

TOWN OF KINGSTON, OKLAHOMA

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED JUNE 30, 2010

Town Officials:

**Charlotte Matchen
Frank Johnson
Rick Roach
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Richard Taylor**

**Independent Audit Firm:
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Certified Public Accountant**

TOWN OF KINGSTON, OKLAHOMA
JUNE 30, 2010

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MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWN OF KINGSTON, OKLAHOMA
JUNE 30, 2010

Our discussion and analysis of the Town of Kingston's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2010. Please read this in conjunction with the Town's financial statements, which follow.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following four parts:

- I. Management's discussion and analysis – this section
- II. Basic financial statements – consisting of:
 - A) Government-wide financial statements
 - B) Fund financial statements
 - C) Notes to the financial statements
- III. Required supplementary information – consisting of:
 - A) Budgetary comparison schedules
 - B) Defined benefit retirement plan information
- IV. Other supplementary information – consisting of:
 - A) Combining schedules
 - B) Other information

The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Town's *overall* financial status.

The remaining statements are *fund financial statements* that focus on *individual parts* of the Town government, reporting the Town's operations *in more detail* than the government-wide statements.

- The *governmental funds* statements tell how *general government* services such as public safety were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-term* and *long-term* financial information about the activities the government operates *like businesses*, such as the water and sewer system.
- *Fiduciary funds* statements provide information about the financial relationships in which the Town acts solely as a *trustee or agent* for the benefit of those outside of the government. The Town of Kingston has no fiduciary funds.
- *Component Unit* fund statements provide information about the operations of entities which are part of the government, but which the Kingston Economic Development Authority which is currently serving as a conduit for building and financing a Multi-Purpose Building for Kingston Public Schools.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Reporting Government-wide Financial Statements (The Town as a Whole)

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide statements report the Town's *net assets* and how they have changed. Looking at net assets – the difference between the Town's assets and liabilities – is one way to measure the Town's financial health or *financial position*. Over time, increases or decreases in the Town's net assets are an indicator of whether its financial health is improving or deteriorating. You should also consider other nonfinancial factors such as changes in the Town's sales tax base and the condition of the Town's infrastructure networks, to assess the *overall health* of the Town.

In the government-wide financial statements, the Town's activities are divided into three categories:

- *Governmental activities* – Most of the Town's basic services are included here, such as the police, fire, streets, town maintenance, cemetery, parks, and general administration. Sales taxes, fines and grants finance most of these activities.
- *Business-type activities* – The Town charges fees to customers to help cover all or most of the costs of certain services it provides. The Town's water and sewer system and sanitation services are reported here as Kingston Municipal Authority.
- *Component unit activities* – The Town includes a separate legal entity in its report -- the Kingston Economic Development Authority. Although legally separate, this "component unit" is important because the Town is financially accountable for it.

Reporting Fund Financial Statements (The Town's Most Significant Individual Funds)

The fund financial statements provide more detailed information about the Town's *funds*, focusing on its most significant or "major" funds – not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law or by bond covenants.
- Other funds are established by the Town Council to control and manage money for particular purposes (such as the Police Fine Fund) or to show that certain taxes or grants are being used properly (such as the Street & Alley Fund).

The Town has two kinds of funds, governmental and proprietary, and they use different accounting approaches.

- *Governmental funds* – Most of the Town's basic services are included in governmental funds, which focus on (1) how money flows in and out and (2) the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and other financial assets that can be readily converted to cash. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.
- *Proprietary funds* – Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. In fact, the Town's enterprise fund is the Kingston Municipal Authority and is its only proprietary fund and business-type activity.

FINANCIAL HIGHLIGHTS

- The Town's primary government total net assets increased from \$3,416,777 to \$ 3,739,796 The increase was comprised of the following:

Governmental activities	increased	11.77 %	\$ 199,232
Business-type activities	increased	7.18 %	<u>123,787</u>
			\$ 323,019

- During the year, the Town's expenses were \$ 550,249 more than program related revenues. This deficit was offset by general, non-program revenues of \$ 749,481
- The Town's financial statements now reflect land and capital assets, net of depreciation, for governmental activities of \$ 1,262,029 and business-type activities of \$ 2,338,274.
- The General Fund revenues were \$ 66,442 less than budgeted expectations and expenditures were \$ 29,395 less than budgeted.
- The Municipal Authority revenues were \$ 77,850 less than budgeted and expenses were \$ 146,122 less than budgeted. Both of these differences were due mainly to grant project revenues and expenditures that will carry on to the next year.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Condensed government-wide statement of net assets – June 30, 2009 & June 30, 2010:

	Governmental Activities		Business-type Activities		Total	
	2009	2010	2009	2010	2009	2010
Current assets, unrestricted	\$529,487	\$ 678,370	\$ 200,003	\$ 242,010	\$ 729,490	\$ 920,380
Current assets, restricted	2,356	3,357	59,216	89,484	61,572	92,841
Capital assets	<u>1,215,587</u>	<u>1,262,029</u>	<u>2,323,056</u>	<u>2,338,274</u>	<u>3,538,643</u>	<u>3,600,303</u>
Total assets	1,747,430	1,943,756	2,582,275	2,669,768	4,329,705	4,613,316
Accts Payable & Current Debt	30,472	37,106	64,946	67,621	95,418	104,727
Other current liabilities	11,048	13,722	39,429	42,412	50,477	56,134
Long-term debt	<u>13,143</u>	<u>929</u>	<u>753,890</u>	<u>711,938</u>	<u>767,033</u>	<u>712,867</u>
Total liabilities	<u>54,663</u>	<u>51,757</u>	<u>858,265</u>	<u>821,971</u>	<u>912,928</u>	<u>873,728</u>
Net assets						
Invested in capital assets, net of related debt	1,190,882	1,235,809	1,533,144	1,580,676	2,724,026	2,816,485
Restricted	-0-	3,357	59,216	89,484	59,216	92,841
Unrestricted	<u>501,885</u>	<u>652,833</u>	<u>131,650</u>	<u>177,637</u>	<u>633,535</u>	<u>830,470</u>
Total net assets	\$ <u>1,692,767</u>	\$ <u>1,891,999</u>	\$ <u>1,724,010</u>	\$ <u>1,847,797</u>	\$ <u>3,416,777</u>	\$ <u>3,739,796</u>

The unrestricted net asset positions of both the governmental activities and the business-type activities should provide the Town with adequate resources for future period expenditures in the event future period revenues are not sufficient or fall short of expectations.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (CONTINUED)

Condensed government-wide statement of activities –
Change in Net Assets – June 30, 2009 & June 30, 2010:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Program revenues	157,241	296,849	604,105	776,112	\$ 761,346	\$1,072,961
Functional expenses	778,189	847,098	665,876	665,363	1,444,065	1,512,461
Excess (shortage)	(620,948)	(550,249)	(61,771)	110,749	(382,719)	(439,500)
General revenues	<u>681,000</u>	<u>749,481</u>	<u>13,134</u>	<u>13,038</u>	<u>694,134</u>	<u>762,519</u>
Change in Net Assets	<u>47,641</u>	<u>199,232</u>	<u>304,845</u>	<u>123,787</u>	\$ <u>11,415</u>	\$ <u>323,019</u>

The composition of total revenues, program and general, was as follows:

	<u>-----2009-----</u>		<u>-----2010-----</u>	
	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>	<u>Percent of Total</u>
Sales tax	\$ 505,070	34.70%	\$ 484,688	26.41%
Use tax	28,881	1.98%	28,218	1.53%
Franchise taxes	57,628	3.96%	56,944	3.10%
Other taxes	59,214	4.07%	50,838	2.77%
Fines, forfeitures & costs	100,045	6.87%	250,624	13.65%
Charges for utility service	593,678	40.79%	628,398	34.24%
Charges for other services	9,304	0.64%	8,445	0.46%
Grants	58,319	4.01%	185,494	10.11%
Donations & Reimbursed	26,501	1.82%	125,129	6.82%
Investment earnings	2,595	0.18%	635	0.03%
Other revenues	<u>14,245</u>	<u>.98%</u>	<u>16,067</u>	<u>.88%</u>
	\$ <u>1,455,480</u>	<u>100.00%</u>	\$ <u>1,835,480</u>	<u>100.00%</u>

The composition of total functional expenses was as follows:

	<u>-----2009-----</u>		<u>-----2010-----</u>	
	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>	<u>Percent of Total</u>
General government	285,565	19.78%	\$ 279,324	18.47%
City Maintenance	58,501	4.05%	57,283	3.79%
Cemetery, Parks & Community Development	650	0.04%	2,992	.20%
Police & Court	299,202	20.72%	365,095	24.14%
Fire protection	47,365	3.28%	67,420	4.46%
Street & City Maint.	85,219	5.90%	73,120	4.83%
Public Works	624,687	43.26%	630,406	41.68%
Interest & Trustee Fees	<u>42,876</u>	<u>2.97%</u>	<u>36,821</u>	<u>2.43%</u>
	\$ <u>1,444,065</u>	<u>100.00%</u>	\$ <u>1,512,461</u>	<u>100.00%</u>

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (CONTINUED)

Governmental activities

Revenues and expenses for governmental activities were both lower than budgeted amounts. The Town experienced a decrease in sales tax revenue, which is unusual related to the Town's history over the past several years. Only 2 times in the past 12 years, has the Town experienced a decrease in sales tax revenue. Operating expenses were generally consistent and in fact, decreased over the prior year in line with decreased revenue. The Town made fewer significant capital expenditures than the prior year, but did purchase the following assets during the year: two new computer systems were purchased for use in the Town and Utility Office; two used police vehicles, lights and equipment, a drug dog, and stingers for the officers were all purchased from the Police Special fund totaling \$43,905; additionally firearms totaling \$7,330 were purchased for the police department with grant moneys. Construction on a new fire station building and equipment to outfit the new station was completed this year, with the installation of a sprinkler system, fire alarms and a concrete apron in front of the building. These expenditures totaled \$38,232 from the General Fund. Additionally, the Fire department received vehicles including a 2,500 gallon tank fire truck and 2 others from the Department of Agriculture, these donations are valued in these statements at \$118,983.

Business-type activities

The Town's business type activity consists entirely of the Town's Municipal Authority which operates the water, sewer and sanitation systems. Operating revenues from utility charges increased over the prior year by \$34,720 and were above budget projections by \$35,625. Budget basis non-capital operating expenses of the Municipal Authority decreased from the prior year by \$4,565 this minimal decrease was not due to any specific category, but is primarily a reflection of the Authority's effort to hold expenses constant. KMA expenses, both capital and non-capital, were below budgeted amounts. In addition to operating expenses, the Municipal Authority also spent \$149,343 on capital expenses, with money primarily funded by a CDBG grant. This project is a continuation of the effort to update the Town's sewer systems.

FINANCIAL ANALYSIS OF THE TOWN'S INDIVIDUAL FUNDS

The financial highlights of the Town's General Fund and Municipal Authority Fund were discussed above as the primary components of the governmental and business-type activities, respectively. Other individual fund information is noted below:

- Street and Alley Fund increased its fund balance by \$12,919 and had no expenditures during the year.
- The Police Special Fund increased its fund balance by \$ 86,921, resulting from an increase in fine revenues.
- The Court Costs Fund increased its fund balance by \$27,426 for the year resulting from court cost fees collected in excess of costs paid for the Town judge. This increase is related and in proportion to increased fine revenue.
- The Volunteer Fire Fund decreased its fund balance by \$2,841 resulting from expenditures for materials and supplies associated with fire department operations.
- The Cemetery Care Fund, increased its fund balance by \$7,416 as the result of lot sales and fees in excess of small operating expenses.
- All funds ended the year with positive fund balances.

