Town of Kingston, Oklahoma

Financial Statements and Independent Auditor's Reports
For the Year Ended June 30, 2014

TOWN OF KINGSTON, OKLAHOMA
JUNE 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Kingston, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Kingston, as of and for the year ended June 30, 2014, 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 accounting principles generally accepted in the United States of America; this includes 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 fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 Kingston, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof g for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis and budgetary comparison information that 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.

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 accompanying combining statements for nonmajor governmental funds listed under supplementary information are presented for purposes of additional analysis and are not a required part of the basic 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 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 and individual nonmajor fund financial 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 November 24, 2014, on our consideration of the Town of Kingston'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 the results of that testing, and not to provide an opinion on 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 Town of Kingston's internal control over financial reporting and compliance.

Casey J. Russell CPA, PC

Oklahoma City, Oklahoma
November 24, 2014

Town of Kingston, Oklahoma
Statement of Net Position
June 30, 2014

	Governmental Activities	Business-Type Activities	Total	Economic Dev. Authority
ASSETS				
Current assets:				
Cash in bank - unrestricted	379,732.32	302,672.00	682,404.32	0.01
Cash in bank - restricted	2,162.55	87,188.76	89,351.31	-
Taxes, utility billing, and revenue receivables, net	180,333.18	68,297.45	248,630.63	939,890.71
Total current assets	562,228.05	458,158.21	1,020,386.26	939,890.72
Noncurrent assets:				
Investments	-	-	-	8,496,295.88
Capital Assets, net of depreciation	1,382,234.82	1,915,638.84	3,297,873.66	-
Total noncurrent assets	1,382,234.82	1,915,638.84	3,297,873.66	8,496,295.88
Total assets	$ 1,944,462.87	$ 2,373,797.05	$ 4,318,259.92	$ 9,436,186.60
LIABILITIES				
Current liabilities:				
Accounts payable	2,780.04	36,570.11	39,350.15	250,061.16
Meter deposits	-	51,730.46	51,730.46	-
Compensated absences	20,496.67	4,823.97	25,320.64	-
Current portion long term debt	3,250.71	51,855.00	55,105.71	788,993.00
Total current liabilities	26,527.42	144,979.54	171,506.96	1,039,054.16
Noncurrent liabilities:				
Loans and capital leases	-	513,861.44	513,861.44	5,296,271.99
Total noncurrent liabilities	-	513,861.44	513,861.44	5,296,271.99
Total liabilities	26,527.42	658,840.98	685,368.40	6,335,326.15
NET POSITION				
Investment in Capital Assets	1,378,984.11	1,349,922.40	2,728,906.51	-
Restricted	133,307.90	87,188.76	220,496.66	3,100,860.45
Unrestricted	405,643.44	277,844.91	683,488.35	-
Total net position	1,917,935.45	1,714,956.07	3,632,891.52	3,100,860.45
Total liabilities and net position	$ 1,944,462.87	$ 2,373,797.05	$ 4,318,259.92	$ 9,436,186.60

The accompanying notes are an integral part of these financial statements

Town of Kingston, Oklahoma
Statement of Activities
For the Year Ending June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position Primary Government: Business-Type Activities	Total	Component Unit
Primary government							
Governmental activities:							
General government	318,500.17	5,523.00	5,327.60	(307,649.57)	-	(307,649.57)	-
Maintenance	48,182.17	-	-	(48,182.17)	-	(48,182.17)	-
Streets & Highways	59,962.49	1,208.98	-	(58,753.51)	-	(58,753.51)	-
Public Safety	594,695.90	150,228.75	261,495.81	(182,971.34)	-	(182,971.34)	-
Cemetary & Parks	5,443.12	2,300.00	-	(3,143.12)	-	(3,143.12)	-
Total governmental activities	1,026,783.85	159,260.73	266,823.41	(600,699.71)	-	(600,699.71)	-
Business-type activities							
Water, Sewer, & Sanitation	718,079.27	593,755.03	-	-	(124,324.24)	(124,324.24)	-
Total business-type activities	718,079.27	593,755.03	-	-	(124,324.24)	(124,324.24)	-
Total primary government	$ 1,744,863.12	$ 753,015.76	$ 266,823.41	$ (600,699.71)	$ (124,324.24)	$ (725,023.95)	$ -
Component Unit							
Economic Development Authority	$ 292,148.58	$ -	$ -	$ -	$ -	$ -	$ (292,148.58)
General revenues:							
Taxes:							
Sales taxes				596,646.99	-	596,646.99	-
Other taxes				140,069.74	-	140,069.74	-
Donations & Reimbursements				31,876.98	-	31,876.98	-
Other Income				13,599.77	16,434.09	30,033.86	1,070,087.42
Interest income				45.52	99.86	145.38	-
Total general revenues				782,239.00	16,533.95	798,772.95	1,070,087.42
Change in net position				181,539.29	(107,790.29)	73,749.00	777,938.84
Net position - beginning				1,736,396.16	1,822,746.36	3,559,142.52	2,322,921.61
Net position - ending				$ 1,917,935.45	$ 1,714,956.07	$ 3,632,891.52	$ 3,100,860.45

