

TOWN OF HINTON, OKLAHOMA

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2011

**WITH
INDEPENDENT AUDITOR'S REPORT**

TOWN OF HINTON, OKLAHOMA
Report on Audit of Financial Statements
June 30, 2011

Page Number

Independent Auditor’s Report	4-6
Basic Financial Statements:	
Statement of Net Assets	7
Statement of Activities	8-9
Balance Sheet - Governmental Funds.....	10
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Fund to the Statement of Activities	12
Statement of Net Assets - Proprietary Funds.....	13
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	14
Statements of Cash Flows - Proprietary Funds	15-16
Notes to Financial Statements	17
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – General Fund	34
Combining Balance Sheet – Nonmajor Governmental Funds.....	35
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Nonmajor Governmental Funds	36
Other Supplementary Information:	
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	38
Schedule of Expenditures of Federal Awards	40



Independent Auditor's Report

Town Council
Town of Hinton
Hinton, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Hinton, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Town of Hinton's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Hinton's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Hinton's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 discussed in Note 1 to the financial statements, management has not recorded certain general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

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In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Town of Hinton, Oklahoma, as of June 30, 2011, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of 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, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management has not presented a Management's Discussion and Analysis section 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental and business-type activities of the Town of Hinton, Oklahoma, as of June 30, 2011, and changes in financial position thereof for the year then ended.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2012, on our consideration of the Town of Hinton'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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hinton, Oklahoma's financial statements as a whole. The combining and individual nonmajor fund financial statements and other required supplementary information, such as the budgetary comparison information on page 31, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor 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. The budgetary comparison and other required supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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 purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Hood & Associates, CPAs, P.C." The signature is written in a cursive, flowing style.

Hood & Associates CPAs., P.C.

April 16, 2012
Tulsa, Oklahoma

Town of Hinton, Oklahoma
Government Wide
Statement of Net Assets
June 30, 2011

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Economic Development</u>
ASSETS				
Current Assets:				
Pooled cash and cash equivalents	\$ 1,308,692	\$ 826,872	\$ 2,135,564	\$ 974,447
Receivables, net of allowance for uncollectibles:				
Accounts	30,482	835,480	865,962	185,044
Taxes	87,691	-	87,691	
Due from Hinton Economic Development Authority	173	-	173	-
Inventories	-	39,773	39,773	26,038
Restricted assets:				
Restricted cash and investments	-	987,761	987,761	-
Total current assets	<u>1,427,038</u>	<u>2,689,886</u>	<u>4,116,924</u>	<u>1,185,529</u>
Noncurrent Assets:				
Property and equipment, net of depreciation	578,920	2,354,936	2,933,856	3,835,032
Unamortized bond issuance cost	-	25,479	25,479	-
Amount to provide for debt service	-	446,738	446,738	-
Total noncurrent assets	<u>578,920</u>	<u>2,827,153</u>	<u>3,406,073</u>	<u>3,835,032</u>
Total assets	<u>\$ 2,005,958</u>	<u>\$ 5,517,039</u>	<u>\$ 7,522,997</u>	<u>\$ 5,020,561</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued expenses	132,732	85,063	217,795	84,636
Accrued interest payable	-	11,375	11,375	
Deferred revenue (airport)	-	-	-	
Compensated absences	19,237	9,960	29,197	
Line of Credit	-	-	-	-
Current portion of long-term obligations	-	725,900	725,900	18,600
Total current liabilities	<u>151,969</u>	<u>832,298</u>	<u>984,267</u>	<u>103,236</u>
Noncurrent Liabilities:				
Customer deposits payable	-	41,296	41,296	-
Notes payable, net of current portion	-	458,443	458,443	28,596
Bonds payable, net of current portion	-	1,030,734	1,030,734	-
Total noncurrent liabilities	<u>-</u>	<u>1,530,473</u>	<u>1,530,473</u>	<u>28,596</u>
Total liabilities	<u>151,969</u>	<u>2,362,771</u>	<u>2,514,740</u>	<u>131,832</u>
Net Assets:				
Invested in capital assets, net of related debt	578,920	989,396	1,568,316	4,625,195
Restricted for:				
Debt service	-	37,572	37,572	
Unrestricted	<u>1,275,069</u>	<u>2,127,300</u>	<u>3,402,369</u>	<u>263,534</u>
Total net assets	<u>\$ 1,853,989</u>	<u>\$ 3,154,268</u>	<u>\$ 5,008,257</u>	<u>\$ 4,888,729</u>

The accompanying notes are an integral part of these financial statements

Town of Hinton, Oklahoma
Statement of Activities
For the Year Ended June 30, 2011