FINANCIAL ANALYSIS OF TOWN'S INDIVIDUAL FUNDS (CONTINUED)

Condensed financial summary of individual funds FYE 6/30/2010:

	General Fund	Street & Alley	Police Special	Court Costs	Volunteer Fire Dept	Cemetery Care Fund	Public Works
Statement of Net Assets							
Current unrestricted assets	\$ 369,811	\$ 59,658	\$ 112,816	\$ 63,524	\$ 3,468	\$ 69,093	\$ 242,010
Restricted assets	-	-	-	3,357	-	-	89,484
Capital assets (net of depreciation)	<u>1,262,029</u>	-	-	-	-	-	<u>2,338,274</u>
Total assets	<u>1,631,840</u>	<u>59,658</u>	<u>112,816</u>	<u>66,881</u>	<u>3,468</u>	<u>69,093</u>	<u>2,669,768</u>
Current liabilities	34,169	-	-	2,937	-	-	110,033
Long-term liabilities	<u>14,651</u>	-	-	-	-	-	<u>711,938</u>
Total liabilities	<u>48,820</u>	-	-	<u>2,937</u>	-	-	<u>821,971</u>
Net fund equity	<u>\$ 1,583,020</u>	<u>\$ 59,658</u>	<u>\$ 112,816</u>	<u>\$ 63,944</u>	<u>\$ 3,468</u>	<u>\$ 69,093</u>	<u>\$ 1,847,797</u>
Statement of Activities							
Revenues	\$ 755,294	\$ 12,919	\$ 201,703	\$ 57,957	\$ 10,629	\$ 7,828	\$ 789,150
Expenditures/Expenses	(744,248)	-	(64,381)	(24,587)	(13,470)	(412)	(665,363)
Transfers In of Capital Assets	43,905	-	-	-	-	-	-
Transfers Out of Capital Assets	-	-	(43,905)	-	-	-	-
Transfers In of Cash	26,672	-	-	-	-	-	-
Transfers Out of Cash	-	-	(20,728)	(5,944)	-	-	-
Net Change	81,623	12,919	72,689	27,426	(2,841)	7,416	123,787
Fund Equity, beginning	<u>1,515,629</u>	<u>46,739</u>	<u>25,895</u>	<u>36,518</u>	<u>6,309</u>	<u>61,677</u>	<u>1,724,010</u>
Fund Equity, ending	<u>\$ 1,597,252</u>	<u>\$ 59,658</u>	<u>\$ 98,584</u>	<u>\$ 63,944</u>	<u>\$ 3,468</u>	<u>\$ 69,093</u>	<u>\$ 1,847,797</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town adopts an annual budget prior to the July 1st start of each fiscal year. This original budget is prepared under a modified cash basis and is based on the projected current year ending fund balance and an estimate of the next year's revenues. Expenditure appropriations are then established for each department. During the year, the Town Council can amend the budget as necessary. Generally, such amendments fall into three categories:

- Adjustments for corrections to the carryover fund balance or to the estimated revenues.
- Additional appropriations for new revenue sources not included in the original budget.
- Reclassifications between departments or expenditure accounts to prevent budget overspending.
- Additional appropriations for expenditures not anticipated at the original budget's adoption.

General Fund budget summary for the year ended June 30, 2010:

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance</u>
Resources (inflows)	\$ <u>654,700</u>	\$ <u>25,660</u>	\$ <u>680,360</u>	\$ <u>625,618</u>	\$ <u>(54,742)</u>
Charges by department					
General Government	290,080	-0-	290,080	278,204	11,876
Town Maint, Parks & Cemetery	70,000	-0-	70,000	62,233	7,767
Community Development	-0-	2,000	2,000	854	1,146
Police & Court	203,000	32,000	235,000	231,578	3,422
Fire	49,500	18,000	67,500	66,500	1,000
Street	<u>10,000</u>	<u>-0-</u>	<u>10,000</u>	<u>4,816</u>	<u>5,184</u>
Total charges	<u>622,580</u>	<u>52,000</u>	<u>674,580</u>	<u>644,185</u>	<u>30,395</u>
Resources over (under) charges	32,120	(26,340)	5,780	(18,567)	(24,347)
Transfers from Other Funds	6,520	18,500	25,020	26,672	1,652
Transfers to Other Funds	-0-	-0-	-0-	-0-	-0-
Beginning Fund Balance	<u>198,005</u>	<u>13,068</u>	<u>211,073</u>	<u>210,988</u>	<u>915</u>
Ending Fund Balance	\$ <u>236,645</u>	\$ <u>5,228</u>	\$ <u>241,873</u>	\$ <u>219,093</u>	\$ <u>(22,780)</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the Town and Authority had invested \$3,692,936 (net of depreciation) in a broad range of capital assets, including land, buildings, equipment, roads and water and sewer systems. For the year ended June 30, 2010, the Town and Authority added \$ 294,285 in capital assets.

Summary of capital assets at June 30, 2010:			
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 67,626	\$ -	\$ 67,626
Buildings and improvements	577,626	94,772	672,398
Equipment	825,687	102,391	928,078
Infrastructure network	688,899	2,947,148	3,636,047
Accumulated depreciation	<u>(897,811)</u>	<u>(806,037)</u>	<u>(1,703,848)</u>
Total	<u>\$ 1,262,027</u>	<u>\$ 2,338,274</u>	<u>\$ 3,600,301</u>

This year's major capital asset additions included:

- Storm sirens for \$26,000;
- Sprinkler system, fire alarms and concrete apron to complete the new fire station building totaling \$38,232;
- Two used police vehicles, a drug dog, firearms and equipment totaling \$51,233;
- Continued sewer work through CDBG grant projects \$149,343;

Debt Administration

At June 30, 2010, the long-term debt of the government consists of four items: A note payable to Oklahoma Water Resources Board from the Municipal Authority of \$210,000 and two notes payable to Landmark Bank held by the Municipal Authority of \$97,411 and \$482,501 which are presented as notes payable in the proprietary fund types. A lease purchase obligation between the Town and Bancfirst for a fire truck with a remaining balance of \$13,143, and a new lease purchase obligation between the Town and Bancfirst for 2 police cars are both presented in the governmental fund types of the statement of net assets as notes payable. Future funding obligations of these notes and lease are detailed in the Notes.

Summary of outstanding long-term debt:				
	<u>June 30,2009</u>	<u>Issued</u>	<u>Retired</u>	<u>June 30, 2010</u>
OWRB-water system	\$ 210,000	-0-	\$ (5,000)	\$ 205,000
Landmark Bank-sewer system	482,501	-0-	(22,795)	459,706
Landmark Bank –Sewer System	97,411	-0-	(4,519)	92,892
BancFirst - Fire Truck Lease	\$ 24,705	-0-	(11,562)	13,143
BancFirst – 2 Police Cars	-0-	\$25,650	(12,573)	13,077

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Several economic factors will influence the Town's operations and financial decisions in the next year and in years to come. Some of the most significant factors include:

- Population growth and tourism/business development in Kingston and the surrounding area appears to have leveled off and may even be declining with the nation-wide economic downturn as evidenced in decreased sales tax revenue compared to the prior year. The Town has also noticed increasing costs of supplying maintenance and services to the citizens.
- Contemplation of even more additional borrowing by the Municipal Authority to finance sewer system improvements which are still necessary to upgrade the Town's systems.
- Looking to the future, the Town is considering the purchase of additional land for use as a cemetery.

These factors were all considered in the preparation and adoption of the Town's 2010-2011 budget.

Summary of 2010-2011 original budget:				
	General Fund	Other Governmental Funds	Municipal Authority	Total
Resources				
Fund Balance, Unreserved	\$ 206,773	263,313	157,469	\$ 627,555
Revenues	615,870	255,825	702,735	1,574,430
Transfers	<u>65,240</u>	<u>-0-</u>	<u>-0-</u>	<u>65,240</u>
Total Resources	<u>887,883</u>	<u>519,138</u>	<u>860,204</u>	<u>2,267,225</u>
Appropriations				
Gen Government/Admin	302,560	-0-	-0-	302,560
City Maintenance	65,000	60,000	-0-	125,000
Police & Court	249,000	138,000	-0-	387,000
Fire	33,132	10,000	-0-	43,132
Street	10,000	75,000	-0-	85,000
Cemetery	-0-	52,000	-0-	52,000
Water & Sewer	-0-	-0-	538,735	538,735
Sanitation	-0-	-0-	136,000	136,000
Debt Service	-0-	-0-	77,000	77,000
Transfers	<u>-0-</u>	<u>65,520</u>	<u>-0-</u>	<u>65,520</u>
Total Appropriations	<u>659,692</u>	<u>400,520</u>	<u>751,735</u>	<u>1,811,947</u>
Ending Fund Balance	\$ <u>228,191</u>	<u>118,618</u>	<u>108,469</u>	\$ <u>455,278</u>

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town's business office at Kingston Town Hall, North Main Street, Kingston, Oklahoma 73439.

MD&A MISCELLANEOUS SCHEDULES

Town of Kingston, Oklahoma
Combining Statement of Net Assets
Governmental Activities
June 30, 2010

	<u>General Fund</u>	<u>Street & Alley</u>	<u>Police Special Fund</u>	<u>Court Costs Fund</u>	<u>Volunteer Fire Fund</u>	<u>Cemetery Care Fund</u>	<u>Combined Totals</u>
Assets							
Current assets:							
Cash and cash equivalents	219,092	54,075	85,034	59,527	3,468	69,093	490,289
Receivables (net)	150,719	5,583	27,782	3,997	-	-	188,081
Intergovernmental receivable	-	-	-	-	-	-	-
Total current assets	<u>369,811</u>	<u>59,658</u>	<u>112,816</u>	<u>63,524</u>	<u>3,468</u>	<u>69,093</u>	<u>678,370</u>
Noncurrent assets:							
Restricted cash and cash equivalents	-	-	-	3,357	-	-	3,357
Land and construction in progress	67,626	-	-	-	-	-	67,626
Capital assets, net of depreciation	<u>1,194,403</u>	-	-	-	-	-	<u>1,194,403</u>
Total noncurrent assets	<u>1,262,029</u>	<u>-</u>	<u>-</u>	<u>3,357</u>	<u>-</u>	<u>-</u>	<u>1,265,386</u>
Total assets	<u>1,631,840</u>	<u>59,658</u>	<u>112,816</u>	<u>66,881</u>	<u>3,468</u>	<u>69,093</u>	<u>1,943,756</u>
Liabilities							
Current liabilities:							
Accounts payable	8,878	-	-	2,937	-	-	11,815
Notes Payable, current portion	25,291	-	-	-	-	-	25,291
Intergovernmental payable	-	-	-	-	-	-	-
Total current liabilities	<u>34,169</u>	<u>-</u>	<u>-</u>	<u>2,937</u>	<u>-</u>	<u>-</u>	<u>37,106</u>
Noncurrent liabilities:							
Notes payable	929	-	-	-	-	-	929
Compensated absences	<u>13,722</u>	-	-	-	-	-	<u>13,722</u>
Total noncurrent liabilities	<u>14,651</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,651</u>
Total liabilities	<u>48,820</u>	<u>-</u>	<u>-</u>	<u>2,937</u>	<u>-</u>	<u>-</u>	<u>51,757</u>
Net Assets							
Invested in capital assets, net of related debt	1,235,809	-	-	-	-	-	1,235,809
Restricted for:							
Payment of State Cleet Fees	-	-	-	3,357	-	-	3,357
Unrestricted	<u>347,211</u>	<u>59,658</u>	<u>112,816</u>	<u>60,587</u>	<u>3,468</u>	<u>69,093</u>	<u>652,833</u>
Total net assets	<u>1,583,020</u>	<u>59,658</u>	<u>112,816</u>	<u>63,944</u>	<u>3,468</u>	<u>69,093</u>	<u>1,891,999</u>

MD&A MISCELLANEOUS SCHEDULES

Town of Kingston, Oklahoma
Allocation of Fund Expenses to Statement of Activities Functions
For the Year Ended June 30, 2010

	<u>General Fund</u>				<u>Street & Alley</u>	<u>Police Special</u>	<u>Volunteer Fire Dept</u>	<u>Court Costs</u>	<u>Cemetery Care</u>	<u>Totals</u>
	<u>Personal Services</u>	<u>Materials & Supplies</u>	<u>Other Charges</u>	<u>Depreciation</u>						
Primary government:										
Governmental activities										
General government	\$ 148,539	\$ 15,473	\$ 108,384	\$ 6,928	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 279,324
City Maintenance	22,479	34,171	-	633	-	-	-	-	-	57,283
Cemetery, Parks & Comm. Develop		854	1,285	441	-	-	-	-	412	2,992
Public Safety										
Policing, Court & Anml Control	207,541	-	33,645	34,941	-	64,381	-	24,587	-	365,095
Fire & General Safety	7,175	8,610	-	38,165	-	-	13,470	-	-	67,420
Streets & Highways	-	5,904	-	67,216	-	-	-	-	-	73,120
Interest	-	-	1,864	-	-	-	-	-	-	1,864
Total governmental activities	<u>\$ 385,734</u>	<u>\$ 65,012</u>	<u>\$ 143,314</u>	<u>\$ 148,324</u>	<u>\$ -</u>	<u>\$ 64,381</u>	<u>\$ 13,470</u>	<u>\$ 24,587</u>	<u>\$ 412</u>	<u>\$ 847,098</u>

MD&A MISCELLANEOUS SCHEDULES

Town of Kingston, Oklahoma
Historical Comparison of Key Financial Information -- Budget Basis
For the Years Ended June 30

