

AUDIT REPORT
TOWN OF RED BIRD, OKLAHOMA
JUNE 30, 2008

KERSHAW CPA & ASSOCIATES, PC

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TOWN OF RED BIRD, OKLAHOMA
JUNE 30, 2008

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TOWN OF RED BIRD, OKLAHOMA
LIST OF COUNCIL MEMBERS
JUNE 30, 2008

TOWN COUNCIL

<u>NAME</u>	<u>POSITION</u>
LEO TOWNSELL	MAYOR
LORETHA EARLES	BOARD MEMBER
JYMME JACKSON	BOARD MEMBER

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Red Bird, Oklahoma

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Red Bird, Oklahoma, as of and for the fiscal year ended June 30, 2008, which collectively comprise the Town of Red Bird, Oklahoma's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Red Bird, Oklahoma's management. My responsibility is to express an opinion on these financial statements based on my audit.

I was engaged to audit the financial statements of the business-type activities of the Town of Red Bird, Oklahoma as of and for the fiscal year ended June 30, 2008. Those financial statements are the responsibility of the Town of Red Bird, Oklahoma's management.

I conducted my 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, and in accordance with Oklahoma Statutes. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

As described in the Notes, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

As discussed in Note 1 to the financial statements, the Town has not maintained accurate capital asset records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available for my review. The amount by which this departure would affect the assets, net assets, and expenses of the Governmental & Business-Type Activities is not readily determinable.

In my opinion, except for the effects, if any, on the financial statements of improper capital asset recordkeeping described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities of the Town of Red Bird, Oklahoma, as of June 30, 2008, and the changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described above.

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The Red Bird Public Works Authority did not maintain adequate documentation supporting the water revenue and gas revenue collections and related bank deposits. The Authority's records do not permit the application of other auditing procedures to water and gas collections.

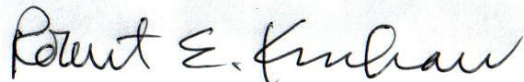
Since the PWA did not maintain documentation of the water and gas collections and I was not able to apply other auditing procedures to satisfy myself as to the current year water and gas collection revenue, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on the business-type activities of the Town of Red Bird.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of each major fund and the aggregate remaining fund information of the Town of Red Bird, Oklahoma, as of June 30, 2008, and the changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described above.

In accordance with Government Auditing Standards, I have also issued my report dated February 2, 2012, on my consideration of the Town of Red Bird, Oklahoma's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with Government Auditing Standards and should be considered in assessing the results of my audit.

The Town of Red Bird has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34. However the Town has not presented the Management's Discussion and Analysis and Budgetary Comparison Information required by the Governmental Accounting Standards Board (GASB) that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Red Bird's basic financial statements. The introductory and the other supplementary information sections, if any, listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Town. Such additional information has not been subjected to the auditing procedures applied in my audit of the basic financial statements, and accordingly, I do not express an opinion thereon.



Robert E. Kershaw, CPA

February 2, 2012

TOWN OF RED BIRD, OKLAHOMA
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2008

	Governmental Activities	Business-Type Activities	2008 Total	Memo Only 2007 Total
<u>ASSETS</u>				
<u>Current Assets:</u>				
Cash and cash equivalents	\$ 10,115	\$ 13,056	\$ 23,171	\$ 36,868
Total Current Assets	10,115	13,056	23,171	36,868
<u>Other Assets:</u>				
Restricted Cash and cash equivalents	-	2,683	2,683	4,752
Total Other Assets	-	2,683	2,683	4,752
<u>Capital Assets:</u>				
Other Capital Assets, Net of Accum. Depr.	281,330	57,815	339,145	334,975
Total Capital Assets	281,330	57,815	339,145	334,975
TOTAL ASSETS	291,445	73,554	364,999	376,595
<u>LIABILITIES</u>				
<u>Current Liabilities:</u>				
Customer Deposits Payable	-	9,171	9,171	9,466
Total Current Liabilities	-	9,171	9,171	9,466
<u>Long-Term Liabilities:</u>				
Notes Payable	-	-	-	-
Total Long-Term Liabilities	-	-	-	-
TOTAL LIABILITIES	-	9,171	9,171	9,466
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	281,330	57,815	339,145	334,975
Restricted for:				
Debt Service	-	-	-	-
Other Purposes	-	-	-	-
Unrestricted	10,115	6,569	16,684	32,154
TOTAL NET ASSETS	\$ 291,445	\$ 64,383	\$ 355,829	\$ 367,129