	<u>Program Revenues</u>				<u>Net (Expense) Revenue</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government					
Governmental activities:					
General government	\$ 570,270	\$ 3,299	\$ -	\$ -	\$ (566,971)
Public safety	428,924	12,862	-	-	(416,062)
Public works	167,537	-	-	-	(167,537)
Culture and recreation	9,166	-	-	-	(9,166)
Total government activities	<u>1,175,897</u>	<u>16,161</u>	<u>-</u>	<u>-</u>	<u>(1,159,736)</u>
Business-type activities:					
Administration	125,081	-	-	-	(125,081)
Water and sewer	302,275	607,944	-	-	305,669
Sanitation	223,463	268,823	-	-	45,360
Airport	115,011	81,067	-	-	(33,944)
Other	200,112	-	-	-	(200,112)
Total business-type government	<u>965,942</u>	<u>957,834</u>	<u>-</u>	<u>-</u>	<u>(8,108)</u>
Total primary government	<u>\$ 2,141,839</u>	<u>\$ 973,995</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,167,844)</u>
Component Unit					
Hinton Economic Development					
Authority	791,164	740,130	-	-	(51,034)
Total component unit	<u>\$ 791,164</u>	<u>\$ 740,130</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (51,034)</u>

The accompanying notes are an integral part of these financial statements

Town of Hinton, Oklahoma
Statement of Activities
For the Year Ended June 30, 2011

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Economic Development</u>
Changes in net assets:				
Net (expense) revenue	\$ (1,159,736)	\$ (8,108)	\$ (1,167,844)	\$ (51,034)
General Revenues:				
Taxes:				
Sales and use	949,772	-	949,772	-
Franchise	50,290	-	50,290	-
Other	239,586	780,035	1,019,621	39,313
Unrestricted investment income	3,098	57,488	60,586	3,403
Miscellaneous	117,496	32,389	149,885	107,298
Transfers-internal activity	142,627	(142,627)	-	-
Total general revenues and transfers	<u>1,502,869</u>	<u>727,285</u>	<u>2,230,154</u>	<u>150,014</u>
Change in net assets	343,133	719,177	1,062,310	98,980
Net assets-beginning	<u>1,510,856</u>	<u>2,435,091</u>	<u>3,945,947</u>	<u>4,789,749</u>
Net assets-ending	<u>\$ 1,853,989</u>	<u>\$ 3,154,268</u>	<u>\$ 5,008,257</u>	<u>\$ 4,888,729</u>

The accompanying notes are an integral part of these financial statements

Town of Hinton, Oklahoma
Governmental Funds
Balance Sheet
June 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 758,228	\$ 550,464	\$ 1,308,692
Receivables, net	30,482	-	30,482
Due from other governments	87,691	-	87,691
Due from Hinton Economic Development Authority	173	-	173
Due from other funds	-	-	-
Total Assets	<u>\$ 876,574</u>	<u>\$ 550,464</u>	<u>\$ 1,427,038</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 151,969	\$ -	\$ 151,969
Due to Other Funds	-	-	-
Transfers-internal activity	-	-	-
Total Liabilities	<u>151,969</u>	<u>-</u>	<u>151,969</u>
Fund Balances:			
Reserved for:			
Capital Improvements			
Unreserved, reported in:			
General fund	724,605	-	724,605
Special revenue funds	-	550,464	550,464
Total fund balances	<u>724,605</u>	<u>550,464</u>	<u>1,275,069</u>
Total liabilities and fund balances	<u>\$ 876,574</u>	<u>\$ 550,464</u>	
Amounts reported for governmental activities in the statement of net assets are different because:			
Property and equipment expenditures are not recognized as an asset in governmental funds			578,920
Long term accrued compensated absences do not require current resources and are not reflected as liabilities in governmental funds			<u>-</u>
Net assets of governmental activities			<u>\$ 1,853,989</u>

The accompanying notes are an integral part of these financial statements

Town of Hinton, Oklahoma
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2011

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 709,695	\$ 314,318	\$ 1,024,013
Intergovernmental	67,667	-	67,667
Licenses and permits	11,683	-	11,683
Charge for services	3,299	-	3,299
Fines and forfeitures	12,862	-	12,862
Interest	345	2,752	3,097
Miscellaneous	117,496	-	117,496
	<u>923,047</u>	<u>317,070</u>	<u>1,240,117</u>
Total revenues			
EXPENDITURES			
Current:			
General government	512,970	57,300	570,270
Public safety	400,874	28,050	428,924
Public works	167,537	-	167,537
Culture and recreation	-	-	-
Capital outlay	-	9,166	9,166
	<u>1,081,381</u>	<u>94,516</u>	<u>1,175,897</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>(158,334)</u>	<u>222,554</u>	<u>64,220</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	287,383	71,552	358,935
Transfers out	<u>(42,515)</u>	<u>(245,061)</u>	<u>(287,576)</u>
Total other financing sources and uses	<u>244,868</u>	<u>(173,509)</u>	<u>71,359</u>
Net change in fund balances	86,534	49,045	135,579
Fund balances-beginning	<u>638,071</u>	<u>501,419</u>	<u>1,139,490</u>
Fund balances-ending	<u>\$ 724,605</u>	<u>\$ 550,464</u>	<u>\$ 1,275,069</u>