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Cash in Bank & CD's										
General Fund	\$ 219,092	\$ 211,607	\$ 167,358	\$ 236,378	\$ 324,468	\$ 387,793	\$ 367,987	\$ 250,332	\$ 475,627	\$ 381,627
Street & Alley	54,076	44,157	46,073	33,439	52,187	37,556	29,726	44,117	31,363	18,632
Municipal Court Cost Fund	62,884	37,244	32,550	29,796	28,845	23,814	19,157	-	-	-
Police Fines Fund	85,034	18,029	25,976	7,584	26,475	28,807	28,907	18,167	23,253	21,593
Volunteer Fire Fund	3,467	6,374	16,036	12,094	36,927	24,387	42,878	26,839	5,815	19,917
Cemetery Care Fund	69,093	61,677	-	-	-	-	-	-	-	-
Public Works Authority	273,196	193,096	276,996	211,486	152,008	152,529	226,308	222,938	289,317	221,269
Total Primary Government	\$ 766,842	\$ 572,184	\$ 564,989	\$ 530,777	\$ 620,910	\$ 654,886	\$ 714,963	\$ 562,393	\$ 825,375	\$ 663,038
General Fund										
Sales & Use Tax Revenues	\$ 512,906	\$ 515,946	\$ 488,576	\$ 471,255	\$ 445,419	\$ 431,629	\$ 414,571	\$ 347,522	\$ 362,509	\$ 327,222
Other Tax Revenues	89,677	98,371	91,109	74,398	76,809	58,356	57,906	56,227	53,012	50,854
Other Revenues (less grant to PWA)	85,906	85,906	39,786	62,642	26,620	127,956	23,106	47,018	83,086	74,867
Total General Fund Revenues	\$ 688,489	\$ 700,223	\$ 619,471	\$ 608,295	\$ 548,848	\$ 617,941	\$ 495,583	\$ 450,767	\$ 498,607	\$ 452,943
Admin & General Govt										
Admin & General Govt	\$ 271,890	\$ 277,309	\$ 348,768	\$ 316,253	\$ 301,225	\$ 254,550	\$ 188,784	\$ 264,723	\$ 224,065	\$ 208,804
Streets, Maintenance & Comm Dev	65,001	75,676	31,452	26,329	657	4,878	8,215	81,164	77,810	160,094
Public Safety - Police & Anml Cntrl	231,690	202,357	192,200	158,575	160,375	152,334	137,824	105,778	96,788	85,602
Public Safety - Fire & General	15,785	21,912	8,838	4,779	3,604	1,236	1,964	3,293	4,715	2,133
Capital Outlay	53,480	89,298	101,581	188,046	142,642	210,898	38,976	216,335	-	21,075
Transfers to Other Funds	-	14,674	-	4,015	3,680	4,115	2,165	1,305	1,230	570
Total General Fund Expenditures	\$ 637,846	\$ 681,226	\$ 682,839	\$ 697,997	\$ 612,183	\$ 628,011	\$ 377,928	\$ 672,598	\$ 404,608	\$ 478,278
Municipal Authority Operations										
Utility Revenues	\$ 628,398	\$ 567,147	\$ 509,890	\$ 485,349	\$ 434,679	\$ 370,167	\$ 377,671	\$ 365,938	\$ 346,990	\$ 333,827
Other Revenues	13,038	50,092	79,923	14,001	33,608	4,742	2,593	2,832	5,474	6,623
Loan Proceeds	-	500,263	99,737	-	-	-	-	-	-	-
Grant Proceeds for KMA Assets	147,714	-	250,000	-	250,000	250,000	163,503	-	-	-
Total Revenues	\$ 789,150	\$ 1,117,502	\$ 939,550	\$ 499,350	\$ 718,287	\$ 624,909	\$ 543,767	\$ 368,770	\$ 352,464	\$ 340,450
Personal Services Expenses										
Personal Services Expenses	\$ 187,965	\$ 194,530	\$ 179,379	\$ 140,144	\$ 194,194	\$ 166,228	\$ 142,185	\$ 125,459	\$ 96,753	\$ 95,752
Maintenance & Operations	308,317	298,364	247,380	244,044	223,670	206,244	189,070	177,363	172,372	184,961
Debt Service	76,293	74,412	15,291	14,424	12,245	8,675	8,776	8,510	4,848	-
Capital Outlay	149,343	636,172	435,005	45,700	41,663	67,362	39,085	112,443	280,789	21,050
Total Expenses & Asset Purch	\$ 721,918	\$ 1,203,478	\$ 877,055	\$ 444,312	\$ 471,772	\$ 448,509	\$ 379,116	\$ 423,775	\$ 554,762	\$ 301,763

NOTE: Above expenditure amounts for the Public Works include principal payments on OWRB debt and capitalized costs of property, plant and equipment acquisitions and construction, including those paid from loan proceeds, but do not include depreciation charges thereon.

BASIC FINANCIAL STATEMENTS

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Town of Kingston, Oklahoma
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities (Exh. C)</u>	<u>Business-type Activities (Exh. F)</u>	<u>Total Primary Government</u>	<u>Economic Dev Authority (Exh. I)</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 490,289	\$ 184,112	\$ 674,401	\$ 3,994,593
Receivables (net)	188,081	57,898	245,979	854,376
Total current assets	<u>678,370</u>	<u>242,010</u>	<u>920,380</u>	<u>4,848,969</u>
Noncurrent assets:				
Restricted cash and cash equivalents	3,357	50,334	53,691	-
Customer deposits	-	39,150	39,150	-
Bond Issue Costs, net of amortization	-	-	-	207,145
Land and construction in progress	67,626	-	67,626	4,287,040
Capital assets, net of depreciation	1,194,403	2,338,274	3,532,677	-
Total noncurrent assets	<u>1,265,386</u>	<u>2,427,758</u>	<u>3,693,144</u>	<u>4,494,185</u>
Total assets	<u>1,943,756</u>	<u>2,669,768</u>	<u>4,613,524</u>	<u>9,343,154</u>
Liabilities				
Current liabilities:				
Accounts payable	11,815	21,961	33,776	447,832
Customer deposits	-	39,150	39,150	-
Notes payable, current portion	25,291	45,660	70,951	452,046
Compensated absences	13,722	3,262	16,984	-
Total current liabilities	<u>50,828</u>	<u>110,033</u>	<u>160,861</u>	<u>899,878</u>
Noncurrent liabilities:				
Notes payable, less current portion	929	711,938	712,867	7,906,306
Total noncurrent liabilities	<u>929</u>	<u>711,938</u>	<u>712,867</u>	<u>7,906,306</u>
Total liabilities	<u>51,757</u>	<u>821,971</u>	<u>873,728</u>	<u>8,806,184</u>
Net Assets				
Invested in capital assets, net of related debt	1,235,809	1,580,676	2,816,485	(4,311,999)
Restricted	3,357	89,484	92,841	4,848,969
Unrestricted	652,833	177,637	830,470	-
Total net assets	<u>\$ 1,891,999</u>	<u>\$ 1,847,797</u>	<u>\$ 3,739,796</u>	<u>\$ 536,970</u>

See accompanying notes to the financial statements.

Town of Kingston, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2010

	General Fund	Other Govt Funds (Sch. 1)	Total
<u>ASSETS</u>			
Cash & Cash Equivalents	\$ 219,092	271,197	\$ 490,289
Restricted Cash	-	3,357	3,357
Revenues Receivable	150,719	37,362	188,081
Total Assets	<u>\$ 369,811</u>	<u>\$ 311,916</u>	<u>\$ 681,727</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 8,878	\$ 2,937	\$ 11,815
Total Liabilities	<u>8,878</u>	<u>2,937</u>	<u>11,815</u>
<u>FUND BALANCES</u>			
Non-Spendable	-	-	-
Restricted	800	60,546	61,346
Committed	-	-	-
Assigned	529	248,433	248,962
Unassigned	359,604	-	359,604
Total Fund Balances	360,933	308,979	669,912
Total Liabilities & Fund Balances	<u>\$ 368,482</u>	<u>\$ 311,916</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	1,262,029
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(39,942)</u>
Net assets of governmental activities	<u>\$ 1,891,999</u>

See accompanying notes to the financial statements.

Town of Kingston, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
June 30, 2010

	General Fund	Other Govt Funds	Total
REVENUES			
Taxes & Licenses	\$ 607,769	\$ 12,919	\$ 620,688
Fines & Forfeitures	-	250,624	250,624
Charges for Services	1,345	7,100	8,445
Donations & Reimbursements	389	5,757	6,146
Grant Proceeds	25,350 *	12,430 **	37,780
Other Revenue	1,306	2,161	3,467
Interest	152	45	197
Total Revenues	<u>636,311</u>	<u>291,036</u>	<u>927,347</u>
EXPENDITURES			
Current			
General Government	271,890	-	271,890
Maintenance	56,957	-	56,957
Public Safety	247,475	102,438	349,913
Community Development	2,139	-	2,139
Cemetery & Parks	-	412	412
Highways & Streets	5,904	-	5,904
Capital Outlay			
General Government	2,616	-	2,616
Maintenance	-	-	-
Public Safety	50,864	29,673	80,537
Cemetery & Parks	-	-	-
Highways & Streets	-	-	-
Sewer Improvements	-	-	-
Total Expenditures	<u>637,845</u>	<u>132,523</u>	<u>770,368</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,534)</u>	<u>158,513</u>	<u>156,979</u>
Other Sources and (Uses)			
Transfers from Other Funds	26,672	-	26,672
Transfers from Component Units	-	-	-
Transfers to Other Funds	-	(26,672)	(26,672)
Total Other Sources (Uses)	<u>26,672</u>	<u>(26,672)</u>	<u>-</u>
Net Change in Fund Balances	25,138	131,841	156,979
Total Fund Balance - Beginning	<u>335,795</u>	<u>177,138</u>	<u>512,933</u>
Total Fund Balance - Ending	<u>\$ 360,933</u>	<u>\$ 308,979</u>	<u>\$ 669,912</u>

* Century Community Grant--\$4,300; Sr. Citizens Center--\$2,000; Kingston Schools--\$19,050

** Dept of Ag Fire Support --\$5,100; District Attorney's Council--\$7,330

See accompanying notes to the financial statements.

Town of Kingston, Oklahoma
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2010

Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities

Net change in fund balance -- total governmental funds -- Exhibit D	\$ 156,979
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense of (\$148,324) exceeded capital outlays of \$83,153 in the current period.</p>	(65,171)
<p>In the statement of activities, assets donated to the government are reported as general revenues, whereas in the governmental funds, these donations are not reflected. Total donated assets for the current year are \$118,983</p>	118,983
<p>In the statement of activities, the loss on the sale of assets is reported as expenses of the appropriate function, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net assets differs from the change in fund balance by the cost of the assets sold of (\$58,754), net of related accumulated depreciation of \$49,784 and salvage value of \$2,000.</p>	(6,970)
<p>The repayment of long-term debt (e.g. bonds, leases) consumes current financial resources of governmental funds and is reflected as capital outlay in the governmental funds. Net assets however are only affected by the interest portion of these payments.</p>	(1,864)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources, and are not reported as expenditures in governmental funds. These include increase in compensated absences of \$2,675 and fees associated with lease purchases of \$50</p>	<u>(2,725)</u>
 Change in net assets of governmental activities -- Exhibit B	 <u>\$ 199,232</u>

See accompanying notes to the financial statements.

Town of Kingston, Oklahoma
Statement of Net Assets
Proprietary Funds
June 30, 2010

	<u>Kingston Municipal Authority</u>
Assets	
Current Assets	
Cash & Cash Equivalents	\$ 184,112
Restricted Cash & Cash Equivalents	89,484
Revenues Receivable	<u>57,898</u>
Total Current Assets	<u>331,494</u>
Non-Current Assets	
Machinery & Equipment	102,391
Leasehold Improvements	94,772
Water System Infrastructure	512,645
Sewer System Infrastructure	2,434,503
Accumulated Depreciation	<u>(806,037)</u>
Total Non-Current Assets	<u>2,338,274</u>
Total Assets	<u><u>2,669,768</u></u>
Liabilities	
Current Liabilities	
Accounts Payable	21,961
Refundable Meter Deposits	39,150
Compensated Absences Payable	3,262
Current Portion of Notes Payable	<u>45,660</u>
Total Current Liabilities	<u>110,033</u>
Long-Term Liabilities	
Notes Payable	<u>711,938</u>
Total Long-Term Liabilities	<u>711,938</u>
Total Liabilities	<u><u>821,971</u></u>
Net Assets	
Invested in Capital Assets, net of related debt	1,580,676
Restricted	89,276
Unrestricted	<u>177,845</u>
Total Net Assets	<u><u>\$ 1,847,797</u></u>

See accompanying notes to the financial statements.

