

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

AUDIT REPORT

OF

TOWN OF EDINBURGH

JOHNSON COUNTY, INDIANA

January 1, 2005 to December 31, 2006



**FILED**  
12/26/2007



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jackie L. Smith	01-01-01 to 12-31-07
President of the Town Council	Bill Davis	01-01-05 to 12-31-07
Director of Utilities	Michael R. Weddle John R. Drybread	01-01-05 to 03-30-05 04-01-05 to 12-31-07
Electric Superintendent	Darrell Burton	01-01-05 to 12-31-07
Water Superintendent	Mike Pendleton	01-01-05 to 12-31-07
Wastewater Superintendent	Glen Giles	01-01-05 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

TO: THE OFFICIALS OF THE TOWN OF EDINBURGH, JOHNSON COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Edinburgh (Town), as of and for the years ended December 31, 2005 and 2006, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as described below, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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.

As discussed in Note I, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2005 and 2006, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I. As discussed in Note I, the Town has presented the business-type activities in a separately issued report.

In accordance with Government Auditing Standards, we have also issued a report dated October 3, 2007, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Town taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Town has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

October 3, 2007



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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 OFFICIALS OF THE TOWN OF EDINBURGH, JOHNSON COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Edinburgh (Town), as of and for the years ended December 31, 2005 and 2006, which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 3, 2007. 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 the Town'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 the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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  
(Continued)

Compliance and Other Matters

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

We noted certain matters that we reported to management in a separate letter dated November 14, 2007.

This report is intended solely for the information and use of the Town's management, Town Council, 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. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

October 3, 2007

TOWN OF EDINBURGH  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2005

<u>Functions/Programs</u>	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets	
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Totals
Primary government:						
Governmental activities:						
General government	\$ 845,915	\$ 82,139	\$ 13,933	\$ 64,460	\$ (685,383)	\$ (685,383)
Public safety	1,077,719	20,458	-	-	(1,057,261)	(1,057,261)
Highways and streets	634,443	-	240,393	-	(394,050)	(394,050)
Sanitation	222,940	30,185	-	-	(192,755)	(192,755)
Economic development	410,506	7,537	11,142	-	(391,827)	(391,827)
Culture and recreation	1,573,881	1,019,418	18,374	-	(536,089)	(536,089)
Interest on long-term debt	324,964	-	-	-	(324,964)	(324,964)
<b>Total primary government</b>	<b><u>\$ 5,090,368</u></b>	<b><u>\$ 1,159,737</u></b>	<b><u>\$ 283,842</u></b>	<b><u>\$ 64,460</u></b>	<b><u>(3,582,329)</u></b>	<b><u>(3,582,329)</u></b>
General receipts:						
Property taxes					2,551,106	2,551,106
Other local sources					86,477	86,477
Grants and contributions not restricted to specific programs					1,175,243	1,175,243
Unrestricted investment earnings					36,867	36,867
<b>Total general receipts</b>					<b><u>3,849,693</u></b>	<b><u>3,849,693</u></b>
Change in net assets					267,364	267,364
Net assets - beginning					<u>2,484,645</u>	<u>2,484,645</u>
Net assets - ending					<b><u>\$ 2,752,009</u></b>	<b><u>\$ 2,752,009</u></b>
<u>Assets</u>						
Cash and investments					\$ 751,175	\$ 751,175
Restricted assets:						
Cash and investments					<u>2,000,834</u>	<u>2,000,834</u>
<b>Total assets</b>					<b><u>\$ 2,752,009</u></b>	<b><u>\$ 2,752,009</u></b>
<u>Net Assets</u>						
Restricted for:						
Culture and recreation					\$ 336,135	\$ 336,135
Debt service					902,574	902,574
Other purposes					762,125	762,125
Unrestricted					<u>751,175</u>	<u>751,175</u>
<b>Total net assets</b>					<b><u>\$ 2,752,009</u></b>	<b><u>\$ 2,752,009</u></b>

The notes to the financial statements are an integral part of this statement.

TOWN OF EDINBURGH  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2005

	General	ERA Timbergate	Other Governmental Funds	Totals
<b>Receipts:</b>				
Taxes	\$ 1,710,715	\$ -	\$ 840,391	\$ 2,551,106
Licenses and permits	7,691	-	-	7,691
Intergovernmental	1,146,835	-	376,709	1,523,544
Charges for services	141,345	928,816	81,229	1,151,390
Fines and forfeits	655	-	-	655
Other	51,910	-	71,436	123,346
<b>Total receipts</b>	<b>3,059,151</b>	<b>928,816</b>	<b>1,369,765</b>	<b>5,357,732</b>
<b>Disbursements:</b>				
General government	766,076	-	79,839	845,915
Public safety	1,050,150	-	27,569	1,077,719
Highways and streets	-	-	634,443	634,443
Sanitation	222,940	-	-	222,940
Economic development	160,120	-	90,386	250,506
Culture and recreation	701,182	556,674	316,025	1,573,881
<b>Debt service:</b>				
Principal	-	-	160,000	160,000
Interest	-	-	324,964	324,964
<b>Total disbursements</b>	<b>2,900,468</b>	<b>556,674</b>	<b>1,633,226</b>	<b>5,090,368</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>158,683</b>	<b>372,142</b>	<b>(263,461)</b>	<b>267,364</b>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	730,025	730,025
Transfers out	-	(496,000)	(234,025)	(730,025)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(496,000)</b>	<b>496,000</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>158,683</b>	<b>(123,858)</b>	<b>232,539</b>	<b>267,364</b>
<b>Cash and investment fund balance - beginning</b>	<b>592,492</b>	<b>330,051</b>	<b>1,562,102</b>	<b>2,484,645</b>
<b>Cash and investment fund balance - ending</b>	<b>\$ 751,175</b>	<b>\$ 206,193</b>	<b>\$ 1,794,641</b>	<b>\$ 2,752,009</b>
<b><u>Cash and Investment Assets - December 31</u></b>				
Cash and investments	\$ 751,175	\$ -	\$ -	\$ 751,175
<b>Restricted assets:</b>				
Cash and investments	-	206,193	1,794,641	2,000,834
<b>Total cash and investment assets - December 31</b>	<b>\$ 751,175</b>	<b>\$ 206,193</b>	<b>\$ 1,794,641</b>	<b>\$ 2,752,009</b>
<b><u>Cash and Investment Fund Balance - December 31</u></b>				
<b>Restricted for:</b>				
Culture and recreation	\$ -	\$ 206,193	\$ 129,942	\$ 336,135
Debt service	-	-	902,574	902,574
Other purposes	-	-	762,125	762,125
Unrestricted	751,175	-	-	751,175
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 751,175</b>	<b>\$ 206,193</b>	<b>\$ 1,794,641</b>	<b>\$ 2,752,009</b>