The accompanying notes are an integral part of these financial statements

Town of Hinton, Oklahoma
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2011

Net change in fund balances - total governmental funds	\$ 135,579
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets do not represent an expense for government wide financial statements	284,998
Net accumulated depreciation	(101,396)
Reversal of prior year accrual does not represent a cash inflow	23,952
	<hr/>
Change in net assets of governmental activities.	<u><u>\$ 343,133</u></u>

The accompanying notes are an integral part of these financial statements

Town of Hinton, Oklahoma
Proprietary Funds
Statement of Net Assets
June 30, 2011

	Business-type Activities - Enterprise Funds			
	Public Works Authority	Education Facilities Authority	Airport Authority	Total Enterprise Funds
ASSETS				
Current Assets:				
Cash and cash equivalents	826,872	-	-	826,872
Receivables				
Accounts, net of allowance for uncollectibles	84,736	746,850	3,893	835,479
Due from other funds	-	-	-	-
Inventories	-	-	39,773	39,773
Restricted assets - cash and investments	21,125	929,823	-	950,948
Total current assets	<u>932,733</u>	<u>1,676,673</u>	<u>43,666</u>	<u>2,653,072</u>
Noncurrent Assets:				
Land, building and equipment, net of depreciation	127,181	2,178,023	49,731	2,354,935
Unamortized bond issuance cost	-	25,480	-	25,480
Amount available for debt service	37,572	-	-	37,572
Amount to be provided for debt service	446,738	-	-	446,738
Total noncurrent assets	<u>611,491</u>	<u>2,203,503</u>	<u>49,731</u>	<u>2,864,725</u>
Total assets	<u>\$ 1,544,224</u>	<u>\$ 3,880,176</u>	<u>\$ 93,397</u>	<u>\$ 5,517,797</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	7,926	-	75,378	83,304
Accrued interest payable	1,760	11,375	-	13,135
Current portion of long-term obligations	25,900	700,000	-	725,900
Total current liabilities	<u>35,586</u>	<u>711,375</u>	<u>75,378</u>	<u>822,339</u>
Noncurrent Liabilities:				
Customer deposits payable	41,296	-	-	41,296
Notes payable, net of current portion	458,443	-	-	458,443
Revenue bonds payable	-	1,030,734	-	1,030,734
Accrued compensated absences	9,960	-	-	9,960
Total noncurrent liabilities	<u>509,699</u>	<u>1,030,734</u>	<u>-</u>	<u>1,540,433</u>
Total liabilities	<u>545,285</u>	<u>1,742,109</u>	<u>75,378</u>	<u>2,362,772</u>
Net Assets				
Invested in capital assets, net of related debt	127,181	775,855	49,731	952,767
Restricted for:	-	-	-	-
Debt service	37,572	-	-	37,572
Unrestricted	834,186	1,362,212	(31,712)	2,164,686
Total net assets	<u>\$ 998,939</u>	<u>\$ 2,138,067</u>	<u>\$ 18,019</u>	<u>\$ 3,155,025</u>

The accompanying notes are an integral part of these financial statements

Town of Hinton, Oklahoma
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2011

	<u>Public Works Authority</u>	<u>Education Facilities Authority</u>	<u>Airport Authority</u>	<u>Total Enterprise Funds</u>
OPERATING REVENUES:				
Charges for services				
Water	\$ 424,740	\$ -	\$ -	\$ 424,740
Sewer	183,203	-	-	183,203
Sanitation	268,823	-	-	268,823
Other	31,164	-	-	31,164
Fuel sales	-	-	81,067	81,067
	<u>907,930</u>	<u>-</u>	<u>81,067</u>	<u>988,997</u>
Total operating revenues				
OPERATING EXPENSES:				
General and administration	129,070	73,349	-	202,419
Water and sewer	302,275	-	-	302,275
Sanitation	236,264	-	-	236,264
Airport	-	-	118,837	118,837
	<u>667,609</u>	<u>73,349</u>	<u>118,837</u>	<u>859,795</u>
Total operating expenses				
Operating income (loss)	<u>240,321</u>	<u>(73,349)</u>	<u>(37,770)</u>	<u>129,202</u>
NONOPERATING REVENUES (EXPENSES)				
Miscellaneous revenues	-	-	1,225	1,225
Rental income	-	766,850	13,185	780,035
Interest income	4,215	53,944	88	58,247
Debt service	(48,572)	(70,377)	-	(118,949)
	<u>(44,357)</u>	<u>750,417</u>	<u>14,498</u>	<u>720,558</u>
Total nonoperating revenues (expenses)				
OPERATING TRANSFERS				
Transfers in	-	-	24,000	24,000
Transfers out	(68,816)	-	(85,009)	(153,825)
	<u>(68,816)</u>	<u>-</u>	<u>(61,009)</u>	<u>(129,825)</u>
Total operating transfers				
Change in net assets	<u>127,148</u>	<u>677,068</u>	<u>(84,281)</u>	<u>719,935</u>
Net assets-beginning	<u>871,791</u>	<u>1,460,999</u>	<u>102,300</u>	<u>2,435,090</u>
Net assets-ending	<u>\$ 998,939</u>	<u>\$ 2,138,067</u>	<u>\$ 18,019</u>	<u>\$ 3,155,025</u>

