

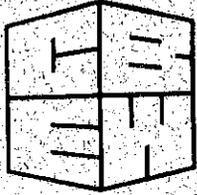
**CITY OF HINTON**  
**Hinton, Oklahoma**

**BASIC FINANCIAL STATEMENTS**  
**June 30, 2013**

**CITY OF HINTON**  
**Hinton, Oklahoma**

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## INDEPENDENT AUDITOR'S REPORT

June 25, 2014

The Honorable Town Council  
Town of Hinton, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Hinton, Oklahoma, (Town) as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 1, the Town of Hinton, Oklahoma, prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining governmental fund information of the Town of Hinton, Oklahoma, as of June 30, 2012, and the respective changes in financial position – modified cash basis and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 1 to the financial statements, the Town of Hinton adopted the modified cash basis of accounting effective July 1, 2011, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2014 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Town of Hinton  
June 25, 2014

Accounting principles generally accepted in the United States of America require that budgetary comparison information on pages 22 through 23 and the notes on page 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Town of Hinton has not presented Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hinton's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for additional analysis and is not a required part of the financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*CBEW Professional Group, LLP*

CBEW Professional Group, LLP  
Certified Public Accountants

**TOWN OF HINTON, OKLAHOMA**  
**STATEMENT OF NET ASSETS (MODIFIED CASH BASIS)**  
**JUNE 30, 2012**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,752,807	\$ 1,923,219	\$ 3,676,026
Restricted cash	-	1,612,710	1,612,710
Internal balances	196,619	3,593	200,212
Total assets	<u>1,949,426</u>	<u>3,539,522</u>	<u>5,488,948</u>
<b>LIABILITIES</b>			
Due to depositors	-	9,512	9,512
Other accruals	-	1,566	1,566
Investment pool	-	74,645	74,645
Internal balances	200,212	-	200,212
Total liabilities	<u>200,212</u>	<u>85,723</u>	<u>285,935</u>
<b>NET ASSETS</b>			
Restricted for:			
Unrestricted	1,749,214	3,453,799	5,203,013
Total net assets	<u>\$ 1,749,214</u>	<u>\$ 3,453,799</u>	<u>\$ 5,203,013</u>

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

**TOWN OF HINTON, OKLAHOMA**  
**STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)**  
**YEAR ENDED JUNE 30, 2012**

	Program Revenues				Net Revenue (Expense) and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
General government	\$ 268,157	\$ 6,859	\$ -	\$ -	\$ (261,298)	\$ -	\$ (261,298)
Public safety							
Police	322,678	21,977	-	-	(300,701)	-	(300,701)
Municipal court	10,351	-	-	-	(10,351)	-	(10,351)
Fire	76,907	5,129	-	-	(71,778)	-	(71,778)
Public services	118,676	-	-	-	(118,676)	-	(118,676)
Cultural and recreation:	198,239	708	5,279	-	(192,252)	-	(192,252)
Interest on long term debt	-	-	-	-	-	-	-
<b>Total Governmental activities</b>	<b>995,008</b>	<b>34,673</b>	<b>5,279</b>	<b>-</b>	<b>(955,056)</b>	<b>-</b>	<b>(955,056)</b>
Business-type activities:							
Water and sewer	773,117	547,878	65,433	-	-	(159,806)	(159,806)
Sanitation	179,592	274,703	-	-	-	95,111	95,111
Golf course	552,867	436,418	-	-	-	(116,449)	(116,449)
Airport	137,657	107,584	-	-	-	(30,073)	(30,073)
Economic development	279,632	464,481	-	-	-	184,849	184,849
Educational facilities	761,400	757,516	-	-	-	(3,884)	(3,884)
<b>Total Business-type activities</b>	<b>2,684,265</b>	<b>2,588,580</b>	<b>65,433</b>	<b>-</b>	<b>-</b>	<b>(30,252)</b>	<b>(30,252)</b>
<b>Total Primary Government</b>	<b>\$ 3,679,273</b>	<b>\$ 2,623,253</b>	<b>\$ 70,712</b>	<b>\$ -</b>	<b>\$ (955,056)</b>	<b>\$ (30,252)</b>	<b>\$ (985,308)</b>

General revenues:

Taxes:			
Sales and use taxes	1,070,026	-	1,070,026
Franchise and public service taxes	160,393	-	160,393
Investment income	3,738	14,101	17,839
Miscellaneous	147,898	262,764	410,662
Transfers	31,000	(31,000)	-
<b>Total general revenues and transfers</b>	<b>1,413,055</b>	<b>245,865</b>	<b>1,658,920</b>
Change in net assets	457,999	215,613	673,612
Net assets, beginning	1,291,215	3,238,186	4,529,401
<b>Net assets, ending</b>	<b>\$ 1,749,214</b>	<b>\$ 3,453,799</b>	<b>\$ 5,203,013</b>