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF RED BIRD, OKLAHOMA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General Government	\$ 10,065	\$ -	\$ -	\$ -	\$ (10,065)
Public Safety	6,062	-	-	8,419	2,357
Highways & Streets	-	-	-	-	-
Capital Outlay	18,400	-	-	10,925	(7,475)
Total Governmental Activities	34,527	-	-	19,344	(15,183)
Business-type activities:					
Water and Gas	77,192	73,450	-	-	(3,742)
Total Business-type Activities	77,192	73,450	-	-	(3,742)
Total	\$ 111,719	\$ 73,450	\$ -	\$ 19,344	\$ (18,925)

Changes in Net Assets:

	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	\$ (15,183)	\$ (3,742)	\$ (18,925)
General revenues:			
Taxes:			
Franchise Tax	2,300	-	2,300
Sales & Use Tax	-	-	-
Cigar Tax	-	-	-
Intergovernmental:			
Gasoline Excise Tax	205	-	205
Alcoholic Beverage Tax & Motor Vehicle Tax	2,241	-	2,241
Ad Valorem Tax	-	-	-
Cemetery Receipts	-	-	-
Rental Income	2,750	-	2,750
Miscellaneous Income	128	-	128
Interest Income	-	-	-
Transfers - Internal Activity	(3,319)	3,319	-
Total general revenues & transfers	4,305	3,319	7,624
Changes in net assets	(10,877)	(423)	(11,300)
Net assets - beginning	302,323	64,806	367,129
Net assets - prior year adjustment	-	-	-
Net assets - ending	\$ 291,445	\$ 64,383	\$ 355,829

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF RED BIRD, OKLAHOMA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	General Fund	Fire Dept. Fund	Cemetery Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,592	\$ 4,451	\$ 1,072	\$ 10,115
TOTAL ASSETS	\$ 4,592	\$ 4,451	\$ 1,072	\$ 10,115
LIABILITIES & FUND EQUITY				
LIABILITIES:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-	-
FUND BALANCES:				
Unreserved	4,592	4,451	1,072	10,115
Unreserved, reported in nonmajor special revenue funds	-	-	-	-
TOTAL FUND BALANCES	4,592	4,451	1,072	10,115
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,592	\$ 4,451	\$ 1,072	\$ 10,115

Reconciliation to Statement of Net Assets:

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

Capital assets used in governmental activities of \$281,330, net of accumulated depreciation of \$0, are not financial resources and, therefore, are not reported in the funds. 281,330

Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds. -

Net Assets of Governmental Activities **\$ 291,445**

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF RED BIRD, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General Fund	Fire Department Fund	Cemetery Fund	Total Governmental Funds
<u>REVENUES:</u>				
Taxes:				
Franchise Tax	\$ 2,300	\$ -	\$ -	\$ 2,300
Sales & Use Tax	-	-	-	-
Cigar Tax	-	-	-	-
Intergovernmental:				
Gasoline Excise Tax	205	-	-	205
Alcoholic Beverage Tax & Motor Vehicle Tax	2,241	-	-	2,241
Ad Valorem Tax	-	-	-	-
Grants	10,925	8,419	-	19,344
Cemetery Receipts	-	-	-	-
Rental Income	2,750	-	-	2,750
Miscellaneous Income	128	-	-	128
Interest Income	-	-	-	-
TOTAL REVENUES	18,549	8,419	-	26,968
<u>EXPENDITURES:</u>				
Current:				
General Government	10,065	-	-	10,065
Public Safety	-	6,062	-	6,062
Highways & Streets	-	-	-	-
Debt Service	-	-	-	-
Capital Outlay	8,400	10,000	-	18,400
TOTAL EXPENDITURES	18,465	16,062	-	34,527
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	84	(7,643)	-	(7,559)
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	(3,319)	-	(3,319)
Capital Debt Proceeds	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(3,319)	-	(3,319)
NET CHANGES IN FUND BALANCES	84	(10,962)	-	(10,877)
FUND BALANCE - BEGINNING OF YEAR	4,508	15,413	1,072	20,993
FUND BALANCE - PRIOR YEAR ADJUSTMENT	-	-	-	-
FUND BALANCE - END OF YEAR	\$ 4,592	\$ 4,451	\$ 1,072	10,115

