

**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, 2007 to December 31, 2008



**FILED**

09/30/2010



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jackie Smith	01-01-07 to 12-31-10
President of the Town Council	Bill Davis Ron Hoffman	01-01-07 to 12-31-07 01-01-08 to 12-31-10
Utility Superintendent	John Drybread	01-01-07 to 12-31-10
Electric Superintendent	Darrell Burton Kevin Rubush	01-01-07 to 12-31-07 01-01-08 to 12-31-10
Water Superintendent	Mike Pendleton	01-01-07 to 12-31-10
Wastewater Superintendent	Glen Giles	01-01-07 to 12-31-10



**STATE OF INDIANA**  
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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, the business-type 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, 2007 and 2008, 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 addition, 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, 2007 and 2008, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

The Water, Wastewater, and Electric Utilities did not maintain sufficient capital asset records. Due to the lack of supporting documentation, capital asset valuation cannot be verified. As the capital assets constitute the major portion of the Statement of Net Assets, any uncertainty concerning capital assets similarly affects the Statement of Net Assets.

In our opinion, except for the effects, if any, of the deficiency in capital asset records discussed in the prior paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the proprietary funds of the Town as of December 31, 2007 and 2008, and the respective changes in financial position and cash flows, where applicable, thereof and for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with Government Auditing Standards, we have also issued a report dated June 10, 2010, 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, 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 audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying 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 Governmental Activities Capital Assets, and Schedule of Governmental Activities 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 Governmental Activities Capital Assets and Schedule of Governmental Activities 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

June 10, 2010



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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, the business-type 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, 2007 and 2008, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 10, 2010. The opinions to the financial statements for the business type activities were qualified due to the lack of adequate capital asset records. 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

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. We consider the deficiencies described in items 2008-1 and 2008-2 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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.

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)

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. However, we believe that of the significant deficiencies described above, items 2008-1 and 2008-2 are material weaknesses.

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 June 10, 2010.

The Town's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on it.

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

June 10, 2010

TOWN OF EDINBURGH  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2007

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals
					Governmental Activities	Business-Type Activities	
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 1,277,223	\$ 9,593	\$ -	\$ -	\$ (1,267,630)	\$ -	\$ (1,267,630)
Public safety	1,229,941	21,613	-	-	(1,208,328)	-	(1,208,328)
Highways and streets	768,891	-	168,819	61,736	(538,336)	-	(538,336)
Sanitation	202,883	126,025	-	-	(76,858)	-	(76,858)
Economic development	48,092	-	-	-	(48,092)	-	(48,092)
Culture and recreation	1,818,107	1,097,807	-	-	(720,300)	-	(720,300)
Urban redevelopment and housing	5,609,565	-	-	-	(5,609,565)	-	(5,609,565)
<b>Total governmental activities</b>	<b>10,954,702</b>	<b>1,255,038</b>	<b>168,819</b>	<b>61,736</b>	<b>(9,469,109)</b>	<b>-</b>	<b>(9,469,109)</b>
<b>Business-type activities:</b>							
Water	1,734,819	889,253	-	-	-	(845,566)	(845,566)
Wastewater	1,363,632	1,249,627	-	-	-	(114,005)	(114,005)
Electric	7,611,362	6,663,648	-	500,566	-	(447,148)	(447,148)
<b>Total business-type activities</b>	<b>10,709,813</b>	<b>8,802,528</b>	<b>-</b>	<b>500,566</b>	<b>-</b>	<b>(1,406,719)</b>	<b>(1,406,719)</b>
<b>Total primary government</b>	<b>\$ 21,664,515</b>	<b>\$ 10,057,566</b>	<b>\$ 168,819</b>	<b>\$ 562,302</b>	<b>(9,469,109)</b>	<b>(1,406,719)</b>	<b>(10,875,828)</b>
<b>General receipts:</b>							
Property taxes					2,518,893	-	2,518,893
Intergovernmental					1,335,783	-	1,335,783
Other local sources					276,567	303,050	579,617
Net proceeds from borrowings to specific programs					5,050,000	-	5,050,000
Investment earnings					112,328	247,439	359,767
Transfers - internal activities					150,000	(150,000)	-
<b>Total general receipts</b>					<b>9,444,098</b>	<b>400,489</b>	<b>9,844,587</b>
<b>Change in net assets</b>					<b>(25,011)</b>	<b>(1,006,230)</b>	<b>(1,031,241)</b>
<b>Net assets - beginning</b>					<b>2,781,667</b>	<b>7,755,521</b>	<b>10,537,188</b>
<b>Net assets - ending</b>					<b>\$ 2,756,656</b>	<b>\$ 6,749,291</b>	<b>\$ 9,505,947</b>
<b>Assets</b>							
Cash and investments					\$ 2,105,703	\$ 6,749,291	\$ 8,854,994
<b>Restricted assets:</b>							
Cash and investments					650,953	-	650,953
<b>Total assets</b>					<b>\$ 2,756,656</b>	<b>\$ 6,749,291</b>	<b>\$ 9,505,947</b>
<b>Net Assets</b>							
<b>Restricted for:</b>							
Highways and streets					\$ 64,939	\$ -	\$ 64,939
Debt service					572,801	-	572,801
Capital outlay					13,213	-	13,213
<b>Unrestricted</b>					<b>2,105,703</b>	<b>6,749,291</b>	<b>8,854,994</b>
<b>Total net assets</b>					<b>\$ 2,756,656</b>	<b>\$ 6,749,291</b>	<b>\$ 9,505,947</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, 2007

	General	Motor Vehicle Highway	ERA Timbergate Nonreverting Operating	Other Governmental Funds	Totals
<b>Receipts:</b>					
Taxes	\$ 1,719,031	\$ 436,466	\$ -	\$ 363,396	\$ 2,518,893
Licenses and permits	10,012	100	-	1,080	11,192
Intergovernmental	1,227,640	198,304	-	225,958	1,651,902
Charges for services	160,632	-	996,721	70,661	1,228,014
Fines and forfeits	245	-	-	1,947	2,192
Interfund loans	-	-	150,000	-	150,000
Other	47,428	7,515	-	261,338	316,281
<b>Total receipts</b>	<b>3,164,988</b>	<b>642,385</b>	<b>1,146,721</b>	<b>924,380</b>	<b>5,878,474</b>
<b>Disbursements:</b>					
General government	1,000,531	-	-	-	1,000,531
Public safety	1,122,623	-	-	3,430	1,126,053
Highways and streets	-	501,461	-	-	501,461
Sanitation	197,883	-	-	-	197,883
Culture and recreation	570,128	-	455,050	346,090	1,371,268
Urban redevelopment and housing	-	-	-	5,609,565	5,609,565
Capital outlay:					
General government	31,626	-	-	245,066	276,692
Public safety	103,888	-	-	-	103,888
Highways and streets	-	208,717	-	58,713	267,430
Sanitation	5,000	-	-	-	5,000
Economic development	-	-	-	48,092	48,092
Culture and recreation	151,671	-	40,238	254,930	446,839
<b>Total disbursements</b>	<b>3,183,350</b>	<b>710,178</b>	<b>495,288</b>	<b>6,565,886</b>	<b>10,954,702</b>
Excess (deficiency) of receipts over disbursements	(18,362)	(67,793)	651,433	(5,641,506)	(5,076,228)
<b>Other financing sources (uses):</b>					
Net proceeds from borrowings	-	-	-	5,050,000	5,050,000
Transfers in	-	-	-	5,706,010	5,706,010
Transfers out	-	-	(99,240)	(5,606,770)	(5,706,010)
Other receipts	106	-	-	1,111	1,217
<b>Total other financing sources (uses)</b>	<b>106</b>	<b>-</b>	<b>(99,240)</b>	<b>5,150,351</b>	<b>5,051,217</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(18,256)	(67,793)	552,193	(491,155)	(25,011)
Cash and investment fund balance - beginning	1,038,057	187,288	64,251	1,492,071	2,781,667
Cash and investment fund balance - ending	<u>\$ 1,019,801</u>	<u>\$ 119,495</u>	<u>\$ 616,444</u>	<u>\$ 1,000,916</u>	<u>\$ 2,756,656</u>
<b><u>Cash and Investment Assets - Ending</u></b>					
Cash and investments	\$ 1,019,801	\$ 119,495	\$ 616,444	\$ 349,963	\$ 2,105,703
Restricted assets:					
Cash and investments	-	-	-	650,953	650,953
<b>Total cash and investment assets - ending</b>	<b><u>\$ 1,019,801</u></b>	<b><u>\$ 119,495</u></b>	<b><u>\$ 616,444</u></b>	<b><u>\$ 1,000,916</u></b>	<b><u>\$ 2,756,656</u></b>
<b><u>Cash and Investment Fund Balance - Ending</u></b>					
Restricted for:					
Highways and streets	\$ -	\$ -	\$ -	\$ 64,939	\$ 64,939
Debt service	-	-	-	572,801	572,801
Capital outlay	-	-	-	13,213	13,213
Unrestricted	1,019,801	119,495	616,444	349,963	2,105,703
<b>Total cash and investment fund balance - ending</b>	<b><u>\$ 1,019,801</u></b>	<b><u>\$ 119,495</u></b>	<b><u>\$ 616,444</u></b>	<b><u>\$ 1,000,916</u></b>	<b><u>\$ 2,756,656</u></b>

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

TOWN OF EDINBURGH  
STATEMENT OF NET ASSETS  
December 31, 2007

<u>Assets</u>	Water	Wastewater	Electric
<b>Current assets:</b>			
Cash and cash equivalents	\$ 3,507,207	\$ 92,731	\$ 657,795
Investments	180,000	300,000	100,000
Interest receivable	7,801	13,850	27,146
Accounts receivable - customer	79,902	116,708	625,943
Accounts receivable - other	996	1,687	546
Interfund receivables:			
Due from Water	-	-	10,392
Due from Wastewater	-	-	150,000
Due from Town	-	-	160,525
Due from Electric	186	-	-
Inventories	84,362	-	568,168
Prepaid items	8,728	19,513	18,554
	<u>3,869,182</u>	<u>544,489</u>	<u>2,319,069</u>
<b>Total current assets</b>			
<b>Noncurrent assets:</b>			
<b>Restricted cash, cash equivalents and investments:</b>			
Depreciation cash and cash equivalents	-	11,546	55,527
Depreciation investments	-	-	500,000
Bond and interest cash and cash equivalents	-	352,172	-
Construction cash and cash equivalents	126,365	17,970	-
Reserve cash and cash equivalents	-	200,895	5,257
Reserve investments	-	330,000	-
Customer deposits cash and cash equivalents	43,846	24,775	143,205
Customer deposits investments	-	-	100,000
Interest receivable	3,253	3,253	-
	<u>173,464</u>	<u>940,611</u>	<u>803,989</u>
<b>Total restricted assets</b>			
Deferred charges	65,295	30,414	-
	<u>65,295</u>	<u>30,414</u>	<u>-</u>
<b>Capital assets:</b>			
Land, improvements to land and construction in progress	1,816,271	52,792	11,807
Other capital assets (net of accumulated depreciation)	1,655,308	10,386,047	1,995,062
	<u>3,471,579</u>	<u>10,438,839</u>	<u>2,006,869</u>
<b>Total capital assets</b>			
<b>Total noncurrent assets</b>			
	<u>3,710,338</u>	<u>11,409,864</u>	<u>2,810,858</u>
<b>Total assets</b>			
	<u>7,579,520</u>	<u>11,954,353</u>	<u>5,129,927</u>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	672,102	20,262	434,247
Interfund payables:			
Due to Water	-	-	186
Due to Electric	10,392	150,000	-
Wages payable	4,432	6,102	10,666
Taxes payable	1,741	-	21,102
Current liabilities payable from restricted assets:			
Customer deposits	43,846	24,775	243,205
Retainage payable	63,701	-	-
Loans payable	-	88,000	125,000
Capital leases payable	11,088	19,439	60,155
Bonds payable	160,000	211,000	-
Accrued interest payable	121,137	119,150	7,410
	<u>1,088,439</u>	<u>638,728</u>	<u>901,971</u>
<b>Total current liabilities</b>			
<b>Noncurrent liabilities:</b>			
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	4,645,765	1,093,685	-
Capital leases payable	49,589	50,383	295,136
State revolving fund loans payable	-	4,978,886	-
	<u>4,695,354</u>	<u>6,122,954</u>	<u>295,136</u>
<b>Total noncurrent liabilities</b>			
<b>Total liabilities</b>			
	<u>5,783,793</u>	<u>6,761,682</u>	<u>1,197,107</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,625,516	3,997,446	1,651,523
Restricted for debt service	-	883,067	5,257
Restricted for customer deposits	43,846	24,775	243,205
Restricted for depreciation	-	11,546	555,527
Restricted for construction	126,365	17,970	-
Unrestricted	-	257,867	1,477,308
	<u>1,795,727</u>	<u>5,192,671</u>	<u>3,932,820</u>
<b>Total net assets</b>			