Town of Kingston, Oklahoma
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

	<u>Kingston Municipal Authority</u>
Operating Revenues:	
Water Charges	\$ 239,051
Sewer Charges	214,491
Sanitation Charges	158,083
Miscellaneous Charges	<u>16,774</u>
Total Operating Revenue	<u>628,399</u>
Operating Expenses:	
Personal Services & Payroll Burdens	187,964
Materials, Supplies & Other Charges	126,364
Utilities	45,936
Sanitation Disposal Fees	136,017
Depreciation Expense	<u>134,125</u>
Total Operating Expenses	<u>630,406</u>
Operating Income (Loss)	<u>(2,007)</u>
Nonoperating Revenues (Expenses)	
Interest Income	438
Tower Rental Receipts	12,600
Grant Revenues	147,714
Interest Expense	(33,958)
Bank Charges & Trustee Fees	<u>(1,000)</u>
Total Non-Operating Revenues (Expenses)	<u>125,794</u>
Excess (Deficiency) of Revenues Over (Under) Expenses before Change in Net Assets	123,787
Contributed Capital from grant project	
Total Net Assets - Beginning	<u>1,724,010</u>
Total Net Assets - Ending	<u>\$ 1,847,797</u>

See accompanying notes to the financial statements

Town of Kingston, Oklahoma
Statement of Cash Flows
Proprietary Fund - Kingston Municipal Authority
For the Year Ended June 30, 2010

<u>Cash Flows from Operating Activities</u>	
Received from customers	\$ 636,773
Received from utility deposits	21,751
Payments to / for employees	(191,296)
Payments to suppliers and vendors	(314,476)
Refunded or applied utility deposits	<u>(16,240)</u>
Net cash provided by operating activities	<u>136,512</u>
 <u>Cash Flows from Non-Operating Activities</u>	
Interest Income	438
Rental Receipts	12,450
Grant Revenues -- CDBG	147,714
Payment of Trustee Fees	<u>(1,000)</u>
Net cash used by nonoperating activities	<u>159,602</u>
 <u>Cash Flows from Capital and Related Financing Activities</u>	
Purchases of Capital Assets	(149,343)
Contributed Capital from other funds for Capital Assets	-
Loan Proceeds	-
Fees paid in association with loan proceeds	-
Principal paid on notes payable	(32,313)
Interest paid on notes payable	<u>(33,958)</u>
Net cash (used) by capital and related financing activities	<u>(215,614)</u>
Net increase (decrease) in cash and cash equivalents	80,500
Cash and cash equivalents - beginning of the year	<u>193,096</u>
Cash and cash equivalents - end of the year	<u>\$ 273,596</u>
 <u>Reconciliation of operating income (loss) to net cash provided by operating activities</u>	
Operating income	\$ (2,007)
Adjustments for non-cash and items:	
Depreciation expense	134,125
Decrease (increase) in net receivables	8,374
Increase (decrease) in accounts payable for operating activities	(6,963)
Increase (decrease) in meter deposits payable	5,511
Increase (decrease) in compensated absences payable	<u>(2,528)</u>
Net cash provided by operating activities	<u>\$ 136,512</u>
 <u>Schedule of cash and cash equivalents</u>	
Cash on Hand	\$ 400
Cash, BancFirst	6,872
Cash, Landmark	126,417
Certificates of Deposit	<u>50,423</u>
Total Cash & Cash Equivalents - Unrestricted	\$ 184,112
Cash, Meter	\$ 39,150
Cash, Grant Account	14,731
Cash, Restricted Debt Service	<u>35,603</u>
Total Cash & Cash Equivalents - Restricted	<u>89,484</u>
Total cash and cash equivalents - end of the year	<u>\$ 273,596</u>

See accompanying notes to the financial statements.

Exhibit I

Town of Kingston, Oklahoma
Statement of Net Assets
Kingston Economic Development Authority
June 30, 2010

	<u>Kingston Economic Development Auth</u>
Assets	
Current Assets	
Cash & Cash Equivalents	\$ 3,994,593
Revenues Receivable	854,376
Total Current Assets	<u>4,848,969</u>
Non-Current Assets	
Bond Issue Costs	209,555
Accumulated Amortization	(2,410)
Construction in Progress	4,287,040
Total Non-Current Assets	<u>4,494,185</u>
Total Assets	<u>9,343,154</u>
Liabilities	
Current Liabilities	
Accrued Interest Payable	447,832
Notes Payable - Current Portion	452,046
Total Current Liabilities	<u>899,878</u>
Long-Term Liabilities	
Notes Payable	7,906,306
Total Long-Term Liabilities	<u>7,906,306</u>
Total Liabilities	<u>8,806,184</u>
Net Assets	
Invested in Capital Assets, net of related debt	(4,311,999)
Restricted	4,848,969
Unrestricted	-
Total Net Assets	<u>\$ 536,970</u>

See accompanying notes to the financial statements

Town of Kingston, Oklahoma
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Kingston Economic Development Authority
For the Year Ended June 30, 2010

	<u>Kingston Economic Development Auth</u>
Revenues:	
Lease Income	\$ 854,376
Interest Income	32,282
Total Revenues	<u>886,658</u>
Expenses:	
Interest Expense	385,076
Amortization Expense	-
Total Expenses	<u>385,076</u>
Excess (Deficiency) of Revenues Over (Under)	
Expenses before Change in Net Assets	501,582
Total Net Assets - Beginning	<u>35,388</u>
Total Net Assets - Ending	<u>\$ 536,970</u>

See accompanying notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

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TOWN OF KINGSTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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 administrative services.

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 15 beginning on page 45.

TOWN OF KINGSTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The government-wide financial statements include the statement of net assets and the statement of activities. The statement of net assets 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: (1) 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 (*):

(continued)

TOWN OF KINGSTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1B. BASIS OF PRESENTATION (continued)

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.

(continued)

TOWN OF KINGSTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 assets. 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 assets. 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.

(continued)

TOWN OF KINGSTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "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 year-end 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 transactions occurred during the year ended June 30, 2010.

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 Assets. 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	5-15 years

(continued)

TOWN OF KINGSTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (continued)

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 Assets and Fund Equity

Government-wide Statements

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

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

(continued)

TOWN OF KINGSTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (continued)

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 Assets.

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.

(continued)

TOWN OF KINGSTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

1E. REVENUES, EXPENDITURES AND EXPENSES (continued)

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. Transfers between funds for the year ended June 30, 2010 are detailed in Note 8 on Page 41 of these notes.

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. 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.

2A. 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.

(continued)

TOWN OF KINGSTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

2B. DEFICIT FUND NET ASSETS

During the year ended June 30, 2010, the Town had no funds operating with a deficit of net assets (i.e., a negative fund balance).

2C. 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, 2010, all deposits were fully insured or collateralized.

2D. REVENUE RESTRICTIONS

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

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

For the year ended June 30, 2010, the Town complied, in all material respects, with these revenue restrictions.

2E. 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.

2F. INCOME TAXES

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

2G. 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, 2010, the Town had no outstanding general obligation debt.

(continued)

TOWN OF KINGSTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

2G. DEBT RESTRICTIONS AND COVENANTS (CONTINUED)

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, 2010, 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."

(continued)

TOWN OF KINGSTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

2G. DEBT RESTRICTIONS AND COVENANTS (continued)

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 (1) 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, 2010. 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 50.82% for the year ended June 30, 2010. Items which have been estimated are noted below with an asterisk (*).

Calculation of Net Revenues Available for Debt Service

Revenues of the System	
Water Charges	\$ 239,051
Misc Charges (late fees, taps)*	8,524
Water Tower Rent Revenue	<u>12,600</u>
Total Revenue	\$ 260,175
Expenses of the Water System	
Personal Services*	\$ 95,524
Materials, Supplies & Charges*	64,218
Utilities*	23,345
Trustee Fees	<u>1,000</u>
Total Expenses	\$ 184,087
Net Revenues Available	
For Debt Service	\$ <u>76,088</u>

Requirement	Level of Compliance
<p>a. Note Payable Overage:</p> <p>1. Net water and sewer operating revenues (excluding depreciation) of the Authority must equal 1.25 times the maximum annual debt service.</p>	<p>For the year ended June 30, 2010, income available for debt is \$ 76,088. The maximum annual debt service defined as the largest calendar year of required payments is \$23,870. Actual coverage is 3.19 times.</p>
<p>b. Reserve Account Requirement:</p> <p>1. OWRB Note: Account balance, as calculated by OWRB, should be equal to \$ 21,000.</p>	<p>The actual account balance at June 30, 2010, is \$21,000.54</p>

TOWN OF KINGSTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

2H. BUDGETARY INFORMATION

Budget Policy and Practice

The Town prepares an annual budget in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Town Council for review, and a public hearing is held to address priorities and the allocation of resources. In June, the Council adopts the annual fiscal year budgets for the Town's operating funds. Once approved, the Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Similarly, the Kingston Municipal Authority also prepares an annual budget for submission to the governing body.

Basis of Budgeting

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, other services and charges, supplies, capital outlay, transfers, and debt service. However, the departmental total appropriations according to state law are the legal level of control. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review by the Town Council. Revisions to the budget were made throughout the year.

The budgets for the operating funds (general fund and special revenue funds) of the Town are prepared using cash receipts and cash disbursements. The budget for the proprietary fund (KMA) is prepared on the same basis of accounting used in the individual fund financial statements (modified accrual basis). Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation, is not employed by the Town. Any outstanding claims for goods or services not received by June 30 are cancelled and such expenditures are recorded against the following year's budget appropriations.

TOWN OF KINGSTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 3. 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, 2010, the Town's deposits, categorized by level of risk, were as follows:

	<u>Category</u> <u>(1)</u>	<u>Category</u> <u>(2)</u>	<u>Category</u> <u>(3)</u>	<u>Total</u> <u>Bank</u> <u>Balance</u>	<u>Total</u> <u>Carrying</u> <u>Amount</u>
Town – Governmental Funds					
Landmark Bank	\$ 492,924	-0-	-0-	492,924	\$ 417,786
BancFirst	<u>18,089</u>	<u>-0-</u>	<u>-0-</u>	<u>18,089</u>	<u>18,088</u>
Total	<u>\$ 511,013</u>	<u>-0-</u>	<u>-0-</u>	<u>511,013</u>	<u>\$ 435,874</u>
Public Works Authority					
Landmark Bank	\$ 219,078	-0-	-0-	219,078	\$ 215,990
BancFirst	<u>42,476</u>	<u>-0-</u>	<u>-0-</u>	<u>42,476</u>	<u>42,476</u>
Total	<u>\$ 261,554</u>	<u>-0-</u>	<u>-0-</u>	<u>261,554</u>	<u>\$ 258,466</u>

At June 30, 2010, 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.

(continued)

TOWN OF KINGSTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

Total Town reconciled carrying value of funds above are comprised of the following cash and investment balances:

GENERAL FUND		
Portion of Pooled Cash Account	\$	219,092
STREET & ALLEY FUND		
Portion of Pooled Cash Account		54,076
POLICE SPECIAL FUND		
Portion of Pooled Cash Account		85,034
VOLUNTEER FIRE DEPT. FUND		
Portion of Pooled Cash Account	57	
Volunteer Fire Account	<u>3,410</u>	3,467
COURT COSTS FUND		
Portion of Pooled Cash Account	59,527	
State Fees Account	<u>3,357</u>	62,884
CEMETERY CARE FUND		
Cemetery Care Account		69,093
GRANT ACCOUNT		
CDBG grant		14,731
KINGSTON PUBLIC WORKS AUTHORITY		
Petty Cash	400	
Operating Account (Landmark)	126,417	
Operating Account (Bancfirst)	6,872	
Customer Deposits (Landmark)	39,150	
Certificates of Deposit	50,423	
Debt Service Trustee	<u>35,603</u>	<u>258,865</u>
TOTAL ALL ACCOUNTS		\$ <u>767,242</u>

NOTE 4. RESTRICTED CASH

At June 30, 2010, the Town held restricted assets, the use of which is limited to designated purposes, as detailed below. These balances are also included in total cash and investments discussed in Note 3.