The accompanying notes are an integral part of these financial statements

Town of Kingston, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	Police Fines Fund	Other Governmental Fund	Total Governmental Funds
ASSETS				
Cash in bank	263,373.47	(16,113.81)	132,472.66	379,732.32
Cash in bank - Restricted	-	-	2,162.55	2,162.55
Revenues Receivable	162,354.97	13,351.00	4,627.21	180,333.18
Total Assets	$ 425,728.44	$ (2,762.81)	$ 139,262.42	$ 562,228.05
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	(411.67)	362.15	2,829.56	2,780.04
Compensated Absences	20,496.67	-	-	20,496.67
Total Liabilities	20,085.00	362.15	2,829.56	23,276.71
Fund Balances:				
Restricted	-	-	19,079.52	19,079.52
Assigned	-	(3,124.96)	117,353.34	114,228.38
Unassigned	405,643.44	-	-	405,643.44
Total Fund Balances	405,643.44	(3,124.96)	136,432.86	538,951.34
Total Liabilities and Fund Balances	$ 425,728.44	$ (2,762.81)	$ 139,262.42	$ 562,228.05

Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities June 30, 2014

Total Governmental Fund Balances	$ 538,951.34
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,382,234.82
Long-term liabilities are not due and payable in the current period and therefore are note reported in funds:	
Capital lease obligations	(3,250.71)
Net Position of Governmental Activities	$ 1,917,935.45

The accompanying notes are an integral part of these financial statements

Town of Kingston, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	General Fund	Police Fines Fund	Other Governmental Fund	Total Governmental Funds
Revenues:				
Taxes	721,402.75	-	15,313.98	736,716.73
Licenses & Permits	4,248.00	-	-	4,248.00
Charges for services	1,275.00	-	3,508.98	4,783.98
Fines & Forfeitures	-	118,827.20	31,401.55	150,228.75
Donations & Fundraising	23,549.98	-	8,327.00	31,876.98
Grants	5,327.60	80,938.81	180,557.00	266,823.41
Interest	38.58	-	6.94	45.52
Other	2,006.43	6,884.36	4,708.98	13,599.77
Total revenues	757,848.34	206,650.37	243,824.43	1,208,323.14
Expenditures:				
General government	307,025.56	-	-	307,025.56
Maintenance	48,182.17	-	-	48,182.17
Streets & Highways	15,781.34	-	-	15,781.34
Public Safety	356,375.52	80,016.75	92,880.34	529,272.61
Cemetary & Parks	-	-	4,229.63	4,229.63
Capital Outlay	20,272.69	148,566.81	106,831.00	275,670.50
Total expenditures	747,637.28	228,583.56	203,940.97	1,180,161.81
Excess revenues over (under) expenditures	10,211.06	(21,933.19)	39,883.46	28,161.33
Transfers In (Out)	4,320.00	-	(4,320.00)	-
Excess revenues over (under) expenditures after Transfers	14,531.06	(21,933.19)	35,563.46	28,161.33
Fund balances at beginning of year	391,112.38	18,808.23	100,869.40	510,790.01
Fund balances at end of year	$ 405,643.44	$ (3,124.96)	$ 136,432.86	$ 538,951.34

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmnetal Funds to the Statement of Activities for the Year Ended June 30, 2014

Net change in fund balances-total government funds	$ 28,161.33
Purchase of fixed assets recorded as an expense in the fund financial statements but recorded as an addition to fixed assets in the government wide statements	275,670.50
Capital financing payments recorded as an expense in the fund financial statements but not recorded in the in the goverment wide statements	6,381.69
Depreciation expense recorded in the government wide financial statements but not recorded in the individual fund financial statements	(128,674.23)
Change in net position of governmental activities	$ 181,539.29

The accompanying notes are an integral part of these financial statements

Town of Kingston, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2014

	Kingston Municipal Authority
ASSETS	
Current assets:	
Cash in bank - unrestricted	302,672.00
Cash in bank - restricted	87,188.76
Utility billing, net	68,297.45
Total current assets	458,158.21
Noncurrent assets:	
Net capital assets	1,915,638.84
Total noncurrent assets	1,915,638.84
Total assets	$ 2,373,797.05
LIABILITIES	
Current liabilities:	
Accounts payable	36,570.11
Compensated absences	4,823.97
Meter deposits	51,730.46
Current portion long term debt	51,855.00
Total current liabilities	144,979.54
Noncurrent liabilities:	
Notes Payable	513,861.44
Total noncurrent liabilities	513,861.44
Total liabilities	658,840.98
NET POSITION	
Net investment in capital assets	1,349,922.40
Restricted	87,188.76
Unrestricted	277,844.91
Total net position	1,714,956.07
Total liabilities and net position	$ 2,373,797.05

The accompanying notes are an integral part of these financial statements

Town of Kingston, Oklahoma
Statement of Revenues Over Expenditures and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2014

Operating Revenues:	
Water Charges	$ 233,015.24
Sewer Charges	201,251.11
Sanitation Charges	159,488.68
Miscellaneous Charges	16,434.09
Total operating revenues	610,189.12
Operating Expenses:	
Personal Services & Payroll Burdens	188,117.65
Materials, Supplies, & Other Charges	175,448.02
Utilities	47,927.85
Sanitation Disposal Fees	144,972.54
Depreciation Expense	143,852.31
Total operating expenses	700,318.37
Operating income (loss)	(90,129.25)
Non-operating revenues (expenses):	
Interest expense	(17,760.90)
Interest income	99.86
Net non-operating revenues (expenses)	(17,661.04)
Change in net position before transfers	(107,790.29)
Transfers in/out	-
Change in net position after transfers	(107,790.29)
Net position at beginning of year	1,822,746.36
Net position at end of year	$ 1,714,956.07