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

TOWN OF EDINBURGH  
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS  
As Of And For The Year Ended December 31, 2007

	<u>Water</u>	<u>Wastewater</u>	<u>Electric</u>
Operating revenues:			
Residential sales	\$ 291,636	\$ 588,343	\$ 1,724,356
Commercial and industrial sales	234,426	561,037	3,387,780
Primary sales	-	-	1,622,025
Public street and highway lighting	-	-	23,118
Security lights	-	-	48,716
Storm sewer rental	-	68,280	-
Fire protection revenue	281,356	-	-
Penalties	4,582	7,761	25,098
Other water revenue	45,038	3,310	-
Other	<u>2,501</u>	<u>8,426</u>	<u>-</u>
 Total operating revenues	 <u>859,539</u>	 <u>1,237,157</u>	 <u>6,831,093</u>
Operating expenses:			
Power supply expense			
Power purchased	-	-	5,385,718
Distribution expense			
Operation supply labor	-	-	57,346
Salaries and wages	-	-	304,647
Meter expense	-	-	20,267
Transportation expense	13,811	-	23,258
Other	-	-	75,423
Plant Operation:			
Salaries and wages	184,926	242,227	-
Fuel and power purchased	48,743	81,166	-
Materials and supplies	11,628	12,159	-
Contractual Services	77,538	23,095	-
Other	19,750	62,228	-
Maintenance Expense:			
Overhead lines	-	-	31,354
Underground lines	-	-	7,705
Line transformer	-	-	16,171
Street and signal	-	-	27,943
Repair of equipment	8,635	16,507	37,782
Other	61,777	15,715	84,326
Customer accounts:			
Records and collections	23,409	57,680	83,635
General:			
Office salaries	-	-	72,247
Office supplies	6,804	10,343	7,652
Outside services	14,306	27,826	157,000
Insurance	12,908	13,969	21,968
Other	29,979	31,656	71,352
Employee pension and benefits	83,696	102,453	171,085
Amortization of bond issue costs	3,529	6,591	-
Depreciation	<u>113,398</u>	<u>246,430</u>	<u>362,005</u>
 Total operating expenses	 <u>714,837</u>	 <u>950,045</u>	 <u>7,018,884</u>
 Operating income (loss)	 <u>144,702</u>	 <u>287,112</u>	 <u>(187,791)</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	138,461	45,758	70,005
Rental income	-	-	17,765
Miscellaneous revenue	-	-	59,335
Interest expense	<u>(247,527)</u>	<u>(252,962)</u>	<u>(22,343)</u>
 Total nonoperating revenues (expenses)	 <u>(109,066)</u>	 <u>(207,204)</u>	 <u>124,762</u>
 Income (loss) before contributions and transfers	 <u>35,636</u>	 <u>79,908</u>	 <u>(63,029)</u>
 Change in net assets	 35,636	 79,908	 (63,029)
Total net assets - beginning	<u>1,760,091</u>	<u>5,112,763</u>	<u>3,995,849</u>
Total net assets - ending	<u>\$ 1,795,727</u>	<u>\$ 5,192,671</u>	<u>\$ 3,932,820</u>

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

TOWN OF EDINBURGH  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
As Of And For The Year Ended December 31, 2007

	<u>Water</u>	<u>Wastewater</u>	<u>Electric</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 843,490	\$ 1,228,284	\$ 6,823,048
Payments to suppliers and contractors	(249,680)	(310,399)	(6,162,590)
Payments to employees	(291,626)	(402,360)	(688,960)
Other receipts	<u>2,501</u>	<u>8,426</u>	<u>77,100</u>
Net cash provided by operating activities	<u>304,685</u>	<u>523,951</u>	<u>48,598</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(855,291)	(77,208)	(167,454)
Principal paid on capital debt	(161,220)	(308,674)	(162,238)
Interest paid on capital debt	<u>(133,065)</u>	<u>(244,848)</u>	<u>(21,357)</u>
Net cash used by capital and related financing activities	<u>(1,149,576)</u>	<u>(630,730)</u>	<u>(351,049)</u>
Cash flows from investing activities:			
Purchase of investments		(200,000)	
Interest received	<u>134,348</u>	<u>45,191</u>	<u>67,902</u>
Net cash provided (used) by investing activities	<u>134,348</u>	<u>(154,809)</u>	<u>67,902</u>
Net decrease in cash and cash equivalents	(710,543)	(261,588)	(234,549)
Cash and cash equivalents, January 1	<u>4,387,961</u>	<u>961,677</u>	<u>1,096,333</u>
Cash and cash equivalents, December 31	<u>\$ 3,677,418</u>	<u>\$ 700,089</u>	<u>\$ 861,784</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	\$ 144,702	\$ 287,112	\$ (187,791)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization expense	116,927	253,021	362,005
Other receipts	-	-	77,100
(Increase) decrease in assets:			
Accounts receivable	(14,393)	(448)	(8,045)
Interfund services provided or used	-	-	(152,775)
Inventories	(2,340)	-	(37,678)
Prepaid items	870	(5,506)	745
Increase (decrease) in liabilities:			
Accounts payable	(11,201)	(12,418)	(24,518)
Interfund payables	5,524	(2,749)	-
Wages payable	405	1,711	2,369
Taxes payable	(354)	-	10,252
Retainage payable	63,701	-	-
Customer deposits	<u>844</u>	<u>3,228</u>	<u>6,934</u>
Total adjustments	<u>159,983</u>	<u>236,839</u>	<u>236,389</u>
Net cash provided by operating activities	<u>\$ 304,685</u>	<u>\$ 523,951</u>	<u>\$ 48,598</u>
Noncash investing, capital and financing activities:			
Capital assets added by capital lease	\$ -	\$ -	\$ 134,200

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, 2007

	Private-Purpose Trust Funds	Agency Fund
Additions:		
Contributions:		
Other	\$ <u>97,721</u>	
Investment earnings:		
Interest	<u>4,352</u>	
Total additions	<u>102,073</u>	
Deductions:		
Administrative and general	<u>79,543</u>	
Excess of total additions over total deductions	22,530	
Cash and investment fund balance - beginning	<u>365,954</u>	
Cash and investment fund balance - ending	<u>\$ 388,484</u>	<u>\$ 43,536</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, 2008

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 1,423,931	\$ 9,667	\$ 96,800	\$ -	\$ (1,317,464)	\$ -	\$ (1,317,464)
Public safety	1,507,224	38,681	-	-	(1,468,543)	-	(1,468,543)
Highways and streets	787,096	-	127,715	56,705	(602,676)	-	(602,676)
Sanitation	266,842	114,321	-	-	(152,521)	-	(152,521)
Culture and recreation	1,668,754	894,159	-	-	(774,595)	-	(774,595)
Urban redevelopment and housing	419,352	-	-	-	(419,352)	-	(419,352)
<b>Total governmental activities</b>	<b>6,073,199</b>	<b>1,056,828</b>	<b>224,515</b>	<b>56,705</b>	<b>(4,735,151)</b>	<b>-</b>	<b>(4,735,151)</b>
<b>Business-type activities:</b>							
Water	2,767,336	1,094,021	-	-	-	(1,673,315)	(1,673,315)
Wastewater	1,382,670	1,235,103	-	-	-	(147,567)	(147,567)
Electric	6,974,585	6,513,631	-	18,869	-	(442,085)	(442,085)
<b>Total business-type activities</b>	<b>11,124,591</b>	<b>8,842,755</b>	<b>-</b>	<b>18,869</b>	<b>-</b>	<b>(2,262,967)</b>	<b>(2,262,967)</b>
<b>Total primary government</b>	<b>\$ 17,197,790</b>	<b>\$ 9,899,583</b>	<b>\$ 224,515</b>	<b>\$ 75,574</b>	<b>(4,735,151)</b>	<b>(2,262,967)</b>	<b>(6,998,118)</b>
<b>General receipts:</b>							
Property taxes					2,757,665	-	2,757,665
Intergovernmental					1,542,160	-	1,542,160
Other local sources					607,959	351,261	959,220
Grants and contributions not restricted to specific programs					3,826	-	3,826
Investment earnings					20,478	154,664	175,142
<b>Total general receipts</b>					<b>4,932,088</b>	<b>505,925</b>	<b>5,438,013</b>
<b>Change in net assets</b>					<b>196,937</b>	<b>(1,757,042)</b>	<b>(1,560,105)</b>
<b>Net assets - beginning</b>					<b>2,756,656</b>	<b>6,749,291</b>	<b>9,505,947</b>
<b>Net assets - ending</b>					<b>\$ 2,953,593</b>	<b>\$ 4,992,249</b>	<b>\$ 7,945,842</b>
<b>Assets</b>							
Cash and investments					\$ 2,234,628	\$ 4,992,249	\$ 7,226,877
Restricted assets:							
Cash and investments					718,965	-	718,965
<b>Total assets</b>					<b>\$ 2,953,593</b>	<b>\$ 4,992,249</b>	<b>\$ 7,945,842</b>
<b>Net Assets</b>							
Restricted for:							
Highways and streets					\$ 58,644	\$ -	\$ 58,644
Economic development					629,277	-	629,277
Capital outlay					31,044	-	31,044
Unrestricted					2,234,628	4,992,249	7,226,877
<b>Total net assets</b>					<b>\$ 2,953,593</b>	<b>\$ 4,992,249</b>	<b>\$ 7,945,842</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, 2008

	General	ERA Timbergate Nonreverting Operating	Other Governmental Funds	Totals
<b>Receipts:</b>				
Taxes	\$ 1,705,155	\$ -	\$ 1,052,510	\$ 2,757,665
Licenses and permits	17,315	-	1,670	18,985
Intergovernmental	1,403,174	-	420,206	1,823,380
Charges for services	162,167	788,825	86,631	1,037,623
Fines and forfeits	220	-	-	220
Other	152,074	163,080	315,474	630,628
<b>Total receipts</b>	<b>3,440,105</b>	<b>951,905</b>	<b>1,876,491</b>	<b>6,268,501</b>
<b>Disbursements:</b>				
General government	1,065,474	-	30	1,065,504
Public safety	1,234,495	-	2,284	1,236,779
Highways and streets	-	-	578,530	578,530
Sanitation	266,842	-	-	266,842
Culture and recreation	639,844	498,151	392,894	1,530,889
Urban redevelopment and housing	-	-	419,352	419,352
<b>Capital outlay:</b>				
General government	44,683	-	313,744	358,427
Public safety	203,935	-	19,000	222,935
Highways and streets	-	-	208,566	208,566
Culture and recreation	136,885	-	48,490	185,375
<b>Total disbursements</b>	<b>3,592,158</b>	<b>498,151</b>	<b>1,982,890</b>	<b>6,073,199</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>(152,053)</b>	<b>453,754</b>	<b>(106,399)</b>	<b>195,302</b>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	943,840	943,840
Transfers out	-	(460,500)	(483,340)	(943,840)
Other receipts	-	-	1,635	1,635
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(460,500)</b>	<b>462,135</b>	<b>1,635</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>(152,053)</b>	<b>(6,746)</b>	<b>355,736</b>	<b>196,937</b>
Cash and investment fund balance - beginning	1,019,801	616,444	1,120,411	2,756,656
Cash and investment fund balance - ending	<u>\$ 867,748</u>	<u>\$ 609,698</u>	<u>\$ 1,476,147</u>	<u>\$ 2,953,593</u>
<b><u>Cash and Investment Assets - Ending</u></b>				
Cash and investments	\$ 867,748	\$ 609,698	\$ 757,182	\$ 2,234,628
<b>Restricted assets:</b>				
Cash and investments	-	-	718,965	718,965
<b>Total cash and investment assets - ending</b>	<b><u>\$ 867,748</u></b>	<b><u>\$ 609,698</u></b>	<b><u>\$ 1,476,147</u></b>	<b><u>\$ 2,953,593</u></b>
<b><u>Cash and Investment Fund Balance - Ending</u></b>				
<b>Restricted for:</b>				
Highways and streets	\$ -	\$ -	\$ 58,644	\$ 58,644
Urban redevelopment and housing	-	-	629,277	629,277
Capital outlay	-	-	31,044	31,044
Unrestricted	867,748	609,698	757,182	2,234,628
<b>Total cash and investment fund balance - ending</b>	<b><u>\$ 867,748</u></b>	<b><u>\$ 609,698</u></b>	<b><u>\$ 1,476,147</u></b>	<b><u>\$ 2,953,593</u></b>