<u>Governmental Funds</u>	
a) Court Cost Fund – State CLEET Acct	\$ 3,357
<u>Proprietary Fund</u>	
a) Kingston Municipal Authority	
Funds held in depository account for utility customer security deposits	\$ 39,150
b) Kingston Municipal Authority	
Funds held in trust accounts for compliance with reserve requirements of long-term debt, discussed in Note 7	
OWRB Debt Reserve Account	21,001
OWRB Debt Service Account	14,602
Funds held for payment of construction retainage in CDBG account	<u>14,731</u>
Total Restricted Cash	\$ <u>92,841</u>

TOWN OF KINGSTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5. ACCOUNTS RECEIVABLE

Accounts receivable of the governmental activities consists of sales tax and police fines. Accounts receivable of the business-type activities consist of utilities charges. At June 30, 2010, the receivables detail was as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Taxes – General Fund	\$ 150,719	-	\$ 150,719
Taxes – Street & Alley	5,583	-	5,583
Court Costs & Fees – Court Cost Fund	3,997	-	3,397
Police Fines – Police Special	27,782	-	27,782
Utilities Charges	-	57,898	57,898
Net Accounts Receivable	<u>\$ 188,081</u>	<u>57,898</u>	<u>\$ 245,979</u>

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, is summarized as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Governmental activities				
Land (not depreciated)	\$ 67,626	-	-	67,626
Buildings & improvements	536,778	40,848	-	577,626
Infrastructure network	688,899	-	-	688,899
Equipment	721,554	162,888	(58,754)	825,687
Accumulated depreciation	(799,270)	(148,324)	49,784	(897,811)
Capital assets, net of depreciation	<u>\$ 1,215,587</u>	<u>55,412</u>	<u>(8,970)</u>	<u>\$ 1,262,029</u>
Business-type activities				
Water System & Improvements	\$ 512,645	-	-	\$ 512,645
Sewer System & Improvements	2,285,160	149,343	-	2,434,503
Water & Sewer System Equip.	74,691	-	-	74,691
Office Buildings & Improvements	94,772	-	-	94,772
General Use Equipment	27,700	-	-	27,700
Accumulated depreciation	(671,912)	(134,125)	-	(806,037)
Capital assets, net of depreciation	<u>\$ 2,323,056</u>	<u>15,218</u>	<u>-</u>	<u>\$ 2,338,274</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities	
General government	\$ 6,928
City Maintenance	633
Cemetery & Parks	441
Public Safety – Police & Court	34,941
Public Safety – General & Fire	38,165
Street maintenance	<u>67,216</u>
	<u>\$ 148,324</u>
Business-type activities	
Water, Sewer & Sanitation	<u>\$ 134,125</u>

TOWN OF KINGSTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 7. 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, 2010, the outstanding long-term debt obligations consisted of the following:

Governmental activities:

Compensated absences – accrued and unused vacation, holiday and comp time leave calculated by individual employees then aggregated to a total liability amount.

Note/Lease Purchase Payable – on June 29, 2006, the Town entered into a lease purchase arrangement with Bancfirst for the purpose of acquiring a 1999 GMC Fire Truck. The original purchase principal totaled \$55,020 and requires 60 monthly lease installments of \$1,052.68, for a fixed APR of 5.5%.

Note/Lease Purchase Payable – on July 1, 2009, the Town entered into a lease purchase arrangement with Bancfirst for the purpose of acquiring two (2) 2006 Ford Crown Victoria Police Cars. The original purchase principal totaled \$25,650 and requires 24 monthly lease installments of \$1,113.94, for a fixed APR of 4.0%.

Business-type activities:

Compensated absences – accrued and unused vacation and comp time leave calculated by individual employees then aggregated to a total liability amount.

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 ½ years earlier than the previous payout schedule. This note is secured by the Town's utility revenues and the assets of the water system.

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 carry 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 shown on page 40:

For the year ended June 30, 2010, the changes in long-term debt (including the current portion) were as follows:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2010</u>
Governmental activities				
Compensated absences, net change only	\$ 11,047	2,675	-0-	13,722
Lease Purchase Obligations				
Police Cars	-0-	25,650	(12,573)	13,077
Fire Truck	<u>24,705</u>	<u>-0-</u>	<u>(11,562)</u>	<u>13,143</u>
Total	<u>\$ 35,752</u>	<u>28,325</u>	<u>(24,135)</u>	<u>\$ 39,942</u>
Business-type activities				
Note payable-OK Water Resources Bd. on water tower	\$ 210,000	-0-	(5,000)	\$ 205,000
Notes payable-Landmark Bank on sewer system improvements	482,501	-0-	(22,795)	459,706
	97,411	-0-	(4,519)	92,892
Compensated absences, net change only	<u>5,790</u>	<u>-0-</u>	<u>(2,528)</u>	<u>3,262</u>
Total	<u>\$ 795,702</u>	<u>-0-</u>	<u>(34,842)</u>	<u>\$ 760,860</u>

(continued)

TOWN OF KINGSTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 7. LONG-TERM DEBT (continued)

The annual debt service requirements of the various long-term notes payable are as follows:

1.) Lease Purchase for Fire Truck with Bancfirst:

Year	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Ending</u>			
06-30-11	12,214	418	12,632
06-30-12	<u>929</u>	<u>4</u>	<u>933</u>
Totals	\$ <u>13,143</u>	\$ <u>422</u>	\$ <u>13,565</u>

Lease payments for this obligation will be paid from Town General Fund moneys.

2.) Lease Purchase for Police Cars with Bancfirst:

Year	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Ending</u>			
06-30-11	13,077	285	13,262

Lease payments for this obligation will be paid from Police Special Fund moneys.

3.) Notes Payable of Kingston Municipal Authority for water tower construction payable to Oklahoma Water Resources Board:

Year	———— OWRB Note ————		
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
06-30-11	15,000	6,216	21,216
06-30-12	15,000	6,007	21,007
06-30-13	15,000	5,730	20,730
06-30-14	15,000	5,401	20,401
06-30-15	15,000	5,019	20,019
2015-20	90,000	17,096	107,096
2021-22	<u>40,000</u>	<u>1,696</u>	<u>41,696</u>
Totals	\$ <u>205,000</u>	\$ <u>47,165</u>	\$ <u>252,165</u>

4.) Notes Payable of the Kingston Municipal Authority for sewer system assets consisting of two notes with Landmark Bank with amortizations as follows:

Year	———— Landmark \$100,878 ————			———— Landmark \$500,000 ————		
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
06-30-11	5,072	4,176	9,248	25,589	20,656	46,245
06-30-12	5,310	3,937	9,247	26,794	19,451	46,245
06-30-13	5,560	3,687	9,247	28,055	18,190	46,245
06-30-14	5,822	3,426	9,248	29,376	16,869	46,245
06-30-15	6,097	3,151	9,248	30,760	15,485	46,245
2016-20	35,068	11,170	46,238	176,936	54,289	231,225
2021-24	<u>29,963</u>	<u>2,552</u>	<u>32,515</u>	<u>142,196</u>	<u>11,440</u>	<u>153,636</u>
Totals	\$ <u>92,892</u>	\$ <u>32,099</u>	\$ <u>124,991</u>	\$ <u>459,706</u>	\$ <u>320,080</u>	\$ <u>779,786</u>

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

Long-Term Debt information related to the Kingston Economic Development Authority is discussed in Note 15.

TOWN OF KINGSTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 8. INTERFUND TRANSACTIONS AND BALANCES

The Court Cost fund transferred to the General fund to reimburse for costs of payroll and related expenditures for the City Judge.	\$ 5,944
The Police Special fund transferred to the General fund to reimburse certain costs of payroll for the Police Department	<u>20,728</u>
Total Interfund Transactions	\$ <u>26,672</u>

NOTE 9. FUND EQUITIES

The following shows the net asset restrictions at June 30, 2010

<u>Governmental-type Activities</u>	<u>Restricted By</u>	<u>Amount</u>
Court Cost Fund	State Statute	\$ 3,357
<u>Business-type Activities</u>	<u>Restricted By</u>	<u>Amount</u>
Municipal Authority	Customer deposits	\$ 39,150
Municipal Authority	Grant projects	14,731
Municipal Authority	Debt covenants	<u>35,603</u>
		<u>\$ 89,484</u>

NOTE 10. EMPLOYEE HEALTH INSURANCE

The Town and Public Works Authority participate in a group insurance plan to provide medical insurance coverage to full-time employees. The Town and Authority pay the premium on behalf of the employee and employees may elect to cover their dependents and pay that extra portion of the premium through a salary reduction. The Town also qualifies for an insurance premium from the OEPIC plan sponsored by the State of Oklahoma designed to subsidize the insurance premiums of certain low income workers. Those amounts received by the Town reduce their insurance premium expenditures. For the year ending June 30, 2010 the following is the activity of the Town and Authority with regard to health coverage:

	<u>Town</u>	<u>Authority</u>	<u>Total</u>
Health Insurance Premiums	\$ 43,587	\$ 25,261	\$ 68,848
OEPIC Reimbursements	<u>(8,296)</u>	<u>(4,570)</u>	<u>(12,866)</u>
Town Expenditure/Expense	\$ <u>35,291</u>	\$ <u>20,691</u>	\$ <u>56,316</u>

TOWN OF KINGSTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 11. 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, 2010, the recorded liabilities for earned but unused compensated absences calculated at individual employee's current rates of pay were as follows:

	<u>Vacation</u>	<u>Holiday</u>	<u>Comp Time</u>	<u>Total</u>
Governmental activities				
Administration	\$ 1,225	-0-	-0-	\$ 1,225
Maintenance Department	436	-0-	290	726
Police Department	<u>5,584</u>	<u>5,703</u>	<u>484</u>	<u>11,771</u>
	7,245	5,703	774	13,772
Business-type activities				
Public Works Authority	<u>2,194</u>	<u>-0-</u>	<u>1,068</u>	<u>3,262</u>
Totals	\$ <u>9,439</u>	<u>5,703</u>	<u>1,842</u>	\$ <u>17,034</u>

NOTE 12. PENDING LITIGATION, CONTINGENT LIABILITIES & SUBSEQUENT EVENTS

The Town is not currently involved in any pending litigation.

The Town received notice of a Consent Order issued by Oklahoma Department of Environmental Quality for permit violations and unpermitted discharges relating to the Town's waste water collection and treatment system. Such order required the Town to complete various improvements to the system by specified dates ranging from September 1, 2003 to January 1, 2009. On August 5, 2009, the ODEQ issued a letter in reference to this consent order which states "the Town has satisfied the requirements of Consent Order, Case No. 07-406. Therefore, DEQ is hereby closing the above-referenced CO."

The Town received 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.

TOWN OF KINGSTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 13. RISK MANAGEMENT

The Town of Kingston manages its risk 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. The Town maintains the following insurance policies:

St. Paul Travelers—Policy Dates 7/13/2009 to 7/13/2010

Coverage: Commercial General Liability
Limits: \$1,000,000 Aggregate – Personal & Advertising Injury
\$100,000 Failure to Supply, \$100,000 Premises Damage including Sewer Backup
\$100,000 Employee Benefit Liability
Deductible: \$2,000 Sewer Backup
\$ -0- Others

Coverage: Commercial Property
Limits: \$1,580,814 Buildings & Contents
Deductible: \$1000 per Occurrence

Coverage: Employee Benefit Plans Administration Liability
Limits: \$3,000,000 Total limit, \$1,000,000 each wrongful act
Deductible: \$1,000 each wrongful act

Coverage: Law Enforcement Officer's Liability
Limits: \$125,000 Personal Injury, \$25,000 Property Damage
\$1,000,000 Policy Aggregate
Deductible: \$5,000 each wrongful act

Coverage: Public Entity Management Liability
Limits: \$1,000,000 Total Limit; \$1,000,000 each wrongful act limit
Deductible: \$2,500 each wrongful act

Coverage: Employment Practices Liability
Limits: \$1,000,000 Total Limit; \$1,000,000 each wrongful employment practice offense
Deductible: \$5,000 each wrongful employment practice offense deductible

Coverage: Commercial Crime
Limits: \$11,000
Deductible: \$500

Coverage: Automobile Liability Protection
Limits: \$1,000,000 Liability, \$125,000 each person bodily injury, \$25,000 each accident property damage, \$50,000 Uninsured Motorist
Deductible: \$-0- per occurrence, liability; \$500 per occurrence, comprehensive and collision

Coverage: Worker's Compensation

Titan Indemnity Company

Coverage: Errors and Omissions: Public Officials
Limits: \$100,000 Employment Related, \$1,000,000 Policy Aggregate
Deductible: \$2,500 per Claimant
Policy Dates: 07/13/09 to 07/13/10

TOWN OF KINGSTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 14. 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 15. KINGSTON ECONOMIC DEVELOPMENT AUTHORITY

Cash and Investments

At June 30, 2010, the KEDA reconciled carrying value of \$3,994,592 shown on the Statement of Net Assets, was comprised of funds held at RCB Corporate Trust in the following accounts:

Federated Government Obligation Fund	\$ 1,494,592
Landmark Bank CD, Kingston Public Schools	<u>2,500,000</u>
Total	\$ <u>3,994,592</u>

Accounts Receivable

At June 30, 2010, the accounts receivable presented in these financial statements represents lease revenue earned between May 15, 2009 and June 30, 2010, but not yet collected. The second lease payment is scheduled from Kingston Public Schools August 15, 2010, in the amount of \$950,000. We have calculated the portion earned at June 30, 2010 to total \$854,376. That amount is reflected as receivable in these financial statements.