The notes to the financial statements are an integral part of this statement.

TOWN OF EDINBURGH  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2005

	Private-Purpose Trust Funds	Agency Funds
Additions:		
Contributions:		
Other	\$ 96,380	\$ -
Agency fund additions	<u>-</u>	<u>2,336,580</u>
Total additions	<u>96,380</u>	<u>2,336,580</u>
Deductions:		
Administrative and general	69,097	-
Agency fund deductions	<u>-</u>	<u>2,333,131</u>
Total deductions	<u>69,097</u>	<u>2,333,131</u>
Excess of total additions over total deductions	27,283	3,449
Cash and investment fund balance - beginning	<u>392,510</u>	<u>34,518</u>
Cash and investment fund balance - ending	<u>\$ 419,793</u>	<u>\$ 37,967</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF EDINBURGH  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2006

<u>Functions/Programs</u>	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets	
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Totals
Primary government:						
Governmental activities:						
General government	\$ 921,738	\$ 120,393	\$ 16,094	\$ 4,983	\$ (780,268)	\$ (780,268)
Public safety	1,153,053	32,544	-	-	(1,120,509)	(1,120,509)
Highways and streets	775,526	-	260,088	-	(515,438)	(515,438)
Sanitation	199,958	32,399	-	-	(167,559)	(167,559)
Economic development	564,402	-	-	-	(564,402)	(564,402)
Culture and recreation	1,527,738	959,061	10,699	-	(557,978)	(557,978)
Redevelopment and housing	-	12,439	7,713	-	20,152	20,152
Interest on long-term debt	315,889	-	-	-	(315,889)	(315,889)
<b>Total primary government</b>	<b>\$ 5,458,304</b>	<b>\$ 1,156,836</b>	<b>\$ 294,594</b>	<b>\$ 4,983</b>	<b>(4,001,891)</b>	<b>(4,001,891)</b>
General receipts:						
Property taxes					2,677,742	2,677,742
Other local sources					39,303	39,303
Grants and contributions not restricted to specific programs					1,232,981	1,232,981
Unrestricted investment earnings					81,525	81,525
<b>Total general receipts</b>					<b>4,031,551</b>	<b>4,031,551</b>
Change in net assets					29,660	29,660
Net assets - beginning					2,752,009	2,752,009
Net assets - ending					<u>\$ 2,781,669</u>	<u>\$ 2,781,669</u>
<u>Assets</u>						
Cash and investments					\$ 1,028,057	\$ 1,028,057
Restricted assets:						
Cash and investments					1,753,612	1,753,612
<b>Total assets</b>					<b>\$ 2,781,669</b>	<b>\$ 2,781,669</b>
<u>Net Assets</u>						
Restricted for:						
Culture and recreation					\$ 127,820	\$ 127,820
Debt service					942,040	942,040
Other purposes					683,752	683,752
Unrestricted					1,028,057	1,028,057
<b>Total net assets</b>					<b>\$ 2,781,669</b>	<b>\$ 2,781,669</b>

The notes to the financial statements are an integral part of this statement.

