

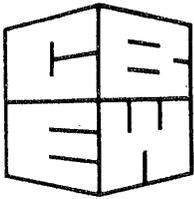
TOWN OF HINTON
Hinton, Oklahoma

BASIC FINANCIAL STATEMENTS
June 30, 2013

**CITY OF HINTON
Hinton, Oklahoma**

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INDEPENDENT AUDITOR'S REPORT

September 29, 2014

The Honorable Town Council
Town of Hinton, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Town of Hinton, Oklahoma, (Town) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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 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 as of June 30, 2013, and the respective changes in financial position—modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hinton, Oklahoma's basic financial statements. The budgetary comparison information on pages 28-30 and notes on page 31, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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 it

The Town has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining statements and the schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2014, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and 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* in considering the Town's internal control over financial reporting and compliance.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants
Cushing, Oklahoma

TOWN OF HINTON, OKLAHOMA
STATEMENT OF NET ASSETS (MODIFIED CASH BASIS)
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,101,496	\$ 2,373,928	\$ 3,475,424
Restricted cash	-	1,519,415	1,519,415
Internal balances	347,044	12,603	359,647
Total assets	<u>1,448,540</u>	<u>3,905,946</u>	<u>5,354,486</u>
LIABILITIES			
Due to depositors	-	24,668	24,668
Other accruals	-	-	-
Investment pool	-	144,362	144,362
Internal balances	241,279	118,368	359,647
Total liabilities	<u>241,279</u>	<u>287,398</u>	<u>528,677</u>
NET ASSETS			
Restricted for:			
Unrestricted	1,207,261	3,618,548	4,825,809
Total net assets	<u>\$ 1,207,261</u>	<u>\$ 3,618,548</u>	<u>\$ 4,825,809</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, 2013

	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
Functions/Programs:							
Governmental activities:							
General government	\$ 571,459	\$ 8,556	\$ -	\$ -	\$ (562,903)	\$ -	\$ (562,903)
Public safety							
Police	359,484	10,147	-	-	(349,337)	-	(349,337)
Municipal court	9,241	-	-	-	(9,241)	-	(9,241)
Fire	95,048	6,146	-	-	(88,902)	-	(88,902)
Public services	117,763	-	-	-	(117,763)	-	(117,763)
Cultural and recreation:	246,675	2,048	53,563	-	(191,064)	-	(191,064)
Interest on long term debt	-	-	-	-	-	-	-
Total Governmental activities	1,399,670	26,897	53,563	-	(1,319,210)	-	(1,319,210)
Business-type activities:							
Water and sewer	1,095,220	512,822	-	-	-	(582,398)	(582,398)
Sanitation	164,284	275,857	-	-	-	111,573	111,573
Golf course	1,168,211	219,247	-	-	-	(948,964)	(948,964)
Airport	247,072	142,000	-	-	-	(105,072)	(105,072)
Economic development	74,822	427,691	-	-	-	352,869	352,869
Educational facilities	48,175	31,542	-	-	-	(16,633)	(16,633)
Total Business-type activities	2,797,784	1,609,159	-	-	-	(1,188,625)	(1,188,625)
Total Primary Government	\$ 4,197,454	\$ 1,636,056	\$ 53,563	\$ -	\$ (1,319,210)	\$ (1,188,625)	\$ (2,507,835)

General revenues:

Taxes:

Sales and use taxes	988,969	-	988,969
Franchise and public service taxes	146,020	-	146,020
Investment income	3,203	-	3,203
Miscellaneous	79,120	913,319	992,439
Transfers	(440,055)	440,055	-
Total general revenues and transfers	777,257	1,353,374	2,130,631
Change in net assets	(541,953)	164,749	(377,204)
Net assets, beginning	1,749,214	3,453,799	5,203,013
Net assets, ending	\$ 1,207,261	\$ 3,618,548	\$ 4,825,809