Bond Issue Costs and Amortization Expense

Associated with the issue of the Lease Revenue Bonds, Kingston Public Schools Project, used to fund the Capital Assets under construction by this fund, issue costs including attorney fees, financial advisor fees, placement agent fees and trustee fees were incurred totaling \$209,555. Those costs have been capitalized and are shown net of related accumulated amortization in these statements. Accumulated amortization is calculated based on the ratio of debt retired during the current year to the total original debt issue. Since no debt was retired during the current fiscal year, no amortization expense has been recorded to the year ended June 30, 2010.

Original Bond Issue Costs	\$ 209,555
Accumulated Amortization	<u>(2,410)</u>
Net Bond Issue Costs	\$ <u>207,145</u>

(continued)

TOWN OF KINGSTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

NOTE 15. KINGSTON ECONOMIC DEVELOPMENT AUTHORITY (CONTINUED)

Capital Assets

Capital asset activity of the Kingston Economic Development Authority for the year ended June 30, 2010 consists entirely of Construction in Progress totaling \$4,287,040.

Long-Term Debt

At June 30, 2010 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:

<u>Year</u> <u>Ending</u>	<u>Lease Revenue Notes, Series 2009</u> <u>(Kingston Public Schools Project)</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
06-30-11	452,046	497,954	950,000
06-30-12	493,404	371,596	865,000
06-30-13	626,594	348,406	975,000
06-30-14	701,043	318,957	1,020,000
2015-18	<u>6,085,265</u>	<u>904,735</u>	<u>6,990,000</u>
Totals	\$ <u>8,358,352</u>	\$ <u>2,441,648</u>	\$ <u>10,800,000</u>

REQUIRED SUPPLEMENTARY INFORMATION

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Town of Kingston, Oklahoma
Unaudited Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2010

	<u>Budget Amounts</u>			<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Adjustments</u>	<u>Final</u>	<u>Amounts</u>	<u>Positive</u>
				<u>Budget</u>	<u>(Negative)</u>
				<u>Basis</u>	
Resources (Inflows)					
Sales Tax	\$ 535,000	\$ -	\$ 535,000	\$ 472,790	\$ (62,210)
Use Tax	28,000	-	28,000	30,100	2,100
Franchise Taxes	53,000	-	53,000	53,078	78
Beverage Tax	12,000	-	12,000	13,008	1,008
Cigarette Tax	7,000	-	7,000	6,467	(533)
Other Taxes	200	-	200	6,095	5,895
Gaming from Tribe	12,000	-	12,000	12,000	-
Charges for Services	2,500	-	2,500	1,345	(1,155)
Interest Income	1,500	-	1,500	152	(1,348)
Donations & Reimbursements	-	-	-	144	144
Grants Revenues	-	25,660	25,660	25,350	(310)
Other Income	3,500	-	3,500	5,089	1,589
Total resources	<u>654,700</u>	<u>25,660</u>	<u>680,360</u>	<u>625,618</u>	<u>(54,742)</u>
Charges to appropriations (outflows)					
General Government Function					
Administration Department	290,080	-	290,080	278,204	11,876
Town Maintenance & Parks	70,000	-	70,000	62,233	7,767
Public Safety Function					
Police Department	203,000	32,000	235,000	231,578	3,422
Volunteer Fire & Safety	49,500	18,000	67,500	66,500	1,000
Community Development	-	2,000	2,000	854	1,146
Streets & Highways Function	10,000	-	10,000	4,816	5,184
Sewer Improvements for PWA	-	-	-	-	-
Total charges to appropriations	<u>622,580</u>	<u>52,000</u>	<u>674,580</u>	<u>644,185</u>	<u>30,395</u>
Excess of resources over (under) charges	32,120	(26,340)	5,780	(18,567)	(24,347)
Transfers from Other Funds	6,520	18,500	25,020	26,672	1,652
Transfers to Other Funds	-	-	-	-	-
Budgetary fund balance - beginning of year	198,005	13,068	211,073	210,988	(85)
Budgetary fund balance - end of year	<u>\$ 236,645</u>	<u>\$ 5,228</u>	<u>\$ 241,873</u>	219,093	<u>\$ (22,780)</u>
Reconciliation of Budget to GAAP:					
Revenues Receivable				150,718	
Accounts Payable				(8,878)	
Fund Balance, GAAP				<u>\$ 360,933</u>	

See accompanying notes to the financial statements.

Town of Kingston, Oklahoma
Unaudited Budgetary Comparison Schedule
Proprietary Fund - Kingston Public Works Authority
For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Adjustments</u>	<u>Final</u>	<u>Amounts</u> <u>Budget</u> <u>Basis</u>	<u>Positive</u> <u>(Negative)</u>
Operating Revenues					
Water charges	\$ 216,000	\$ -	\$ 216,000	\$ 239,051	\$ 23,051
Sewer charges	204,000	-	204,000	214,491	10,491
Garbage charges	156,000	-	156,000	158,083	2,083
Interest Income	1,000	-	1,000	438	(562)
Other Income	28,000	-	28,000	16,773	(11,227)
Tower Rent Revenue	12,000	-	12,000	12,600	600
Loan Proceeds - net of costs	-	-	-	-	-
Grant Revenue - CDBG	250,000	-	250,000	147,714	(102,286)
Grant Revenue - FEMA	-	-	-	-	-
Transfers from Other Funds	-	-	-	-	-
Total operating revenues	<u>867,000</u>	<u>-</u>	<u>867,000</u>	<u>789,150</u>	<u>(77,850)</u>
Operating Expenses					
Personnel Costs	145,000	-	145,000	145,113	(113)
Payroll Burdens	54,000	-	54,000	42,852	11,148
Garbage Disposal	132,000	-	132,000	136,017	(4,017)
Utilities	49,000	-	49,000	45,396	3,604
Materials, Supplies & Other Charges	111,500	-	111,500	126,364	(14,864)
Debt Service Payments	74,000	-	74,000	76,293	(2,293)
Grant Expenditures - CDBG	250,000	-	250,000	132,943	117,057
Capital Expenditures - Grant Match	52,000	-	52,000	16,400	35,600
Total operating expenses	<u>867,500</u>	<u>-</u>	<u>867,500</u>	<u>721,378</u>	<u>146,122</u>
Operating income, change in net assets	(500)	-	(500)	67,772	68,272
Total unrestricted net assets - beginning	<u>134,960</u>	<u>-</u>	<u>134,960</u>	<u>79,756</u>	<u>(55,204)</u>
Total net assets ending	<u>\$ 134,460</u>	<u>\$ -</u>	<u>\$ 134,460</u>	<u>\$ 147,528</u>	<u>\$ 13,068</u>

See accompanying notes to the financial statements.

Town of Kingston, Oklahoma
Employee Pension & Retirement Plan Information
June 30, 2010

The Town and the Authority participate in a defined benefit retirement plan (for regular full time employees) which is administered by the Oklahoma Municipal Retirement Fund. The plan provisions call for employee contributions of 3.75% of gross wages each year. The Town and the Authority then make additional contributions on behalf of the employee. For the year ended 6/30/10 that rate was an amount equal to 8.94% of the employee's gross wages. For wages earned during the fiscal year ending June 30, 2010, the following contributions were made:

	<u>Town</u>	<u>Authority</u>	<u>Total</u>
Employee Contributions	\$ 9,204	5,045	\$ 14,249
Employer Contributions	<u>22,459</u>	<u>11,942</u>	<u>34,401</u>
Total Contributions	<u>\$ 31,663</u>	<u>16,987</u>	<u>\$ 48,650</u>

The following provisions are applicable to the plan and its participants:

- ◆ Members participating in the plan become 100% vested in retirement benefits earned to date after 10 years of service. Members are eligible for normal retirement at or after age 65 with 10 years of vesting service or at age 62 with 30 years of vesting service.
- ◆ Early retirement benefits are available at reduced amounts as early as age 55 with 10 or more year of vesting service.
- ◆ Benefits upon normal retirement are calculated at 1.875% of an employee's final average compensation multiplied by his or her number of years of credited service. Final compensation is defined as the average of the 5 highest consecutive annual salaries out of the last 10 years of service.
- ◆ A member is eligible for disability benefits upon becoming vested.
- ◆ Upon separation from the Fund, nonvested defined benefit members' contributions are refundable in addition to interest on his or her contributions.

At January 1, 2010, actuarial calculations provided by the Oklahoma Municipal Retirement Fund for the Town's portion of the plan were as follows:

Value of Assets Available for Benefits	\$ 371,790
Actuarial Accrued Liability	<u>620,445</u>
Unfunded Obligation Liability	\$ (<u>248,665</u>)

The Town's annual contribution rate is set by the plan administrator at a rate designed to amortize the above unfunded obligation over a period of years based on the estimated retirement dates of the plan's participants. As such, the above unfunded liability is not, and should not be, recorded in the Town's financial statements.

The following table summarizes the Town's funding progress in relation to the retirement plan benefit liability:

SCHEDULE OF FUNDING PROGRESS						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/00	128,604	205,970	77,366	62.4%	198,280	39.0%
1/1/01	151,590	228,124	76,534	66.5%	212,459	36.0%
1/1/02	169,795	257,302	87,508	66.0%	196,296	44.6%
1/1/03	179,964	290,662	110,699	61.9%	251,735	44.0%
1/1/04	211,214	317,280	106,066	66.6%	255,852	41.5%
1/1/05	246,758	417,123	170,365	59.2%	273,469	62.3%
1/1/06	280,595	452,900	172,305	62.0%	274,426	62.8%
1/1/07	312,086	484,886	172,800	64.4%	272,994	63.3%
1/1/08	350,528	533,430	182,902	65.7%	322,923	56.6%
1/1/09	348,020	575,517	227,498	60.5%	333,389	68.2%
1/1/10	371,790	620,445	248,665	59.9%	380,692	65.3%

Covered payroll is the total annualized rate of pay as of the valuation date based on actual pay for the preceding year.

The Town also participates in the Oklahoma State Firefighters Pension and Retirement system which is a defined contribution plan applying only to the Town's volunteer firefighters. Vesting occurs after 10 years of service and payments begin at age 50, or after 20 years of service, whichever is later. Contributions are made by the Town at a rate per volunteer firefighter per year. The total contribution for 2009-2010 was \$ 840.00

OTHER SUPPLEMENTARY INFORMATION

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Non-Major Governmental Funds..... 52

Sch. 2 Combining Statement of Revenues, Expenditures and Changes in
Fund Balance – Non-Major Governmental Funds 53

Sch. 3 Schedule of Award Programs 54

City of Kingston, Oklahoma
Combining Balance Sheet
Non-Major Governmental Funds
For the Year Ended June 30, 2010

	<u>Street & Alley Fund</u>	<u>Police Fines Fund</u>	<u>Court Costs</u>	<u>Volunteer Fire Fund</u>	<u>Cemetery Care Fund</u>	<u>Totals</u>
ASSETS						
Cash	\$ 54,075	\$ 85,034	\$ 59,527	\$ 3,468	\$ 69,093	\$ 271,197
Restricted Cash	-	-	3,357	-	-	3,357
Revenues Receivable	5,583	27,782	3,997	-	-	37,362
Total Assets	<u>\$ 59,658</u>	<u>\$ 112,816</u>	<u>\$ 66,881</u>	<u>\$ 3,468</u>	<u>\$ 69,093</u>	<u>\$ 311,916</u>
LIABILITIES						
Accounts Payable	\$ -	\$ -	\$ 2,937	\$ -	\$ -	\$ 2,937
Total Liabilities	<u>-</u>	<u>-</u>	<u>2,937</u>	<u>-</u>	<u>-</u>	<u>2,937</u>
FUND BALANCES						
Non-Spendable	-	-	-	-	-	-
Restricted	59,658	-	-	-	888	60,546
Committed	-	-	-	-	-	-
Assigned	-	112,816	63,944	3,468	68,205	248,433
Unassigned	-	-	-	-	-	-
Total Fund Balances	<u>59,658</u>	<u>112,816</u>	<u>63,944</u>	<u>3,468</u>	<u>69,093</u>	<u>308,979</u>
Total Liabilities & Fund Balances	<u>\$ 59,658</u>	<u>\$ 112,816</u>	<u>\$ 66,881</u>	<u>\$ 3,468</u>	<u>\$ 69,093</u>	<u>\$ 311,916</u>

See accompanying notes to the financial statements.