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

**TOWN OF HINTON, OKLAHOMA**  
**BALANCE SHEET (MODIFIED CASH BASIS)**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 982,224	\$ 726,649	\$ 43,934	\$ 1,752,807
Due from other funds	7,111	189,508	-	196,619
Total assets	<u>\$ 989,335</u>	<u>\$ 916,157</u>	<u>\$ 43,934</u>	<u>\$ 1,949,426</u>
<b>LIABILITIES</b>				
Due to other funds	\$ 193,101	\$ -	\$ 7,111	\$ 200,212
Total liabilities	<u>193,101</u>	<u>-</u>	<u>7,111</u>	<u>200,212</u>
<b>FUND BALANCES</b>				
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	916,157	36,823	952,980
Unassigned	796,234	-	-	796,234
Total fund balances	<u>796,234</u>	<u>916,157</u>	<u>36,823</u>	<u>1,749,214</u>
Total liabilities and fund balances	<u>\$ 989,335</u>	<u>\$ 916,157</u>	<u>\$ 43,934</u>	<u>\$ 1,949,426</u>

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

**TOWN OF HINTON, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (MODIFIED CASH**  
**BASIS)**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2012**

	General Fund	Special Revenue Fund	Other Governmental Fund	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 912,760	\$ 317,659	\$ -	\$ 1,230,419
Intergovernmental	5,279	-	-	5,279
Charges for services	6,028	-	-	6,028
Fines and forfeitures	21,786	-	-	21,786
Licenses and permits	6,859	-	-	6,859
Investment income	1,498	2,189	51	3,738
Miscellaneous	84,494	-	63,404	147,898
Total revenues	<u>1,038,704</u>	<u>319,848</u>	<u>63,455</u>	<u>1,422,007</u>
<b>EXPENDITURES</b>				
Current:				
General Government	227,307	-	-	227,307
Public Safety				
Police	322,678	-	-	322,678
Municipal court	10,351	-	-	10,351
Fire	76,907	-	-	76,907
Public Services	90,483	28,193	-	118,676
Cultural and Recreation	38,350	-	159,889	198,239
Debt Service	-	-	-	-
Capital Outlay	40,850	-	-	40,850
Total Expenditures	<u>806,926</u>	<u>28,193</u>	<u>159,889</u>	<u>995,008</u>
Excess (deficiency) of revenues over expenditures	<u>231,778</u>	<u>291,655</u>	<u>(96,434)</u>	<u>426,999</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	91,876	32,039	132,300	256,215
Transfers out	(81,300)	(143,915)	-	(225,215)
Total other financing sources and uses	<u>10,576</u>	<u>(111,876)</u>	<u>132,300</u>	<u>31,000</u>
Net change in fund balances	242,354	179,779	35,866	457,999
Fund balances, July 1, 2011, restated	553,880	736,378	957	1,291,215
Fund balances, June 30, 2012	<u>\$ 796,234</u>	<u>\$ 916,157</u>	<u>\$ 36,823</u>	<u>\$ 1,749,214</u>

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

**TOWN OF HINTON, OKLAHOMA**  
**STATEMENT OF NET ASSETS (MODIFIED CASH BASIS)**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2012**

	Public Works Authority	Education Facilities Authority	Airport Authority	Economic Development Authority	Total
<b>Assets</b>					
<b>Current Assets:</b>					
Cash	\$ 710,147	\$ -	\$ -	\$ 1,213,072	\$ 1,923,219
Restricted cash	479,482	1,133,228	-	-	1,612,710
Due from other funds	-	-	-	3,593	3,593
	<u>1,189,629</u>	<u>1,133,228</u>	<u>-</u>	<u>1,216,665</u>	<u>3,539,522</u>
<b>Total Assets</b>	<b>1,189,629</b>	<b>1,133,228</b>	<b>-</b>	<b>1,216,665</b>	<b>3,539,522</b>
<b>Current Liabilities:</b>					
Investment pool	-	-	74,645	-	74,645
Due to other funds	-	-	-	-	-
<b>Total Current Liabilities</b>	<u>-</u>	<u>-</u>	<u>74,645</u>	<u>-</u>	<u>74,645</u>
<b>Noncurrent Liabilities:</b>					
Deposits subject to refund	9,512	-	-	-	9,512
Gift certificates payable	-	-	-	1,566	1,566
<b>Total current liabilities</b>	<u>9,512</u>	<u>-</u>	<u>-</u>	<u>1,566</u>	<u>11,078</u>
<b>Total Liabilities</b>	<b>9,512</b>	<b>-</b>	<b>74,645</b>	<b>1,566</b>	<b>85,723</b>
<b>Net Assets</b>					
Restricted	-	-	-	-	-
Unrestricted	1,180,117	1,133,228	(74,645)	1,215,099	3,453,799
<b>Total Net Assets</b>	<u>\$ 1,180,117</u>	<u>\$ 1,133,228</u>	<u>\$ (74,645)</u>	<u>\$ 1,215,099</u>	<u>\$ 3,453,799</u>