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

TOWN OF EDINBURGH  
STATEMENT OF NET ASSETS  
December 31, 2008

	Water	Wastewater	Electric
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 1,703,376	\$ 257,640	\$ 425,485
Investments	180,000	100,000	100,000
Interest receivable	4,957	5,660	6,166
Accounts receivable - customer	98,112	113,702	549,729
Accounts receivable - other	996	1,687	544
Interfund receivables:			
Due from Water	-	-	10,392
Due from Wastewater	-	-	150,000
Due from Town	-	-	160,525
Due from Electric	186	-	-
Inventories	101,522	-	514,341
Prepaid items	9,909	18,674	15,133
	<u>2,099,058</u>	<u>497,363</u>	<u>1,932,315</u>
Total current assets			
Noncurrent assets:			
Restricted cash, cash equivalents and investments:			
Depreciation cash and cash equivalents	-	11,546	86,843
Depreciation investments	-	-	500,000
Bond and interest cash and cash equivalents	-	372,329	-
Construction cash and cash equivalents	348,310	17,970	-
Reserve cash and cash equivalents	-	228,637	5,257
Reserve investments	-	330,000	-
Customer deposits cash and cash equivalents	44,691	27,165	153,000
Customer deposits investments	-	-	100,000
Interest receivable	3,254	3,254	-
	<u>396,255</u>	<u>990,901</u>	<u>845,100</u>
Total restricted assets			
Deferred charges	61,766	23,824	-
	<u>61,766</u>	<u>23,824</u>	<u>-</u>
Capital assets:			
Land, improvements to land and construction in progress	2,995,082	52,792	11,807
Other capital assets (net of accumulated depreciation)	1,637,610	10,175,589	1,698,395
	<u>4,632,692</u>	<u>10,228,381</u>	<u>1,710,202</u>
Total capital assets			
Total noncurrent assets	<u>5,090,713</u>	<u>11,243,106</u>	<u>2,555,302</u>
Total assets	<u>7,189,771</u>	<u>11,740,469</u>	<u>4,487,617</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	97,088	31,720	410,889
Interfund payables:			
Due to Water	-	-	186
Due to Electric	10,392	150,000	-
Wages payable	8,051	7,576	16,865
Taxes payable	3,094	-	9,862
Current liabilities payable from restricted assets:			
Customer deposits	44,691	27,165	253,000
Retainage payable	178,465	-	-
Loans payable	-	93,000	-
Capital leases payable	17,498	12,383	61,463
Bonds payable	165,000	221,000	-
Accrued interest payable	117,289	111,802	3,666
	<u>641,568</u>	<u>654,646</u>	<u>755,931</u>
Total current liabilities			
Noncurrent liabilities:			
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	4,483,156	888,228	-
Capital leases payable	97,608	38,001	233,492
State revolving fund loans payable	-	4,891,314	-
	<u>4,580,764</u>	<u>5,817,543</u>	<u>233,492</u>
Total noncurrent liabilities			
Total liabilities	<u>5,222,332</u>	<u>6,472,189</u>	<u>989,423</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	1,202,109	4,084,455	1,415,247
Restricted for debt service	-	930,966	-
Restricted for customer deposits	44,691	27,165	253,000
Restricted for depreciation	-	11,546	586,843
Restricted for construction	348,310	17,970	-
Unrestricted	372,329	196,178	1,243,104
	<u>\$ 1,967,439</u>	<u>\$ 5,268,280</u>	<u>\$ 3,498,194</u>
Total net assets			

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

TOWN OF EDINBURGH  
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS  
As Of And For The Years Ended December 31, 2008

	<u>Water</u>	<u>Wastewater</u>	<u>Electric</u>
Operating revenues:			
Residential sales	\$ 363,056	\$ 585,993	\$ 1,791,400
Commercial and industrial sales	279,885	550,292	3,374,547
Primary sales	-	-	736,249
Public street and highway lighting	-	-	18,746
Security lights	-	-	54,863
Storm sewer rental	-	68,280	-
Fire protection revenue	363,251	-	-
Penalties	5,295	7,152	22,769
Other water revenue	48,357	3,000	-
Other	<u>47,637</u>	<u>125,855</u>	<u>-</u>
 Total operating revenues	 <u>1,107,481</u>	 <u>1,340,572</u>	 <u>5,998,574</u>
Operating expenses:			
Power supply expense:			
Power purchased	-	-	4,828,227
Distribution expense:			
Operation supply labor	-	-	55,278
Salaries and wages	-	-	281,806
Meter expense	-	-	11,028
Transportation expense	15,016	11,918	55,142
Other	-	-	77,897
Plant Operation:			
Salaries and wages	197,007	266,278	-
Fuel and power purchased	44,113	97,197	-
Materials and supplies	20,608	32,271	-
Contractual services	20,138	12,220	-
Other	22,125	87,462	-
Maintenance Expense:			
Underground lines	-	-	41,847
Line transformer	-	-	32,278
Street and signal	-	-	26,557
Repair of equipment	25,379	19,909	41,872
Other	84,890	52,886	69,877
Customer accounts:			
Records and collections	36,066	38,999	89,463
General:			
Office salaries	-	-	82,772
Office supplies	11,468	6,169	7,143
Outside services	20,910	11,228	159,685
Insurance	10,912	17,315	21,515
Other	29,122	32,635	69,320
Employee pension and benefits	89,611	112,404	193,812
Amortization of bond issue costs	3,529	6,591	-
Depreciation	<u>112,377</u>	<u>247,638</u>	<u>376,856</u>
 Total operating expenses	 <u>743,271</u>	 <u>1,053,120</u>	 <u>6,522,375</u>
 Operating income (loss)	 <u>364,210</u>	 <u>287,452</u>	 <u>(523,801)</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	49,304	37,157	37,181
Rental income	-	-	18,544
Miscellaneous revenue	-	-	48,261
Interest expense	<u>(241,802)</u>	<u>(249,000)</u>	<u>(14,811)</u>
 Total nonoperating revenues (expenses)	 <u>(192,498)</u>	 <u>(211,843)</u>	 <u>89,175</u>
 Income (loss) before contributions and transfers	 <u>171,712</u>	 <u>75,609</u>	 <u>(434,626)</u>
 Change in net assets	 171,712	 75,609	 (434,626)
Total net assets - beginning	<u>1,795,727</u>	<u>5,192,671</u>	<u>3,932,820</u>
Total net assets - ending	<u>\$ 1,967,439</u>	<u>\$ 5,268,280</u>	<u>\$ 3,498,194</u>

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

TOWN OF EDINBURGH  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
As Of And For The Year Ended December 31, 2008

	<u>Water</u>	<u>Wastewater</u>	<u>Electric</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,042,481	\$ 1,217,723	\$ 6,074,788
Payments to suppliers and contractors	(175,159)	(461,617)	(5,492,715)
Payments to employees	(319,066)	(321,114)	(614,160)
Other receipts	<u>47,636</u>	<u>125,855</u>	<u>66,805</u>
Net cash provided by operating activities	<u>595,892</u>	<u>560,847</u>	<u>34,718</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(1,809,255)	(31,753)	(80,190)
Principal paid on capital debt	(176,567)	(318,439)	(185,336)
Interest paid on capital debt	<u>(243,259)</u>	<u>(240,805)</u>	<u>(18,555)</u>
Net cash used by capital and related financing activities	<u>(2,229,081)</u>	<u>(590,997)</u>	<u>(284,081)</u>
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	-	330,000	-
Purchase of investments	-	(130,000)	-
Interest received	<u>52,148</u>	<u>45,348</u>	<u>58,164</u>
Net cash provided by investing activities	<u>52,148</u>	<u>245,348</u>	<u>58,164</u>
Net increase (decrease) in cash and cash equivalents	(1,581,041)	215,198	(191,199)
Cash and cash equivalents, January 1	<u>3,677,418</u>	<u>700,089</u>	<u>861,784</u>
Cash and cash equivalents, December 31	<u>\$ 2,096,377</u>	<u>\$ 915,287</u>	<u>\$ 670,585</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	<u>\$ 364,210</u>	<u>\$ 287,452</u>	<u>\$ (523,801)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization expense	115,906	254,229	376,856
Other receipts	-	-	66,805
(Increase) decrease in assets:			
Accounts receivable	(18,210)	3,006	76,214
Inventories	(17,160)	-	53,827
Prepaid items	(1,181)	839	3,421
Increase (decrease) in liabilities:			
Accounts payable	31,745	11,458	(23,358)
Wages payable	3,619	1,474	6,199
Taxes payable	1,353	-	(11,240)
Retainage payable	114,764	-	-
Customer deposits	<u>846</u>	<u>2,389</u>	<u>9,795</u>
Total adjustments	<u>231,682</u>	<u>273,395</u>	<u>558,519</u>
Net cash provided by operating activities	<u>\$ 595,892</u>	<u>\$ 560,847</u>	<u>\$ 34,718</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, 2008

	Private-Purpose Trust Funds	Agency Fund
Additions:		
Contributions:		
Other	\$ 78,508	
Investment earnings:		
Interest	59,435	
Total additions	137,943	
Deductions:		
Administrative and general	117,735	
Total deductions	117,735	
Excess of total additions over total deductions	20,208	
Cash and investment fund balance - beginning	388,484	
Cash and investment fund balance - ending	\$ 408,692	\$ 46,933

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, health and social services, 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 Operations and Reserve Fund  Redevelopment Bond Escrow

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.

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, 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 and major individual enterprise funds are reported as separate columns in the fund financial statements.

Enterprise Funds

The Town has three business-type activity funds that report on the full accrual basis of accounting, the Water Utility, the Wastewater Utility, and the Electric Utility. These business-type activity financial statements consist of the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows.

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 motor vehicle highway fund is used for the construction, reconstruction, repair and maintenance of the Town's streets.

The ERA Timbergate nonreverting operating fund accounts for the financial resources of the golf course operated by the Town.

The Town reports the following major proprietary funds:

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 fund reports a trust arrangement under which principal and income benefit the citizens of the community by providing for the caretaking of the Town cemetery.

The agency fund accounts for assets held by the Town as an agent for the 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.

TOWN OF EDINBURGH  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The accounts of the Water Utility, Wastewater Utility, and Electric Utilities are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. 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

a. Governmental and Fiduciary Funds

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.

TOWN OF EDINBURGH  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

b. Enterprise Funds (Water Utility, Wastewater Utility, and Electric Utility)

The Utilities cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

3. Capital Assets

Governmental Funds

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.

Enterprise Funds (Water Utility, Wastewater Utility, and Electric Utility)

Capital assets, which include property, plant and equipment, are reported in the financial statements.

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.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets are as follows:

TOWN OF EDINBURGH  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Depreciation Rate</u>
Water Utility:			
Buildings	\$ 500	Composite rate	1.5%
Improvements other than buildings	500	Composite rate	1.5%
Machinery and equipment	500	Composite rate	10.0%
Transportation equipment	500	Composite rate	10.0%
Wastewater Utility:			
Buildings	500	Composite rate	1.5%
Improvements other than buildings	500	Composite rate	1.5%
Machinery and equipment	500	Composite rate	10.0%
Transportation equipment	500	Composite rate	10.0%
Electric Utility:			
Buildings	500	Composite rate	3.0%
Improvements other than buildings	500	Composite rate	3.0%
Machinery and equipment	500	Composite rate	10.0%
Transportation equipment	500	Composite rate	10.0%

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

4. Inventories and Prepaid Items – Water, Wastewater, and Electric Utilities

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of business-type activity funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the business-type activity financial statements.

5. Restricted Assets – Water, Wastewater, and Electric Utilities

Certain proceeds of the business-type activity fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets balance sheet because their use is limited by bond covenants.

6. Long-Term Debt

Governmental Funds

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.

TOWN OF EDINBURGH  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Enterprise Funds (Water Utility, Wastewater Utility, and Electric Utility)

Long-term debt and other long-term obligations of the business-type activity funds are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

7. Compensated Absences

- a. Sick Leave – Employees earn sick leave at the rate of six days per year. Unused sick leave may be accumulated to a maximum of 12 days. Accumulated sick leave is not paid to employees upon retirement or termination.
- b. Vacation Leave – Employees earn vacation leave at rates from 5 to 25 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year. Accumulated vacation leave is paid to employees through cash payments.

No liability is reported for vacation and sick leave.

8. 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. Proprietary fund equity is classified the same as in the government-wide statements.