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF RED BIRD, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Reconciliation to Statement of Activities:

Net change in fund balances - total governmental funds	\$	(10,877)
 Amounts reported for governmental activities in the Statement of Activities are different because:		
 Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:		
Capital debt obligation principal payments		-
 Issuance of new capital debt obligations is recorded as capital debt proceeds in the governmental funds, but the proceeds create long-term liabilities in the Statement of Net Assets:		
Capital Debt Proceeds		-
 Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized		-
Depreciation expense		-
		-
Change in Net Assets of Governmental Activities	\$	(10,877)

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**TOWN OF RED BIRD, OKLAHOMA
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2008**

	<u>Red Bird Public Works Authority Enterprise Fund June 30, 2008</u>	<u>Memo Only June 30, 2007</u>
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 13,056	\$ 15,875
Total Current Assets	13,056	15,875
Other Assets:		
Restricted cash and cash equivalents	2,683	4,752
Total Other Assets	2,683	4,752
Noncurrent Assets:		
Other capital assets, net of accumulated depreciation	57,815	53,644
Total Noncurrent Assets	57,815	53,644
TOTAL ASSETS	73,554	74,272
<u>LIABILITIES & FUND EQUITY</u>		
Current Liabilities:		
Meter Deposits Payable	9,171	9,466
Total Current Liabilities	9,171	9,466
Noncurrent Liabilities:		
Notes Payable	-	-
Total Noncurrent Liabilities	-	-
TOTAL LIABILITIES	9,171	9,466
NET ASSETS:		
Invested in capital assets, net of related debt	57,815	53,644
Restricted for debt service	-	-
Unrestricted	6,569	11,162
TOTAL NET ASSETS	\$ 64,383	\$ 64,806

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF RED BIRD, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Red Bird Public Works Authority Enterprise Fund June 30, 2008	Memo Only June 30, 2007
<u>OPERATING REVENUES:</u>		
Charges for Services - Gas	\$ 41,065	\$ 38,097
Charges for Services - Water	32,328	30,795
Miscellaneous Income	57	585
TOTAL OPERATING REVENUES	73,450	69,476
<u>OPERATING EXPENSES:</u>		
Gas Purchases	28,824	27,246
Water Purchases	9,593	9,664
Legal & Accounting	2,500	207
Contract Labor - Gas	3,609	6,939
Contract Labor - Water	8,667	6,958
Licenses, Permits and Fees	2,090	3,448
Utilities	2,001	1,476
Insurance & Bonds	(110)	4,434
Repairs & Maintenance	9,591	8,823
Offices Supplies	1,470	1,752
Miscellaneous	4,556	2,795
Depreciation	4,402	4,402
TOTAL OPERATING EXPENSES	77,192	78,144
NET OPERATING INCOME (LOSS)	(3,742)	(8,667)
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	-	-
Interest Expense	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	-	-
NET INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS	(3,742)	(8,667)
Capital Contributions	-	-
Transfers in	3,319	-
Transfers out	-	(700)
CHANGE IN NET ASSETS	(423)	(9,367)
TOTAL NET ASSETS - BEGINNING	64,806	74,173
TOTAL NET ASSETS - PRIOR YEAR ADJUSTMENT	-	-
TOTAL NET ASSETS - ENDING	\$ 64,383	\$ 64,806