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

**TOWN OF HINTON, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (MODIFIED CASH BASIS)**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2012**

	Public Works Authority	Education Facilities Authority	Airport Authority	Economic Development Authority	Total
Operating revenues					
Water	\$ 351,475	\$ -	\$ -	\$ -	\$ 351,475
Sewer	152,419	-	-	-	152,419
Sanitation	274,703	-	-	-	274,703
Fuel sales	-	-	107,525	-	107,525
Golf course fees	-	-	-	436,418	436,418
Other	43,984	757,516	59	464,481	1,266,040
Total operating revenue	<u>822,581</u>	<u>757,516</u>	<u>107,584</u>	<u>900,899</u>	<u>2,588,580</u>
Operating expenses					
General and administrative	99,523	1,375	-	-	100,898
Water and sewer	474,946	-	-	-	474,946
Sanitation	154,711	-	-	-	154,711
Airport	-	-	137,657	-	137,657
Golf course	-	-	-	552,867	552,867
Economic development	-	-	-	231,996	231,996
Total operating expenses	<u>729,180</u>	<u>1,375</u>	<u>137,657</u>	<u>784,863</u>	<u>1,653,075</u>
Operating income (loss)	<u>93,401</u>	<u>756,141</u>	<u>(30,073)</u>	<u>116,036</u>	<u>935,505</u>
Nonoperating revenues (expenses)					
Miscellaneous	-	184,265	-	58,893	243,158
Grant income	65,433	-	-	-	65,433
Rental income	-	-	12,645	-	12,645
Interest income	2,803	11,298	-	-	14,101
Capital outlay	(173,957)	-	-	-	(173,957)
Debt service:					
Principal retirement	(25,986)	(700,000)	-	(47,196)	(773,182)
Interest expense and fees	(23,586)	(60,025)	-	(440)	(84,051)
Total nonoperating revenues (expenses)	<u>(155,293)</u>	<u>(564,462)</u>	<u>12,645</u>	<u>11,257</u>	<u>(695,853)</u>
Transfers and other financing sources					
Proceeds from long-term debt	6,961	-	-	-	6,961
Transfers in	-	-	24,000	-	24,000
Transfers out	(55,000)	-	-	-	(55,000)
Changes in net assets	<u>(109,931)</u>	<u>191,679</u>	<u>6,572</u>	<u>127,293</u>	<u>215,613</u>
Net assets, beginning, restated	<u>1,290,048</u>	<u>941,549</u>	<u>(81,217)</u>	<u>1,087,806</u>	<u>3,238,186</u>
Net assets, ending	<u>\$ 1,180,117</u>	<u>\$ 1,133,228</u>	<u>\$ (74,645)</u>	<u>\$ 1,215,099</u>	<u>\$ 3,453,799</u>

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

TOWN OF HINTON  
Hinton, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

In determining the financial reporting entity, the Town complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "*The Financial Reporting Entity*" that requires the primary government and all component units of which the primary government is financially accountable be included in the financial report. The Town's financial reporting entity includes two separate legal entities reported as the primary government

**The Town of Hinton** – an incorporated Town that operates under a council-mayor form of government under *Title 11, of the Oklahoma Statutes*. The Town provides the following services public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the Town – *reported as part of the primary government*.

**Blended Component Unit/Trusts:**

The Hinton Public Works Authority ("HPWA") - public trust created on April 5, 1988 pursuant to 60 Oklahoma Statutes 1991, § 176 et seq. to operate the water, wastewater, and sanitation services of the Town, with the Town Council serving as the governing body of the trust – *considered part of the primary government presentation for reporting purposes*.

For the above public trust, the Town of Hinton is the beneficiary of the trust and the Town Council either serve as the governing body of the trust. In addition, as required by state law, all debt obligations incurred by the trust must be approved by two-thirds vote of the Town Council. This is considered sufficient imposition of will to include the trust within the Town's financial reporting entity. The HPWA is presented as a proprietary fund type. Separate financial statements have not been prepared for this component unit.

The Hinton Airport Authority ("HAA") was created March 1, 1993 designating the Town as the beneficiary, to plan establish, develop, construct, enlarge, improve, maintain, equip, operate, regulate, protect, and police airports or other navigational facilities. Trustees of HAA are appointed by the Town Council and may be removed at will by the Town Council. The HAA is reported as a proprietary fund type. Separate financial statements have not been prepared for this component unit.

The Hinton Educational Facilities Authority ("HEFA") was created on June 13, 2005 designating the Town as beneficiary, to plan, develop and construct a multi-purpose facility at the existing school site in Hinton. The Town Council serves as trustees of HEFA. The HEFA is reported as a proprietary fund type. Separate financial statements have not been prepared for this component unit.