TOWN OF EDINBURGH  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2006

	General	ERA Timbergate	Other Governmental Funds	Totals
<b>Receipts:</b>				
Taxes	\$ 1,825,714	\$ -	\$ 852,028	\$ 2,677,742
Licenses and permits	12,455	-	-	12,455
Intergovernmental	1,204,632	-	327,926	1,532,558
Charges for services	187,218	881,947	73,053	1,142,218
Fines and forfeits	110	-	2,055	2,165
Other	73,224	-	47,602	120,826
	<u>3,303,353</u>	<u>881,947</u>	<u>1,302,664</u>	<u>5,487,964</u>
<b>Total receipts</b>				
<b>Disbursements:</b>				
General government	891,332	-	30,406	921,738
Public safety	1,140,487	-	12,566	1,153,053
Highways and streets	-	-	775,526	775,526
Sanitation	199,958	-	-	199,958
Economic development	129,946	-	264,456	394,402
Culture and recreation	684,480	526,889	316,369	1,527,738
<b>Debt service:</b>				
Principal	-	-	170,000	170,000
Interest	-	-	315,889	315,889
	<u>3,046,203</u>	<u>526,889</u>	<u>1,885,212</u>	<u>5,458,304</u>
<b>Total disbursements</b>				
Excess (deficiency) of receipts over disbursements	<u>257,150</u>	<u>355,058</u>	<u>(582,548)</u>	<u>29,660</u>
<b>Other financing sources (uses):</b>				
Transfers in	19,732	-	703,415	723,147
Transfers out	-	(497,000)	(226,147)	(723,147)
	<u>19,732</u>	<u>(497,000)</u>	<u>477,268</u>	<u>-</u>
<b>Total other financing sources (uses)</b>				
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	276,882	(141,942)	(105,280)	29,660
Cash and investment fund balance - beginning	<u>751,175</u>	<u>206,193</u>	<u>1,794,641</u>	<u>2,752,009</u>
Cash and investment fund balance - ending	<u>\$ 1,028,057</u>	<u>\$ 64,251</u>	<u>\$ 1,689,361</u>	<u>\$ 2,781,669</u>
<b><u>Cash and Investment Assets - December 31</u></b>				
Cash and investments	\$ 1,028,057	\$ -	\$ -	\$ 1,028,057
<b>Restricted assets:</b>				
Cash and investments	-	64,251	1,689,361	1,753,612
Total cash and investment assets - December 31	<u>\$ 1,028,057</u>	<u>\$ 64,251</u>	<u>\$ 1,689,361</u>	<u>\$ 2,781,669</u>
<b><u>Cash and Investment Fund Balance - December 31</u></b>				
<b>Restricted for:</b>				
Culture and recreation	\$ -	\$ 64,251	\$ 63,569	\$ 127,820
Debt service	-	-	942,040	942,040
Other purposes	-	-	683,752	683,752
Unrestricted	<u>1,028,057</u>	<u>-</u>	<u>-</u>	<u>1,028,057</u>
Total cash and investment fund balance - December 31	<u>\$ 1,028,057</u>	<u>\$ 64,251</u>	<u>\$ 1,689,361</u>	<u>\$ 2,781,669</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF EDINBURGH  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2006

	Private-Purpose Trust Funds	Agency Funds
Additions:		
Contributions:		
Other	\$ 132,346	\$ -
Agency fund additions	<u>-</u>	<u>2,421,917</u>
Total additions	<u>132,346</u>	<u>2,421,917</u>
Deductions:		
Administrative and general	186,185	-
Agency fund deductions	<u>-</u>	<u>2,418,280</u>
Total deductions	<u>186,185</u>	<u>2,418,280</u>
Excess (deficiency) of total additions over total deductions	(53,839)	3,637
Cash and investment fund balance - beginning	<u>419,793</u>	<u>37,967</u>
Cash and investment fund balance - ending	<u>\$ 365,954</u>	<u>\$ 41,604</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF EDINBURGH  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, electric, water, wastewater, and urban redevelopment and housing.

The Town's financial reporting entity is composed of the following:

Primary Government:       Town of Edinburgh  
Blended Component Unit:   Edinburgh Redevelopment Authority

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Blended Component Units

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the Town's governing body or the component unit provides services entirely to the Town. The component unit's funds are blended into those of the Town by appropriate fund type to constitute the primary government presentation. The blended component unit is presented below:

Component Unit	Description/Inclusion Criteria	Fund Included In
Edinburgh Redevelopment Authority	The primary government appoints a voting majority of the Authority's board and a financial benefit/burden relationship exists between the Town and the Authority. Although it is legally separate from the Town, the Redevelopment Authority is reported as if it were a part of the Town because it provides services entirely or almost entirely to the Town.	Redevelopment Sinking Fund  Redevelopment Debt Service Fund  Redevelopment O and R Fund

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes 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. Business-type activities of the Water, Wastewater, and Electric Utilities are reported separately in a report dated October 3, 2007.

TOWN OF EDINBURGH  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

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

The ERA Timbergate fund is another major fund. It accounts for the financial resources of the golf course operated by the Town.

The Town reports the following major proprietary funds in a separate report dated October 3, 2007.

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

The electric utility fund accounts for the operation of the electric distribution system.

Additionally, the Town reports the following fund types:

The private-purpose trust funds report trust arrangements under which principal and income benefit the citizens of the community by providing for the caretaking of the Town cemetery.

Agency funds account for assets held by the Town as an agent for Town's employees.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

TOWN OF EDINBURGH  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the town and its utilities. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The Town does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

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

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

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

Fund Financial Statements

Governmental fund equity is classified as fund balance.

TOWN OF EDINBURGH  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

E. Receipts and Disbursements

Program Receipts

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

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.
2. Primary government and component unit activity and balances – Resource flows between the primary government and the discretely-presented component unit are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

TOWN OF EDINBURGH  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

On or before August 31, the fiscal officer of the Town submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Town receives approval of the Indiana Department of Local Government Finance.

The Town's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2006, the Town had the following investments:

Investment Type	Sinking Fund	Redevelopment Fund	O and R Fund
Mutual funds	\$ 355,606	\$ 519,773	\$ 66,661

Investment Policies

Indiana Code 5-13-9 authorizes the Town to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the Town to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

TOWN OF EDINBURGH  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the Town and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the Town may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the Town's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

B. Interfund Transfers

Interfund transfers for the years ended December 31, 2005 and 2006, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2005</u>	<u>2006</u>
ERA Timbergate	Other governmental	\$ 496,000	\$ 497,000
Other governmental	General Fund	-	19,732
	Other governmental	<u>234,025</u>	<u>206,415</u>
Totals		<u>\$ 730,025</u>	<u>\$ 723,147</u>

The Town typically uses transfers for cash flow purposes as provided by various statutory provisions.