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

EXHIBIT G

TOWN OF RED BIRD, OKLAHOMA
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>June 30, 2008</u>	<u>Memo Only June 30, 2007</u>
<u>Net Cash Flows from Operating Activities:</u>		
Cash Receipts from Customers	\$ 73,450	\$ 69,476
Other Cash Receipts	-	-
Payments to Suppliers & Laborers for Goods & Services	<u>(71,016)</u>	<u>(73,742)</u>
Net Cash Provided (Used) by Operating Activities	<u>2,434</u>	<u>(4,266)</u>
<u>Net Cash Flows from Non-Capital Financing Activities:</u>		
Transfers to other funds	-	(700)
Transfers from other funds	<u>3,319</u>	<u>-</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>3,319</u>	<u>(700)</u>
<u>Net Cash Flows from Capital & Related Financing Activities:</u>		
Capital grant received for construction/purchase of capital assets	-	-
Additions to Capital Assets	(8,572)	(2,871)
Proceeds from sale of Capital Assets	-	-
Loan Proceeds received	-	-
Principal paid on Notes Payable	-	-
Interest paid	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(8,572)</u>	<u>(2,871)</u>
Net Cash Flows from Investing Activities:		
Interest Income	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(2,819)</u>	<u>(7,837)</u>
Cash & Cash Equivalents, Beginning of Year	15,875	23,712
Cash & Cash Equivalents, Prior Year Adjustment	<u>-</u>	<u>-</u>
Cash & Cash Equivalents, End of Year	<u>\$ 13,056</u>	<u>\$ 15,875</u>
<u>Reconciliation of operating income (loss) to net cash provided</u>		
<u>operating activities:</u>		
Operating Income (Loss)	\$ (3,742)	\$ (8,667)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	4,402	4,402
(Increase)Decrease in Accounts Receivable	-	-
(Increase)Decrease in Prepaid Insurance	-	-
Increase(Decrease) in Accounts Payable	<u>1,774</u>	<u>-</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,434</u>	<u>\$ (4,266)</u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF RED BIRD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The Town of Red Bird, Oklahoma was incorporated in 1962 under the provisions of the State of Oklahoma. The Town operates under the statutory town form of government and provides the following services: water, gas, and general administrative services. The more significant of the government's accounting policies are described below.

B. Basis of Presentation

Government-Wide Financial Statements

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 non-exchange revenues. Business-type activities are financed in whole or in part by fees charges to external parties for goods or services.

Fund Financial Statements

The accounts of the Town are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, cash receipts, cash disbursements, and certain accruals. The Town maintains a separate bank account for each fund. All bank accounts are at institutions, which are FDIC insured.

Governmental Fund Types

The General Fund is the general operating fund of the Town. The Fire Department is a component unit of the Town and receives funds from grants, local contributions, and other miscellaneous sources. The Cemetery Fund accounts for the operations and maintenance of the Cemetery.

Proprietary Fund Types

The PWA Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises. The costs (expenses, including depreciation) of providing services, such as sewer, on a continuing basis, are financed through user charges, paid by the general public. Proprietary fund types utilize the modified cash basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All proprietary fund fixed assets are valued at estimated historical cost, or if contributed property, at its estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses: renewals and betterments are capitalized.

TOWN OF RED BIRD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

C. Total Columns (Memorandum Only) & Beginning Fund Balances

Total Columns on combined statements are captioned "Memorandum Only" to indicate that they are presented only to aid in financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

D. Basis of Accounting

The Town of Red Bird Hill prepares its financial statements on the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The Governmental Fund types recognize revenues, expenditures, and liabilities when received or paid. Grant income is recognized when received.

E. Budget and Budgetary Procedures

A budget was not prepared for the year ending June 30, 2008.

F. Cash and Cash Equivalents

The statement of cash flows for proprietary fund types explains the change in cash and cash equivalents during the fiscal period. For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

G. Accounts Receivable

As a result of the use of the cash basis of accounting, accounts receivable and other revenue related receivables are not reported in the financial statements.

H. Inventories

The Town records materials and supplies inventory as expenditures at the time the inventory is purchased; therefore, no inventory balances for materials and supplies not yet consumed are reported in the combined statement of assets, liabilities and fund balances.

I. Property & Equipment

Property and equipment for the proprietary fund type are recorded at their historical cost; these assets are depreciated over the estimated useful life of the related asset. The Town does not maintain adequate records for property and equipment of the governmental fund types; therefore Capital Assets are not reported as required by generally accepted accounting principles.

TOWN OF RED BIRD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

The sale or disposal of fixed assets is recorded by removing the cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation for proprietary fund type assets has been calculated on each class of depreciable property using the straight-line method, with one-half year's depreciation in the year of acquisition. Estimated useful lives are as follows:

Water and Sewer System	30 Years
Building Improvements	40 Years
Furniture & Equipment	7-12 Years

Capitalization Policy

Purchases of capital items in excess of \$1,000.00 that increase the capacity or operation efficiency or extend the useful life of any asset are capitalized. Repairs and maintenance are expensed as incurred.

