48,000)</u>	<u>\$ -</u>	<u>\$ 611,157</u>

**TOWN OF CALVIN**  
**Calvin, Oklahoma**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2011**

**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 participants 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, 2011**

**4.B. EMPLOYEE PENSION AND OTHER BENEFIT PLANS:**

Oklahoma Firefighter's Pension and Retirement Systems (Continued)

The Town of Calvin participates in the statewide cost-sharing multi-employer defined benefit plan on behalf of the volunteer firefighters. The system is 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 provision:

Obtaining separately issued financial statements	Firefighters Pension & Retirement 4545 N. Lincoln Blvd., Suite 265 Oklahoma City, OK 73105-3414
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality and hired before age 45
Authority establishing contribution obligations and benefits	State Statute
Employee's contribution rate	none
Town's contribution rate	\$60
State obligation	State appropriation to fund the unfunded actuarial accrued liability
Period required to vest	10 years
Eligibility and benefits for distribution (full-time)	20 years credited service 2 1/2% 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
Eligibility and benefits 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 with continued service for a maximum of 30 or more years
Provision for: Cost of living adjustments (normal retirement)	Yes, if vested by 5/83

TOWN OF CALVIN  
Calvin, Oklahoma

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

4.B. EMPLOYEE PENSION AND OTHER BENEFIT PLANS:

Oklahoma Firefighter's Pension and Retirement Systems (Continued)

**Trend Information:**

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2006	\$840	100%
2007	\$900	100%
2008	\$900	100%
2009	\$900	100%
2010	\$900	100%

Trend information shows the progress of the System in accumulating sufficient assets to pay benefits when due is presented in their separate annual financial reports.

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 was engaged to audit the accompanying financial statements—modified cash basis 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, 2011, which collectively comprise the Town of Calvin, Oklahoma's basic financial statements, and have issued my report thereon dated February 5, 2015 which did not include Management's Discussion and Analysis or budgetary comparison and had a disclaimer of opinion. 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

In planning and performing my audit, I considered Town of Calvin's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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's internal control. Accordingly, I do not express an opinion of the effectiveness of Town of Calvin's internal control.

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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that are not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency of failure to maintain adequate support documentation to be a material weakness.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. The town did not maintain adequate records.

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,

A handwritten signature in cursive script that reads "Ralph Osborn".

Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
February 5, 2015