The accompanying notes are an integral part of these financial statements

Town of Hinton, Oklahoma
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds			
	Public Works Authority	Education Facilities Authority	Airport Authority	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 931,622	\$ -	\$ 91,039	\$ 1,022,661
Payments to employees and suppliers	(739,397)	(583)	(51,210)	(791,190)
Net cash provided (used) by operating activities	<u>192,225</u>	<u>(583)</u>	<u>39,829</u>	<u>231,471</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Miscellaneous revenues	-	20,000	14,410	34,410
Operating transfers in (out)	(68,816)		(61,009)	(129,825)
Net cash provided (used) by noncapital financing activities	<u>(68,816)</u>	<u>20,000</u>	<u>(46,599)</u>	<u>(95,415)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Debt service payments	(48,572)	(77,642)	-	(126,214)
Decrease (Increase) in restricted assets	-	4,281	-	4,281
Acquisition and construction of capital assets	(79,326)	-	-	(79,326)
Net cash provided (used) by capital and related financing activities	<u>(127,898)</u>	<u>(73,361)</u>	<u>-</u>	<u>(201,259)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	4,215	11,497	88	15,800
Unrealized (Gain) on available for sale securities		42,447		42,447
Net cash provided (used) by investing activities	<u>4,215</u>	<u>53,944</u>	<u>88</u>	<u>58,247</u>
Net increase (decrease) in cash and cash equivalents	(274)	-	(6,682)	(6,956)
Cash and cash equivalents, beginning of year	<u>827,146</u>	<u>-</u>	<u>6,682</u>	<u>833,828</u>
Cash and cash equivalents, end of year	<u>\$ 826,872</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 826,872</u>

The accompanying notes are an integral part of these financial statements

Town of Hinton, Oklahoma
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds			
	Public Works Authority	Education Facilities Authority	Airport Authority	Total Enterprise Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 127,148	\$ 677,068	\$ (84,281)	719,935
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	7,976	72,763	3,825	84,564
Change in net assets and liabilities:				
Receivable, net	21,433	(746,850)	(2,141)	(727,558)
Inventories	-	-	(631)	(631)
Accounts payable	(10,983)	-	75,284	64,301
Accrued expenses	683	(7,262)	-	(6,579)
Customer deposits payable	2,259	-	-	2,259
Total adjustments	21,368	(681,349)	76,337	(583,644)
Net Cash provided (used in) operating activities	\$ 148,516	\$ (4,281)	\$ (7,944)	\$ 136,291

The accompanying notes are an integral part of these financial statements

TOWN OF HINTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 – Summary of Significant Accounting Policies

Description of Business:

The Town of Hinton, Oklahoma (the “Town”) operates under a council-mayor form of government under *Title 11 of the Oklahoma Statutes*. The Town provides the following services to its citizens: public safety (police and fire), public works (streets), culture and recreation, general government and administration, along with utility services to include water, sewer, and sanitation.

Reporting entity:

The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations.

Blended Component Units. The Hinton Public Works Authority (“HPWA”) serves all the citizens of the Town and is governed by a board comprised of the Town's elected council (Trustees). The rates for user charges and debt authorization are approved by the town council. The HPWA was created April 5, 1988, to finance, develop, and operate the water, wastewater, and solid waste activities of the Town. The HPWA is reported as an enterprise fund type.

The Hinton Airport Authority (“HAA”) was created March 1, 1993, 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 Board of Trustees and may be removed at will by the Board of Trustees. The Hinton Airport Authority is reported as a proprietary fund type.