J. Equity Classification

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

1. 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.
2. Restricted net assets—Consists of net assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

K. Revenues, expenditures and expenses

Property Tax

For the year ended June 30, 2008, the Town has not levied a property tax. Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and court-assessed judgments.

Expenditures/Expenses

For purposes of the combined operating statements, expenditures/expenses are classified as follows:

Governmental Fund Types -	By Character:	Current (further classified by activity)	Capital Outlay
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TOWN OF RED BIRD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Proprietary Fund Types - By Operating and Non-Operating

Governmental fund types report expenditures of financial resources. Proprietary fund types normally report expenses relating to use of economic resources.

- L. In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain of the significant changes in the Statement include the following:
1. For the first time the financial statement should include:
 - a. A Management Discussion and Analysis (MD&A) section providing analysis of the Town's overall financial position and results of operations. However, the Town has chosen not to present the required MD&A for the current year.
 - b. Financial statements prepared using full accrual accounting for all of the Town's activities, except for including the General capital assets or infrastructure (roads, bridges, etc.).
 2. A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements). The Town has elected to implement the general provisions of the Statement and report infrastructure acquired after July 1, 2003 as provided by GASB standards.

M. Memorandum Only

The "memorandum only" captions above the total columns mean that totals are presented for overview information purposes only.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

As a local government unit, the Town is subject to various federal, state, and local laws and contractual regulations. In accordance with Government Auditing Standards, the auditor has issued a report on his consideration of the District's internal control over financial reporting and tested its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in compliance with Government Auditing Standards and should be read in conjunction with this report in considering the results of the audit.

Finance-related Legal & Contractual Provisions

The Town has not prepared and filed its budget with the State Auditor and Inspector's office.

TOWN OF RED BIRD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Deficit Fund Balance or Retained Earnings

As indicated in the financial statements, there are no fund balance or retained earnings deficits for the Town for this fiscal year.

NOTE 3 - CASH AND INVESTMENTS

Custodial Credit Risk

At June 30, 2008, the Town held deposits of approximately \$25,854 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name.

Investment Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

TOWN OF RED BIRD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 4 - CAPITAL ASSETS

Governmental Activities:

	2007	Additions	Deductions	2008
Building-Courthouse	\$ 1,000	\$ -	\$ -	\$ 1,000
Office-Post Office	3,000	-	-	3,000
Road Improvements	49,380	-	-	49,380
Improvements	4,849	-	-	4,849
Water-Gas System	136,646	-	-	136,646
Equipment	47,717	-	-	47,717
Playground	35,539	-	-	35,539
Land Improvements	3,200	-	-	3,200
Total Capital Assets	281,330	-	-	281,330
Less: Accum. Depreciation	-	-	-	-
Net Capital Assets	\$ 281,330	\$ -	\$ -	\$ 281,330

Proprietary Fund Capital Assets:

	2007	Additions	Deductions	2008
Land	\$ -	\$ 2,000	\$ -	\$ 2,000
Vehicle & Equipment	18,982	-	-	18,982
Building & Equipment	42,085	6,572	-	48,657
Furniture & Equipment	8,602	-	-	8,602
Road Improvements	990	-	-	990
New Installation	25,639	-	-	25,639
Total Capital Assets	96,298	8,572	-	104,870
Less: Accum. Depreciation	(42,654)	(4,402)	-	(47,056)
Net Capital Assets	\$ 53,644	\$ 4,170	\$ -	\$ 57,815

Depreciation expense for the year ended June 30, 2008, aggregating \$4,402, has been computed on assets with a cost basis totaling \$104,870.

NOTE 5 - LONG-TERM DEBT

The Town currently has no long-term debt.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2008:

	Balance at June 30, 2007	Additions	Deductions	Balance at June 30, 2008
Bonds Payable	\$ -	\$ -	\$ -	\$ -
Total Long-Term Debt	\$ -	\$ -	\$ -	\$ -

NOTE 6 - FUND EQUITY

As described in Note 1 above, equity is classified as net assets and displayed in three components:

TOWN OF RED BIRD, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. Invested in capital assets, net of related debt
2. Restricted net assets
3. Unrestricted net assets

The Town's restricted net assets include the restricted customer deposit account.