TOWN OF EDINBURGH  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

E. Receipts and Disbursements

1. 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.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

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:

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 government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

TOWN OF EDINBURGH  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

Prior to the first required publication, 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 Town does not have a deposit policy for custodial credit risk. At December 31, 2008, the Town had deposit balances in the amount of \$7,777,561.

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.

TOWN OF EDINBURGH  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Investments

As of December 31, 2008, the Town had the following investments:

Investment Type	Redevelopment Authority	
	Debt Service Reserve	Operations and Reserve
Mutual funds	\$ 483,715	\$ 139,736

Statutory Authorization for Investments

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.

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.

TOWN OF EDINBURGH  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Capital Assets

Capital asset activity for the years ended December 31, 2007 and 2008, was as follows:

	01-01-07 Beginning Balance	Increases	Decreases	12-31-07 Ending Balance
2007 Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 10,521	\$ -	\$ -	\$ 10,521
Construction in progress	304,964	1,500,786	-	1,805,750
Total capital assets, not being depreciated	315,485	1,500,786	-	1,816,271
Capital assets, being depreciated:				
Improvements other than buildings	2,643,679	10,780	-	2,654,459
Machinery and equipment	613,655	-	-	613,655
Transportation equipment	102,885	-	-	102,885
Totals	3,360,219	10,780	-	3,370,999
Less accumulated depreciation	1,602,293	113,398	-	1,715,691
Totals	1,602,293	113,398	-	1,715,691
Total capital assets, being depreciated, net	1,757,926	(102,618)	-	1,655,308
Total capital assets, net	\$ 2,073,411	\$ 1,398,168	\$ -	\$ 3,471,579
2008 Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 10,521	\$ -	\$ -	\$ 10,521
Construction in progress	1,805,750	1,178,811	-	2,984,561
Total capital assets, not being depreciated	1,816,271	1,178,811	-	2,995,082
Capital assets, being depreciated:				
Improvements other than buildings	2,654,459	10,974	-	2,665,433
Machinery and equipment	613,655	10,737	-	624,392
Transportation equipment	102,885	71,000	-	173,885
Totals	3,370,999	92,711	-	3,463,710
Less accumulated depreciation	1,715,691	110,409	-	1,826,100
Totals	1,715,691	110,409	-	1,826,100
Total capital assets, being depreciated, net	1,655,308	(17,698)	-	1,637,610
Total capital assets, net	\$ 3,471,579	\$ 1,161,113	\$ -	\$ 4,632,692

TOWN OF EDINBURGH  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	01-01-07 Beginning Balance	Increases	Decreases	12-31-07 Ending Balance
2007 Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 52,792	\$ -	\$ -	\$ 52,792
Total capital assets, not being depreciated	<u>52,792</u>	<u>-</u>	<u>-</u>	<u>52,792</u>
Capital assets, being depreciated:				
Improvements other than buildings	12,460,935	98,436	-	12,559,371
Machinery and equipment	425,779	-	-	425,779
Transportation equipment	222,761	-	-	222,761
Totals	<u>13,109,475</u>	<u>98,436</u>	<u>-</u>	<u>13,207,911</u>
Less accumulated depreciation	<u>2,575,434</u>	<u>246,430</u>	<u>-</u>	<u>2,821,864</u>
Totals	<u>2,575,434</u>	<u>246,430</u>	<u>-</u>	<u>2,821,864</u>
Total capital assets, being depreciated, net	<u>10,534,041</u>	<u>(147,994)</u>	<u>-</u>	<u>10,386,047</u>
Total capital assets, net	<u>\$ 10,586,833</u>	<u>\$ (147,994)</u>	<u>\$ -</u>	<u>\$ 10,438,839</u>
	01-01-08 Beginning Balance	Increases	Decreases	12-31-08 Ending Balance
2008 Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 52,792	\$ -	\$ -	\$ 52,792
Total capital assets, not being depreciated	<u>52,792</u>	<u>-</u>	<u>-</u>	<u>52,792</u>
Capital assets, being depreciated:				
Improvements other than buildings	12,559,371	19,029	-	12,578,400
Machinery and equipment	425,779	18,151	-	443,930
Transportation equipment	222,761	-	-	222,761
Totals	<u>13,207,911</u>	<u>37,180</u>	<u>-</u>	<u>13,245,091</u>
Less accumulated depreciation	<u>2,821,864</u>	<u>247,638</u>	<u>-</u>	<u>3,069,502</u>
Totals	<u>2,821,864</u>	<u>247,638</u>	<u>-</u>	<u>3,069,502</u>
Total capital assets, being depreciated, net	<u>10,386,047</u>	<u>(210,458)</u>	<u>-</u>	<u>10,175,589</u>
Total capital assets, net	<u>\$ 10,438,839</u>	<u>\$ (210,458)</u>	<u>\$ -</u>	<u>\$ 10,228,381</u>

TOWN OF EDINBURGH  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	01-01-07 Beginning Balance	Increases	Decreases	12-31-07 Ending Balance
2007 Electric Utility:				
Capital assets, not being depreciated:				
Land	\$ 11,807	\$ -	\$ -	\$ 11,807
Total capital assets, not being depreciated	<u>11,807</u>	<u>-</u>	<u>-</u>	<u>11,807</u>
Capital assets, being depreciated:				
Improvements other than buildings	4,393,178	137,127	115,772	4,414,533
Buildings	269,630	136,724	-	406,354
Machinery and equipment	1,380,471	9,375	-	1,389,846
Transportation equipment	605,186	321,242	-	926,428
Totals	<u>6,648,465</u>	<u>604,468</u>	<u>115,772</u>	<u>7,137,161</u>
Less accumulated depreciation	<u>4,780,094</u>	<u>362,005</u>	<u>-</u>	<u>5,142,099</u>
Totals	<u>4,780,094</u>	<u>362,005</u>	<u>-</u>	<u>5,142,099</u>
Total capital assets, being depreciated, net	<u>1,868,371</u>	<u>242,463</u>	<u>115,772</u>	<u>1,995,062</u>
Total capital assets, net	<u>\$ 1,880,178</u>	<u>\$ 242,463</u>	<u>\$ 115,772</u>	<u>\$ 2,006,869</u>
	01-01-08 Beginning Balance	Increases	Decreases	12-31-08 Ending Balance
2008 Electric Utility:				
Capital assets, not being depreciated:				
Land	\$ 11,807	\$ -	\$ -	\$ 11,807
Total capital assets, not being depreciated	<u>11,807</u>	<u>-</u>	<u>-</u>	<u>11,807</u>
Capital assets, being depreciated:				
Improvements other than buildings	4,414,533	37,679	-	4,452,212
Buildings	406,354	-	-	406,354
Machinery and equipment	1,389,846	3,838	-	1,393,684
Transportation equipment	926,428	38,673	30,000	935,101
Totals	<u>7,137,161</u>	<u>80,190</u>	<u>30,000</u>	<u>7,187,351</u>
Less accumulated depreciation	<u>5,142,099</u>	<u>346,857</u>	<u>-</u>	<u>5,488,956</u>
Totals	<u>5,142,099</u>	<u>346,857</u>	<u>-</u>	<u>5,488,956</u>
Total capital assets, being depreciated, net	<u>1,995,062</u>	<u>(266,667)</u>	<u>30,000</u>	<u>1,698,395</u>
Total capital assets, net	<u>\$ 2,006,869</u>	<u>\$ (266,667)</u>	<u>\$ 30,000</u>	<u>\$ 1,710,202</u>

TOWN OF EDINBURGH  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2008	Committed	Required Future Funding
Waterworks system improvements	\$ 3,650,000	\$ 2,984,561	\$ 665,439	\$ -

D. Interfund Balances and Activity

1. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2008, is as follows:

December 31, 2007	Due From				
Due To	Town Funds	Water Utility	Wastewater Utility	Electric Utility	Totals
Water Utility	\$ -	\$ -	\$ -	\$ 186	\$ 186
Electric Utility	160,525	10,392	150,000	-	320,917
<b>Totals</b>	<b>\$ 160,525</b>	<b>\$ 10,392</b>	<b>\$ 150,000</b>	<b>\$ 186</b>	<b>\$ 321,103</b>
<b>December 31, 2008</b>					
Water Utility	\$ -	\$ -	\$ -	\$ 186	\$ 186
Electric Utility	160,525	10,392	150,000	-	320,917
<b>Totals</b>	<b>\$ 160,525</b>	<b>\$ 10,392</b>	<b>\$ 150,000</b>	<b>\$ 186</b>	<b>\$ 321,103</b>

Interfund balances resulted from the time lag between the dates that (1) interfund loans are repaid, (2) interfund goods and services are provided or reimbursable expenditures occur, (3) transactions are recorded in the accounting system and (4) payments between funds are made.

Transfer From	Transfer To	2007	2008
ERA Timbergate Nonreverting Operating	Other Governmental Funds	\$ 99,240	\$ 460,500
Other Governmental Funds	Other Governmental Funds	5,606,770	483,340
<b>Totals</b>		<b>\$ 5,706,010</b>	<b>\$ 943,840</b>

TOWN OF EDINBURGH  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

E. Capital Leases

The Utilities have entered into various capital leases for equipment. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of December 31, 2008, are as follows:

Year Ended December 31	Water Utility	Wastewater Utility	Electric Utility
2009	\$ 24,960	\$ 14,477	\$ 75,317
2010	30,443	13,675	75,317
2011	30,443	13,675	75,317
2012	30,443	13,675	75,317
2013	<u>16,769</u>	<u>-</u>	<u>31,609</u>
Total	133,058	55,502	332,877
Less Interest	<u>(17,952)</u>	<u>(5,118)</u>	<u>(37,922)</u>
Totals	<u>\$ 115,106</u>	<u>\$ 50,384</u>	<u>\$ 294,955</u>

Assets acquired through capital leases still in effect are as follows:

	Water Utility	Wastewater Utility	Electric Utility
Machinery and equipment	\$ 151,965	\$ 136,832	\$ 402,207
Accumulated depreciation	<u>31,390</u>	<u>45,847</u>	<u>88,538</u>
Totals	<u>\$ 120,576</u>	<u>\$ 90,986</u>	<u>\$ 313,669</u>

F. Long-Term Liabilities

1. Revenue Bonds

The Utilities issue bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rate	Amount
2006 Water refunding bond	5.00%	\$ 4,690,000
1993 Wastewater refunding bond	6.00%	1,002,000
2001 Wastewater revenue bond, biosolids project	5.25%	<u>120,000</u>
Total		<u>\$ 5,812,000</u>

TOWN OF EDINBURGH  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2009	\$ 165,000	\$ 232,365	\$ 221,000	\$ 59,805
2010	175,000	224,940	107,000	47,303
2011	185,000	217,064	114,000	41,685
2012	195,000	207,834	121,000	35,700
2013	200,000	198,103	128,000	29,347
2014-2018	1,180,000	188,123	431,000	46,148
2019-2023	1,500,000	177,395	-	-
2024-2026	1,090,000	166,167	-	-
<b>Totals</b>	<b>\$ 4,690,000</b>	<b>\$ 1,611,990</b>	<b>\$ 1,122,000</b>	<b>\$ 259,988</b>

2. Notes and Loans Payable

The Wastewater Utility has entered into a state revolving fund (SRF) loan. The Wastewater Utility has not drawn the full amount of the SRF loan; therefore, the annual debt service requirements to maturity for the loan are not determinable at this time.