The Hinton Recreation and Tourism Trust Authority (“HRTT”) was created July 8, 1996, to assist in making the most efficient use of all of the economic resources and powers in accordance with the needs and benefit of the Town in order to lessen the burdens and to stimulate economic growth and development. Trustees of HRTT are appointed by majority vote of the members of the Board of Trustees of the Town. The Board of Trustees for the Town may, at any time, upon a majority vote, remove any trustee from office, without cause. The Hinton Recreation and Tourism Authority is reported as special revenue fund type.

The Hinton Educational Facilities Authority (“HEFA”) was created June 13, 2005, to plan, develop and construct a multi-purpose facility at the existing school site in Hinton. Trustees of HEFA are appointed by the Town Board of Trustees and may be removed at will by the Board of Trustees. The Hinton Educational Facilities Authority is reported as a proprietary fund type.

Separate financial statements have not been prepared for these component units.

TOWN OF HINTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 – Summary of Significant Accounting Policies (continued)

Discretely Presented Component Unit. 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 Board of Trustees and may be removed for cause by the Board of Trustees. 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 Cordell Corrections of Oklahoma, Inc. (“CCOI”). In addition, the Authority owns and operates the Sugar Creek Canyon Golf Club. Separate financial statements of the Hinton Economic Development Authority may be obtained by contacting their office.

Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not property included among program revenues are reported instead as general revenues.

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

The Town reports the following major governmental funds:

The general fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Note 1 – Summary of Significant Accounting Policies (continued)

TOWN OF HINTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

The Town reports the following major proprietary funds:

The Hinton Public Works Authority which accounts for the Town's utility operations including water, sewer, and sanitation, and the Hinton Airport Authority which accounts for airport operations.

Measurement focus, basis of accounting, and financial statement presentation:

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. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Sales and use taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

TOWN OF HINTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 – Summary of Significant Accounting Policies (continued)

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Hinton Public Works Authority consist of charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity:

Deposits and investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, savings accounts, money market accounts, and certificates of deposit or short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in obligations of the U.S. Treasury; time deposits with financial institutions, if such deposits are fully insured by federal depository insurance or pledged collateral; and debt securities issued by the State of Oklahoma, an Oklahoma County, school district, or municipality.

Investments for the Town, as well as for its component units are reported at fair value.

TOWN OF HINTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the respective assets.

Long-term Debt

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

Equity Classification

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” or “invested in capital assets, net of related debt”.

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

Fund equity

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

TOWN OF HINTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 – Summary of Significant Accounting Policies (continued)

Revenues, expenditures, and expenses:

Program revenues

In the Statement of Activities, revenues that 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.
Public Safety	Fine revenue and operating and capital grants.
Cemetery	Grave opening/closing fees and lot sales.
Streets and Public Works	Commercial vehicle and gasoline excise tax shared by the State; operating grants.
Culture and Recreation	Rental income, recreation -fees, concession sales, and specific donations.

All other governmental revenues are reported as general. All taxes are classified as general revenue, even if restricted for a specific purpose.

Operating revenues and expenses

Operating revenues and expenses for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

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 HINTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 2 – Stewardship, compliance, and accountability

Budgetary Information

The Town has adopted the provisions of the Municipal Budget Act of 1979 (the "Budget Act"). In accordance with the Budget Act, the following process is used to adopt the annual budget:

- (a) Prior to June 1, the Town Clerk submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1.
- (b) Public hearings are conducted to obtain citizen 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 Town Council.
- (d) By July 1, the adopted budget is filed with the Office of the State Auditor and Inspector.

All funds (except those of the Public Trust component units) with revenues and expenditures are required to have annual budgets approved by the Town Council. The legal level of control at which expenditures may not legally exceed appropriations is the total department level within a fund. The Budget Act recognizes the following object categories as a control level by department within a fund:

- Personal Services
- Materials and Supplies
- Other Services and Charges
- Capital Outlay
- Debt Service
- Interfund Transfers

All transfers of appropriation between funds and supplemental appropriations require Town Council approval. The Town Clerk may transfer appropriations between object categories within a fund without Town Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

In accordance with Title 60 of the Oklahoma State Statutes, the Hinton Public Works Authority (accounted for as a blended component unit in this report) is required to prepare an annual budget and submit a copy to the City as beneficiary. However, there are no further requirements such as form of budget, approval of the budget or definition of a legal level of control; and, therefore no budget and actual financial presentations for the public trusts are included in this report.

The Town prepares its budgets for all funds on the modified accrual basis of accounting.

The Town utilizes encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. All appropriations and encumbrances outstanding at year-end lapse and any open commitments to be honored in the subsequent budget year are reappropriated in the new-year's budget. As a result, encumbrances outstanding at year-end are not treated as

TOWN OF HINTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

expenditures in the budget and actual financial statements until the year they become expenditures.