NOTE 7 - COMMITMENTS & CONTINGENCIES

Contingency

The Town currently has no pending litigation.

Federally Assisted Programs

In the normal course of operations, the Town participates in various federal or state/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Compensated Absences - The Town does not have any employees, all workers are utilized as contract labor.

NOTE 8 - ECONOMIC DEPENDENCY

The Red Bird Public Works Authority is economically dependent on the services of Oklahoma Natural Gas (ONG) and Rural Water District #5 to provide the gas and water they sell to their customers. Without these services, the Public Works Authority would not be able to meet their obligations.

NOTE 9 - SUBSEQUENT EVENTS

The Town did not have any subsequent events through the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2008.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Town of Red Bird, Oklahoma

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining funds of the Town of Red Bird, Oklahoma, as of June 30, 2008, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles and which collectively comprise the Town's basic financial statements and have issued my report thereon dated February 2, 2012, which was qualified for the effect on the basic financial statements of improper capital asset recordkeeping. I was engaged to audit the financial statements of the business-type activities of the Town of Red Bird, Oklahoma, as of June 30, 2008, which were also prepared on the modified cash basis of accounting and have issued my report thereon dated February 2, 2012, which was a disclaimer of opinion because inadequate accounting records precluded me from performing sufficient audit procedures on the financial statements. The Town of Red Bird has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, except that the Town did not present the required MD&A or Budgetary Comparison Information. I conducted my audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and in accordance with Oklahoma Statutes.

Internal Control Over Financial Reporting

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

My 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be

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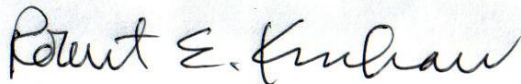
material weakness, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings that I consider to be significant deficiencies in internal control over financial reporting. Those deficiencies are listed as Items 08-01, 08-02, 08-03, 08-04, 08-05, 08-06 & 08-07. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Red Bird's financial statements are free of material misstatement, I performed tests of 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 my audit, and accordingly I do not express such an opinion. The results of my tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is included in the Schedule of Findings as Item 08-08. The results of my tests disclosed no instances of other matters that are required to be reported under *Government Auditing Standards*.

The Town's response to the findings identified in my audit is described in the accompanying Schedule of Findings. I did not audit the Town's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, the board of trustees, others within the entity, USDA Rural Development and the Oklahoma State Auditor and Inspector's office and is not intended to be and should not be used by anyone other than these specified parties.



Robert E. Kershaw, CPA

February 2, 2012

TOWN OF RED BIRD, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2008

INTERNAL CONTROL FINDINGS:

Item 08-01: Segregation of Duties

Criteria: A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, and record the same transaction.

Condition: Due to the size of the Town's major areas of internal control, that would be prevalent in a larger Town, such segregation of duties is not available for this size operation. Duties are concentrated in the hands of a few individuals, who are responsible for all phases of the accounting functions. Because of this lack of division of responsibility, internal control is determined to be weak, and in some instances, non-existent.

Cause/Effect: Due to the limited number of personnel, a breach of internal controls could occur and not be detected in the normal course of operations.

Recommendation: The Board should continue to be actively involved in the operations of the organization.

Item 08-02: Bank Reconciliation

Criteria: Internal control refers to the methods and procedures used to provide reasonable assurance regarding the achievement of objectives in the following categories: Safeguarding assets, Ensuring validity of financial records and reports, Promoting adherence to policies, procedures, regulations and laws, and Promoting effectiveness and efficiency of operations. Internal control also refers to how an entity processes, summarizes and records the financial transactions. In general terms, internal controls are simply good business practices.

Condition: Personnel of the Town did not consistently and accurately perform monthly bank reconciliations during the audit year.

Cause/Effect: A system for reconciling the bank statements on a monthly basis was in place, however, the staff was negligent in following the system that was in place. The financial statements may contain misstatements and omit financial information.

Recommendation: Monthly bank reconciliations need to be performed on each bank account and the balance agree with that reflected in the financial statements and the Quicken check register.