The accompanying notes are an integral part of these financial statements

Town of Kingston, Oklahoma
Statement of Cash Flows - Proprietary Fund
For the Year Ending June 30, 2014

Cash flows from operating activities	
Cash received from customers	$ 611,903.27
Cash paid to employees	(188,372.91)
Cash paid to suppliers	(353,720.67)
Net cash provided by operating activities	69,809.69
Cash flows from investing activities	
Interest income	99.86
Net cash provided by investing activities	99.86
Cash flows from capital and related financing activities	
Purchase of Capital Assets	(50,147.29)
Increase (decrease) in meter deposit liability	5,368.62
Interest Expense	(17,760.90)
Principal paid on capital debt	(55,996.75)
Net cash provided (used) for capital and related financing activities	(118,536.32)
Net increase (decrease) in cash and cash equivalents	(48,626.77)
Cash and cash equivalents at beginning of year	438,487.53
Cash and cash equivalents at end of year	$ 389,860.76

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	(90,129.25)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation expense	143,852.31
Decrease (increase) in net receivables	1,714.15
Increase (decrease) in accounts payable	14,627.74
Increase (decrease) in accrued liabilities	99.84
Increase (decrease) in compensated absences	(355.10)
Net cash provided (used) by operating activities	$ 69,809.69

Reconciliation of Cash and Cash Equivalents	
Cash - Unrestricted	$ 302,672.00
Cash - Restricted	87,188.76
Total	$ 389,860.76

The accompanying notes are an integral part of these financial statements

Town of Kingston, Oklahoma
Statement of Net Position
Economic Development Authority
June 30, 2014

	Economic Development Authority
ASSETS	
Current assets:	
Cash in bank - unrestricted	0.01
Revenues Receivable	939,890.71
Total current assets	939,890.72
Noncurrent assets:	
Investments	8,496,295.88
Total noncurrent assets	8,496,295.88
Total assets	$ 9,436,186.60
LIABILITIES	
Current liabilities:	
Accrued interest payable	250,061.16
Current portion long term debt	788,993.00
Total current liabilities	1,039,054.16
Noncurrent liabilities:	
Notes Payable	5,296,271.99
Total noncurrent liabilities	5,296,271.99
Total liabilities	6,335,326.15
NET POSITION	
Restricted	3,100,860.45
Total net position	3,100,860.45
Total liabilities and net position	$ 9,436,186.60

The accompanying notes are an integral part of these financial statements

Town of Kingston, Oklahoma
Statement of Revenues Over Expenditures and Changes in Net Position
Economic Development Authority
For the Year Ended June 30, 2014

	Economic Development Authority
Operating Revenues:	
Lease Income	1,070,087.42
Total operating revenues	1,070,087.42
Operating Expenses:	
Interest Expense	290,148.58
Professional Fees	2,000.00
Total operating expenses	292,148.58
Change in net position	777,938.84
Net position at beginning of year	2,322,921.61
Net position at end of year	$ 3,100,860.45

The accompanying notes are an integral part of these financial statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Kingston, Oklahoma operates under a statutory Town board of trustees form of government and provides the following services: law enforcement, volunteer fire, highways and streets, parks, cemetery services, public improvements, planning and zoning and general community development and administrative services. The Town trustees may on occasion be referred to as the Town council. These two terms represent the same governing body and are meant to be synonymous.

1A. REPORTING ENTITY

The accompanying financial statements present the Town's primary government and component units over which the Town exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Town (as distinct from legal relationships).
The Town's reporting entity comprises the following:

Primary Government	Town of Kingston
Blended Component Unit	Kingston Municipal Authority
Discretely Presented Component Unit	Kingston Economic Development Authority

Blended component units, although legally separate entities, are in substance, part of the primary government's operations. These component units' funds are blended into those of the Town's by appropriate activity type to compose the primary government presentation.

The Kingston Municipal Authority (KMA) was created October 9, 1972, and is a beneficial public trust created under the authority of and pursuant to the provisions of Title 60, Oklahoma Statutes 1961, Sections 176 to 180 inclusive, as amended and to the Oklahoma Trust Act and other applicable statutes and laws of the State of Oklahoma. The Town of Kingston is the beneficiary of the Trust and the Town Trustees (council members) are the Trustees of this Authority.

The Town of Kingston leased to the Kingston Municipal Authority its water, sanitary sewer, and solid waste management systems. The term of the lease is 50 years with the option to renew for another 50 years. Because of the nature of its operations, this Authority has sometimes been referred to as the Public Works Authority or the KPWA. Any references to the KPWA or the KMA are meant to be synonymous and references to this same entity.

Discretely presented component units are separate legal entities that do not rise to the same level of significance as a blended component unit. Although the Town is financially accountable, the operations of a discretely presented component unit are not, in substance, part of the primary government. In fact, in some cases blending their operations and positions with those of the primary government could misrepresent the character of the government as a whole.