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2007:					
Revenue bonds payable:					
Water Utility	\$ 5,000,000	\$ -	\$ 150,000	\$ 4,850,000	\$ 160,000
Less deferred amount on refunding	(46,626)	-	(2,391)	(44,235)	-
Total Water Utility bonds payable	4,953,374	-	147,609	4,805,765	160,000
Wastewater Utility	1,533,000	-	200,000	1,333,000	211,000
Less bond discount	(6,666)	-	(666)	(6,000)	-
Less deferred amount on refunding	(37,191)	-	(14,876)	(22,315)	-
Total Wastewater bonds payable	1,489,143	-	184,458	1,304,685	211,000
Capital leases payable:					
Water Utility	71,897	-	11,220	60,677	11,088
Wastewater Utility	93,496	-	23,674	69,822	19,439
Electric Utility	71,286	321,242	37,237	355,291	60,155
Total capital leases payable	236,679	321,242	72,131	485,790	90,682
Loans payable:					
Wastewater Utility	5,130,658	21,228	85,000	5,066,886	88,000
Electric Utility	250,000	-	125,000	125,000	125,000
Total loans payable	5,380,658	21,228	210,000	5,191,886	213,000
Total long-term liabilities	\$ 17,190,512	\$ 363,698	\$ 699,198	\$ 16,855,012	\$ 762,682

TOWN OF EDINBURGH  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2008:					
Revenue bonds payable:					
Water Utility	\$ 4,850,000	\$ -	\$ 160,000	\$ 4,690,000	\$ 165,000
Less deferred amount on refunding	(44,235)	-	(2,391)	(41,844)	-
Total Water Utility bonds payable	4,805,765	-	157,609	4,648,156	165,000
Wastewater Utility	1,333,000	-	211,000	1,122,000	221,000
Less bond discount	(6,000)	-	(667)	(5,333)	-
Less deferred amount on refunding	(22,315)	-	(14,876)	(7,439)	-
Total Wastewater bonds payable	1,304,685	-	195,457	1,109,228	221,000
Capital leases payable:					
Water Utility	60,677	71,000	16,571	115,106	17,498
Wastewater Utility	69,822	-	19,438	50,384	12,383
Electric Utility	355,291	-	60,336	294,955	61,463
Total capital leases payable	485,790	71,000	96,345	460,445	91,344
Loans payable:					
Wastewater Utility	5,066,886	5,428	88,000	4,984,314	93,000
Electric Utility	125,000	-	125,000	-	-
Total loans payable	5,191,886	5,428	213,000	4,984,314	93,000
Total long-term liabilities	<u>\$ 11,788,126</u>	<u>\$ 76,428</u>	<u>\$ 662,411</u>	<u>\$ 11,202,143</u>	<u>\$ 570,344</u>

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; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); 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.

B. Rate Structure – Enterprise Funds

Water Utility

On September 19, 2005, the Town Council adopted Ordinance 2005-5 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on November 27, 2006.

Wastewater Utility

The current rate structure was approved by the Town Council on November 24, 2003, with the Phase II rates effective January 1, 2005.

TOWN OF EDINBURGH  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Electric Utility

On September 19, 2005, the Town Council adopted Ordinance 2005-5 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission.

The current rate structure was approved by the Town Council on May 24, 2004.

C. Pension Plan

Agent Multiple-Employer 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 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.

TOWN OF EDINBURGH  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 136,381
Interest on net pension obligation	(38)
Adjustment to annual required contribution	44
Annual pension cost	136,387
Contributions made	139,134
Increase (decrease) in net pension obligation	(2,747)
Net pension obligation, beginning of year	(531)
Net pension obligation, end of year	\$ (3,278)

	PERF
Contribution rates:	
Town	7.5%
Plan members	3%
Actuarial valuation date	07-01-08
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

<u>Actuarial Assumptions</u>	PERF
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	06-30-06	\$ 111,658	74%	\$ (40,543)
	06-30-07	138,380	71%	(531)
	06-30-08	136,387	102%	(3,278)

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)
07-01-06	\$ 2,219,824	\$ 2,690,496	\$ (470,672)	83%	\$ 1,922,544	(24%)
07-01-07	2,428,709	2,859,722	(431,013)	85%	1,899,768	(23%)
07-01-08	2,762,033	3,193,784	(431,751)	86%	2,193,305	(20%)

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, 2007

	Local Road and Street	Riverboat	Parks and Recreation	Rainy Day	Nonreverting Operating Police	Nonreverting Operating Fire/Ems	Park Nonreverting Operating
<b>Receipts:</b>							
Taxes	\$ -	\$ -	\$ 321,621	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	1,080	-	-
Intergovernmental	61,736	28,407	21,402	68,197	17,367	-	-
Charges for services	-	-	25	-	1,648	8,311	32,124
Fines and forfeits	-	-	-	-	750	-	-
Other	-	-	162,902	-	277	-	250
<b>Total receipts</b>	<b>61,736</b>	<b>28,407</b>	<b>505,950</b>	<b>68,197</b>	<b>21,122</b>	<b>8,311</b>	<b>32,374</b>
<b>Disbursements:</b>							
Public safety	-	-	-	-	980	2,111	-
Culture and recreation	-	-	262,975	-	-	-	34,736
Urban redevelopment and housing	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Highways and streets	58,713	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Culture and recreation	-	-	253,737	-	-	-	-
<b>Total disbursements</b>	<b>58,713</b>	<b>-</b>	<b>516,712</b>	<b>-</b>	<b>980</b>	<b>2,111</b>	<b>34,736</b>
Excess (deficiency) of receipts over disbursements	3,023	28,407	(10,762)	68,197	20,142	6,200	(2,362)
<b>Other financing sources (uses):</b>							
Net proceeds from borrowings	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	1,111	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,111</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,023	28,407	(10,762)	68,197	20,142	7,311	(2,362)
Cash and investment fund balance - beginning	61,916	86,167	48,127	51,831	12,211	21,601	2,388
Cash and investment fund balance - ending	<u>\$ 64,939</u>	<u>\$ 114,574</u>	<u>\$ 37,365</u>	<u>\$ 120,028</u>	<u>\$ 32,353</u>	<u>\$ 28,912</u>	<u>\$ 26</u>
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ -	\$ 114,574	\$ 37,365	\$ 120,028	\$ 32,353	\$ 28,912	\$ 26
Restricted assets:							
Cash and investments	64,939	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<u>\$ 64,939</u>	<u>\$ 114,574</u>	<u>\$ 37,365</u>	<u>\$ 120,028</u>	<u>\$ 32,353</u>	<u>\$ 28,912</u>	<u>\$ 26</u>
<b>Cash and Investment Fund Balance - Ending</b>							
Restricted for:							
Highways and streets	\$ 64,939	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	-	114,574	37,365	120,028	32,353	28,912	26
<b>Total cash and investment fund balance - ending</b>	<u>\$ 64,939</u>	<u>\$ 114,574</u>	<u>\$ 37,365</u>	<u>\$ 120,028</u>	<u>\$ 32,353</u>	<u>\$ 28,912</u>	<u>\$ 26</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, 2007  
 (Continued)

	Nonreverting Operating Police Buy Money	Nonreverting Operating Market Place II	CDBG Program Income	Nonreverting Operating Pool Concessions	Nonverting Operating Pool Miscellaneous	Nonverting Operating Promotions	Cumulative Capital Improvement Cigarette Tax
<b>Receipts:</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	15,823
Charges for services	-	-	-	28,553	-	-	-
Fines and forfeits	1,197	-	-	-	-	-	-
Other	-	-	-	-	3,823	3,000	-
<b>Total receipts</b>	<b>1,197</b>	<b>-</b>	<b>-</b>	<b>28,553</b>	<b>3,823</b>	<b>3,000</b>	<b>15,823</b>
<b>Disbursements:</b>							
Public safety	339	-	-	-	-	-	-
Culture and recreation	-	-	-	35,895	9,484	3,000	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Capital outlay:							
General government	-	164,686	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	40,345
Culture and recreation	-	-	1,193	-	-	-	-
<b>Total disbursements</b>	<b>339</b>	<b>164,686</b>	<b>1,193</b>	<b>35,895</b>	<b>9,484</b>	<b>3,000</b>	<b>40,345</b>
Excess (deficiency) of receipts over disbursements	858	(164,686)	(1,193)	(7,342)	(5,661)	-	(24,522)
<b>Other financing sources (uses):</b>							
Net proceeds from borrowings	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
<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	858	(164,686)	(1,193)	(7,342)	(5,661)	-	(24,522)
Cash and investment fund balance - beginning	2,401	165,834	4,983	7,361	5,693	-	32,979
Cash and investment fund balance - ending	<u>\$ 3,259</u>	<u>\$ 1,148</u>	<u>\$ 3,790</u>	<u>\$ 19</u>	<u>\$ 32</u>	<u>\$ -</u>	<u>\$ 8,457</u>
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ 3,259	\$ 1,148	\$ 3,790	\$ 19	\$ 32	\$ -	\$ 8,457
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b><u>\$ 3,259</u></b>	<b><u>\$ 1,148</u></b>	<b><u>\$ 3,790</u></b>	<b><u>\$ 19</u></b>	<b><u>\$ 32</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 8,457</u></b>
<b>Cash and Investment Fund Balance - Ending</b>							
Restricted for:							
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	3,259	1,148	3,790	19	32	-	8,457
<b>Total cash and investment fund balance - ending</b>	<b><u>\$ 3,259</u></b>	<b><u>\$ 1,148</u></b>	<b><u>\$ 3,790</u></b>	<b><u>\$ 19</u></b>	<b><u>\$ 32</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 8,457</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, 2007  
 (Continued)

	Cumulative Capital Development	CEDIT Capital Projects	Redevelopment Sinking	Redevelopment Debt Service Reserve	Redevelopment Operations and Reserve	Redevelopment Bond Escrow	Totals
<b>Receipts:</b>							
Taxes	\$ 41,775	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 363,396
Licenses and permits	-	-	-	-	-	-	1,080
Intergovernmental	2,817	10,209	-	-	-	-	225,958
Charges for services	-	-	-	-	-	-	70,661
Fines and forfeits	-	-	-	-	-	-	1,947
Other	-	-	4,889	23,201	22,078	40,918	261,338
<b>Total receipts</b>	<b>44,592</b>	<b>10,209</b>	<b>4,889</b>	<b>23,201</b>	<b>22,078</b>	<b>40,918</b>	<b>924,380</b>
<b>Disbursements:</b>							
Public safety	-	-	-	-	-	-	3,430
Culture and recreation	-	-	-	-	-	-	346,090
Urban redevelopment and housing	-	-	464,548	-	-	5,145,017	5,609,565
Capital outlay:							
General government	80,380	-	-	-	-	-	245,066
Highways and streets	-	-	-	-	-	-	58,713
Urban redevelopment and housing	-	7,747	-	-	-	-	48,092
Culture and recreation	-	-	-	-	-	-	254,930
<b>Total disbursements</b>	<b>80,380</b>	<b>7,747</b>	<b>464,548</b>	<b>-</b>	<b>-</b>	<b>5,145,017</b>	<b>6,565,886</b>
Excess (deficiency) of receipts over disbursements	(35,788)	2,462	(459,659)	23,201	22,078	(5,104,099)	(5,641,506)
<b>Other financing sources (uses):</b>							
Net proceeds from borrowings	-	-	5,050,000	-	-	-	5,050,000
Transfers in	-	-	100,106	480,000	21,805	5,104,099	5,706,010
Transfers out	-	-	(4,965,879)	(530,347)	(110,544)	-	(5,606,770)
Other receipts	-	-	-	-	-	-	1,111
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>184,227</b>	<b>(50,347)</b>	<b>(88,739)</b>	<b>5,104,099</b>	<b>5,150,351</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(35,788)	2,462	(275,432)	(27,146)	(66,661)	-	(491,155)
Cash and investment fund balance - beginning	36,402	10,137	355,606	519,773	66,661	-	1,492,071
Cash and investment fund balance - ending	\$ 614	\$ 12,599	\$ 80,174	\$ 492,627	\$ -	\$ -	\$ 1,000,916
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 349,963
Restricted assets:							
Cash and investments	614	12,599	80,174	492,627	-	-	650,953
<b>Total cash and investment assets - ending</b>	<b>\$ 614</b>	<b>\$ 12,599</b>	<b>\$ 80,174</b>	<b>\$ 492,627</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,000,916</b>
<b>Cash and Investment Fund Balance - Ending</b>							
Restricted for:							
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,939
Debt service	-	-	80,174	492,627	-	-	572,801
Capital outlay	614	12,599	-	-	-	-	13,213
Unrestricted	-	-	-	-	-	-	349,963
<b>Total cash and investment fund balance - ending</b>	<b>\$ 614</b>	<b>\$ 12,599</b>	<b>\$ 80,174</b>	<b>\$ 492,627</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,000,916</b>

TOWN OF EDINBURGH  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
PRIVATE-PURPOSE TRUST FUNDS  
For The Year Ended December 31, 2007

	Cemetery Amos	Cemetery Badger	Cemetery Breeding	Cemetery Christie	Cemetery Conover	Cemetery Dorsey Trust
Additions:						
Contributions:						
Other	\$ -	\$ 89,171	\$ 570	\$ -	\$ -	\$ -
Total contributions	<u>-</u>	<u>89,171</u>	<u>570</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investment earnings:						
Interest	<u>-</u>	<u>570</u>	<u>-</u>	<u>47</u>	<u>-</u>	<u>47</u>
Total investment earnings	<u>-</u>	<u>570</u>	<u>-</u>	<u>47</u>	<u>-</u>	<u>47</u>
Total additions	<u>-</u>	<u>89,741</u>	<u>570</u>	<u>47</u>	<u>-</u>	<u>47</u>
Deductions:						
Administrative and general	<u>70</u>	<u>74,455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deductions	<u>70</u>	<u>74,455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of total additions over total deductions	(70)	15,286	570	47	-	47
Cash and investment fund balance - beginning	<u>2,778</u>	<u>214,344</u>	<u>17,919</u>	<u>1,956</u>	<u>2,888</u>	<u>2,001</u>
Cash and investment fund balance - ending	<u>\$ 2,708</u>	<u>\$ 229,630</u>	<u>\$ 18,489</u>	<u>\$ 2,003</u>	<u>\$ 2,888</u>	<u>\$ 2,048</u>