TOWN OF HINTON, OKLAHOMA
BALANCE SHEET (MODIFIED CASH BASIS)
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 664,407	\$ 400,884	\$ 36,205	\$ 1,101,496
Due from other funds	91,952	250,325	4,767	347,044
Total assets	<u>\$ 756,359</u>	<u>\$ 651,209</u>	<u>\$ 40,972</u>	<u>\$ 1,448,540</u>
LIABILITIES				
Due to other funds	<u>\$ 236,504</u>	<u>\$ -</u>	<u>\$ 4,775</u>	<u>\$ 241,279</u>
Total liabilities	<u>236,504</u>	<u>-</u>	<u>4,775</u>	<u>241,279</u>
FUND BALANCES				
Restricted	178,035	-	-	178,035
Committed	-	-	-	-
Assigned	-	651,209	36,197	687,406
Unassigned	341,820	-	-	341,820
Total fund balances	<u>519,855</u>	<u>651,209</u>	<u>36,197</u>	<u>1,207,261</u>
Total liabilities and fund balances	<u>\$ 756,359</u>	<u>\$ 651,209</u>	<u>\$ 40,972</u>	<u>\$ 1,448,540</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
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General Fund	Special Revenue Fund	Other Governmental Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 829,064	\$ 305,925	\$ -	\$ 1,134,989
Intergovernmental	53,563	-	-	53,563
Charges for services	8,194	-	-	8,194
Fines and forfeitures	10,147	-	-	10,147
Licenses and permits	8,556	-	-	8,556
Investment income	3,150	-	53	3,203
Miscellaneous	51,444	-	27,676	79,120
Total revenues	<u>964,118</u>	<u>305,925</u>	<u>27,729</u>	<u>1,297,772</u>
EXPENDITURES				
Current:				
General Government	262,505	-	-	262,505
Public Safety				
Police	359,484	-	-	359,484
Municipal court	9,241	-	-	9,241
Fire	95,048	-	-	95,048
Public Services	103,847	13,916	-	117,763
Cultural and Recreation	101,174	9,846	135,655	246,675
Debt Service	-	-	-	-
Capital Outlay	308,954	-	-	308,954
Total Expenditures	<u>1,240,253</u>	<u>23,762</u>	<u>135,655</u>	<u>1,399,670</u>
Excess (deficiency) of revenues over expenditures	<u>(276,135)</u>	<u>282,163</u>	<u>(107,926)</u>	<u>(101,898)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	169,004	91,022	107,300	367,326
Transfers out	(169,248)	(638,133)	-	(807,381)
Total other financing sources and uses	<u>(244)</u>	<u>(547,111)</u>	<u>107,300</u>	<u>(440,055)</u>
Net change in fund balances	<u>(276,379)</u>	<u>(264,948)</u>	<u>(626)</u>	<u>(541,953)</u>
Fund balances, July 1, 2011, restated	796,234	916,157	36,823	1,749,214
Fund balances, June 30, 2012	<u>\$ 519,855</u>	<u>\$ 651,209</u>	<u>\$ 36,197</u>	<u>\$ 1,207,261</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, 2013

	Public Works Authority	Education Facilities Authority	Airport Authority	Economic Development Authority	Total
Assets					
Current Assets:					
Cash	\$ 788,901	\$ -	\$ -	\$ 1,585,027	\$ 2,373,928
Restricted cash	479,482	1,039,933	-	-	1,519,415
Due from other funds	-	-	259	12,344	12,603
	<u>1,268,383</u>	<u>1,039,933</u>	<u>259</u>	<u>1,597,371</u>	<u>3,905,946</u>
Total Assets	1,268,383	1,039,933	259	1,597,371	3,905,946
Current Liabilities:					
Investment pool	-	-	144,362	-	144,362
Due to other funds	118,368	-	-	-	118,368
Total Current Liabilities	<u>118,368</u>	<u>-</u>	<u>144,362</u>	<u>-</u>	<u>262,730</u>
Noncurrent Liabilities:					
Deposits subject to refund	24,668	-	-	-	24,668
Gift certificates payable	-	-	-	-	-
Total current liabilities	<u>24,668</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,668</u>
Total Liabilities	143,036	-	144,362	-	287,398
Net Assets					
Restricted	-	-	-	-	-
Unrestricted	1,125,347	1,039,933	(144,103)	1,597,371	3,618,548
Total Net Assets	<u>\$ 1,125,347</u>	<u>\$ 1,039,933</u>	<u>\$ (144,103)</u>	<u>\$ 1,597,371</u>	<u>\$ 3,618,548</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, 2013