C. Restatements and Reclassifications

For the year ended December 31, 2005, certain changes have been made to the financial statements more appropriately reflect financial activity of the Town. The following schedule presents a summary of restated beginning balances by opinion unit. New funds represent the inclusion of existing funds which were not presented in the prior report. Prior period adjustments represent deposits in transit as of December 31, 2004 that were not reported.

TOWN OF EDINBURGH  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Opinion Unit	Balance as Reported December 31, 2004	Fund Reclassification	New Funds	Prior Period Adjustments	Balance as Restated January 1, 2005
Governmental activities	\$ 2,128,709	\$ -	\$ 108,436	\$ 247,500	\$ 2,484,645
Other governmental funds	1,206,166	-	108,436	247,500	1,562,102

IV. Other Information

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major risk category.

Job Related Illness or Injuries to Employees

During 1991, the Town joined with other governmental entities in the Indiana Public Employer's Plan, Inc., a public entity risk pool currently operating as a common risk management and insurance program for 350 member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses or injuries to employees. The Town pays an annual premium to the risk pool for its job related illnesses or injuries to employees coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

B. Subsequent Events

On April 24, 2007, the Town entered into a capital lease agreement to lease a John Deere Gator. The first of six equal semiannual payments of \$2,965 was due April 24, 2007.

On April 16, 2007, the Town entered into a capital lease agreement to lease two police vehicles. The first of three equal annual payments of \$14,997 was due April 16, 2007.

C. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer

TOWN OF EDINBURGH  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Town's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the Town and the Utilities is not available.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 110,959
Interest on net pension obligation	(5,009)
Adjustment to annual required contribution	5,708
Annual pension cost	111,658
Contributions made	83,108
Increase in net pension obligation	28,550
Net pension obligation, beginning of year	(69,093)
Net pension obligation, end of year	\$ (40,543)

TOWN OF EDINBURGH  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	PERF
Contribution rates:	
Town	5.75
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 71,358	127%	\$ (53,344)
	06-30-05	76,393	121%	(69,093)
	06-30-06	111,658	109%	(40,543)

TOWN OF EDINBURGH  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 2,234,058	\$ 2,200,805	\$ 33,253	102%	\$ 1,774,375	2%
07-01-05	2,306,342	2,612,842	(306,500)	88%	1,861,185	16%
07-01-06	2,219,824	2,690,496	(470,672)	83%	1,922,544	24%

TOWN OF EDINBURGH  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005

	Local Road and Street	Motor Vehicle Highway	Parks and Recreation	Rainy Day Fund	Riverboat	CEDIT Capital Projects	Cumulative Capital Development
Receipts:							
Taxes	\$ -	\$ 448,770	\$ 216,769	\$ -	\$ -	\$ -	\$ 42,090
Intergovernmental	58,827	181,566	18,374	-	28,408	7,574	3,568
Charges for services	-	-	23	-	-	-	-
Other	-	27,597	6,081	-	-	-	-
Total receipts	<u>58,827</u>	<u>657,933</u>	<u>241,247</u>	<u>-</u>	<u>28,408</u>	<u>7,574</u>	<u>45,658</u>
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	9,000	625,443	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	211,495	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total disbursements	<u>9,000</u>	<u>625,443</u>	<u>211,495</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>49,827</u>	<u>32,490</u>	<u>29,752</u>	<u>-</u>	<u>28,408</u>	<u>7,574</u>	<u>45,658</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>49,827</u>	<u>32,490</u>	<u>29,752</u>	<u>-</u>	<u>28,408</u>	<u>7,574</u>	<u>45,658</u>
Cash and investment fund balance - beginning	<u>16,652</u>	<u>170,725</u>	<u>37,418</u>	<u>51,832</u>	<u>29,410</u>	<u>4,473</u>	<u>63,732</u>
Cash and investment fund balance - ending	<u>\$ 66,479</u>	<u>\$ 203,215</u>	<u>\$ 67,170</u>	<u>\$ 51,832</u>	<u>\$ 57,818</u>	<u>\$ 12,047</u>	<u>\$ 109,390</u>
<u>Cash and Investment Assets - December 31</u>							
Restricted assets:							
Cash and investments	<u>\$ 66,479</u>	<u>\$ 203,215</u>	<u>\$ 67,170</u>	<u>\$ 51,832</u>	<u>\$ 57,818</u>	<u>\$ 12,047</u>	<u>\$ 109,390</u>
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Culture and recreation	\$ -	\$ -	\$ 67,170	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-	-	-
Other purposes	<u>66,479</u>	<u>203,215</u>	<u>-</u>	<u>51,832</u>	<u>57,818</u>	<u>12,047</u>	<u>109,390</u>
Total cash and investment fund balance - December 31	<u>\$ 66,479</u>	<u>\$ 203,215</u>	<u>\$ 67,170</u>	<u>\$ 51,832</u>	<u>\$ 57,818</u>	<u>\$ 12,047</u>	<u>\$ 109,390</u>