Note 2 – Stewardship, compliance, and accountability (continued)

For the year ended June 30, 2011, the Town complied, in all material respects, with the applicable budget laws as discussed in Note 1. Supplemental appropriations reflected in the budget amounts reported in the financial statements were properly approved by the Town Council. For the year ended June 30, 2011, the following supplemental appropriations were approved:

<u>Fund Type</u>	<u>Original Appropriations</u>	<u>Increase in Appropriations</u>	<u>Revised Appropriations</u>
General Fund	\$ 885,488	\$ -	\$ 885,488
HPWA	1,077,180	-	1,077,180
Special Revenue Fund	207,732	-	207,732

Note 3 – Detailed Notes On All Funds

Deposits and investments:

The table presented below is designed to disclose the level of custodial credit risk assumed by the Town based upon how its deposits were insured or secured with collateral at June 30, 2011. The comparison relates to the primary government only. The categories of custodial credit risk are defined as follows:

- Category 1 - Insured by Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the entity or by its agent in the entity's name.
- Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- Category 3 - Uninsured and uncollateralized.

TOWN OF HINTON, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

Note 3 – Detailed Notes On All Funds (continued)

Primary Government

	Category			Bank	Carrying
	1	2	3	Balances 6/30/11	Value 6/30/11
Deposits:					
Cash & Investments	\$ 1,077,602	\$ -	\$ 1,057,962	\$ 2,135,564	\$ 2,135,564
Deposits held by trustees					
Total deposits	<u>\$ 1,077,602</u>	<u>\$ -</u>	<u>\$ 1,057,962</u>	<u>\$ 2,135,564</u>	<u>\$ 2,135,564</u>

Oklahoma Statutes allow the Town to invest in bonds of cities, school districts, or counties within the State of Oklahoma; public trusts revenue bonds, except industrial revenue bonds; bonds of the State of Oklahoma and wholly owned corporations of the United States; short-term obligations of the United States; and certificates of deposit. All Town funds have been invested in accordance with *Oklahoma Statutes*.

Restricted assets:

The Hinton Public Works Authority has a Rural Economic Community Development Note, Series 1994 requiring restricted cash for a debt service reserve to be used for payment of principal and interest provided sufficient funds are not available in the debt service fund. All funds are on deposit with a local bank.

RECD Note, Series 1994:

Debt service reserve	<u>\$ 37,572</u>
Total restricted assets	<u>\$ 37,572</u>

TOWN OF HINTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 3 – Detailed Notes On All Funds (continued)

Receivables:

Receivables at June 30, 2011, for the Town of Hinton’s individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, were as follows:

	General Fund	Hinton Public Works Authority	Hinton Educational Facilities Authority	Hinton Economic Development Authority
Receivables:				
Taxes	\$ 87,691	\$ -	\$ -	\$ -
Accounts	30,482	111,251	746,850	185,044
Due from other governments	-	-	-	-
Accrued interest	-	-	-	-
Gross receivables	<u>118,173</u>	<u>111,251</u>	<u>746,850</u>	<u>185,044</u>
Less: allowance for uncollectibles	-	26,515	-	-
Net total receivables	<u>\$ 118,173</u>	<u>\$ 84,736</u>	<u>\$ 746,850</u>	<u>\$ 185,044</u>

Capital assets:

Governmental activities of the Town do not reflect significant capital assets acquired since 1979 and related accumulated depreciation and depreciation expense on those assets. Accounting principles generally accepted in the United States of America, when applied to such a modified cash basis of accounting, require that capital assets and related accumulated depreciation and depreciation expense are to be recorded on the government-wide financial statements and the business-type financial statements.

Deposits subject to refund:

Utility customers are required to make a meter deposit, which is refunded upon the customer’s termination of services, provided there are no outstanding bills. Monies deposited in a separate account totaled \$41,296 at June 30, 2011. The Town has not maintained a complete record of amounts of deposits due to utility customers.

TOWN OF HINTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 3 – Detailed Notes On All Funds (continued)

Appearance bonds and other payments made to the municipal court funds are held until final disposition by the court at which time they are refunded to the bondholder or paid over to the Town general fund as fines. As of June 30, 2011, there were no payments being held that were subject to refund.