	Public Works Authority	Education Facilities Authority	Airport Authority	Economic Development Authority	Total
Operating revenues					
Water	\$ 336,548	\$ -	\$ -	\$ -	\$ 336,548
Sewer	146,808	-	-	-	146,808
Sanitation	275,857	-	-	-	275,857
Fuel sales	-	-	142,000	-	142,000
Golf course fees	-	-	-	219,247	219,247
Other	29,466	31,542	-	427,691	488,699
Total operating revenue	<u>788,679</u>	<u>31,542</u>	<u>142,000</u>	<u>646,938</u>	<u>1,609,159</u>
Operating expenses					
General and administrative	107,037	2,675	-	-	109,712
Water and sewer	515,741	-	-	-	515,741
Sanitation	137,525	-	-	-	137,525
Airport	-	-	247,072	-	247,072
Golf course	-	-	-	517,166	517,166
Economic development	-	-	-	74,822	74,822
Total operating expenses	<u>760,303</u>	<u>2,675</u>	<u>247,072</u>	<u>591,988</u>	<u>1,602,038</u>
Operating income (loss)	<u>28,376</u>	<u>28,867</u>	<u>(105,072)</u>	<u>54,950</u>	<u>7,121</u>
Nonoperating revenues (expenses)					
Miscellaneous	-	(76,662)	-	978,367	901,705
Grant income	-	-	-	-	-
Rental income	-	-	11,614	-	11,614
Interest income	-	-	-	-	-
Capital outlay	(38,841)	-	-	(651,045)	(689,886)
Debt service:					
Principal retirement	(458,665)	-	-	-	(458,665)
Interest expense and fees	(1,695)	(45,500)	-	-	(47,195)
Total nonoperating revenues (expenses)	<u>(499,201)</u>	<u>(122,162)</u>	<u>11,614</u>	<u>327,322</u>	<u>(282,427)</u>
Transfers and other financing sources					
Proceeds from long-term debt	-	-	-	-	-
Transfers in	548,183	-	24,000	-	572,183
Transfers out	(132,128)	-	-	-	(132,128)
Changes in net assets	<u>(54,770)</u>	<u>(93,295)</u>	<u>(69,458)</u>	<u>382,272</u>	<u>164,749</u>
Net assets, beginning	1,180,117	1,133,228	(74,645)	1,215,099	3,453,799
Net assets, ending	<u>\$ 1,125,347</u>	<u>\$ 1,039,933</u>	<u>\$ (144,103)</u>	<u>\$ 1,597,371</u>	<u>\$ 3,618,548</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, 2013

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, 2013

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, 2013

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, 2013

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, 2013

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, 2013

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, 2013

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:

Type	<u>Carrying</u> <u>Value</u>
Deposits:	
Demand deposits	\$ 3,475,424
Time deposit	250,000
 Investments:	
Money market	AAAm 1,231,843
Money market - FHMA	AAAm 37,572
 Total deposits and investments	 \$ 4,994,839
 Recon to Statement of Net Assets:	
Cash and cash equivalents	\$ 3,475,424
Restricted cash	1,519,415
	\$ 4,994,839

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, 2013

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, 2013, 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, 2013 consisted of \$1,163,278 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, 2013, 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, 2013, 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, 2013

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, 2013 were comprised of the following:

Due from	Amount	Due to
General Fund	12,342	HEDA
General Fund	219,395	Special Revenue
General Fund	4,767	HRTT
PWA	87,177	General Fund
PWA	30,932	Special Revenue
PWA	259	Airport Authority
HRTT	4,775	General Fund

TOWN OF HINTON
Hinton, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

5. Internal and Interfund Balances and Transfers (Continued)

Transfers are comprised of the following:

Transfer From	Transfer To	Amount	Purpose of Transfer
HPWA	General fund	132,128	Operational purposes
General Fund	HPWA	87,948	Operational purposes
General Fund	Special Revenue	57,300	Operational purposes
Special Revenue	HRRT	57,300	Operational purposes
Special Revenue	HRTT	50,000	Operational purposes
Special Revenue	Library Fund	33,722	Operational purposes
Special Revenue	HPWA	460,235	Debt Payoff
General Fund	HRTT	50,000	Operational purposes

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

TOWN OF HINTON
Hinton, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

7. Employee Retirement Plan Participation (Continued)

- 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
2011	\$1,140	\$1,140
2012	\$2,100	\$2,100
2013	\$1,853	\$1,853

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.

TOWN OF HINTON
Hinton, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

7. Employee Retirement Plan Participation (Continued)

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
2011	\$27,322	\$27,322
2012	\$28,720	\$28,720
2013	\$26,114	\$26,114

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, 2013, for employees and employer were \$16,238 and \$76,579, respectively, on covered payroll of \$464,104.

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, 2013, when reaches the maximum rate of 16.5%. For the year ended June 30, 2013 the Town's contribution percentage was 16.5%.

TOWN OF HINTON
Hinton, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

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, 2013 was \$ 0.

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, 2013 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, 2013, is summarized as follows:

Public Works Authority – accrued	\$12,863
General Fund – accrued compensated	20,222
Total	<u>\$33,085</u>

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. 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.