Town of Kingston, Oklahoma
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2010

	<u>Street & Alley</u>	<u>Police Fines Fund</u>	<u>Court Costs</u>	<u>Volunteer Fire Fund</u>	<u>Cemetery Care Fund</u>	<u>Totals</u>
REVENUES:						
Taxes	\$ 12,919	\$ -	\$ -	\$ -	\$ -	\$ 12,919
Fines & Forfeitures	-	192,679	57,945	-	-	250,624
Charges for Services	-	-	-	-	7,100	7,100
Donations, Fundraising & Reimb	-	-	-	5,062	695	5,757
Grant Revenues	-	7,330	-	5,100	-	12,430
Other Revenues	-	1,694	-	467	-	2,161
Interest Income	-	-	12	-	33	45
Total Revenues	<u>12,919</u>	<u>201,703</u>	<u>57,957</u>	<u>10,629</u>	<u>7,828</u>	<u>291,036</u>
EXPENDITURES:						
Current						
Public Safety	-	64,381	24,587	13,470	-	102,438
Cemetery & Parks	-	-	-	-	412	412
Highways & Streets	-	-	-	-	-	-
Capital Outlay						
General Government	-	-	-	-	-	-
Public Safety	-	29,673	-	-	-	29,673
Cemetery & Parks	-	-	-	-	-	-
Highways & Streets	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>94,054</u>	<u>24,587</u>	<u>13,470</u>	<u>412</u>	<u>132,523</u>
Excess of Revenues Over (Under) Expenditures	12,919	107,649	33,370	(2,841)	7,416	158,513
Other Sources (Uses)						
Transfers from Other Funds	-	-	-	-	-	-
Transfers to Other Funds	-	(20,728)	(5,944)	-	-	(26,672)
Excess of Revenues Over (Under) Expenditures and Other Sources	12,919	86,921	27,426	(2,841)	7,416	131,841
Fund Balance, Beginning of Year	<u>46,739</u>	<u>25,895</u>	<u>36,518</u>	<u>6,309</u>	<u>61,677</u>	<u>177,138</u>
Fund Balance, End of Year	<u>\$ 59,658</u>	<u>\$ 112,816</u>	<u>\$ 63,944</u>	<u>\$ 3,468</u>	<u>\$ 69,093</u>	<u>\$ 308,979</u>

See accompanying notes to the financial statements.

Town of Kingston, Oklahoma
Schedule of Award Programs
For the Year Ended June 30, 2010

Federal/State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Program or Award Amount	Cash/Expend Payable or (Rev Recvbl) at 7-1-09	Contract Receipts or Revenue Recognized	Contract Disbursements/ Expenditures	Cash/Expend Payable or (Rev Recvbl) at 6-30-10
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FEDERAL AWARD PROGRAMS**Housing & Urban Development**

Passed thru Oklahoma Department of Commerce

Community Development Block Grant	14.228	CDBG- 13767-09	179,999**	-0-	147,674	132,943	14,731
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Cash Match CDBG 13767-09: 09-10--\$16,400,
 moneys paid from Kingston Public Works Authority funds.

Department of Justice

Passed through Oklahoma District Attorneys Council

Justice Assistance – Local Law Enforcement Award

			7,330	-0-	-0-	7,330	(7,330)
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TOTAL FEDERAL AWARD PROGRAMS

				\$ -0-	<u>147,674</u>	<u>140,273</u>	\$ <u>7,401</u>
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STATE AWARD PROGRAMS**Okla. Dept. of Agriculture**

Passed through Forestry Services

Rural Fire Dept. Assistance			5,100	\$ -0-	5,100	5,100	\$ -0-
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Southern Oklahoma Development Agency (SODA)

Century Community Grant			4,300	-0-	4,300	4,300	-0-
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Sr. Citizens Building Grant			2,000	-0-	2,000	1,200	800
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TOTAL STATE AWARDS

				\$ -0-	<u>11,400</u>	<u>11,400</u>	\$ <u>800</u>
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OTHER AWARD PROGRAMS**Kingston Public Schools**

School Officer Salary Support			19,050	\$ -0-	19,050	19,050	\$ -0-
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See accompanying notes to the financial statements.

AUDITOR'S REPORTS

Independent Auditor's Report 56-57

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 58-59

INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Kingston, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Kingston, Oklahoma, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Kingston, Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, Oklahoma, as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 12 and 47 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kingston, Oklahoma's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



March 30, 2012

**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 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, Oklahoma, as of and for the year ended June 30, 2010, which collectively comprise the Town of Kingston, Oklahoma's basic financial statements and have issued our report thereon dated March 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Kingston, Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have

a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, Town Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature of Casey J. Russell, CPA. The signature is written in black ink and includes the initials "CPA" at the end.

March 30, 2012

<p>DUE DATE:</p> <p style="text-align: center;">IMPORTANT</p> <p>This report is to be compiled by your auditor from the audited financial statements of the municipality as required by Oklahoma Statutes, Section 17-105.1 of Title 11.</p> <p>This report details the funds available to the municipality and the use of those funds including information relating to the duly constituted authorities of the municipality (public trusts, etc.) for the fiscal year ending June 30, 2011. See supplementary instructions (coverage of this report) for information related to entities and activities to be included in this report on page 5 of this document.</p> <p>This report, principally for planning purposes at the local, State, and national level, is used by the Office of the State Auditor, the Oklahoma Municipal League, public interest groups, State, and Federal agencies and universities.</p> <p>For assistance in completing this report, please call the Office of the State Auditor at (405) 521-3424. When completed, please return this form to the Office of the State Auditor at the address below.</p>	<p style="text-align: center;">FORM SA&I 2643</p> <p style="text-align: center;">OFFICE OF THE STATE AUDITOR AND INSPECTOR STATE OF OKLAHOMA STEVE BURRAGE, AUDITOR AND INSPECTOR ANNUAL SURVEY OF CITY AND TOWN FINANCES</p> <hr/> <p style="text-align: center;">Town of Kingston</p> <hr/> <p style="text-align: center;">P.O. Box 638</p> <hr/> <p style="text-align: center;">Kingston, OK 73439</p> <hr/> <p style="text-align: right;">(Please correct any error in name, address, and ZIP Code)</p>
<p>RETURN TO:</p> <p>Office of the Auditor and Inspector State of Oklahoma 2300 North Lincoln Blvd. Room 100 State Capital Oklahoma City, OK 73105</p>	

Part I: TAX REVENUES
 Items 1-3 - Report collections from all taxes imposed by your government. Include current and delinquent amounts, penalties, and interest. Do not include receipts from service charges, special assessments, interest earnings, fines or any other sources that are not taxes or licenses.

Item	Amount (Omit cents)	Item	Amount (Omit cents)
1. Property taxes - General fund, building fund, and sinking fund	701 -	d. Use tax	719 28,217
2. Local sales taxes - Taxes on goods and services, measured as a percent of sales or receipts, or as an amount per unit sold (gallon, package, etc.). Report only these taxes imposed by your government; shares of taxes imposed by another government are to be reported under part 1A below.	700	3. Licenses and permits Enter here licenses and inspection changes on occupations and businesses - for example, inspection of restrooms, restaurants, and food manufacturing plants; food handler permits; building permits; plumbing permits; taxicab licenses; bicycle tags; animal tags; vending machine licenses, bar and liquor licenses; business licenses; etc.	720
a. General sales tax	484,688		
b. Franchise fee or tax	715 56,944	b. Other Licensing and permits	720 -
c. Cigarette Tax	716 6,715	4. Other - Specify Other Revenues	730 -
d. Hotel/Motel	719 -	Hotel Tax	-

Part II: INTERGOVERNMENTAL REVENUE
 Report all amounts received by your government from other governments, including grants, shares of taxes imposed by other governments, payments in lieu of taxes and reimbursements for services performed for other governments, excluding loans. Also exclude here and report as "Tax Revenues" in part I, any taxes imposed by your government which were collected for it by another government.

Column (a) - Report all amounts your government received from the State (other than as collection fees), including any amounts financed wholly or in part from Federal grants to the State.

Column (c) - Report only amounts received directly from the Federal Government.

Purpose of which received	Amount (Omit cents)		
	From State (a)	From other local governments (b)	From Federal Government (directly) (c)
General support - Total amounts received (as per capita grants, shared taxes, etc.) without restrictions as to particular programs or purposes to be financed.	C00	D00	E00
1. Alcoholic beverage tax		13,109	-
2. Street and highways	3,000	9,919	-
3. Health or hospital			
4. Grants received for water utilities	147,714		
5. Grants received for waste water utilities			
6. Grants received for housing, economic, and community development			
7. Airports			
8. Mass transit rail and/or bus system			
9. Grants received for transportation	12,430	23,350	-
10. ALL OTHER (From State - code C89; From Federal Government - Code B89) - Include in the appropriate box, receipts from various payments such as -	C80	D80	E80
a. Parks and recreation (BOR or HUD)			
b. Public safety			
c. Job training			
d. Library grants			
Other - Specify			
e. Fire Grants			
f. Grants			

Part III: OTHER REVENUES - Other than tax and intergovernmental revenues
 Enter below amounts of the stated types of revenue (net of refunds and interfund transfers) received by your government during the fiscal year. Be sure to include revenues of all funds other than the exceptions noted in the special instructions.

Item	Amount (Omit cents)	Item	Amount (Omit cents)
1. Utility sales revenue - Gross receipts of any water, electric, gas, or transit systems operated by your government, from utility sales and charges. Exclude any amounts paid to such utilities by the parent government.	A01	2. Other sales and service revenue - Gross receipts from sales, rentals, maintenance assessments, and other charges for municipal services, aside from utility receipts (carried in item 1) and exclusive of amounts received from other governments.	A00
a. Water supply system	239,051	a. Sewerage charges	214,491
b. Electric power system	-	b. Refuse collection charges	158,083
c. Gas supply system	-	c. Hospital charges received on behalf of individual patients under the Medicare program or other insurance-type arrangements. Exclude Medicaid and amounts for hospital purposes received from other governments.	A00
d. Transit	-		

Part II OTHER REVENUES - Other than tax and Intergovernmental revenues - Continued

Enter below amounts of the stated types of revenue (net of refunds and interfund transfers) received by your government during the fiscal year. Be sure to include revenues of all funds other than the exceptions noted in the special instructions.

2. Other sales and service revenue - Continued		Amount (Omit cents)	5. Interest earnings - Interest received on all deposits and investment holdings of your government and its agencies excluding earnings of any employee pension fund.		Amount (Omit cents)
d. Recreation charges (swimming, golf, auditoriums, etc.)	A41	-	U20		32,917
e. Airports - <i>Include rentals and gross sales of gas and oil.</i>	A41	-	U40		886,976
f. Parking facilities (parking lots, garages, parking meters)	A40	-	U41		
g. Municipal housing project rentals (gross)	A30	-	U20		250,623
h. Ambulance services	A40	-	U20		
i. Miscellaneous commercial activities	A43	-	9. Private Donations		
j. Other (including miscellaneous fee collections)	A40	-	10. Miscellaneous other revenue - Revenue of your government and its agencies not covered by items above, except tax and intergovernmental revenues. <i>Include insurance adjustments, etc. Do NOT include: (1) proceeds from borrowing; (2) receipts from sale of security holdings; (3) transfers between funds or agencies of your government; or (4) employee's contributions to, and interest earnings of, any employee pension fund a.</i>		
3. Special assessments - Compulsory contributions and reimbursements from owners or property benefited by improvements (streets, sewers, sidewalks, water extensions, etc.) <i>Do not include proceeds from sales of special assessment bonds. Report maintenance assessments under item 2 on page 1.</i>	U01	-	b. Other Income		47,826
4. Receipts from sale of property - Amounts from sale of realty, other than by tax sales, including property sold to other governments.	U11	-	c. Cemetery		7,100
			TOTAL miscellaneous other revenue		
			Sum of items 10b and 10c		64,926

Part III DIRECT EXPENDITURES BY PURPOSE AND TYPE

Please note that payments made to other governments (State or local) should NOT be included in amounts reported here, but should be reported at part III.

or retirement coverage, etc. **Exclude: (1) capital outlay (report in columns (c) and (d)); and (2) amounts paid to other governments (report in part III).**

Enter below all amounts expended during the fiscal year for the purposes listed (net of interfund transfers). Be sure to include expenditures of all funds other than the exceptions noted in the instructions on the first page.