Long-term debt:

Long-term liabilities of the Town of Hinton as of June 30, 2011, are as summarized as follows:

Business-type activities

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	\$ 484,343
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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.	1,730,734
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Total revenue notes and bonds	2,215,077
Accrued compensated absences	9,960
Total business-type activities	\$ 2,225,037

TOWN OF HINTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 3 – Detailed Notes On All Funds (continued)

Long-term liabilities transactions for the year ended June 30, 2011, and changes therein were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-type activities					
Notes payable:					
HPWA-RECD	\$ 508,077	\$ -	\$ 23,734	\$ 484,343	\$ 25,900
Bonds payable:					
HEFA-Series 2005	1,727,644	3,090	-	1,730,734	700,000
Accrued compensated absences	71,400	-	61,440	9,960	-
Total business-type activities	<u>2,307,121</u>	<u>3,090</u>	<u>85,174</u>	<u>2,225,037</u>	<u>725,900</u>
Total long-term debt	<u>\$ 2,307,121</u>	<u>\$ 3,090</u>	<u>\$ 85,174</u>	<u>\$ 2,225,037</u>	<u>\$ 725,900</u>

TOWN OF HINTON, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

Note 3 – Detailed Notes On All Funds (continued)

Annual debt service requirements, including principal and interest to maturity, for long-term debt at June 30, 2011 are as follows:

	Hinton Public Works Authority	Educational Facilities Authority	Total
2012	\$ 49,572	\$ 774,550	\$ 824,122
2013	49,572	1,093,725	1,143,297
2014	49,572	-	49,572
2015	49,572	-	49,572
2016	49,572	-	49,572
2017-2021	247,860	-	247,860
2022-2025	170,285	-	170,285
Total principal and interest	<u>666,005</u>	<u>1,868,275</u>	<u>2,534,280</u>
Less interest	181,662	137,541	319,203
Principal outstanding at June 30, 2011	<u><u>\$ 484,343</u></u>	<u><u>\$ 1,730,734</u></u>	<u><u>\$ 2,215,077</u></u>

TOWN OF HINTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 3 – Detailed Notes On All Funds (continued)

The composition of interfund balances as of June 30, 2011, is as follows:
Interfund transactions:

	Transfers In (Out)		
	General Fund	Nonmajor Governmental	Business-type Activities
Transfers in (out):			
General fund	\$ -	\$ -	\$ (142,627)
Nonmajor governmental			
Business-type activities	<u>142,627</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 142,627</u>	<u>\$ -</u>	<u>\$ (142,627)</u>

Note 4 – Other Information

Risk management:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has insurance for the major risks such as property, general liability and worker's compensation. Judgments against the Town may be paid by a property tax assessment over a three-year period.

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Torts, error, and omissions	Purchased commercial insurance	None
Workers compensation	Purchased commercial insurance	None
Physical property loss and natural disasters	Purchased commercial insurance	None

Contingent liabilities:

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

TOWN OF HINTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 4 – Other Information (continued)

Employee retirement systems and pension plans:

The Town of Hinton participates in the Oklahoma State Firefighters' Pension and Retirement System and the Oklahoma State Police' Pension and Retirement System, which are cost-sharing, multiple-employer defined benefit pension plans administered by the State of Oklahoma.

Oklahoma State Firefighters' Pension and Retirement System (OFPRS)

Plan Description - The OFPRS 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 the administrators of the OFPRS. The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information for the fire fighting employees of the Town. That report may be obtained by writing to the Oklahoma State Firefighters' Pension and Retirement System, 4545 North Lincoln Boulevard, Suite 265, Oklahoma City, Oklahoma 73105, or by calling 1-405-525-7813.

Funding Policy - The Town of Hinton contributes \$60 per volunteer firefighter.

Oklahoma State Police Pension and Retirement System (OPPRS)

Plan Description - The OPPRS 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 OPPRS issues a publicly available financial report that includes financial statements and required supplementary information for the police employees of the Town. That report may be obtained by writing to the Oklahoma State Police Pension and Retirement System, 1001 NW 63rd, Suite 305, Oklahoma City, Oklahoma 73105, or by calling 1-405-840-3555.

Funding Policy - Plan members are required to contribute 8.0% of their annual covered salary and the Town of Hinton contributes 13.0% 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 OPPRS for the year ended June 30, 2011, for employees and employer were \$11,067 and \$17,983, respectively, on covered payroll of \$138,332.

TOWN OF HINTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 4 – Other Information (continued)

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.

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, 2011, for employees and employer were \$11,729 and \$54,934, 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, 2011, when reaches the maximum rate of 16.5%. For the year ended June 30, 2011 the Town's contribution percentage was 16.5%.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Hinton, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2011