The Kingston Economic Development Authority (KEDA) was created August 20, 2008, and is a beneficial public trust created under the authority and pursuant to the provisions of Title 60, Oklahoma Statutes 2001, Section 176 et seq., as amended and supplemented; the Oklahoma Trust Act and the other applicable statutes and laws of the State of Oklahoma. The Town of Kingston is the beneficiary of the Trust and the Town Trustees (council members) are Trustees of this Authority.

The KEDA states as one of its purposes to "promote, stimulate, encourage and finance the growth and development of the commerce and industry of the Beneficiary Town as a whole..." In conjunction with this purpose, the KEDA has issued revenue bonds for the financing and construction of a multi-purpose building to be used and lease purchased from the KEDA by Kingston Public Schools (KPS). The revenue pledged to secure these bonds is lease revenue from the school. KPS is in turn, issuing shorter term bonds which are funded by property tax assessments to property owners of the school district, and the School is using those bond proceeds to pay lease purchase obligations to the Economic Development Authority. Since, for all practical purposes, the use, occupancy, upkeep, furnishings and ultimate ownership of this facility belong to Kingston Public Schools rather than the Town of Kingston or Kingston Economic Development Authority, presentation of this information blended with the Town would be misleading. Therefore, the KEDA is presented in a separate column as a discretely presented component unit in these financial statements. Note information pertaining to the Kingston Economic Development Authority is included in Note 10.

1B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The government-wide financial statements include the statement of Net Position and the statement of activities. The statement of Net Position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole, or in part, by fees charged to external parties for goods or services. The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (I) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

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

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

Major individual funds are reported in separate columns with composite columns for non-major funds.

The individual funds of the reporting entity are described below. Those funds which are considered major funds are noted with (*):

Governmental Funds

General Fund (*) — The General Fund is the principle fund of the Town which accounts for all financial transactions not properly accounted for in another fund.

Special Revenue Funds — Used to account for the transactions arising from, or designated to, a specific purpose or activity. The Town maintains the following special revenue funds:

Street and Alley Fund — This fund is used to account for revenues derived from specific taxes or other earmarked sources for street and alley maintenance.

Police Special Fund (*) — This fund is used to account for fines collected from citations issued which are designated by the Town Council for use only by the Police Department.

Volunteer Fire Department Fund — This fund is used to account for money raised by the volunteer fire department, and certain other grants and donations to the volunteer fire department. It is used for operating, grant and capital expenditures. The firemen's pension fund is maintained by the Oklahoma Firefighters Pension and Retirement Fund.

Court Cost Fund — This fund is used to account for the costs collected associated with citations issued in the Town. This fund also administers the collection and remission of funds required by the state associated with each citation which must be collected and remitted to the appropriate state agency. The court cost fund pays fees for the municipal judge and other operating costs, and may, upon council approval, transfer surplus moneys to other funds of the Town.

Cemetery Care Fund — This fund was created by the Town in July 2007, with funds donated by the Kingston Cemetery Association. The association, which had a separate board of trustees, voted to disband and turn all operations over to the Town. This fund receives moneys from donations, lot sales, and charges to open and close spaces. The fund pays for maintenance, equipment and capital outlay of the cemetery.

Proprietary Fund

Enterprise Fund — Kingston Municipal Authority (*) — Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

1C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Town are prepared in accordance with generally accepted accounting principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Measurement focus is a term used to describe "which" transactions are recorded within the financial statements. Basis of accounting refers to "when" transactions are recorded within the financial statements.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives of the economic resources measurement focus are determination of financial position and changes in Net Position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred or economic asset is used, regardless of the timing of related cash flows.

In the fund financial statements, the measurement focus and basis of accounting is determined by the various types of funds as follows:

a. Governmental Funds —

All governmental funds utilize a "current financial resources" measurement focus and the modified accrual basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

b. Proprietary Fund —

The proprietary fund (Kingston Municipal Authority) utilizes the economic resources measurement focus and accrual basis of accounting as discussed above for the government-wide financial statements. All assets and liabilities associated with the Authority's activities are reported and fund equity is classified as Net Position. Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

1D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY

Cash and Investments

For the purpose of the Statement of Net Position, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits of the Town. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit, including restricted assets.

The Town's only investments consist of short-term certificates of deposit.

Inventories

Consumable supplies are the only inventoriable item of the Municipal Authority. The value of supplies on hand at yearend or at any time during the year is not significant and is, therefore, not included as an asset in the financial statements. Purchases of such supplies are recorded as an expense at the time of purchase.

Receivables

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

Interfund Receivables and Payables

During the course of operations, various transactions may occur between individual funds that result in amounts owed between funds. Those transactions are classified as "due to or from other funds" in the fund financial statements. Such amounts would be eliminated from presentation in the government-wide financial statements; however, no such amounts between funds, existed at the year ended June 30, 2014.