**TOWN OF HINTON**  
Hinton, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**1. Summary of Significant Accounting Policies (Continued)**

**A. Financial Reporting Entity (Continued)**

The Hinton Economic Development Authority ("HEDA" or the "Authority") was created June 29, 1987, to finance, develop and promote economic development activities of the Town. Trustees are appointed by the Mayor and confirmed by the Town Council and may be removed for cause by the Council. The Town assumes no responsibility for the day to day operations. The Town has no obligation for the debt of the Authority. HEDA owns a medium security correctional facility which it has leased to Cornell Corrections of Oklahoma, Inc. In addition, the Authority owns and operates the Sugar Creek Canyon Golf Club. Separate financial statement of HEDA may be obtained by contacting their office.

**B. Basis of Accounting and Presentation**

*Government-Wide Financial Statements:*

The statement of net assets and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles.

These modifications include adjustments for the following balances arising from cash transactions:

- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Program revenues within the statement of activities are derived directly from each activity or from parties outside the Town's taxpayers. The Town has the following program revenues in each activity:

- General government: License and permits
- Public safety: Fine revenue and operating grants
- Public services: Gas excise and commercial vehicle taxes
- Culture and recreation: Rental income, recreation charges

TOWN OF HINTON  
Hinton, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

**1. Summary of Significant Accounting Policies (Continued)**

**B. Basis of Accounting and Presentation (Continued)**

For business-type activities, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as they apply to the modified cash basis, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

*Governmental Funds:*

The Town's governmental funds are comprised of the following:

**Major Funds:**

- General Fund - accounts for all activities not accounted for in other special-purpose funds.
- Special Revenue Fund – account for the dedicated 1% sales tax to be used for capital improvements, in Recreation, Library and Park Facilities, health services programs and improvements and infrastructure programs.

**Non-Major Funds (Reported as Other Governmental Funds):**

- Hinton Recreation and Tourism Trust –accounts for activities as set forth in the trust indentures and other operations as assigned by trustee members.

The governmental funds are reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period. The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the economic resources measurement focus at the government-wide level.

*Proprietary Funds:*

**Major Funds:**

The Town's proprietary funds are comprised of the following:

- Hinton Public Works Authority (HPWA) – accounts for activities as set forth in the trust indentures and other operations as assigned by trustee members.

**TOWN OF HINTON**  
Hinton, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**1. Summary of Significant Accounting Policies (Continued)**

**B. Basis of Accounting and Presentation (Continued)**

- Hinton Airport Authority (HAA) –accounts for activities as set forth in the trust indentures and other operations as assigned by trustee members.
- Hinton Educational Facilities Authority (HEFA) – accounts for multi-purpose facility at existing school site.
- Hinton Economic Development Authority (HEDA) – accounts for rental income and the operations of golf course.

The proprietary funds are reported on a modified cash basis and the current financial resources measurement focus, as defined above. Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

For purposes of the statement of revenues, expenses and changes in fund net assets, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

**C. Cash, Cash Equivalents, and Investments**

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less, and money market accounts.

Investments consist of long-term certificates of deposits, reported at cost, and shares of a government obligation mutual fund reported at the current fund share price, which also represents its fair value.

**D. Capital Assets and Depreciation**

Due to the use of the modified cash basis accounting, capital assets and related depreciation are not reported in the financial statements.

**E. Long-Term Debt**

Due to the use of the modified cash basis accounting, long term debt obligations are not reported in the financial statements. However the amount of long term debt issued and outstanding at the end of the fiscal year is reported as a commitment in Note 9.

TOWN OF HINTON  
Hinton, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

1. Summary of Significant Accounting Policies (Continued)

**F. Compensated Absences**

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 9. The city pays vacation leave with no limit to carry overs, but does not pay accrued sick leave.

**G. Fund Balances and Net Assets**

*Government-Wide Statements:*

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

- a. *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 and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- b. *Unrestricted net assets* - All other net assets that do not meet the definition of "restricted."

It is the Town's policy to first use restricted net assets prior to the use of unrestricted net assets when expenditures are incurred for purposes for which both restricted and unrestricted net assets are available.

*Fund Financial Statements:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. The classifications are defined as:

- a. *Nonspendable* – includes amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact.
- b. *Restricted* – consists of fund balance with constraints placed on the use of resources 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.
- c. *Committed* – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. The Town's highest level of decision-making authority is made by ordinance.

TOWN OF HINTON  
Hinton, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

**1. Summary of Significant Accounting Policies (Continued)**

**G. Fund Balances and Net Assets (Continued)**

- d. Assigned – includes amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by Town council action or management decision when the Town commission has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the Town's policy to first use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The Town's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Proprietary fund equity is classified the same as in the government-wide statements.