	Original	Final	Actual	Variance with Final Budget Over (Under)
Revenues:				
Taxes	\$ 665,821	\$ 665,821	\$ 709,695	\$ 43,874
Intergovernmental	59,800	59,800	67,667	7,867
Licenses and permits	9,261	9,261	11,683	2,422
Charges for services	7,663	7,663	3,299	(4,364)
Fines and forfeitures	20,319	20,319	12,862	(7,457)
Interest	3,630	3,630	345	(3,285)
Miscellaneous	12,112	12,112	117,496	105,384
Total revenues	<u>778,606</u>	<u>778,606</u>	<u>923,047</u>	<u>144,441</u>
Expenditures:				
General government:				
General government	115,150	115,150	311,166	(196,016)
Administration	159,675	159,675	159,503	172
Municipal government	9,800	9,800	8,728	1,072
Public safety:				
Police	322,650	322,650	328,944	(6,294)
Fire	71,320	71,320	71,930	(610)
Public works:				
Streets	147,125	147,125	167,537	(20,412)
Culture and recreation:				
Library	35,750	35,750	33,573	2,177
Total expenditures	<u>861,470</u>	<u>861,470</u>	<u>1,081,381</u>	<u>(219,911)</u>
Excess (deficiency) of revenues over (under) expenditures	(82,864)	(82,864)	(158,334)	(75,470)
Other Financing Sources (Uses)				
Transfers In	106,880	106,880	151,876	44,996
Transfers Out	(81,300)	(81,300)	(42,515)	38,785
	<u>25,580</u>	<u>25,580</u>	<u>109,361</u>	<u>83,781</u>
Net change in fund balances	(57,284)	(57,284)	(48,973)	8,311
Fund balances - beginning	670,056	670,056	573,122	555,967
Fund balances - ending	<u>\$ 612,772</u>	<u>\$ 612,772</u>	<u>\$ 524,149</u>	<u>\$ 564,278</u>

TOWN OF HINTON, OKLAHOMA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

	Special Revenue		Total
	Special Revenue Fund	Recreation & Tourism Trust	Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 550,464	\$ -	\$ 550,464
Investments	-	-	-
Receivables, net	-	-	-
Due from other funds	-	-	-
	<u>\$ 550,464</u>	<u>\$ -</u>	<u>\$ 550,464</u>
Total	<u>\$ 550,464</u>	<u>\$ -</u>	<u>\$ 550,464</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:			
Reserved for:			
Capital improvements			
Unreserved:			
Designated	550,464	-	550,464
	<u>550,464</u>	<u>-</u>	<u>550,464</u>
Total Fund Balances	<u>550,464</u>	<u>-</u>	<u>550,464</u>
TOTAL	<u>\$ 550,464</u>	<u>\$ -</u>	<u>\$ 550,464</u>

TOWN OF HINTON, OKLAHOMA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Special Revenue Fund</u>	<u>Recreation & Tourism Trust</u>	
REVENUES			
Taxes	\$ 314,318	\$ -	\$ 314,318
Intergovernmental	-	-	-
Charges for services	-	-	-
Interest	2,752	-	2,752
Miscellaneous	-	-	-
 Total revenues	 <u>317,070</u>	 <u>-</u>	 <u>317,070</u>
EXPENDITURES			
Current:			
General government	-	57,300	57,300
Public safety	28,050	-	28,050
Capital outlay	-	9,166	9,166
Total expenditures	<u>28,050</u>	<u>66,466</u>	<u>94,516</u>
 Excess (deficiency) of revenues over expenditures	 <u>289,020</u>	 <u>(66,466)</u>	 <u>222,554</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	5,086	66,466	71,552
Transfers out	(245,061)	-	(245,061)
Total other financing sources and uses	<u>(239,975)</u>	<u>66,466</u>	<u>(173,509)</u>
 Net change in fund balance	 49,045	 -	 49,045
 Fund balances-beginning	 <u>501,419</u>	 <u>-</u>	 <u>501,419</u>
 Fund balances-ending	 <u>\$ 550,464</u>	 <u>\$ -</u>	 <u>\$ 550,464</u>

OTHER SUPPLEMENTARY INFORMATION



**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 Town Council
Town of Hinton, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hinton, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Town of Hinton's basic financial statements and have issued our report thereon dated April 16, 2012. The report on the governmental activities of the above reporting unit was adverse due to the omission of capital assets, accumulated depreciation and related depreciation expense on the basic financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Hinton, Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the 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 *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

HOOD & ASSOCIATES CPAs, P.C.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this letter and would not necessarily identify all deficiencies in the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Hinton, Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Town of Hinton, Oklahoma in a separate letter dated April 16, 2012.

This report is intended solely for the information and use of the Town Council and management of the Town of Hinton, 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.

A handwritten signature in black ink that reads "Hood & Associates, CPAs, P.C." The signature is written in a cursive, flowing style.

Tulsa, Oklahoma
April 16, 2012

Town of Hinton, Oklahoma
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

	<u>Federal CFDA Number</u>	<u>Pass Through Grantor Number</u>	<u>Program or Award Amount</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Interior</u>				
<u>National Park Service</u>				
Passed through Oklahoma Tourism and Recreation Department:				
Hinton Nature Trails - Trails Grant	15.916	None	\$ 69,618	\$ 69,618
Total U.S. Department of Interior			<u>69,618</u>	<u>69,618</u>
Total Federal Assistance			<u>\$ 69,618</u>	<u>\$ 69,618</u>