Capital Assets and Depreciation

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

Government-wide Statements

In the government-wide financial statements, capital assets are accounted for at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. The Town generally capitalizes assets with cost of $1,000 or more as purchase or construction outlays occur. The cost of normal maintenance and repairs that do not add to the asset value or materially extend the useful life are not capitalized. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. (When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.) The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	15-40 years
Infrastructure	25-40 years
Water & waste water systems	10-40 years
Equipment	3-15 years

Fund Financial Statements

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

Restricted Assets

Restricted assets include cash accounts of the governmental funds and proprietary fund that are legally restricted as to their use. The primary restricted assets are related to restricted purpose grants and gifts in the volunteer fire fund and promissory note trustee accounts and utility meter deposits in the public works authority.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debts to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, accrued compensated absences, and utility customer deposits.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Net Position and Fund Equity

Government-wide Statements

Equity is classified as Net Position and displayed in three components:

a. Net Investment in Capital Assets — Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.

b. Restricted — Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by external groups, such as creditors, grantors, contributors, or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.

c. Unrestricted — Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned and unassigned. The Town uses the following guidelines to determine its fund balance classifications.

Non-Spendable — includes amounts that cannot be spent because they are either not in spendable form, or they are legally and contractually required to be maintained intact.

Restricted — includes amounts that are restricted for specific purposes by constraints placed on the use of these resources which are either a.) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or b.) imposed by law through constitutional provisions or enabling legislation.

Committed — consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The Town of Kingston's highest level of decision making authority is an Ordinance approved by the Board of Trustees, also referred to as the Town Council. The approval of an ordinance is the action required to establish, modify or rescind a fund balance commitment.

Assigned — includes amounts that are constrained by the government's *intent* to be used for specific purposes, but not meeting the requirements to be restricted or committed. The authority for making an assignment can be a lesser authority than the government's highest level of decision making. The Town of Kingston treats fund balance as assigned if some formal action of the council has been taken, either in the form of a resolution or motion; or if accepted practice is and has been to constrain resources for a specific purpose.

Unassigned — fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to a specific purpose. Unassigned is the residual classification for the general fund.

The Town's policy is to generally consider amounts with the highest level of constraint as spent first, when an expenditure is incurred. Thus for purposes for which both restricted and unrestricted fund balance is available, restricted amounts are considered spent first. When amounts in any of the unrestricted classifications of committed, assigned or unassigned could be used for a particular expenditure, it is the Town's policy to allocate expenditures from committed amounts first, then assigned and last, unassigned fund balance.

1E. REVENUES, EXPENDITURES AND EXPENSES

Sales Tax

The Town presently levies a three-cent sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. By ordinance, this sales tax revenue is deposited in the General Fund. Amounts collected by the State prior to June 30 and received by the Town after year end are included as "receivables" in the Statement of Net Position.

Operating Revenues and Expenses

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

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds — By Character:	Current (further classified by function) Debt Service Capital Outlay

Proprietary Fund — By Operating and Non-operating

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

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds, if any, would be eliminated.

1F. ESTIMATES

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

The significant estimates used in these financial statements include the following:

a. Useful lives of capital assets
b. Original cost of certain asset
c. Allocations of certain revenues and expenses to functions

NOTE 2. CASH AND INVESTMENTS

Oklahoma Statutes require municipalities to adequately insure or collateralize cash deposits and investment accounts. Such insurance and/or collateral is carried on the basis of separate legal entities within the Town's organizational structure and is subject to changes in the FDIC insurance rules. Further, the comparison of insurance and collateral amounts is made against the actual bank account balances at any given time, which may vary from the carrying book balances because of

outstanding or transit items. The Town's depository funds are categorized to give an indication of the level of custody credit risk assumed by the Town as follows:

Category 1 — Insured by FDIC or collateralized with securities held by the Town (or public trust) or by its agent in its name

Category 2 — Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name

Category 3 — Uninsured and uncollateralized; or 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 with no written or approved collateral agreement

At June 30, 2014, the Town's only investments consisted of short-term certificates of deposit, a savings account and checking accounts. These amounts are included in the depository amounts above. The Town had no deposits that were uninsured as of June 30, 2014.

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

3A. FUND ACCOUNTING REQUIREMENTS

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

Fund	Required By
General Fund	State law
Cemetery Care Fund	State law
Municipal Authority	Trust indenture
Economic Development Authority	Trust indenture

In addition, the Town has established other operating funds for accounting and administrative purposes.

3B. DEFICIT FUND NET POSITION

During the year ended June 30, 2014, the Town had no funds operating with a deficit of Net Position (i.e., a negative fund balance).

3C. DEPOSITORY ACCOUNTS

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee. At June 30, 2014, all deposits were fully insured or collateralized.

3D. REVENUE RESTRICTIONS

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

Revenue Source	Restriction
Gasoline Excise Tax	Street & Alley Fund
Motor Vehicle Tax	Street & Alley Fund
Police Fines	Police Special Fund
12.5% Cemetary Lot Sales	Cemetary Care Fund
12.5% Cemetary Open/Close Charges	Cemetary Care Fund
Water, Sewer & Sanitation Charges	Debt Service & Utility Operations

For the year ended June 30, 2014, the Town complied, in all material respects, with these revenue restrictions.

3E. RISK MANAGEMENT

The City is exposed to various risks of loss (torts, theft of, damage to, or destruction of assets, business interruptions, errors and omissions, job-related illnesses or injuries to employees, and acts of God) and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage in the past three years. Significant losses are covered by commercial insurance for all Town programs and activities, these insurance policies are detailed in Note 13.

3F. INCOME TAXES

The Town, the Municipal Authority and the Economic Development Authority, as governmental units, are exempt from income taxes.