TOWN 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, 2013

	Budgeted Amounts		Actual amounts	Favorable
	Original	Final	Budgetary Basis	(Unfavorable) Variance
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ -	\$ -
Resources (Inflows)				
Taxes	715,524	715,524	829,064	113,540
Intergovernmental	60,999	60,999	53,563	(7,436)
Charges for services	1,400	1,400	8,194	6,794
Fines and forfeitures	15,110	15,110	10,147	(4,963)
Interest	500	500	3,150	2,650
Other	26,704	26,704	60,000	33,296
Total revenues	<u>820,237</u>	<u>820,237</u>	<u>964,118</u>	<u>143,881</u>
Charges to appropriations (Outflows)				
Administration				
Personal service	90,200	90,200	89,269	931
Materials and supplies	2,000	2,000	6,449	(4,449)
Other services and charges	11,125	11,125	47,136	(36,011)
Capital outlay	1,500	1,500	-	1,500
Debt service	-	-	-	-
Public Safety				
Police				
Personal service	285,506	285,506	298,957	(13,451)
Materials and supplies	5,644	5,644	6,227	(583)
Other services and charges	33,000	33,000	54,300	(21,300)
Capital outlay	6,000	6,000	156,403	(150,403)
Debt service	-	-	-	-
Municipal court				
Personal service	6,600	6,600	7,392	(792)
Materials and supplies	-	-	-	-
Other services and charges	3,200	3,200	1,849	1,351
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Fire				
Personal service	35,450	35,450	34,465	985
Materials and supplies	4,000	4,000	21,934	(17,934)
Other services and charges	32,300	32,300	38,650	(6,350)
Capital outlay	15,000	15,000	152,551	(137,551)
Debt service	-	-	-	-
Streets				
Personal service	72,000	72,000	70,263	1,737
Materials and supplies	2,500	2,500	4,700	(2,200)
Other services and charges	31,125	31,125	28,885	2,240
Capital outlay	50,000	50,000	-	50,000
Debt service	-	-	-	-
Library				
Personal service	28,200	28,200	53,571	(25,371)
Materials and supplies	2,600	2,600	5,490	(2,890)
Other services and charges	4,950	4,950	42,111	(37,161)
Capital outlay	-	-	-	-
Debt service	-	-	-	-
General Government				
Personal service	-	-	-	-
Materials and supplies	-	-	-	-
Other services and charges	100,650	100,650	119,651	(19,001)
Capital outlay	8,500	8,500	-	8,500
Debt service	-	-	-	-
Total Expenditures	<u>832,050</u>	<u>832,050</u>	<u>1,240,253</u>	<u>(408,203)</u>
Excess (deficiency) of revenues over expenditures	<u>(11,813)</u>	<u>(11,813)</u>	<u>(276,135)</u>	<u>552,084</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	91,880	91,880	169,004	77,124
Transfers out	(81,300)	(81,300)	(169,248)	87,948
Total other financing sources and uses	<u>10,580</u>	<u>10,580</u>	<u>(244)</u>	<u>165,072</u>
Net change in fund balances	<u>(1,233)</u>	<u>(1,233)</u>	<u>(276,379)</u>	<u>717,156</u>
Fund balances, July 1, 2012	1,233	1,233	796,234	-
Fund balances, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 519,855</u>	<u>\$ 717,156</u>

TOWN OF HINTON, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE (MODIFIED CASH BASIS)
SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual amounts	Favorable
	Original	Final	Budgetary Basis	(Unfavorable) Variance
Resources (Infows)				
Taxes	\$ 285,756	\$ 285,756	\$ 305,925	\$ 20,169
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest	3,000	3,000	53	(2,947)
Other	-	-	27,676	27,676
Total revenues	<u>288,756</u>	<u>288,756</u>	<u>333,654</u>	<u>44,898</u>
Charges to appropriations (Outflows)				
Public Health /Ambulance				-
Personal service	-	-	-	-
Materials and supplies	-	-	-	-
Other services and charges	29,000	29,000	13,916	15,084
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Recreation				
Personal service	-	-	-	-
Materials and supplies	-	-	-	-
Other services and charges	85,876	85,876	145,501	(59,625)
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total Expenditures	<u>114,876</u>	<u>114,876</u>	<u>159,417</u>	<u>(44,541)</u>
Excess (deficiency) of revenues over expenditures	<u>173,880</u>	<u>173,880</u>	<u>174,237</u>	<u>89,439</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	85,876	85,876	198,322	112,446
Transfers out	(61,800)	(61,800)	(638,133)	576,333
Total other financing sources and uses	<u>24,076</u>	<u>24,076</u>	<u>(439,811)</u>	<u>688,779</u>
Net change in fund balances	197,956	197,956	(265,574)	778,218
Fund balances, July 1, 2012	(197,956)	(197,956)	952,980	-
Fund balances, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 687,406</u>	<u>\$ 778,218</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.