**H. Internal and Interfund Balances and Transfers**

The Town's policy is to eliminate interfund transfers and balances in the statement of activities and net assets to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

**TOWN OF HINTON**  
Hinton, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**2. Deposits and Investments**

For the year ended June 30, 2012, the Town recognized \$6,501 of investment income. At June 30, 2012, the primary government held the following deposits and investments:

<b>Type</b>	<b><u>Carrying</u></b> <b><u>Value</u></b>
<b>Deposits:</b>	
Demand deposits	\$ 3,167,581
Time deposit	250,000
<b>Investments:</b>	
Money market	AAAm 1,821,375
Money market - FHMA	AAAm 37,572
<b>Total deposits and investments</b>	<b>\$ 5,276,528</b>
<b>Recon to Statement of Net Assets:</b>	
Cash and cash equivalents	\$ 3,677,750
Restricted cash	1,598,778
	<b>\$ 5,276,528</b>

*Custodial Credit Risk*

Exposure to custodial credit related to deposits exists when the Town holds deposits that are uninsured and uncollateralized; collateralized 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 counterparty or by its trust department or agent but not in the Town's name.

**TOWN OF HINTON**  
Hinton, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**2. Deposits and Investments (Continued)**

The Town's policy as it relates to custodial credit risk is to comply with state law and secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. Acceptable collateral is defined in state statutes and includes U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. 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, 2012, the Town had collateral to cover all bank balances.

*Investment Credit Risk*

The Town limits its investments to those allowed in state law applicable to municipalities. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations—rating agencies—as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The Town's only marketable investments at June 30, 2012 consisted of \$1,858,947 in money market funds invested in U.S. Treasury securities with a credit rating of AAAM by Standard and Poors.

*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's has no investment policy that limits based on maturity. The Town discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments. As noted in the schedule of deposits and investments above, at June 30, 2012, the investments were limited to a time deposits and shares of money market funds invested in U.S. Treasury securities not exposed to interest rate risk.

*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. The Town has no investment policy regarding concentration of credit risk. At June 30, 2012, the Town had no concentration of credit risk as defined above.

*Restricted cash and Investments* – The amounts reported as restricted assets on the statement of net assets are comprised of amounts for utility deposits.

**TOWN OF HINTON**  
**Hinton, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**3. Sales Tax Revenue**

Sales tax revenue represents a 3 cent local tax on each dollar of taxable sales within the Town, of which 1 cent is restricted. One third of the 1 cent is for library, recreation, and park facilities programs and improvements, one third of the 1 cent is for health services programs and improvements, and one third of the one cent is for infrastructure programs and improvements. This sales tax as written in Section 1-86 of Article 5, Chapter 1 of the Code of Ordinances, Town of Hinton, Oklahoma was extended by ordinance 2012-01.

**4. Property Tax Levy**

The Town presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the Town.

**5. Internal and Interfund Balances and Transfers**

Interfund receivable and payables at June 30, 2012 were comprised of the following:

Due from	Amount	Due to
GF	3,593	HEDA
HRRT	7,111	GF
Special	189,509	GF

Transfers are comprised of the following:

Transfer From	Transfer To	Amount	Purpose of Transfer
PWA	General fund	55,000	Operational purposes
General fund	Airport authority	24,000	Operational purposes
General fund	Special revenue fund	57,300	Operational purposes
Special revenue fund	HRRT	75,000	Operational purposes
Special revenue fund	General fund	36,876	Operational purposes

**TOWN OF HINTON**  
**Hinton, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**6. Risk Management**

The Town and its public trusts are exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. These risks are managed by securing commercial insurance for all risks. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**7. Employee Retirement Plan Participation**

The Town of Hinton participates in four pension or retirement plans:

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
- Oklahoma Public Employees Retirement System (OPERS) – an agent multiple-employer defined benefit plan

*Firefighter Pension System:*

Plan Summary Information. The Town of Hinton, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS). The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the Town must participate in the plan if they employ full-time or volunteer firefighters.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

*Funding Policy* - OFPRS plan members are required to contribute 8% to the plan. The Town is required by state law to contribute 13% per year of covered payroll per paid firefighter. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OFPRS contributions are as follows:

Fiscal Year	Required Contribution	Amount Contributed
2010	\$1,200	\$1,200
2011	\$1,140	\$1,140
2012	\$2,100	\$2,100

TOWN OF HINTON  
Hinton, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

**7. Employee Retirement Plan Participation (Continued)**

*Police Pension System:*

Plan Summary Information. The Town of Hinton, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Police Pension and Retirement System (OPPRS). The OPPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the Town must participate in the plan if they employ a certain number of full-time police officers.

The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OPPRS, 1001 N.W. 63rd St., Suite 605, Oklahoma City, OK 73116-7335.

*Funding Policy* - OPPRS plan members are required to contribute 8% to the plan. The Town is required by state law to contribute 13% per year of covered payroll for each police officer. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OPPRS contributions are as follows:

Fiscal Year	Required Contribution	Amount Contributed
2010	\$25,743	\$25,743
2011	\$27,322	\$27,322
2012	\$28,720	\$28,720

*Oklahoma Public Employees Retirement System (OPERS)*

*Plan Description* - The OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is delegated to state legislature. The OPERS issues a publicly available financial report that includes financial statements and required supplementary information for the non-firefighting employees of the Town. That report may be obtained by writing to the Oklahoma Public Employees Retirement System, P.O. Box 53007, Oklahoma City, Oklahoma 73152, or by calling 1-405-858-6737.