Column (b) - Enter in the appropriate functional category direct expenditure for supplies, materials, and contractual services.

Column (a) - Gross salaries and wages without deduction of withholdings for income taxes, employee contributions for Social Security

Column (c) - Report construction outlays from all sources; i.e., bond proceeds, assessments, grants, etc.

PURPOSE	EXPENDITURES BY PURPOSE AND TYPE			
	Personal services (a)	Operations and maintenance (b)	CAPITAL OUTLAY	
			Construction (c)	Purchase of land, equipment, and structures (d)
GOVERNMENTAL ADMINISTRATION				
1. Financial administration - Office of the finance director, auditor, comptroller, treasurer, tax assessment and collection, central accounting and purchasing services, budgeting, etc. (including related data processing).	E23 160,708	E23 55,672	F23 -	G23 2,616
2. Judicial and legal - All municipal court and court-related activities including juries, probate officials, prosecutors, public defenders, municipal attorneys, and legal departments. <i>Exclude probation and parole (report in item 16).</i>	E25 -	E25 54,587	F25 -	G25 -
3. Central administration - City council, aldermen or commissioners, mayor, manager, city clerk's office, recorder, planning, zoning, and personnel.	E29 -	E29 93,257	F29 -	G29 -
HEALTH AND WELFARE				
4. Social services				
5. Own hospitals - Construction and operation of hospitals by your government. <i>Nursing homes are to be reported in item 6.</i>	E30 -	E30 -	F30 -	G30 -
6. Other hospitals - Payments to hospitals operated privately. <i>Exclude here and report in item 6, any payments under public welfare programs. Report payments to hospitals operated by other governments in part III.</i>				
7. Welfare institutions - Construction and operation of nursing homes and welfare institutions by your government for veterans and needy persons.	E77 -	H77 -	H77 -	H77 -
8. Health (other than hospitals) - All public health activities except provision of hospital care. <i>Include environmental health activities; health regulation and inspection, water and air pollution control, mosquito control, and inspection of food handling establishments. Also include public health nursing, vital statistics collection, and all other services performed directly by the public health department. Report in item 6 payments under public welfare programs.</i>	E32 -	E32 -	F32 -	G32 -
TRANSPORTATION				
9. Highways - Construction and maintenance of municipal streets, sidewalks, bridges, and toll facilities. Also includes street lighting, snow removal, and highway engineering, control, and safety. <i>Exclude here and report in item 18f, street cleaning expenditure. Include in part III any payments to the State or county for highway purposes. Report interest on highway debt in item 19e.</i>	E44 -	E44 5,904	F44 -	G44 -
10. Toll highways and facilities - Operations and maintenance of highways, roads, and bridges operated on fee or toll basis	E45 -	H45 -	H45 -	H45 -
11. Municipal airports	E01 -	E01 -	F01 -	G01 -
12. Parking facilities - Municipal garages, parking lots, etc., and all purchase and maintenance of meters (including on-street meters)	E00 -	E00 -	F00 -	G00 -
PUBLIC SAFETY				
13. Police - Include municipal police agencies for preventing, controlling, or reducing crime; coroners, medical examiners; special police for highways, tunnels, bridges, and vehicular control; vehicular inspection activities; and traffic control and safety activities. <i>Exclude highway engineering and planning (report in item 9).</i>	E02 198,085	E02 73,437	F02 -	G02 29,673
13. Fire - All costs incurred for firefighting and fire prevention, including contributions to volunteer fire units. Include any municipal contribution to a State fire pension fund.	E24 7,175	E24 56,251	F24 -	G24 50,864

PURPOSE	EXPENDITURES BY PURPOSE AND TYPE			
	Personal services (a)	Operations and maintenance (b)	CAPITAL OUTLAY	
			Construction (c)	Purchase of land, equipment, and structures (d)
PUBLIC SAFETY - continued				
15. Correction Institutions - Operations of facilities for confinement, correction and rehabilitation of adults and juveniles	E04	E04	F04	G04
16. Correction - Probation and parole activities - But exclude "lock-up" operations (report in item 16).	E05	E05	F05	G05
17. Protection inspection and regulation, n.e.c. - Regulation of private enterprise for the protection of the public and inspection of hazardous activities (including building inspection), except when related to major functions, such as health, natural resources, etc.	E06	E06	F06	G06
AMBULANCE				
18. All expenditures for city operated or subsidized ambulance services.	E32	E32	F32	G32
CULTURE AND RECREATION				
19. Parks, cultural activities, and other recreation - Include playgrounds, golf courses, swimming pools, museums, marinas, community music, drama, celebrations, and zoos.	E01	E01	F01	G01
20. Libraries - Include payments to nongovernmental libraries as well as libraries operated by the city. <i>Aid to other governmental libraries should be excluded and reported in part III.</i>	E52	E52	F52	G52
UTILITIES				
21. Gross expenditure for utility systems operated by your government. Exclude interest (report in item 19); also exclude utility contributions to the parent government and deduct the cost of providing services to the parent government (e.g., for street lighting, hydrant rental, etc.).	E81	E81	F81	G81
a. Water supply system	112,779	103,209	-	-
b. Electric power system	-	-	-	-
c. Gas supply system	-	-	-	-
d. Transit	-	-	-	-
e. Sewers and storm sewers - Construction, maintenance and operation and sanitary and storm sewer systems and sewage disposal plants	E60	E60	F60	G60
	75,186	68,806	-	-
f. Solid waste and landfill - The collection and disposal of garbage and landfill operations	E81	E81	F81	G81
	-	136,016	-	-
INTEREST ON DEBT				
22. Amounts of interest paid, including any interest on short-term or nonguaranteed obligations, as well as general obligations.				
a. Water supply system		35,822		
b. Electric power system		-		
c. Gas supply system		-		
d. Transit		-		
e. All interest not covered by items 22a through 22d		385,076		
ALL OTHER EXPENDITURES				
23. Include any amounts which have not been allocated above by purpose, such as: your employer contribution to a State administered retirement system or to the Federal Social Security System; judgments and insurance premiums; and municipal service agencies, such as a central garage or an engineering department, which serve more than one functional agency, and whose expenses are not allocated to the various departments.				
Do not include: (1) Payments for retirement of debt, (2) payments for purchase of securities, (3) transfer between funds or agencies of your government, or (4) benefits and payments from distinct employee pension funds.				
a. Housing and community development - Gross expenditure for urban renewal, slum clearance, municipal housing projects, and similar activities.	E50	E50	F50	G50
b. Economic development	E60	E60	F60	G60
	-	854	-	-
c. Civil defense	E60	E60	F60	G60
d. Cemetery operations and maintenance	E60	E60	F60	G60
	-	412	-	-
e. Miscellaneous commercial activities	E03	E03	F03	G03
Other - Specify	E60	E60	F60	G60
f. Animal Control	E60	E60	F60	G60
g. Post Office	E60	E60	F60	G60
h. Senior Citizens Building	E60	E60	F60	G60

Part III: INTERGOVERNMENTAL EXPENDITURES

Please detail all payments made to other governments for services or programs performed on a reimbursement or cost-sharing basis - e.g., for hospital care, highways, school tuition, or support, etc. (Such amounts should be excluded from expenditure figures reported in column (b) of part II.) Enter "None" if your government made no reportable payments to other governments during the fiscal year.

Item	Type of receipt government(s) (County, State, school districts, etc.) (a)	Amount (Omit cents) (b)	Item	Type of receipt government(s) (County, State, school districts, etc.) (a)	Amount (Omit cents) (b)
1.	-	-	5.	-	-
2.	-	-	6.	-	-
3.	-	-	7.	-	-
4.	-	-	8.	-	-

Part IV: SALARIES, WAGES, AND FORCE ACCOUNT	Amount (Omit cents)
Report the total expenditures for salaries and wages included in column (a) of part II, as well as any salaries and wages paid on force account construction projects.	#VALUE!

Part V: DEBT OUTSTANDING, ISSUED, AND RETIRED - Report special obligations of all agencies of your government as well as general city or town debt.

1. Long-term debt - Bonds, mortgages, etc., with an original term of more than one year issued in the name of your government or of particular agencies. Include revenue and nonguaranteed special assessment bonds payable solely from pledged earnings or special assessments on property owners (column e). Report also general obligations and any debt backed by pledged resources but guaranteed by your government if these sources are insufficient (column f).

When an advance refunding has resulted in a legal or an insubstance defeasance, the debt may be considered extinguished, reported as retired in the year of defeasance and should not be reported herein in subsequent years.

	AMOUNT, BY PURPOSE (Omit cents)					
	Outstanding at beginning of fiscal year (a)	DURING FISCAL YEAR		Outstanding total (a) plus (b) minus (c) (d)	DETAIL OF LONG-TERM DEBT OUTSTANDING	
		Issued (b)	Retired (c)		Revenue and nonguaranteed bonds (e)	Guaranteed bonds (f)
a. Sewer debt	19U 579,912	29U -	39U 27,314	552,698	44U -	41U -
b. Water supply system debt	19U 210,000	29U -	39U 5,000	205,000	44U -	41U -
c. Electric power system debt	19U -	29U -	39U -	-	44U -	41U -
d. Gas supply system debt	19U -	29U -	39U -	-	44U -	41U -
e. Transit	19U -	29U -	39U -	-	44U -	41U -
f. Industrial revenue and pollution control debt	19T -	24T -	34T -	-	44T -	41U -
g. All other purposes	19U 24,705	29U 25,650	39U 24,135	26,220	44U -	41U -
2. Short-term (interest-bearing) debt - Tax anticipation notes, bond anticipation notes, interest-bearing warrants, and other obligations with a term of one year or less - Exclude accounts payable and other noninterest-bearing obligations.	Amount (Omit cents)					
a. Amount outstanding at beginning of fiscal year	61V -					
b. Amount outstanding at end of fiscal year	64V -					

Part VI: CASH AND INVESTMENTS HELD AT END OF FISCAL YEAR

Report separately for each of the three types of funds listed below, the total amount of cash on hand and on deposit and investments in Federal Government, Federal agency, State and local government, and non-governmental securities. Report all investments at carrying value. Include in the sinking fund total any mortgages and notes receivable held as offsets to housing and industrial financing loans. Exclude accounts receivable, value of real property, and all non-security assets. Assets obtained and held pursuant to an advance refunding that results in a legal or in-substance defeasance should not be reported herein.

Type of fund	Amount at end of fiscal year (Omit cents)
1. Sinking funds - Reserves held for redemption of long-term debt. All cash held for statutory sinking fund and revenue bond related accounts and any other reserves held for redemption of long-term debt.	w01 35,603
2. Bond funds - Unexpended proceeds from sale of G.O. and revenue bond issues held pending disbursement.	w01 -
3. All other funds except employee retirement funds	w61 4,633,391
4. Retirement systems - Single employer plans only	-

Remarks	V88
<p> CASEY J. RUSSELL CPA, INC. 2812 NW 57th, Ste. 102 OKLAHOMA CITY, OK 73112 Telephone (405) 607-8743 Fax (405) 607-8744 </p> <hr/> <p style="text-align: right;">Member AICPA & OSCP</p>	
<p>Independent Accountants Compilation Report</p>	
<p>To the Town of Kingston</p>	
<p>I have compiled the SA&I 2643 for the twelve months ending June 30, 2010 for the Town of Luther, including in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.</p>	
<p>My compilation was limited to presenting in the form prescribed by the Office of the State Auditor and Inspector of the State of Oklahoma information that is the representation of management. I have not audited or reviewed the form referred to above and, accordingly, do not express an opinion or any other form of assurance on it.</p>	
<p>The SA&I 2643 is presented in accordance with the requirements of the State Auditor and Inspector of the State of Oklahoma, which differs from generally accepted accounting principles. Accordingly, this form is not designed for those who are not informed about such differences.</p>	
	
<p>Date <u>March 30, 2012</u></p>	

Part VII AUDITOR INFORMATION				
NOTE - This report will not be considered complete unless an accompanying "accountants compilation report on financial statements included in certain prescribed forms" is attached to the report. The municipality's auditor should follow the guidance in AR Section 300 of the AICPA Professional Standards in preparing such compilation report.				
Auditor's firm name CASEY J RUSSELL CPA INC				
Address - Number and street 2812 NW 57th, Ste. 102			TELEPHONE	
City OKLAHOMA CITY	State OK	Zip Code 73112	Area Code 405	Number 607-8743
Name of contact person CASEY J RUSSELL				