3G. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt

Article 10, Sections 26 and 27, of the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10 percent of net assessed valuation. For the year ended June 30, 2014, the Town had no outstanding general obligation debt.

Other Long-Term Debt

Except as noted in the following paragraph, as required by the Oklahoma State Constitution, the Town (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue without first obtaining voter approval. For the year ended June 30, 2014, the Town incurred no such indebtedness.

The Town has entered into lease agreements as lessee for financing the acquisition of certain equipment. These lease agreements qualify as capital leases for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. The leases contain an escape clause which gives the Town the ability to terminate the lease agreements at the end of each fiscal year.

Notes Payable

The loan agreement relating to the Kingston Municipal Authority note payable to Oklahoma Water Resources Board was amended during the year to take advantage of converting from a variable rate of interest to a fixed rate. This conversion required the Authority to expend funds for costs associated with the Amended agreement, and to reserve additional funds held by the trustee debt service reserve fund. Those costs have been included as non-operating expenses and the increased reserve requirement is reflected in restricted assets in these financial statements. This note agreement contains some restrictions or covenants that are financially related. These include covenants such as a debt service coverage requirement and required reserve account balances mentioned above.

The debt service coverage requirement says that "the schedule of rates or charges for the services of the System shall be sufficient to provide funds which, together with other revenues pledged under the Local Act, will provide Net Revenues Available for Debt Service equal to at least 125% of the maximum annual amount required for debt service."

In the loan agreement, "Net Revenues Available for Debt Service" is defined. The portion of that definition which is applicable to Town of Kingston is as follows: "Revenues of the System less: the Operation and Maintenance expenses of the system (except that (I) interest on any debt payable from the revenues of the system (2) depreciation and any other items not requiring the expenditure of cash (3) and, any amounts expended for capital replacements, repairs and maintenance not recurring annually shall not be included as an Operation and Maintenance Expense for purposes of this calculation); plus any other revenues pledged to payment of the Local Note. The following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance thereon as of June 30, 2014. Since detailed information about the separation of Authority expenses pertaining only to water operations is not available, for purposes of this calculation, revenues and expenses related to the operations of the water system, which cannot be directly allocated to water, have been estimated based on water revenue as a percentage of operating revenues other than sanitation charges. Sanitation is not included because these services are provided by an outside agency. The applicable percentage is 54% for the year ended June 30, 2014. Items which have been estimated are noted below with an asterisk (*).

Calculation of Net Revenues Available for Deb Services:		
Revenues of the System		
Water Charges	$	233,015.24
Misc. Charges		16,434.09
Rent Revenue		-
Total Revenue		249,449.33
Expenses of Water System		
Personal Services*		101,583.53
Materials, Supplies, & Charges*		91,232.97
Utilities*		25,881.04
Trustee Fees		-
Total Expenses	$	218,697.54
Net Revenue Available for Debt Services	$	30,751.79
Annual Debt Service Requirement	$	23,870.00
Calculated Debt Coverage		1.29
Reserve Account Balance as of 6/30/14	$	21,000.42

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, is summarized as follows:

Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Land	$ 67,626.00	-	-	$ 67,626.00
Buildings & Improvements	637,002.21	-	-	637,002.21
Infrastructure	742,027.75	27,093.00	-	769,120.75
Vehicles and Equipment	1,081,459.52	234,777.50	-	1,316,237.02
Total	2,528,115.48	261,870.50		2,789,985.98
Accumulated Depreciation	(1,279,076.93)	(128,674.23)	-	(1,407,751.16)
Net Assets	$ 1,249,038.55			$ 1,382,234.82

As of June 30, 2014, the governmental funds had no capitalized assets that were not being depreciated or had not been depreciated. Depreciation is computed using the straight line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded were not available. Depreciation for the governmental funds was recorded as follows: General - $11,475, Public Safety – $71,805, Streets & Highways - $44,181, and Cemetery - $1,213.

Business-Type Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Water System & Improvements	$ 512,645.00	-	-	$ 512,645.00
Sewer System & Improvements	2,530,943.49	-	-	2,530,943.49
Water & Sewer System Equip.	74,691.27	41,646.70	-	116,337.97
Office Buildings & Improvements	94,772.00	-	-	94,772.00
General Use Equipment	27,700.00	8,500.00	-	36,200.00
Total	3,240,751.76			3,290,898.46
Accumulated Depreciation	(1,231,407.90)	(143,852.31)	-	(1,375,260.21)
Net Assets	$ 2,009,343.86			$ 1,915,638.25

As of June 30, 2014, the proprietary funds had no capitalized assets that were not being depreciated or had not been depreciated. Depreciation is computed using the straight line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded were not available. Depreciation of $143,852 for the proprietary funds was recorded.