TOWN OF HINTON  
Hinton, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

**7. Employee Retirement Plan Participation (Continued)**

*Funding Policy* - Plan members (including eligible employees of the Hinton Economic Development Authority) are required to contribute 3.5% of their annual covered salary and the Town of Hinton contributes 16.5% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by the state legislature. Contributions to the OPERS for the year ended June 30, 2012, for employees and employer were \$18,269 and \$86,125, respectively, on covered payroll of \$332,933.

*Future Rate Increases* - The State of Oklahoma has passed Senate Bill #1134 which increased the contribution rate paid by the Town to the Plan. The Town's contribution percentage will increase by 1% annually through the fiscal year ending June 30, 2012, when reaches the maximum rate of 16.5%. For the year ended June 30, 2012 the Town's contribution percentage was 16.5%.

**8. Commitments and Contingencies**

*Business-type activities* long-term debt payable from net revenues generated by the utility resources or pledged to the debt include the following:

*Notes payable* - \$600,000 Hinton Public Works Authority RECD Promissory Note. Note dated March 8, 1998, due in monthly installments of \$4,131 through November 16, 2024, with interest at 5.00%, secured by a year to year pledge of one cent of the Town's sales tax. The loan agreement requires a reserve account to be maintained in the amount of \$37,572. The balance at June 30, 2012 was \$ 458,351.

*Bonds payable* - \$2,930,000 Hinton Educational Facilities Lease Revenue Bonds, Series 2005 due in annual principal installments of \$590,000 to \$1,040,000 through September 1, 2013, interest rate ranges from 3.70% to 4.375%. The bonds are a legal obligation of the Hinton Educational Facilities Authority and do not constitute an obligation to the Town of Hinton. The balance at June 30, 2012 was \$1,040,000.

*Compensated Absences* - As a result of the Town's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2012, is summarized as follows:

Public Works Authority – accrued	\$13,301
General Fund – accrued compensated	<u>20,408</u>
Total	<u>\$33,709</u>

TOWN OF HINTON  
Hinton, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

**8. Commitments and Contingencies**

*Litigation* - The Town is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions 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. These statutory provisions do not apply to the Town's public trust Authorities. While the outcome of the above noted 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.

**9. Restatement of beginning net assets and fund balances**

The town changed accounting policies from accrual based reporting to modified cash based reporting. Due to this change, all beginning balances for net assets and fund balances have been restated, accordingly.

**10. Subsequent Events**

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

**CITY OF HINTON**  
**Hinton, Oklahoma**

**REQUIRED SUPPLEMENTAL INFORMATION**  
**June 30, 2013**

TOWN OF HINTON, OKLAHOMA  
 BUDGETARY COMPARISON SCHEDULE (MODIFIED CASH BASIS)  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual amounts	Favorable
	Original	Final	Budgetary Basis	(Unfavorable) Variance
<b>Beginning Budgetary Fund Balance</b>	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows)</b>				
Taxes	715,524	715,524	912,760	197,236
Intergovernmental	60,999	60,999	5,279	(55,720)
Charges for services	1,400	1,400	6,028	4,628
Fines and forfeitures	15,110	15,110	21,786	6,676
Interest	500	500	1,498	998
Other	26,704	26,704	91,353	64,649
<b>Total revenues</b>	<b>820,237</b>	<b>820,237</b>	<b>1,038,704</b>	<b>218,467</b>
<b>Charges to appropriations (Outflows)</b>				
<b>Administration</b>				
Personal service	90,200	90,200	94,425	(4,225)
Materials and supplies	2,000	2,000	2,243	(243)
Other services and charges	11,125	11,125	9,833	1,292
Capital outlay	1,500	1,500	839	661
Debt service	-	-	-	-
<b>Public Safety</b>				
<b>Police</b>				
Personal service	285,506	285,506	281,449	4,057
Materials and supplies	3,000	3,000	9,110	(6,110)
Other services and charges	33,000	33,000	32,119	881
Capital outlay	6,000	6,000	1,543	4,457
Debt service	-	-	-	-
<b>Municipal court</b>				
Personal service	6,600	6,600	6,792	(192)
Materials and supplies	-	-	-	-
Other services and charges	3,200	3,200	3,559	(359)
Capital outlay	-	-	-	-
Debt service	-	-	-	-
<b>Fire</b>				
Personal service	35,450	35,450	33,031	2,419
Materials and supplies	40,000	40,000	34,089	5,911
Other services and charges	32,300	32,300	18,788	13,512
Capital outlay	15,000	15,000	15,000	-
Debt service	-	-	-	-
<b>Streets</b>				
Personal service	72,000	72,000	67,350	4,650
Materials and supplies	2,500	2,500	4,656	(2,156)
Other services and charges	31,125	31,125	30,229	896
Capital outlay	50,000	50,000	2,559	47,441
Debt service	-	-	-	-
<b>Library</b>				
Personal service	28,200	28,200	28,500	(300)
Materials and supplies	2,600	2,600	7,889	(5,289)
Other services and charges	4,950	4,950	1,960	2,990
Capital outlay	-	-	-	-
Debt service	-	-	-	-
<b>General Government</b>				
Personal service	-	-	-	-
Materials and supplies	-	-	-	-
Other services and charges	100,650	100,650	100,056	594
Capital outlay	8,500	8,500	20,907	(12,407)
Debt service	-	-	-	-
<b>Total Expenditures</b>	<b>865,406</b>	<b>865,406</b>	<b>806,926</b>	<b>58,480</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(45,169)</b>	<b>(45,169)</b>	<b>231,778</b>	<b>159,987</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	106,880	106,880	91,876	(15,004)
Transfers out	(81,300)	(81,300)	(81,300)	-
Total other financing sources and uses	25,580	25,580	10,576	(15,004)
<b>Net change in fund balances</b>	<b>(19,589)</b>	<b>(19,589)</b>	<b>242,354</b>	<b>144,983</b>
Fund balances, July 1, 2011	19,589	19,589	553,880	-
Fund balances, June 30, 2012	\$ -	\$ -	\$ 796,234	\$ 144,983