TOWN OF EDINBURGH  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

	Cumulative Capital Improvement	CDBG Program	Cemetery	Johnson Co. United Way	Redevelopment Sinking Fund	Redevelopment Fund
Receipts:						
Taxes	\$ -	\$ -	\$ 87	\$ -	\$ -	\$ -
Intergovernmental	13,926	64,460	6	-	-	-
Charges for services	-	-	-	-	-	-
Other	-	-	1,086	14,372	592	11,860
<b>Total receipts</b>	<b>13,926</b>	<b>64,460</b>	<b>1,179</b>	<b>14,372</b>	<b>592</b>	<b>11,860</b>
Disbursements:						
General government	-	64,460	-	14,124	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	160,000	-
Interest	-	-	-	-	324,964	-
<b>Total disbursements</b>	<b>-</b>	<b>64,460</b>	<b>-</b>	<b>14,124</b>	<b>484,964</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	13,926	-	1,179	248	(484,372)	11,860
Other financing sources (uses):						
Transfers in	-	-	-	-	639,090	-
Transfers out	-	-	-	-	(90,934)	(8,678)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>548,156</b>	<b>(8,678)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	13,926	-	1,179	248	63,784	3,182
Cash and investment fund balance - beginning	18,855	-	28,207	3,749	266,498	501,835
Cash and investment fund balance - ending	<u>\$ 32,781</u>	<u>\$ -</u>	<u>\$ 29,386</u>	<u>\$ 3,997</u>	<u>\$ 330,282</u>	<u>\$ 505,017</u>
<b>Cash and Investment Assets - December 31</b>						
Restricted assets:						
Cash and investments	<u>\$ 32,781</u>	<u>\$ -</u>	<u>\$ 29,386</u>	<u>\$ 3,997</u>	<u>\$ 330,282</u>	<u>\$ 505,017</u>
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-	330,282	505,017
Other purposes	32,781	-	29,386	3,997	-	-
<b>Total cash and investment fund balance - December 31</b>	<b><u>\$ 32,781</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 29,386</u></b>	<b><u>\$ 3,997</u></b>	<b><u>\$ 330,282</u></b>	<b><u>\$ 505,017</u></b>

TOWN OF EDINBURGH  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

	Redevelopment O and R Fund	NRO Investment Amos	NRO Fire/EMS	NRO Marketplace II	NRO Parks and Recreation	NRO Parks Gifts
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ 132,675	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	9,230	-	37,343	-
Other	2,318	-	-	-	4,505	-
<b>Total receipts</b>	<b>2,318</b>	<b>-</b>	<b>9,230</b>	<b>132,675</b>	<b>41,848</b>	<b>-</b>
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	19,269	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	90,386	-	-
Culture and recreation	-	-	-	-	85,455	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>-</b>	<b>19,269</b>	<b>90,386</b>	<b>85,455</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	2,318	-	(10,039)	42,289	(43,607)	-
Other financing sources (uses):						
Transfers in	90,935	-	-	-	-	-
Transfers out	(134,413)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(43,478)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(41,160)	-	(10,039)	42,289	(43,607)	-
Cash and investment fund balance - beginning	108,435	138	27,338	126,631	76,881	208
Cash and investment fund balance - ending	\$ 67,275	\$ 138	\$ 17,299	\$ 168,920	\$ 33,274	\$ 208
<b>Cash and Investment Assets - December 31</b>						
Restricted assets:						
Cash and investments	\$ 67,275	\$ 138	\$ 17,299	\$ 168,920	\$ 33,274	\$ 208
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ 33,274	\$ 208
Debt service	67,275	-	-	-	-	-
Other purposes	-	138	17,299	168,920	-	-
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 67,275</b>	<b>\$ 138</b>	<b>\$ 17,299</b>	<b>\$ 168,920</b>	<b>\$ 33,274</b>	<b>\$ 208</b>

TOWN OF EDINBURGH  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

	NRO Police	NRO Police Buy Money	NRO Pool Concessions	NRO Pool Miscellaneous Income	NRO Promotional Items	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 840,391
Intergovernmental	-	-	-	-	-	376,709
Charges for services	5,728	-	23,899	3,831	1,175	81,229
Other	3,025	-	-	-	-	71,436
<b>Total receipts</b>	<b>8,753</b>	<b>-</b>	<b>23,899</b>	<b>3,831</b>	<b>1,175</b>	<b>1,369,765</b>
Disbursements:						
General government	-	-	-	-	1,255	79,839
Public safety	7,800	500	-	-	-	27,569
Highways and streets	-	-	-	-	-	634,443
Economic development	-	-	-	-	-	90,386
Culture and recreation	-	-	16,590	2,485	-	316,025
Debt service:						
Principal	-	-	-	-	-	160,000
Interest	-	-	-	-	-	324,964
<b>Total disbursements</b>	<b>7,800</b>	<b>500</b>	<b>16,590</b>	<b>2,485</b>	<b>1,255</b>	<b>1,633,226</b>
Excess (deficiency) of receipts over disbursements	953	(500)	7,309	1,346	(80)	(263,461)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	730,025
Transfers out	-	-	-	-	-	(234,025)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>496,000</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	953	(500)	7,309	1,346	(80)	232,539
Cash and investment fund balance - beginning	3,300	5,070	17,520	3,115	80	1,562,102
Cash and investment fund balance - ending	<u>\$ 4,253</u>	<u>\$ 4,570</u>	<u>\$ 24,829</u>	<u>\$ 4,461</u>	<u>\$ -</u>	<u>\$ 1,794,641</u>
<b>Cash and Investment Assets - December 31</b>						
Restricted assets:						
Cash and investments	<u>\$ 4,253</u>	<u>\$ 4,570</u>	<u>\$ 24,829</u>	<u>\$ 4,461</u>	<u>\$ -</u>	<u>\$ 1,794,641</u>
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ 24,829	\$ 4,461	\$ -	\$ 129,942
Debt service	-	-	-	-	-	902,574
Other purposes	4,253	4,570	-	-	-	762,125
<b>Total cash and investment fund balance - December 31</b>	<b><u>\$ 4,253</u></b>	<b><u>\$ 4,570</u></b>	<b><u>\$ 24,829</u></b>	<b><u>\$ 4,461</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,794,641</u></b>

TOWN OF EDINBURGH  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For The Year Ended December 31, 2005