TOWN OF EDINBURGH  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
PRIVATE-PURPOSE TRUST FUNDS  
For The Year Ended December 31, 2007  
(Continued)

	Cemetery Flower	Cemetery Graham Trust	Cemetery Jordan Trust	Cemetery Mooney Trust	Cemetery Perpetual Care	Totals
Additions:						
Contributions:						
Other	\$ 1,501	\$ -	\$ -	\$ -	\$ 6,479	\$ 97,721
Total contributions	<u>1,501</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,479</u>	<u>97,721</u>
Investment earnings:						
Interest	<u>1,510</u>	<u>141</u>	<u>-</u>	<u>783</u>	<u>1,254</u>	<u>4,352</u>
Total investment earnings	<u>1,510</u>	<u>141</u>	<u>-</u>	<u>783</u>	<u>1,254</u>	<u>4,352</u>
Total additions	<u>3,011</u>	<u>141</u>	<u>-</u>	<u>783</u>	<u>7,733</u>	<u>102,073</u>
Deductions:						
Administrative and general	<u>5,018</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,543</u>
Total deductions	<u>5,018</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,543</u>
Excess (deficiency) of total additions over total deductions	(2,007)	141	-	783	7,733	22,530
Cash and investment fund balance - beginning	<u>38,290</u>	<u>4,452</u>	<u>173</u>	<u>22,944</u>	<u>58,209</u>	<u>365,954</u>
Cash and investment fund balance - ending	<u>\$ 36,283</u>	<u>\$ 4,593</u>	<u>\$ 173</u>	<u>\$ 23,727</u>	<u>\$ 65,942</u>	<u>\$ 388,484</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, 2008

	Motor Vehicle Highway	Local Road And Street	Riverboat	Parks And Recreation	Rainy Day	Nonreverting Operating Police	Nonreverting Operating Fire/EMS
<b>Receipts:</b>							
Taxes	\$ 407,027	\$ -	\$ -	\$ 338,877	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	1,670	-
Intergovernmental	268,847	56,705	28,260	36,139	-	-	-
Charges for services	-	-	-	-	-	2,199	8,183
Other	121,657	-	-	20,970	130,637	8,796	-
<b>Total receipts</b>	<b>797,531</b>	<b>56,705</b>	<b>28,260</b>	<b>395,986</b>	<b>130,637</b>	<b>12,665</b>	<b>8,183</b>
<b>Disbursements:</b>							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	1,684	600
Highways and streets	578,530	-	-	-	-	-	-
Culture and recreation	-	-	-	304,579	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	104,235	-	410	-	-
Public safety	-	-	-	-	-	-	19,000
Highways and streets	145,566	63,000	-	-	-	-	-
Culture and recreation	-	-	-	48,490	-	-	-
<b>Total disbursements</b>	<b>724,096</b>	<b>63,000</b>	<b>104,235</b>	<b>353,069</b>	<b>410</b>	<b>1,684</b>	<b>19,600</b>
Excess (deficiency) of receipts over disbursements	73,435	(6,295)	(75,975)	42,917	130,227	10,981	(11,417)
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
<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	73,435	(6,295)	(75,975)	42,917	130,227	10,981	(11,417)
Cash and investment fund balance - beginning	119,495	64,939	114,574	37,365	120,028	32,353	28,912
Cash and investment fund balance - ending	\$ 192,930	\$ 58,644	\$ 38,599	\$ 80,282	\$ 250,255	\$ 43,334	\$ 17,495
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ 192,930	\$ -	\$ 38,599	\$ 80,282	\$ 250,255	\$ 43,334	\$ 17,495
Restricted assets:							
Cash and investments	-	58,644	-	-	-	-	-
<b>Total cash and investment assets - ending</b>	<b>\$ 192,930</b>	<b>\$ 58,644</b>	<b>\$ 38,599</b>	<b>\$ 80,282</b>	<b>\$ 250,255</b>	<b>\$ 43,334</b>	<b>\$ 17,495</b>
<b>Cash and Investment Fund Balance - Ending</b>							
Restricted for:							
Highways and streets	\$ -	\$ 58,644	\$ -	\$ -	\$ -	\$ -	\$ -
Urban redevelopment and housing	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	192,930	-	38,599	80,282	250,255	43,334	17,495
<b>Total cash and investment fund balance - ending</b>	<b>\$ 192,930</b>	<b>\$ 58,644</b>	<b>\$ 38,599</b>	<b>\$ 80,282</b>	<b>\$ 250,255</b>	<b>\$ 43,334</b>	<b>\$ 17,495</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, 2008  
 (Continued)

	Park Nonreverting Operating	Nonreverting Operating Police Buy Money	Nonreverting Operating Market Place II	Nonreverting Operating Pool Concessions	Nonreverting Operating Pool Miscellaneous	Nonreverting Operating Promotions	Cumulative Capital Development
<b>Receipts:</b>							
Taxes	\$ -	\$ -	\$ 266,188	\$ -	\$ -	\$ -	\$ 40,418
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	4,453
Charges for services	44,333	-	-	31,916	-	-	-
Other	7,695	-	-	-	4,656	5,735	-
<b>Total receipts</b>	<b>52,028</b>	<b>-</b>	<b>266,188</b>	<b>31,916</b>	<b>4,656</b>	<b>5,735</b>	<b>44,871</b>
<b>Disbursements:</b>							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	47,510	-	-	31,577	3,493	5,735	-
Urban redevelopment and housing	-	-	-	-	-	-	-
<b>Capital outlay:</b>							
General government	-	-	147,800	-	-	-	42,986
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>47,510</b>	<b>-</b>	<b>147,800</b>	<b>31,577</b>	<b>3,493</b>	<b>5,735</b>	<b>42,986</b>
Excess (deficiency) of receipts over disbursements	4,518	-	118,388	339	1,163	-	1,885
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
<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	4,518	-	118,388	339	1,163	-	1,885
Cash and investment fund balance - beginning	26	3,259	1,148	19	32	-	614
Cash and investment fund balance - ending	<u>\$ 4,544</u>	<u>\$ 3,259</u>	<u>\$ 119,536</u>	<u>\$ 358</u>	<u>\$ 1,195</u>	<u>\$ -</u>	<u>\$ 2,499</u>
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ 4,544	\$ 3,259	\$ 119,536	\$ 358	\$ 1,195	\$ -	\$ -
<b>Restricted assets:</b>							
Cash and investments	-	-	-	-	-	-	2,499
<b>Total cash and investment assets - ending</b>	<b>\$ 4,544</b>	<b>\$ 3,259</b>	<b>\$ 119,536</b>	<b>\$ 358</b>	<b>\$ 1,195</b>	<b>\$ -</b>	<b>\$ 2,499</b>
<b>Cash and Investment Fund Balance - Ending</b>							
<b>Restricted for:</b>							
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Urban redevelopment and housing	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	2,499
Unrestricted	4,544	3,259	119,536	358	1,195	-	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ 4,544</b>	<b>\$ 3,259</b>	<b>\$ 119,536</b>	<b>\$ 358</b>	<b>\$ 1,195</b>	<b>\$ -</b>	<b>\$ 2,499</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, 2008  
 (Continued)

	CEDIT Capital Projects	Cumulative Capital Improvement Cigarette Tax	CDBG Program Income	Redevelopment Sinking	Redevelopment Debt Service Reserve	Redevelopment Operations and Reserve	Totals
<b>Receipts:</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,052,510
Licenses and permits	-	-	-	-	-	-	1,670
Intergovernmental	11,152	14,650	-	-	-	-	420,206
Charges for services	-	-	-	-	-	-	86,631
Other	-	-	-	1,259	12,824	1,245	315,474
<b>Total receipts</b>	<b>11,152</b>	<b>14,650</b>	<b>-</b>	<b>1,259</b>	<b>12,824</b>	<b>1,245</b>	<b>1,876,491</b>
<b>Disbursements:</b>							
General government	-	-	30	-	-	-	30
Public safety	-	-	-	-	-	-	2,284
Highways and streets	-	-	-	-	-	-	578,530
Culture and recreation	-	-	-	-	-	-	392,894
Urban redevelopment and housing	-	-	-	416,952	-	2,400	419,352
<b>Capital outlay:</b>							
General government	-	18,313	-	-	-	-	313,744
Public safety	-	-	-	-	-	-	19,000
Highways and streets	-	-	-	-	-	-	208,566
Culture and recreation	-	-	-	-	-	-	48,490
<b>Total disbursements</b>	<b>-</b>	<b>18,313</b>	<b>30</b>	<b>416,952</b>	<b>-</b>	<b>2,400</b>	<b>1,982,890</b>
Excess (deficiency) of receipts over disbursements	11,152	(3,663)	(30)	(415,693)	12,824	(1,155)	(106,399)
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	582,236	220,713	140,891	943,840
Transfers out	-	-	-	(240,891)	(242,449)	-	(483,340)
Other receipts	-	-	1,635	-	-	-	1,635
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>1,635</b>	<b>341,345</b>	<b>(21,736)</b>	<b>140,891</b>	<b>462,135</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	11,152	(3,663)	1,605	(74,348)	(8,912)	139,736	355,736
Cash and investment fund balance - beginning	12,599	8,457	3,790	80,174	492,627	-	1,120,411
Cash and investment fund balance - ending	<u>\$ 23,751</u>	<u>\$ 4,794</u>	<u>\$ 5,395</u>	<u>\$ 5,826</u>	<u>\$ 483,715</u>	<u>\$ 139,736</u>	<u>\$ 1,476,147</u>
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ -	\$ -	\$ 5,395	\$ -	\$ -	\$ -	\$ 757,182
<b>Restricted assets:</b>							
Cash and investments	23,751	4,794	-	5,826	483,715	139,736	718,965
<b>Total cash and investment assets - ending</b>	<b>\$ 23,751</b>	<b>\$ 4,794</b>	<b>\$ 5,395</b>	<b>\$ 5,826</b>	<b>\$ 483,715</b>	<b>\$ 139,736</b>	<b>\$ 1,476,147</b>
<b>Cash and Investment Fund Balance - Ending</b>							
<b>Restricted for:</b>							
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,644
Urban redevelopment and housing	-	-	-	5,826	483,715	139,736	629,277
Capital outlay	23,751	4,794	-	-	-	-	31,044
Unrestricted	-	-	5,395	-	-	-	757,182
<b>Total cash and investment fund balance - ending</b>	<b>\$ 23,751</b>	<b>\$ 4,794</b>	<b>\$ 5,395</b>	<b>\$ 5,826</b>	<b>\$ 483,715</b>	<b>\$ 139,736</b>	<b>\$ 1,476,147</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, 2008

	Cemetery Breeding	Cemetery Badger	Cemetery Conover	Cemetery Flower	Cemetery Graham Trust	Cemetery Dorsey Trust
Additions:						
Contributions:						
Other	\$ -	\$ 30,877	\$ 40,600	\$ -	\$ -	\$ -
Total contributions	-	30,877	40,600	-	-	-
Investment earnings:						
Interest	716	54,972	-	1,650	132	50
Total investment earnings	716	54,972	-	1,650	132	50
Net investment earnings	716	54,972	-	1,650	132	50
Total additions	716	85,849	40,600	1,650	132	50
Deductions:						
Administrative and general	-	114,256	749	2,655	-	-
Total deductions	-	114,256	749	2,655	-	-
Excess (deficiency) of total additions over total deductions	716	(28,407)	39,851	(1,005)	132	50
Cash and investment fund balance - beginning	18,489	229,630	2,888	36,283	4,593	2,048
Cash and investment fund balance - ending	<u>\$ 19,205</u>	<u>\$ 201,223</u>	<u>\$ 42,739</u>	<u>\$ 35,278</u>	<u>\$ 4,725</u>	<u>\$ 2,098</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, 2008  
 (Continued)

	Cemetery Christie Trust	Cemetery Amos	Cemetery Jordan Trust	Cemetery Mooney Trust	Cemetery Perpetual Care	Totals
Additions:						
Contributions:						
Other	\$ -	\$ 422	\$ -	\$ 1,269	\$ 5,340	\$ 78,508
Total contributions	-	422	-	1,269	5,340	78,508
Investment earnings:						
Interest	50	-	-	-	1,865	59,435
Total investment earnings	50	-	-	-	1,865	59,435
Net investment earnings	50	-	-	-	1,865	59,435
Total additions	50	422	-	1,269	7,205	137,943
Deductions:						
Administrative and general	-	75	-	-	-	117,735
Total deductions	-	75	-	-	-	117,735
Excess (deficiency) of total additions over total deductions	50	347	-	1,269	7,205	20,208
Cash and investment fund balance - beginning	2,003	2,708	173	23,727	65,942	388,484
Cash and investment fund balance - ending	<u>\$ 2,053</u>	<u>\$ 3,055</u>	<u>\$ 173</u>	<u>\$ 24,996</u>	<u>\$ 73,147</u>	<u>\$ 408,692</u>

TOWN OF EDINBURGH  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF GOVERNMENTAL ACTIVITIES CAPITAL ASSETS  
 For The Year Ended December 31, 2008

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.