TOWN 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, 2013

	<u>Hinton Recreation and Tourism Trust</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 36,205	\$ 36,205
Due from other funds	4,767	4,767
Total assets	<u>\$ 40,972</u>	<u>\$ 40,972</u>
LIABILITIES		
Due to other funds	\$ 4,775	\$ 4,775
Total liabilities	<u>4,775</u>	<u>4,775</u>
FUND BALANCES		
Restricted	-	-
Committed	-	-
Assigned	36,197	36,197
Unassigned	-	-
Total fund balances	<u>36,197</u>	<u>36,197</u>
 Total liabilities and fund balances	 <u>\$ 40,972</u>	 <u>\$ 40,972</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, 2013

	Hinton Recreation and Tourism Trust	Total Governmental Funds
REVENUES		
Taxes	\$ -	\$ -
Intergovernmental	-	-
Charges for services	-	-
Fines and forfeitures	-	-
Licenses and permits	-	-
Investment income	53	53
Miscellaneous	27,676	27,676
Total revenues	27,729	27,729
EXPENDITURES		
Current:		
General Government	-	-
Public Safety		
Police	-	-
Municipal court	-	-
Fire	-	-
Public Services	-	-
Cultural and Recreation	135,655	135,655
Debt Service	-	-
Capital Outlay	-	-
Total Expenditures	135,655	135,655
Excess (deficiency) of revenues over expenditures	(107,926)	(107,926)
OTHER FINANCING SOURCES (USI)		
Transfers in	107,300	107,300
Transfers out	-	-
Total other financing sources and uses	107,300	107,300
Net change in fund balances	(626)	(626)
Fund balances, July 1, 2012	36,823	36,823
Fund balances, June 30, 2013	\$ 36,197	\$ 36,197

TOWN OF HINTON
Hinton, Oklahoma

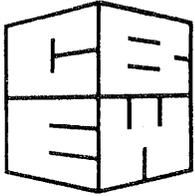
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Program or Award Amount	Revenue Collected	Federal Expenditures
<u>U.S. Department of Housing and Urban Development:</u>				
<u>Passed through the Oklahoma Department of Commerce:</u>				
13250 CDBG 08	14.228	840	840	840
<u>Office of Library Services, Institute of Museum and Library Services, National Foundation on the Arts and the Humanities:</u>				
<u>Passed through the Oklahoma Department of Libraries:</u>				
State Library Program	45.310	4,983	4,983	4,983
Total of Expenditures of Federal Awards		\$ 5,823	\$ 5,823	\$ 5,823

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

**TOWN OF HINTON
Hinton, Oklahoma**

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



CBEW
Professional
Group, LLP

Certified Public Accountants

DON K. ETHRIDGE, CPA
WALTER H. WEBB, CPA
JANE FRAZIER, CPA
CHARLES E. CROOKS, CPA
TRISHA J. RIEMAN, CPA

206 N. HARRISON ● P.O. BOX 790 ● CUSHING, OKLAHOMA 74023 ● 918-225-4216 ● FAX 918-225-4315

**INDEPENDENT AUDITOR'S 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**

September 29, 2014

Honorable Board of Town Commissioners
Town of Hinton
Hinton, Oklahoma

We have audited, in accordance with the 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, the 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, 2013, and the related notes to the financial statements, which collectively comprise the Town of Hinton, Oklahoma's basic financial statements, and have issued our report thereon dated September 29, 2014. The Town's financial statements are presented on a modified cash basis of accounting. 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 of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies as finding 13-1.

Compliance and Other Matters

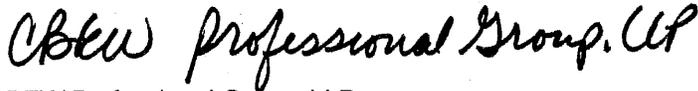
As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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 items 13-2.

Town's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CBEW Professional Group, LLP
Certified Public Accountants
Cushing, Oklahoma

TOWN OF HINTON
Hinton, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2013

13-1. 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. This finding was also noted in 2012.

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.

13-2. 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. This finding was also noted in 2012.

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.