NOTE 5. LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. At June 30, 2014, the outstanding long-term debt obligations consisted of the following:

Governmental activities:

Note/Lease Purchase Payable — in January, 2014, the Town entered into a lease purchase arrangement with First United Bank for the purpose of acquiring Police vehicles. The original purchase principal totaled $12,770 and requires 24 monthly lease installments of $545.73, with a fixed APR of 2.45%. Principal required to amortize this note till maturity is as follows:

	Principal	Interest
2014/2015	3,251	24
	$ 3,251	$ 24

Balance at Beginning of Year	$	9,632
Principal Paid During Year		(6,381)
Balance at End of Year	$	3,251

Business-type activities:

Note payable to Oklahoma Water Resources Board (OWRB) — originally issued in 2001 at $245,000 for improvements to the Town's water system. This was amended April 2, 2009 to convert from a variable interest rate to fixed interest rates which average 3.513%. The amended note totals $210,000 and is payable in semi-annual payments with a final maturity of August 15, 2021. This amendment results in a payout amortization which is 9 1/2 years earlier than the previous payout schedule. This note is secured by the Town's utility revenues and the assets of the water system. Amortizations of this note is as follows

	Principal	Interest
2014/2015	15,000	5,019
2015/2016	15,000	4,589
2016/2017	15,000	4,102
2017/2018	15,000	3,702
2018/2019	15,000	3,202
2019/2022	70,000	28,037
	$ 145,000	$ 48,651

Balance at Beginning of Year	$	160,000
Principal Paid During Year		(15,000)
Balance at End of Year	$	145,000

Notes payable to Landmark Bank — these loans were entered into by the Authority to finance sewer system construction projects. At June 30, 2009, the Authority finalized the construction associated with these loans. The original loan totaled $500,000, and the supplemental loan totaled $100,879. These notes carried original maturity dates of October 1, 2023 and an interest rate of 4.61% for a 60 month period. After 60 months, the interest rate will adjust to the Wall Street Journal prime rate at that time less 2.75% percentage points. Amortizations of these notes are as follows:

	Principal	Interest
2014/2015	30,760	15,485
2015/2016	32,208	14,037
2016/2017	33,725	12,521
2017/2018	35,313	10,933
2018/2019	36,975	10,933
2019/2024	180,353	18,969
	$ 349,333	$ 82,877

Balance at Beginning of Year	$	383,831
Principal Paid During Year		(34,498)
Balance at End of Year	$	349,333

	Principal	Interest
2014/2015	6,095	3,153
2015/2016	6,382	2,866
2016/2017	6,682	2,565
2017/2018	6,997	2,265
2018/2019	7,326	1,965
2019/2024	37,901	5,465
	$ 71,383	$ 18,279

Balance at Beginning of Year	$	77,882
Principal Paid During Year		(6,499)
Balance at End of Year	$	71,383

Debt service payments of these obligations will be paid by Kingston Public Works Authority.

NOTE 6. EMPLOYEE COMPENSATED ABSENCES

Sick leave: All full-time employees accrue paid sick leave time at the rate of 12 hours per month, cumulative to a maximum of 360 hours (45 days). Unused accumulated hours are forfeited when service is terminated; therefore, no liability is included in these statements for sick leave.

Vacation: All full-time employees accrue paid vacation time based on the employee's anniversary of hire date, as follows:

1-2 years of service	1 week
3-5 years of service	2 weeks
6-15 years of service	3 weeks
16+ years of service	4 weeks

Holidays: Paid holidays are established annually by the Town Board. Full-time employees are paid for such holidays at the regular base rate of pay, and all employees except police officers are expected to take their holiday leave on the designated days. Police officers are allowed the same number of days off as are established by the board for holidays for the calendar year.

Comp Time: Employees who choose to take time off rather than receiving overtime pay at 1.5 times their rate of pay, are allowed time off at 1.5 times the hours worked in excess of 40 hours per week.

At June 30, 2014, the recorded liabilities for earned but unused compensated absences calculated at individual employee rates of pay were $20,496.67 for the Town and $4,823.97 for the PWA.

NOTE 7. PENDING LITIGATION, CONTINGENT LIABILITIES & SUBSEQUENT EVENTS

Subsequent events were evaluated through November 24, 2014, which is the date the financial statements were available to be issued. No events occurred which would affect the amounts on the financial statements.

The Town receives federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by the federal and state agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the Town Council, such disallowances, if any, will not be significant to the Town's financial statements.

NOTE 8. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees and natural disasters. The Town manages these various risks of loss with purchased commercial insurance and, therefore, retains a risk of loss only for the commercial policy's deductible.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE 9. ARBITRAGE REBATE LIABILITY

In connection with the 2001 promissory note issued through the Oklahoma Water Resources Board, the Municipal Authority is required to perform arbitrage rebate calculations as prescribed by the Internal Revenue Code. A rebate liability will occur as a result of investment income earned on the proceeds of a tax exempt municipal debt issue over a calculated allowable amount.

However, under IRS regulations, an exception to the liability provisions and the related calculation requirement applies to government units issuing less than $5,000,000 in debt. According to the Municipal Authority's loan documents, this exception was properly executed, therefore eliminating the rebate liability.

Also, in connection with the Kingston Economic Development Authority's Lease Revenue Notes, Series 2009 (Kingston Public Schools Project), the Economic Development Authority is required to perform arbitrage rebate calculations as prescribed by the Internal Revenue Code. A rebate liability will occur as a result of investment income earned on the proceeds of a tax exempt municipal debt issue over a calculated allowable amount. However, under IRS regulations, an exception to the liability provisions and the related calculation requirement applies to government units issuing less than $15,000,000 in debt attributable to financing the construction of public school facilities. According to the Economic Development Authority's loan documents, this exception was properly executed, therefore eliminating the rebate liability.