<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	4,944,551
Machinery and equipment	<u>5,103,975</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 26,688,561</u>

TOWN OF EDINBURGH  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF GOVERNMENTAL ACTIVITIES LONG-TERM DEBT  
For The Year Ended December 31, 2008

Description of Asset	Ending Balance	Due Within One Year
Governmental activities:		
Capital leases:		
1997 swimming pool	\$ 409,087	\$ 30,484
Water playground	30,747	2,297
Water slide	80,145	6,595
Ambulance	21,577	10,585
Fire Department Turn Out Gear	24,583	6,784
Fire Truck	207,185	34,533
Street Sweeper	86,630	15,030
Street Department Truck	21,524	3,841
Street Department Truck	21,524	3,841
Street Department Truck	14,301	5,105
Street Department Truck	14,301	5,105
Building and Grounds Gator with Blade	5,623	2,965
Golf Carts	75,451	4,636
Police Cars	14,142	14,997
Pool Ultra Violet System	33,132	17,582
Parks Gator with Blade	7,960	2,798
Parks Kubota Tractor	71,000	3,061
New Park Building Loan	147,237	21,262
New Park Building Loan	100,000	3,086
Cemetery Truck	9,402	8,929
Police Cars	24,477	15,717
1997 Economic Development Lease Rental Bonds	<u>4,910,000</u>	<u>463,000</u>
Total governmental activities long-term debt	<u>\$ 6,330,027</u>	<u>\$ 682,233</u>

TOWN OF EDINBURGH  
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Town officials have not implemented effective internal controls to monitor the receipting, disbursing, recording and accounting of financial activities.

The claims for most Town departments and the Utilities are prepared by the Accounts Payable Clerk. The Accounts Payable Clerk also does the auditing of the claims prior to payment. As a result, she is preparing and auditing her own work. There are numerous corrections needed after the claims are paid, due either to the lack of information or to the misinterpretation of what fund and/or appropriation account should have been used. As a result, adjusting entries are then necessary to post the expenditures to their correct fund and/or accounts.

Also, the claims that the Accounts Payable Clerk prepares for the various departments are usually not reviewed and signed off on by the department heads until after the Town Council has approved the claims.

Entries to make corrections and adjustments to the financial ledgers are recorded and kept in a binder; however, there is no supervisory review of those corrections and adjustments.

Also, the claims docket was not always signed by the Clerk-Treasurer.

Various departments collect fees and charges for services and remit those collections to the Town; however, there is no review of those departments' records and procedures to ensure that they have appropriate internal controls over the collection of funds, and that they are remitting the funds to the Town in a timely manner.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

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)

PARK NONREVERTING OPERATING FUND

The Park Nonreverting Operating Fund was not budgeted in accordance with IC 36-10-3-22.

IC 36-10-3-22 states in part:

"(b) The unit's fiscal body may establish by ordinance, upon request of the board:

TOWN OF EDINBURGH  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (1) a special nonreverting operating fund for park purposes from which expenditures may be made as provided by ordinance, either by appropriation by the board or by the unit's fiscal body; or
- (2) a special nonreverting capital fund for the purpose of acquiring land or making specific capital improvements from which expenditures may be made by appropriation by the unit's fiscal body.

The unit's fiscal body shall designate the fund or funds into which the unit's fiscal officer (or county treasurer) shall deposit fees from golf courses, swimming pools, skating rinks, or other major facilities requiring major expenditures for management and maintenance. Money received from fees other than from major facilities or received from the sale of surplus property shall be deposited by the unit's fiscal officer (or county treasurer) either in the special nonreverting operating fund or in the nonreverting capital fund, as directed by the board."

INTERNAL CONTROLS – PARKS DEPARTMENT

Controls over receipting were insufficient.

No fee schedule was presented for the years tested. Also, no events calendar or other detail or schedule of activities was presented for audit purposes.

Not all of the daily sheets tested were signed off on by the person closing out the cash register for either the concession or admission revenue. The weekly worksheets were not being traced to the source document (Z tape). Per discussions with Park employees, the weekly worksheets were being traced to the daily sheets. However, there was no evidence that this was being done, such as the reviewer initialing the paperwork.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS - PAYROLL

The payroll claim forms were not filled out; only time sheets are submitted to the Clerk-Treasurer's office for processing. The payroll information is then entered into the Town's financial system and a check register generated. The check register was then attached to the payroll claim form. Department heads or supervisors would then sign off on the claim form. However, someone should verify that the check register does agree to the time sheets.

There were instances where the time sheets were either not signed by the town employee or the employee's supervisor and/or department head.

Overtime was calculated and entered on time sheets as a dollar amount, rather than as the actual overtime hours.

TOWN OF EDINBURGH  
AUDIT RESULTS AND COMMENTS  
(Continued)

Personnel files did not contain adequate paperwork to support pay rates or increases/changes to pay rates.

Manual payroll ledgers are maintained, in addition to the Town's financial software system. The software system is capable of tracking the payroll transactions by payroll withholding fund.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BOARD MINUTES

Not all minutes of meetings of the governing body were available for audit. Minutes of meetings held for the openings of bids were not kept.

IC 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

IC 36-1-12-4(b)(7) states in part: "The meeting for receiving bids must be open to the public. All bids received shall be opened publicly and read aloud at the time and place designated and not before."

INTERNAL CONTROLS – WATER, WASTEWATER, AND ELECTRIC UTILITIES

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. The general ledger for the Water, Wastewater and Electric Utilities' was not posted in a timely manner. There were instances where the month end entries were not made until months later. Also, the general ledger was not promptly closed after year end.

There were numerous errors made, including: expenses paid from the wrong Utility; expenses posted to the wrong general ledger account; expenses which should have been accrued as payables at year end; and incorrect allocation of expenses to the various expense categories.

TOWN OF EDINBURGH  
AUDIT RESULTS AND COMMENTS  
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent Wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property. This was also a comment in prior reports.

IC 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
  - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
  - (B) A description of the premises, as shown by the records of the county auditor; and
  - (C) The amount of the delinquent fees, together with the penalty; or
- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder. . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May . . ."

CAPITAL ASSET RECORDS - UTILITIES

The Utilities did not maintain sufficient detailed records of capital assets for their Utility Plant in Service accounts. Upon purchase, the costs of the capital assets are added to an aggregate Utility Plant in Service account, and to subsidiary accounts for land, buildings, etc., in the General Ledger. However, records providing historical costs for some of the Utility's capital assets are not available, and records classifying and summarizing the Utility's capital assets are incomplete. Deletions or disposals of capital assets are not recorded.

TOWN OF EDINBURGH  
AUDIT RESULTS AND COMMENTS  
(Continued)

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS - ACCOUNTS RECEIVABLE

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient.

Town officials did not have adequate controls over the Utility Accounts Receivable balances. Aged trial balances were normally not run, to enable officials to have adequate information concerning past due accounts. Closed customer accounts with unpaid balances were kept on the accounts receivable ledger; however, there were no written policies and procedures to address collection processes or write off procedures.

Customer account adjustments, for billing or other errors or adjustments, were made and documented on a form; however, there were no written policies and procedures to ensure that such adjustments were consistently applied and were reviewed and approved by someone other than Utility customer service staff. This review and approval process should be documented.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES - UTILITIES

Penalties and interest totaling \$1,413.63 were paid to the Indiana Department of Revenue on May 14, 2007, for sales tax due June 2006.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF EDINBURGH  
AUDIT RESULTS AND COMMENTS  
(Continued)

INTERNAL CONTROLS – WATER UTILITY

Controls over the recording and accounting for the capital assets were not sufficient in that the Utility staff did not keep a detailed control worksheet for the Water Utility construction in progress. Also, there was no review or oversight of the amounts recorded for that project. One progress payment in the amount of \$338,908 was omitted from the construction in progress account, as well as several miscellaneous other amounts. These amounts were adjusted during the audit. Also, calculations were not made to determine whether interest should be capitalized, in accordance with FASB 34 and FASB 62.

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)

BOARD MINUTES - REDEVELOPMENT AUTHORITY AND COMMISSION

No minutes of meetings of the Redevelopment Authority or Redevelopment Commission were available for audit.

IC 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

CONTRACTS – TIMBERGATE GOLF COURSE

A contract between the Town of Edinburgh ("Owner"), by and through its Economic Redevelopment Commission, and H & B Enterprises, Inc. ("Manager") contains terms and provisions for the operation of the Timbergate golf course.

Included in the provisions of this contract is the preparation of a report of annual results of operations, including golf revenues and golf expenses, as requested by Owner. Also included is the provision that the Manager shall take annual physical inventories of the golf shop merchandise, food and beverages, and fixed assets.

However, Town Officials had not requested an annual results of operations report nor copies of the Manager's annual inventories of the golf shop merchandise, food and beverages. As a result, Town Officials did not have sufficient internal control procedures over the contracted operations of Timbergate Golf Course.

TOWN OF EDINBURGH  
AUDIT RESULTS AND COMMENTS  
(Continued)

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

LOAN FROM ELECTRIC UTILITY - TIMBERGATE GOLF COURSE

A loan of \$150,000 was made in 2007 from the Electric Utility to the Town's ERA Timbergate Fund, which is funded through charges for golfing, pro shop, food and beverage sales. Town Ordinance No. 2007-6 authorized this loan and stated that the repayment would be made on or before August 1, 2007. The loan was for the purpose of paying an interest payment in connection with the refunding of the Redevelopment Authority Economic Development Lease Rental Bonds of 1997.

Repayment of the loan was made on August 3, 2009.

IC 8-1.5-3-12 states:

"(a) A municipality may, by ordinance of its legislative body, borrow money from a utility owned by the municipality for current purposes in anticipation of taxes levied and to be collected during the current or following year."

"(b) The board may by resolution lend money to the municipality if the utility has on hand:

- (1) A surplus of cash exceeding by at least the amount loaned the sum of all amounts required to pay the indebtedness of the utility falling due during the current calendar year and the following year;
- (2) The amount necessary to meet current expenses during the year; and
- (3) The amount necessary to pay for improvements contemplated to be made during the current calendar year minus the estimated receipts during the calendar year."

"(c) A loan may not be made for a sum in excess of fifty percent (50%) of the amount estimated to be collected from anticipated taxes. The loan:

- (1) Must be evidenced by an obligation of the municipality;
- (2) Must be signed by the executive;
- (3) Is due on or before thirty (30) days after the last day for the payment of anticipated taxes; and
- (4) May bear interest at any rate as determined by the board, payable at maturity."

PERSONAL EXPENSES – TIMBERGATE GOLF COURSE

The following Advanced Turf Solutions invoices were reviewed and issues noted as listed in the table below. Several invoices were billed to Timbergate Golf Course; however, the invoices included notations, indicating that purchases were made for St. Anne's Golf Course or that they were shipped to St. Anne's Golf Course in North Vernon, Indiana. The invoices were for golf course chemicals.

TOWN OF EDINBURGH  
AUDIT RESULTS AND COMMENTS  
(Continued)

Invoice Number	Invoice Date	Invoice Amount	Description	Shipped to:	Billed to:	Paid by Town?
1818670	07-02-08	\$ 5,333.20	Invoice was reviewed during A-133 audit; St. Anne's noted as the ship to address; Upon inquiry, Greg Bishop, of H & B Enterprises, wrote a check to reimburse the Town for this invoice.	St. Anne's	Timbergate	Yes
2090930	07-24-08	14,209.03	Invoice was noted that it was product for St. Anne's; A copy of an H & B Enterprises check for \$3,500 was obtained from the vendor; The vendor also indicated that a subsequent \$2,000 payment was made on this invoice. See note below.	Timbergate	Timbergate	No
1789600	05-28-09	2,133.20	Invoice was paid from Timbergate funds (check 2119 on June 9, 2009).	St. Anne's	Timbergate	Yes
2149720	09-29-09	460.00	The invoice was noted as shipped to St. Anne's.	Timbergate	Timbergate	No

Note: Invoice 2090930 was billed to the Town of Edinburgh, Timbergate Golf Course. The invoice was dated July 24, 2009, with a payment due date of August 23, 2009. On September 29, 2009, Town staff received a phone call and later an e-mail concerning this past due invoice, which still had a balance due of \$10,709.03. On October 7, 2009, Town staff received another inquiry about this invoice. The vendor noted that an additional payment of \$2,000 had been received on October 7, 2009. No Town payments were made on this invoice.