	Cemetery Badger	Cemetery Breeding	Cemetery Conover	Cemetery Dorsey	Cemetery Edna Jordan	Cemetery Flower
Additions:						
Contributions:						
Other	\$ 75,995	\$ 14,634	\$ -	\$ 15	\$ -	\$ 586
Deductions:						
Administrative and general	48,742	14,285	-	-	-	2,570
Excess (deficiency) of total additions over total deductions	27,253	349	-	15	-	(1,984)
Cash and investment fund balance - beginning	207,600	16,934	2,888	1,956	173	41,806
Cash and investment fund balance - ending	<u>\$ 234,853</u>	<u>\$ 17,283</u>	<u>\$ 2,888</u>	<u>\$ 1,971</u>	<u>\$ 173</u>	<u>\$ 39,822</u>

TOWN OF EDINBURGH  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

	<u>Cemetery Gertrude Amos</u>	<u>Cemetery Graham</u>	<u>Cemetery Mooney</u>	<u>Cemetery Ollie Christie</u>	<u>Cemetery Perpetual Care</u>	<u>Totals</u>
Additions:						
Contributions:						
Other	\$ -	\$ 53	\$ 207	\$ 15	\$ 4,875	\$ 96,380
Deductions:						
Administrative and general	-	-	-	-	3,500	69,097
Excess (deficiency) of total additions over total deductions	-	53	207	15	1,375	27,283
Cash and investment fund balance - beginning	2,401	4,285	22,188	1,911	90,368	392,510
Cash and investment fund balance - ending	<u>\$ 2,401</u>	<u>\$ 4,338</u>	<u>\$ 22,395</u>	<u>\$ 1,926</u>	<u>\$ 91,743</u>	<u>\$ 419,793</u>

TOWN OF EDINBURGH  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006

	Local Road and Street	Motor Vehicle Highway	Parks and Recreation	Rainy Day Fund	Riverboat	CEDIT Capital Projects	Cumulative Capital Development
Receipts:							
Taxes	\$ -	\$ 481,715	\$ 184,906	\$ -	\$ -	\$ -	\$ 43,279
Intergovernmental	59,347	200,741	10,699	-	28,349	5,140	2,573
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	13,233	1,857	-	-	-	-
<b>Total receipts</b>	<b>59,347</b>	<b>695,689</b>	<b>197,462</b>	<b>-</b>	<b>28,349</b>	<b>5,140</b>	<b>45,852</b>
Disbursements:							
General government	-	-	-	-	-	7,050	-
Public safety	-	-	-	-	-	-	-
Highways and streets	63,910	711,616	-	-	-	-	-
Economic development	-	-	-	-	-	-	118,840
Culture and recreation	-	-	216,505	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>63,910</b>	<b>711,616</b>	<b>216,505</b>	<b>-</b>	<b>-</b>	<b>7,050</b>	<b>118,840</b>
Excess (deficiency) of receipts over disbursements	(4,563)	(15,927)	(19,043)	-	28,349	(1,910)	(72,988)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,563)	(15,927)	(19,043)	-	28,349	(1,910)	(72,988)
Cash and investment fund balance - beginning	66,479	203,215	67,170	51,831	57,818	12,047	109,390
Cash and investment fund balance - ending	<u>\$ 61,916</u>	<u>\$ 187,288</u>	<u>\$ 48,127</u>	<u>\$ 51,831</u>	<u>\$ 86,167</u>	<u>\$ 10,137</u>	<u>\$ 36,402</u>
<b><u>Cash and Investment Assets - December 31</u></b>							
Restricted assets:							
Cash and investments	<u>\$ 61,916</u>	<u>\$ 187,288</u>	<u>\$ 48,127</u>	<u>\$ 51,831</u>	<u>\$ 86,167</u>	<u>\$ 10,137</u>	<u>\$ 36,402</u>
<b><u>Cash and Investment Fund Balance - December 31</u></b>							
Restricted for:							
Culture and recreation	\$ -	\$ -	\$ 48,127	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-	-	-
Other purposes	61,916	187,288	-	51,831	86,167	10,137	36,402
<b>Total cash and investment fund balance - December 31</b>	<b><u>\$ 61,916</u></b>	<b><u>\$ 187,288</u></b>	<b><u>\$ 48,127</u></b>	<b><u>\$ 51,831</u></b>	<b><u>\$ 86,167</u></b>	<b><u>\$ 10,137</u></b>	<b><u>\$ 36,402</u></b>

TOWN OF EDINBURGH  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended December 31, 2006  
 (Continued)

	Cumulative Capital Improvement	CDBG Program	Cemetery	Johnson Co. United Way	Redevelopment Sinking Fund	Redevelopment Fund
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	16,094	4,983	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	-	-	2,028	1,743	21,217
<b>Total receipts</b>	<b>16,094</b>	<b>4,983</b>	<b>-</b>	<b>2,028</b>	<b>1,743</b>	<b>21,217</b>
Disbursements:						
General government	15,896	-	-	6,025	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	170,000	-
Interest	-	-	-	-	315,889	-
<b>Total disbursements</b>	<b>15,896</b>	<b>-</b>	<b>-</b>	<b>6,025</b>	<b>485,889</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	198	4,983	-	(3,997)	(484,146)	21,217
Other financing sources (uses):						
Transfers in	-	-	-	-	603,212	-
Transfers out	-	-	(19,384)	-	(93,742)	(6,461)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(19,384)</b>	<b>-</b>	<b>509,470</b>	<b>(6,461)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	198	4,983	(19,384)	(3,997)	25,324	14,756
Cash and investment fund balance - beginning	32,781	-	29,386	3,997	330,282	505,017
Cash and investment fund balance - ending	<u>\$ 32,979</u>	<u>\$ 4,983</u>	<u>\$ 10,002</u>	<u>\$ -</u>	<u>\$ 355,606</u>	<u>\$ 519,773</u>
<b><u>Cash and Investment Assets - December 31</u></b>						
Restricted assets:						
Cash and investments	<u>\$ 32,979</u>	<u>\$ 4,983</u>	<u>\$ 10,002</u>	<u>\$ -</u>	<u>\$ 355,606</u>	<u>\$ 519,773</u>
<b><u>Cash and Investment Fund Balance - December 31</u></b>						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-	355,606	519,773
Other purposes	32,979	4,983	10,002	-	-	-
<b>Total cash and investment fund balance - December 31</b>	<b><u>\$ 32,979</u></b>	<b><u>\$ 4,983</u></b>	<b><u>\$ 10,002</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 355,606</u></b>	<b><u>\$ 519,773</u></b>