TOWN OF RED BIRD, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2008

Item 08-03: Meter Deposits

Criteria: It is the responsibility of the Authority to properly report and account for the financial information.

Condition: The Town does not keep a ledger regarding the balance of customer meter deposits. The customer deposit account does not have a balance sufficient to cover the related liability.

Cause/Effect: Customers could potentially not receive proper reimbursement on their deposit and the organization's balance sheet could be incorrect with respect to the deposit account.

Recommendation: It is recommended that the organization properly report and account for the balance of customer deposits. The Town is aware of the problem and has already taken steps to correct the situation.

Item 08-04 - Capital Asset Recordkeeping

Criteria: Internal control refers to the methods and procedures used to provide reasonable assurance regarding the achievement of objectives in the following categories: Safeguarding assets, Ensuring validity of financial records and reports, Promoting adherence to policies, procedures, regulations and laws, and Promoting effectiveness and efficiency of operations. Internal control also refers to how an entity processes, summarizes and records the financial transactions. In general terms, internal controls are simply good business practices.

Condition: The Town does not have strong internal controls in place for ensuring validity of financial records and reports, and in some instances is virtually non-existent.

Cause/Effect: Due to the weak internal control system, only minimal capital assets records are being maintained.

Recommendation: Periodic physical inventories required for good internal control should be conducted.

Response: The Town is aware of the problem and has already taken steps to correct the situation.

Item 08-05: Contract Labor

Criteria: Contract laborers who earn over \$600 in a calendar year should be issued a 1099.

TOWN OF RED BIRD, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2008

Condition: Neither the Town or PWA send W-2's or 1099's to their employees/laborers.

Cause/Effect: Any person, including a corporation, partnership, individual, estate, and trust, who makes reportable transactions during the calendar year, must file information returns to report those transactions to the IRS. Persons required to file Information Returns to the IRS must also furnish statements to the recipients of the income.

Recommendation: If the workers are "employee", payroll taxes should be withheld and payroll tax returns should be sent quarterly to the Internal Revenue Service and Oklahoma Tax Commission. W-2's should be issued to the employees in January.

Item 08-06: Invoices

Criteria: Internal control refers to the methods and procedures used to provide reasonable assurance regarding the achievement of objectives in the following categories: Safeguarding assets, Ensuring validity of financial records and reports, Promoting adherence to policies, procedures, regulations and laws, and Promoting effectiveness and efficiency of operations. Internal control also refers to how an entity processes, summarizes and records the financial transactions. In general terms, internal controls are simply good business practices.

Condition: Invoices do not consistently have check # and date paid on them and some disbursements have no invoices.

Recommendation: The invoices should always have date paid and check # on them. A copy of the check should also be attached. All disbursements should have invoices.

Item 08-07 - Revenue Documentation

Criteria: Internal control refers to the methods and procedures used to provide reasonable assurance regarding the achievement of objectives in the following categories: Safeguarding assets, ensuring validity of financial records and reports, promoting adherence to policies, procedures, regulations and laws, and promoting effectiveness and efficiency of operations. Internal control also refers to how an entity processes, summarizes and records the financial transactions. In general terms, internal controls are simply good business practices.

Condition: The PWA did not have strong internal controls in place for ensuring validity of financial records and reports, and in some instances internal control is virtually non-existent.

TOWN OF RED BIRD, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2008

Cause/Effect: Due to the weak internal control system, revenue documentation needed to perform some audit procedures was not adequately maintained.

Recommendation: All revenue should be properly classified and documented. The Board should continue to be actively involved in the operations of the District.

Response: Current management was unable to locate items kept on file by previous management. Therefore, the documentation problem is expected to be improved in future years.

COMPLIANCE FINDINGS:

Item 08-08 - Budget Preparation and Filing

Criteria: The Town is required by Title 68 of the Oklahoma Statutes to prepare an annual operating budget which is submitted to the State Auditor and Inspector.

Condition: The Town has not prepared or filed a budget in several years

Cause/Effect: Not filing a budget, leaves the Town out of compliance with Oklahoma Statutes and the State Auditor and Inspector.

Recommendation: The Town should file all budgets as required by Oklahoma Statutes.

Response to all above findings is as follows:

Corrective action has been taken by management to ensure that the procedures in place are followed by all personnel.