Town officials did not request detailed statements from Advanced Turf Solutions to enable them to review the activity and payments made on their Advanced Turf Solutions account. As a result, Town officials did not have assurance that the balance due on that invoice had been paid in full. Also, there may have been other activity on the Town's account that they were not aware of, since Town officials did not consistently receive copies of each monthly billing statement.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COLLECTION OF AMOUNTS DUE

The amount of \$2,133.20 for the payment of invoice number 1789600 to Advanced Turf Solutions should be collected from Greg Bishop, of H & B Enterprises, Inc. This invoice was for items shipped to St. Anne's Golf Course, but billed to Timbergate Golf Course, and paid with Town funds.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF EDINBURGH  
AUDIT RESULTS AND COMMENTS  
(Continued)

PERSONAL EXPENSES – COCA-COLA – TIMBERGATE GOLF COURSE

Invoices for Coca-Cola products, marked as being for "St. Anne's golf course," were billed to the Town of Edinburgh, Timbergate Golf Course. These invoices were not paid by the Town of Edinburgh; however, the invoices were billed to the Town's account. The following invoices were noted as being for St. Anne's:

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Invoice Amount</u>
Invoice 571425	03-11-09	\$ 143.70
Invoice 571617	04-20-09	232.50
Invoice 596286	05-18-09	382.00
Invoice 604944	07-15-09	102.90
Invoice 596871	08-13-09	230.35
Invoice 597096	09-23-09	238.30

Town officials did not have sufficient documentation (monthly statements) to indicate that each of these invoices had been paid; however, the January 31, 2010 monthly statement showed a zero balance.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES – TIMBERGATE GOLF COURSE

Penalties and interest on sales tax remittances totaling \$24.93 for 2007; \$451.15 for 2008; and \$659.13 for 2009 were paid to the Indiana Department of Revenue. The sales tax returns were prepared by Greg Bishop, of H & B Enterprises. The returns were then submitted to the Town for payment.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF EDINBURGH  
AUDIT RESULTS AND COMMENTS  
(Continued)

INTERNAL CONTROLS - GOLF COURSE

The Timbergate Golf Course was originally established to be self supporting. However, the expenditures have historically exceeded the revenues. For the years 2007 and 2008, the following was noted:

	2007	2008
Expenditures:		
Timbergate Golf Course Fund	\$ 594,527	\$ 958,652
General Fund - Timbergate	560,151	538,283
Subtotal Expenditures	1,154,678	1,496,935
Less:		
Debt payments	-	(460,500)
2007 - refinancing bonds - interest only	(99,240)	-
Adjusted Expenditures	1,055,438	1,036,435
Receipts:		
Timbergate Golf Course Fund	996,721	944,547
Adjustments:		
FEMA flood damage reimbursement	-	(7,358)
Loan from Electric Utility	(150,000)	-
Insurance reimbursements	-	(155,348)
Adjusted Receipts	846,721	781,841
Operating Expenditures exceed Operating Receipts	\$ (208,717)	\$ (254,594)

From the review of the 2007 and 2008 receipts and disbursements, the golf course receipts are not sufficient to cover operating disbursements and debt service requirements. As a result, Town funds are needed to cover any expenditures which exceed the golf course receipts, as well as the debt service payments.

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)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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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, 2007 and 2008. 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 noncompliance 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, 2007 and 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2008-3.

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)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in item 2008-3 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

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. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on it.

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

June 10, 2010

TOWN OF EDINBURGH  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended December 31, 2007 and 2008

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-07	Total Federal Awards Expended 12-31-08
<u>U.S. HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Office of Community and Rural Affairs Community Development Block Grants/State's Program	14.228	Grant No. DR1A-09-056	\$ -	\$ 138,664
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
Pass-Through Indiana Department of Environmental Management Capitalization Grants for Clean Water	66.458	Project CS182363.01	9,349	1,958
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Direct Grant Assistance to Firefighter Grant	97.044	Grant #EMW-2007-FO-08998	-	121,500
Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance	97.036	Disaster No. 1766	-	446,373
Total for federal grantor agency			-	567,873
Total federal awards expended			\$ 9,349	\$ 708,495

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 except business-type activities is qualified

Internal control over financial reporting:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	no

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?	yes

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? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
97.036	Disaster Grants – Public Assistance

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

FINDING 2008-1, INTERNAL CONTROL OVER FINANCIAL REPORTING AND ACTIVITIES

Town officials have not implemented effective internal controls to monitor the receipting, disbursing, recording and accounting of financial activities.

The claims for most Town departments and the Utilities are prepared by the Accounts Payable Clerk. The Accounts Payable Clerk also does the auditing of the claims prior to payment. As a result, she is preparing and auditing her own work. There are numerous corrections needed after the claims are paid, due either to the lack of information or to the misinterpretation of what fund and/or appropriation account should have been used. As a result, adjusting entries are then necessary to post the expenditures to their correct fund and/or accounts.

TOWN OF EDINBURGH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Also, the claims that the Accounts Payable Clerk prepares for the various departments are usually not reviewed and signed off on by the department heads until after the Town Council has approved the claims.

Entries to make corrections and adjustments to the financial ledgers are recorded and kept in a binder; however, there is no supervisory review of those corrections and adjustments.

Various departments collect fees and charges for services and remit those collections to the Town; however, there is no review of those departments' records and procedures to ensure that they have appropriate internal controls over the collection of funds, and that they are remitting the funds to the Town in a timely manner.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objective, and compliance with laws and regulations. Among other things segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

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)

FINDING 2008-2, INTERNAL CONTROL OVER FINANCIAL REPORTING AND ACTIVITIES - UTILITIES

Town officials have not implemented effective internal controls for monitoring the receipting, disbursing, recording and accounting of financial activities.

There were numerous errors made, including: expenses paid from the wrong Utility; expenses posted to the wrong general ledger account; and expenses which should have been accrued as payables at year end.

Entries to make corrections and adjustments to the financial ledgers are recorded and kept in a binder; however, there is no supervisory review of those corrections and adjustments.

The Utilities' general ledger was not posted in a timely manner during the audit period. There were instances where some postings for 2007 were not made until as late as February 2009. For 2008, there were postings made to the general ledger in May 2009. The general ledger should be posted and the books closed in a timely manner as soon as possible after year end.

Billings, collections, adjustments and accounts receivable activities also need to be reviewed and, where appropriate, approved by someone independent of those activities.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objective, and compliance with laws and regulations. Among other things segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

TOWN OF EDINBURGH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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)

Section III – Federal Award Findings and Questioned Costs

FINDING 2008-03, ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Homeland Security  
Federal Program: Disaster Grants – Public Assistance  
CFDA No.: 97.036  
Award Number: 1766  
Pass-Through Entity: Indiana Department of Homeland Security

The Town FEMA Administrator did not certify the Application's Benefit Calculation Worksheet (i.e., pay rate or fringe benefits) for all of the Town employees relative to the administrative cost calculations prepared by the Indiana FEMA Project Specialist. As a result, the amounts claimed for reimbursement of administrative cost and equipment rental were overstated.

Of the 16 project worksheets, administrative cost related to 8 project worksheets submitted to the Indiana Department of Homeland Security were not approved by someone other than the individual whose costs, were being claimed. The Town FEMA Administrator approved 7 claims for her administrative cost, totaling \$11,867.38, and the Director of Utilities approved 1 claim for his administrative cost, totaling \$413.60.

The Town of Edinburgh collected administrative cost, in the amount of \$101.70, for services provided by the contracted golf course manager and the Town was reimbursed, in the amount of \$4,050.00, for use of personal vehicles that belonged to golf course employees.

44 CFR 206.228(a) states in part: "Reimbursement for ownership and operation costs of applicant-owned equipment used to perform eligible work shall be provided . . ."

Per 44 Code of Federal Regulations Subpart C Section 13.20(b) (3) Internal Control: "Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes."

We recommended that the Town FEMA Administrator certify the administrative cost for all applicable employees. We also recommended that the administrative costs be reviewed and approved by someone other than the person incurring the cost and that monitoring should be conducted to ensure only employees of the Town are being reimbursed for administrative cost. Finally, we recommended that the Town only request reimbursement for use of Town owned (or Town leased, when allowable) equipment.

We also recommended that Town officials consult the Indiana Department of Homeland Security officials for assistance in correcting the original claims submitted for reimbursement.

TOWN OF EDINBURGH  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters were reportable.



**TOWN  
OF  
Edinburgh**

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June 10, 2010

**CORRECTIVE ACTION PLAN**

**Section II – Financial Statement Findings**

**Finding 2008-1. INTERNAL CONTROL OVER FINANCIAL REPORTING AND ACTIVITIES**

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Phone: 812-526-3511

E-mail: [jlsmith3@sbcglobal.net](mailto:jlsmith3@sbcglobal.net)

Expected completion date: Ongoing process

**Corrective action:**

The Town of Edinburgh will implement the following actions in response to Finding 2008-1:

The Town of Edinburgh department heads will prepare their own claims to be processed by the Claims Clerk.

The Town of Edinburgh Clerk Treasurer will review corrections and adjustments to the financial ledgers.

The Town of Edinburgh Clerk Treasurer will review the various departments' records and procedures for collection of funds.

The Town of Edinburgh will comply with Accounting and Uniform Compliance Guidelines for Cities and Towns according to Chapter 7.

FINDING 2008-2. INTERNAL CONTROL OVER FINANCIAL REPORTING AND ACTIVITIES – UTILITIES

Contact Person: Jackie Smith

Phone: 812-526-3511

E-mail: jsmith3@sbcglobal.net

Expected completion date: Ongoing process

Corrective action:

The Town of Edinburgh will implement the following actions in response to Finding 2008-2:

The Town of Edinburgh Utilities General Ledger employee has retired and the process for the future is to be determined.

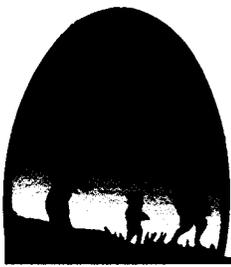
The Town of Edinburgh Supervisors will review adjustments for billings and accounts receivable activities.

The Town of Edinburgh will comply with Accounting and Uniform Compliance Guidelines for Cities and Towns according to Chapter 7.

Sincerely,



Jackie L. Smith  
Clerk-Treasurer  
Town of Edinburgh



**TOWN  
OF  
Edinburgh**

**ADMINISTRATIVE OFFICES**  
107 SOUTH HOLLAND STREET  
P.O. BOX 65  
EDINBURGH, INDIANA 46124-0065  
812-526-3512 FAX 812-526-3537  
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**CORRECTIVE ACTION PLAN**

Section III – Federal Award Findings and Questioned Costs

Finding 2008-3. ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: U.S. Department of Homeland Security  
Federal Program: Disaster Grants – Public Assistance  
CFDA No.: 97.036  
Pass-Through Agency: Indiana Department of Homeland Security

Contact Person: John Drybread  
Phone: 812-526-3510  
E-mail: townhall@edinburgh.in.us

Corrective Action:

The Town of Edinburgh will implement the following actions to make certain future disaster grants are handled in an efficient manner:

The Town FEMA Administrator will certify all employee calculation worksheets completed by another person.

The Town FEMA Administrator will monitor and review all project worksheets and ensure only town employees are incurring the costs. All administrative costs will be reviewed and certified by someone other than the person incurring the cost.

Town FEMA Administrator will also monitor and review all project worksheets to ensure reimbursement requests are only for town owned equipment.

The Town FEMA Administrator will contact Indiana Department of Homeland Security to request assistance in correcting the reimbursement claims for equipment and administrative cost.

Sincerely,

John R. Drybread  
Director of Utilities  
Town of Edinburgh

TOWN OF EDINBURGH  
EXIT CONFERENCE

The contents of this report were discussed on June 10, 2010, with Jackie Smith, Clerk-Treasurer; John Drybread, Utility Superintendent; Ron Hoffman, President of the Town Council; and Rhonda Barrett, Accounts Payable Clerk.