NOTE 10. KINGSTON ECONOMIC DEVELOPMENT AUTHORITY

Cash and Investments

At June 30, 2014, the KEDA reconciled carrying value of $0.01 shown on the Statement of Net Position, was comprised of funds held at RCB Corporate Trust.

Investments amounted to $8,496,295.88 as of June 30, 2014. The investment amount is made up solely of the Kingston Public Schools Project.

Accounts Receivable

At June 30, 2014, the accounts receivable presented in these financial statements represents lease revenue earned between August 15, 2013 and June 30, 2014, but not yet collected. The fourth lease payment is scheduled from Kingston Public Schools August 15, 2014, in the amount of $1,075,000. We have calculated the portion earned at June 30, 2014 to total $939,891. That amount is reflected as receivable in these financial statements.

Long-Term Debt

At June 30, 2014, the outstanding long-term debt obligations of the Kingston Economic Development Authority consisted of an issue titled Lease Revenue Notes, Series 2009 (Kingston Public Schools Project). These notes are dated February 12, 2009 and have a final maturity date of August 15, 2017. Annual debt service requirements associated with these notes are as follows:

	Principal	Interest	Totals
2014/2015	788,993.00	286,007.00	1,075,000.00
2015/2016	876,075.20	248,924.80	1,125,000.00
2016/2017	972,250.73	207,749.27	1,180,000.00
2017/2018	3,447,946.06	162,053.49	3,609,999.55
	$ 6,085,264.99	$ 904,734.56	$ 6,989,999.55

Town of Kingston, Oklahoma
Special Revenue Funds
Combining Balance Sheet
June 30, 2014

	Street & Alley Fund	Court Fund	Fire Department Fund	Cemetary Care Fund	Total Nonmajor Funds
ASSETS					
Cash and Cash Equivalents	17,577.31	33,607.42	11,256.87	70,031.06	132,472.66
Cash - Restricted	-	2,162.55	-	-	2,162.55
Revenues Receivable	1,502.21	3,125.00	-	-	4,627.21
Total Assets	$ 19,079.52	$ 38,894.97	$ 11,256.87	$ 70,031.06	$ 139,262.42
LIABILITIES					
Accounts Payable	-	2,829.56	-	-	2,829.56
Accrued Liabilities	-	-	-	-	-
Due to Other Funds	-	-	-	-	-
Total Liabilities	-	2,829.56	-	-	2,829.56
FUND BALANCES					
Restricted	19,079.52	-	-	-	19,079.52
Assigned	-	36,065.41	11,256.87	70,031.06	117,353.34
Total Fund Balances	19,079.52	36,065.41	11,256.87	70,031.06	136,432.86
TOTAL LIABILITIES AND FUND BALANCE	$ 19,079.52	$ 38,894.97	$ 11,256.87	$ 70,031.06	$ 139,262.42

The accompanying footnotes are an integral part of these financial statements

Town of Kingston, Oklahoma
Special Revenue Funds
Statement of Revenues, Expenditures and Changes in Net Position
For the Year Ending June 30, 2014

	Street & Alley Fund	Court Fund	Fire Department Fund	Cemetary Care Fund	Total Nonmajor Funds
Revenues					
Taxes	15,313.98	-	-	-	$ 15,313.98
Charges for Services	1,208.98	-	-	2,300.00	3,508.98
Fines and Forfeitures	-	31,401.55	-	-	31,401.55
Donations & Fundraising	-	-	7,252.00	1,075.00	8,327.00
Other Revenues	-	-	4,708.98	-	4,708.98
Interest Revenues	-	-	-	6.94	6.94
Grant Revenues	-	-	180,557.00	-	180,557.00
Total Revenues	16,522.96	31,401.55	192,517.98	3,381.94	243,824.43
Expenditures					
Public Safety	-	14,454.17	78,426.17	-	92,880.34
Cemetary & Parks	-	-	-	4,229.63	4,229.63
Capital Outlay	27,093.00	-	79,738.00	-	106,831.00
Total Expenses	27,093.00	14,454.17	158,164.17	4,229.63	203,940.97
Excess Revenues over Expenses	(10,570.04)	16,947.38	34,353.81	(847.69)	39,883.46
Other Financing Sources and Uses					
Transfers In/Out	-	(4,320.00)	-	-	(4,320.00)
Total Other Financing Sources and Uses	-	(4,320.00)	-	-	(4,320.00)
Net Change in Fund Balances	(10,570.04)	12,627.38	34,353.81	(847.69)	35,563.46
Fund Balances, Beginning	29,649.56	23,438.03	(23,096.94)	70,878.75	100,869.40
Fund Balances, Ending	$ 19,079.52	$ 36,065.41	$ 11,256.87	$ 70,031.06	$ 136,432.86

The accompanying notes are an integral part of these financial statements

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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*

To the Town Council
Town of Kingston, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Kingston, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Kingston's basic financial statements, and have issued our report thereon dated November 24, 2014

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Kingston'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 Town of Kingston's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Kingston'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Kingston's financial statements are free from 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 or other matters that are required to be reported under Government Auditing Standards.

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.

Casey J. Russell CPA, Inc

Oklahoma City, Oklahoma
November 24, 2014