**TOWN OF HINTON, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE (MODIFIED CASH BASIS)**  
**SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual amounts Budgetary Basis	Favorable (Unfavorable) Variance
	Original	Final		
<b>Resources (Inflows)</b>				
Taxes	\$ 265,998	\$ 265,998	\$ 317,659	\$ 51,661
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest	3,200	3,200	2,240	(960)
Other	-	-	63,404	63,404
Total revenues	<u>269,198</u>	<u>269,198</u>	<u>383,303</u>	<u>114,105</u>
<b>Charges to appropriations (Outflows)</b>				
Public Health /Ambulance				
Personal service	-	-	-	-
Materials and supplies	-	-	-	-
Other services and charges	26,500	26,500	28,193	(1,693)
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Recreation				
Personal service	-	-	-	-
Materials and supplies	-	-	-	-
Other services and charges	57,300	57,300	159,889	(102,589)
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total Expenditures	<u>83,800</u>	<u>83,800</u>	<u>188,082</u>	<u>(104,282)</u>
Excess (deficiency) of revenues over expenditures	<u>185,398</u>	<u>185,398</u>	<u>195,221</u>	<u>218,387</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	83,960	83,960	164,339	80,379
Transfers out	(103,460)	(103,460)	(143,915)	40,455
Total other financing sources and uses	<u>(19,500)</u>	<u>(19,500)</u>	<u>20,424</u>	<u>120,834</u>
Net change in fund balances	165,898	165,898	215,645	339,221
Fund balances, July 1, 2011	(165,898)	(165,898)	737,335	-
Fund balances, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 952,980</u>	<u>\$ 339,221</u>

**TOWN OF HINTON  
Hinton, Oklahoma**

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
Year Ended June 30, 2013  
(Unaudited)**

**BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds. The enterprise funds and internal service fund adopt budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for the agency funds. Budgetary data for enterprise funds, internal service, and permanent funds are not presented in these financial statements.

Prior to July 1, the Town Administrator (not an elected official) submits a proposed operating budget for the fiscal year commencing July 1, to the Commissioners (elected officials). Public hearings are held at regular or special meetings to obtain taxpayer input. Prior to July 1, the budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, maintenance and operations, capital outlay, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. A more detailed budget is used for operating purposes. All budget revisions at the legal level are subject to final approval by the Town Council. Within these control levels, management may transfer appropriations without council approval. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end.

**CITY OF HINTON**  
**Hinton, Oklahoma**

**OTHER INFORMATION**  
**June 30, 2013**

**TOWN OF HINTON, OKLAHOMA  
 COMBINING BALANCE SHEET (MODIFIED CASH BASIS)  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2012**

	<u>Hinton Recreation and Tourism Trust</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 43,934	\$ 43,934
Due from other funds	-	-
Total assets	<u>\$ 43,934</u>	<u>\$ 43,934</u>
<b>LIABILITIES</b>		
Due to other funds	<u>\$ 7,111</u>	<u>\$ 7,111</u>
Total liabilities	<u>7,111</u>	<u>7,111</u>
<b>FUND BALANCES</b>		
Restricted	-	-
Committed	-	-
Assigned	36,823	36,823
Unassigned	-	-
Total fund balances	<u>36,823</u>	<u>36,823</u>
Total liabilities and fund balances	<u>\$ 43,934</u>	<u>\$ 43,934</u>
	-	-

**TOWN OF HINTON, OKLAHOMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES (MODIFIED CASH BASIS)**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2012**