TOWN OF EDINBURGH  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended December 31, 2006  
 (Continued)

	Redevelopment O and R Fund	NRO Investment Amos	NRO Fire/EMS	NRO Marketplace II	NRO Parks and Recreation	NRO Parks Gifts
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ 142,128	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	9,660	-	24,376	-
Fines and forfeits	-	-	2,055	-	-	-
Other	5,396	-	50	402	613	-
<b>Total receipts</b>	<b>5,396</b>	<b>-</b>	<b>11,765</b>	<b>142,530</b>	<b>24,989</b>	<b>-</b>
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	7,463	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	145,616	-	-
Culture and recreation	-	-	-	-	55,875	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>-</b>	<b>7,463</b>	<b>145,616</b>	<b>55,875</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	5,396	-	4,302	(3,086)	(30,886)	-
Other financing sources (uses):						
Transfers in	100,203	-	-	-	-	-
Transfers out	(106,213)	(139)	-	-	-	(208)
<b>Total other financing sources (uses)</b>	<b>(6,010)</b>	<b>(139)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(208)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(614)	(139)	4,302	(3,086)	(30,886)	(208)
Cash and investment fund balance - beginning	67,275	139	17,299	168,920	33,274	208
Cash and investment fund balance - ending	\$ 66,661	\$ -	\$ 21,601	\$ 165,834	\$ 2,388	\$ -
<b>Cash and Investment Assets - December 31</b>						
Restricted assets:						
Cash and investments	\$ 66,661	\$ -	\$ 21,601	\$ 165,834	\$ 2,388	\$ -
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ 2,388	\$ -
Debt service	66,661	-	-	-	-	-
Other purposes	-	-	21,601	165,834	-	-
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 66,661</b>	<b>\$ -</b>	<b>\$ 21,601</b>	<b>\$ 165,834</b>	<b>\$ 2,388</b>	<b>\$ -</b>

TOWN OF EDINBURGH  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Year Ended December 31, 2006  
 (Continued)

	NRO Police	NRO Police Buy Money	NRO Pool Concessions	NRO Pool Miscellaneous Income	NRO Promotional Items	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 852,028
Intergovernmental	-	-	-	-	-	327,926
Charges for services	9,829	-	23,296	4,457	1,435	73,053
Fines and forfeits	-	-	-	-	-	2,055
Other	75	988	-	-	-	47,602
<b>Total receipts</b>	<b>9,904</b>	<b>988</b>	<b>23,296</b>	<b>4,457</b>	<b>1,435</b>	<b>1,302,664</b>
Disbursements:						
General government	-	-	-	-	1,435	30,406
Public safety	5,103	-	-	-	-	12,566
Highways and streets	-	-	-	-	-	775,526
Economic development	-	-	-	-	-	264,456
Culture and recreation	-	-	40,764	3,225	-	316,369
Debt service:						
Principal	-	-	-	-	-	170,000
Interest	-	-	-	-	-	315,889
<b>Total disbursements</b>	<b>5,103</b>	<b>-</b>	<b>40,764</b>	<b>3,225</b>	<b>1,435</b>	<b>1,885,212</b>
Excess (deficiency) of receipts over disbursements	4,801	988	(17,468)	1,232	-	(582,548)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	703,415
Transfers out	-	-	-	-	-	(226,147)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>477,268</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,801	988	(17,468)	1,232	-	(105,280)
Cash and investment fund balance - beginning	4,253	4,570	24,829	4,461	-	1,794,641
Cash and investment fund balance - ending	<u>\$ 9,054</u>	<u>\$ 5,558</u>	<u>\$ 7,361</u>	<u>\$ 5,693</u>	<u>\$ -</u>	<u>\$ 1,689,361</u>
<b>Cash and Investment Assets - December 31</b>						
Restricted assets:						
Cash and investments	<u>\$ 9,054</u>	<u>\$ 5,558</u>	<u>\$ 7,361</u>	<u>\$ 5,693</u>	<u>\$ -</u>	<u>\$ 1,689,361</u>
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ 7,361	\$ 5,693	\$ -	\$ 63,569
Debt service	-	-	-	-	-	942,040
Other purposes	9,054	5,558	-	-	-	683,752
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 9,054</u>	<u>\$ 5,558</u>	<u>\$ 7,361</u>	<u>\$ 5,693</u>	<u>\$ -</u>	<u>\$ 1,689,361</u>

TOWN OF EDINBURGH  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For The Year Ended December 31, 2006