	<u>Hinton Recreation and Tourism Trust</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>		
Taxes	\$ -	\$ -
Intergovernmental	-	-
Charges for services	-	-
Fines and forfeitures	-	-
Licenses and permits	-	-
Investment income	51	51
Miscellaneous	63,404	63,404
Total revenues	<u>63,455</u>	<u>63,455</u>
<b>EXPENDITURES</b>		
Current:		
General Government	-	-
Public Safety		
Police	-	-
Municipal court	-	-
Fire	-	-
Public Services	-	-
Cultural and Recreation	159,889	159,889
Debt Service	-	-
Capital Outlay	-	-
Total Expenditures	<u>159,889</u>	<u>159,889</u>
Excess (deficiency) of revenues over expenditures	<u>(96,434)</u>	<u>(96,434)</u>
<b>OTHER FINANCING SOURCES (USE)</b>		
Transfers in	132,300	132,300
Transfers out	-	-
Total other financing sources and uses	<u>132,300</u>	<u>132,300</u>
Net change in fund balances	35,866	35,866
Fund balances, July 1, 2011, restated	957	957
Fund balances, June 30, 2012	<u>\$ 36,823</u>	<u>\$ 36,823</u>

TOWN OF HINTON  
Hinton, Oklahoma

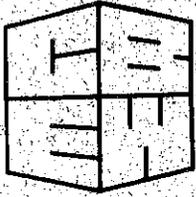
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Housing and Urban Development:</u></b>				
<b><u>Passed through the Oklahoma Department of Commerce:</u></b>				
13250 CDBG 08	14.228	65,433	65,433	65,433
<b><u>U.S. Department of Transportation:</u></b>				
<b><u>Passed through the Oklahoma Tourism and Recreation Department:</u></b>				
Walking Trail Grant	20.219	684	684	684
<b><u>Office of Library Services, Institute of Museum and Library Services, National Foundation on the Arts and the Humanities:</u></b>				
<b><u>Passed through the Oklahoma Department of Libraries:</u></b>				
State Library Program	45.310	<u>5,279</u>	<u>5,279</u>	<u>5,279</u>
<b>Total of Expenditures of Federal Awards</b>		<b>\$ <u>71,396</u></b>	<b>\$ <u>71,396</u></b>	<b>\$ <u>71,396</u></b>

Note A - This schedule was prepared on an accrual (GAAP) basis of accounting consistent with the preparation of the basic financial statements.

**CITY OF HINTON**  
**Hinton, Oklahoma**

**REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS***  
**June 30, 2013**



**CBEW**  
**Professional**  
**Group, LLP**

Certified Public Accountants

DON K. ETHRIDGE, CPA  
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**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**

June 25, 2014

Honorable Board of Town Commissioners  
Town of Hinton  
Hinton, Oklahoma

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hinton, Oklahoma, (Town) as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 25, 2014. The Town's financial statements are presented on a modified cash basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, the Town did not present the Management's Discussion and Analysis required by the Governmental Accounting Standards Board.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. The finding reference numbers are 12-1. 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.

Town of Hinton  
June 25, 2014

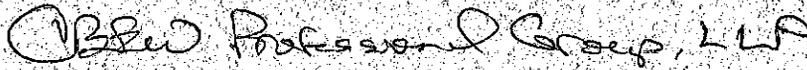
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 12-2.

We also noted certain additional matters that we have reported to management of the Town in a separate letter dated June 25, 2014.

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, all applicable federal and state agencies, and those other Governments from which federal financial assistance was received and is not intended to be and should not be used by anyone other than these specified parties.



CBEW Professional Group, LLP  
Certified Public Accountants

TOWN OF HINTON  
Hinton, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2012

12-1. Internal Control – Segregation of Duties

Condition: An adequate internal control structure does not exist because of the small size of the entity, nor is there adequate segregation of duties.

Criteria: Internal controls should be in place to provide reasonable assurance that any one individual does not have control over several of the financial functions of the Town.

Effect: Because of the inadequate segregation of duties, an opportunity exists for an employee to alter record keeping.

Recommendation: We recommend that management strive to implement more segregation of duties where possible and utilize compensating procedures where applicable.

Response: The Town concurs with the recommendation, although, the cost to correct this condition exceeds the benefit, the Town will try to make certain changes in procedures that will improve the overall lack of segregation of duties and has implemented compensating procedures as appropriate.

12-2. Compliance – Oklahoma Budget Laws

Condition: Oklahoma Budget Law requires local government entities to amend the original budget to the Excise Board when actual expenditures exceed budgeted expenditures in the Special Revenue Fund.

Criteria: A schedule should be kept monthly comparing total expenditures to budgeted expenditures to evaluate whether an amendment needs to be made to the Excise Board.

Effect: Without a monthly schedule to compare budget to actual expenses, the Town would not know when non-compliance exists.

Recommendation: We recommend that management implement a monthly schedule of budget to actual for expenditures and amend the budget when actual expenses exceed budgeted expenses.

Response: Management will create a monthly schedule and compare the actual expenses to the budgeted expenses. Management will also amend the budget as needed and submit to the Excise Board.