	Cemetery Badger	Cemetery Breeding	Cemetery Conover	Cemetery Dorsey	Cemetery Edna Jordan	Cemetery Flower
Additions:						
Contributions:						
Other	\$ 100,881	\$ 636	\$ -	\$ 30	\$ -	\$ 1,224
Deductions:						
Administrative and general	121,389	-	-	-	-	2,756
Excess (deficiency) of total additions over total deductions	(20,508)	636	-	30	-	(1,532)
Cash and investment fund balance - beginning	234,853	17,283	2,888	1,971	173	39,822
Cash and investment fund balance - ending	<u>\$ 214,345</u>	<u>\$ 17,919</u>	<u>\$ 2,888</u>	<u>\$ 2,001</u>	<u>\$ 173</u>	<u>\$ 38,290</u>

TOWN OF EDINBURGH  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	Cemetery Gertrude Amos	Cemetery Graham	Cemetery Mooney	Cemetery Ollie Christie	Cemetery Perpetual Care	Totals
Additions:						
Contributions:						
Other	\$ 451	\$ 113	\$ 549	\$ 30	\$ 28,432	\$ 132,346
Deductions:						
Administrative and general	74	-	-	-	61,966	186,185
Excess (deficiency) of total additions over total deductions	377	113	549	30	(33,534)	(53,839)
Cash and investment fund balance - beginning	2,401	4,338	22,395	1,926	91,743	419,793
Cash and investment fund balance - ending	<u>\$ 2,778</u>	<u>\$ 4,451</u>	<u>\$ 22,944</u>	<u>\$ 1,956</u>	<u>\$ 58,209</u>	<u>\$ 365,954</u>

TOWN OF EDINBURGH  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets completed in the current and prior years have been reported.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 3,720,069
Infrastructure	8,923,140
Buildings	3,996,827
Improvements other than buildings	4,914,551
Machinery and equipment	<u>4,847,375</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 26,401,962</u>

TOWN OF EDINBURGH  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>		
<b>Capital leases:</b>		
1997 swimming pool	\$ 464,059	\$ 60,968
Water playground	34,861	4,594
Water slide	100,084	13,190
Ambulance	58,958	21,169
Fire Truck	250,451	34,533
1997 Economic Development Lease Rental Bonds	<u>5,120,000</u>	<u>487,950</u>
<b>Total governmental activities long-term debt</b>	<u><u>\$ 6,028,413</u></u>	<u><u>\$ 622,405</u></u>

TOWN OF EDINBURGH  
OTHER REPORT

The audit report presented herein was prepared in addition to the official report prepared for the individual Town offices listed below:

Water, Wastewater, and Electric Utilities

TOWN OF EDINBURGH  
AUDIT RESULTS AND COMMENTS

RECEIPTS

Some receipts issued did not classify type of monies received (cash, check, credit card, etc.).

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the audit period:

- (1) Claims were not certified by the fiscal officer.
- (2) Claims or invoices did not reflect evidence in support of the receipt of goods or services.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

OFFICIAL BOND

The following official bonds were not filed in the Office of the County Recorder:

Michael R. Weddle, Director of Public Works  
Mary Patterson, Deputy Clerk-Treasurer  
Patrick L. Pankey, Town Marshall  
Employee Blanket Bond

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

TOWN OF EDINBURGH  
AUDIT RESULTS AND COMMENTS  
(Continued)

INTERNAL CONTROL (Parks Department)

Controls for receipts generated by the Parks Department are insufficient. There were generally insufficient details available to trace individual duplicate receipts to the bank deposit of fees collected by the Parks Department. When fees are collected by the Parks Department, a receipt is written in the specific related book of receipts (e.g. adult basketball, youth baseball, etc.). The receipts for a specific date are deposited in the bank and the deposit slip is given to the Clerk-Treasurer's office for posting. There is no reconciliation between the receipts written by the Parks Department and the total amount deposited. Therefore, we were unable to determine if all receipts written were deposited in the bank.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEPOSITS (Parks Department)

In numerous instances, receipts were deposited later than the next business day. Tested deposits were made up to 11 days after the receipt date.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

FEES (Parks Department)

A department must follow an approved fee schedule ordinance or resolution. No schedule of fees exists for the Parks Department.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECEIPT ISSUANCE (Parks Department)

In some instances receipts were not issued for the adult basketball league, youth baseball league, and cabin rentals.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE TOWN OF EDINBURGH, JOHNSON COUNTY, INDIANA

### Compliance

We have audited the compliance of the Town of Edinburgh (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2006. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2006.

### Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

A control deficiency in a Town's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the Town's management, Town Council 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. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

October 3, 2007

TOWN OF EDINBURGH  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended December 31, 2005 and 2006

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-05	Total Federal Awards Expended 12-31-06
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Lieutenant Governor				
Community Development Block Grants/State's Program	14.228			
Brownsfield Site Assessment Grant			\$ 44,460	\$ -
Improving Neighborhoods Through Revitalizations - Planning Study			<u>20,000</u>	<u>-</u>
Total for federal grantor agency			<u>64,460</u>	<u>-</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
Pass-Through Indiana Department of Environmental Management				
Capitalization Grants for Clean Water	66.458			
State Revolving Funds			<u>894,175</u>	<u>14,892</u>
Total federal awards expended			<u>\$ 958,635</u>	<u>\$ 14,892</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF EDINBURGH  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Edinburgh (Town) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of Towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF EDINBURGH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.228	Community Development Block Grants/States Program
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF EDINBURGH  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF EDINBURGH  
EXIT CONFERENCE

The contents of this report were discussed on November 14, 2007, with Jackie L. Smith, Clerk-Treasurer; and John R. Drybread, Director of Utilities.