

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF EDINBURGH

JOHNSON COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED

08/20/2024

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Annual Financial Report.....	6
Annual Financial Report - Other Information	7-8
Capital Assets	8-9
Exit Conference	10

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Scott Finley Rhonda Barrett	01-01-23 to 12-31-23 01-01-24 to 12-31-24
President of the Town Council	Ryan Piercefield	01-01-23 to 12-31-24
Town Manager	Wade Watson (interim) Kevin McGinnis (Vacant)	01-01-23 to 06-12-23 06-13-23 to 04-19-24 04-20-24 to 07-18-24
Superintendent of Water Utility	Bill Jones	01-01-23 to 12-31-24
Superintendent of Electric Utility	Kevin Rubush	01-01-23 to 12-31-24
Superintendent of Wastewater Utility	Rebecca Frakes (Vacant) Robert Jessie	01-01-23 to 01-04-23 01-05-23 to 02-26-23 02-27-23 to 12-31-24
Parks and Recreation Superintendent	Dan Teter	01-01-23 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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TO: THE OFFICIALS OF THE TOWN OF EDINBURGH, JOHNSON COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Edinburgh (Town), for the period from January 1, 2023 to December 31, 2023. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Town. It should be read in conjunction with the Financial Statement Audit Report of the Town, which provides our opinions on the Town's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

July 18, 2024

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CLERK-TREASURER
TOWN OF EDINBURGH

CLERK-TREASURER
TOWN OF EDINBURGH
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The Town had not established effective internal controls over the AFR entered into Gateway, which was the source of the Town's financial statement.

The financial statement presented for audit did not reflect all the financial transactions of the Town. The Town entered into a Build-Operate-Transfer lease financing agreement on June 1, 2022. During the audit period, the lender paid \$2,608,492 to the project contractors and developer on behalf of the Town. The Town did not post any of the transactions to its ledger or report the amounts in its AFR. As a result, the receipts and disbursements reported in the Town's financial statement were each materially understated by \$2,608,492.

Adjustments were proposed, accepted by the Town, and made to the financial statement and to the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented as Other Information in the Financial Statement Audit Report of the Town.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

All financial information of the entity shall be included on the financial statement even if the activity has not been included in the financial records of the entity. (Accounting and Financial Reporting Regulation Manual, Part III: Financial Reporting Requirements - Local Governmental Units)

CLERK-TREASURER
TOWN OF EDINBURGH
AUDIT RESULTS AND COMMENTS
(Continued)

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

Other information is required to be entered into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The Town had not established an effective system of internal controls over the AFR information entered into Gateway. Multiple issues were noted with the capital assets and leases and debt information entered into Gateway.

Schedule of Capital Assets

The capital asset information reported in Gateway was inaccurate. The Town provided documentation for audit, but the information was incomplete and did not support the amounts reported in the schedule. The Town chose not to present the Schedule of Capital Assets in its Financial Statement Audit Report.

Schedule of Leases and Debt

Several errors were noted with the leases and debt information reported in Gateway as follows:

- The 2015 Wastewater Refunding Bond principal ending balance and principal due within one year were overstated by \$15,000 and \$240,000, respectively.
- The Waterworks Revenue Bond 2016 principal ending balance and principal due within one year were overstated by \$170,000 and \$860,000, respectively.
- The BOT Lease - Fire Station was omitted from the schedule, and, accordingly, the annual lease payments due in one year were understated by \$272,671.

Adjustments were proposed, accepted by the Town, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report of the Town.

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CLERK-TREASURER
TOWN OF EDINBURGH
AUDIT RESULTS AND COMMENTS
(Continued)

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CAPITAL ASSETS

The same comment appeared in prior Reports B58465 and B61381.

Condition and Context

Internal controls were not in place to ensure that the Town complied with laws and regulations related to capital assets. The Town did not maintain adequate capital asset records and was unable to provide a clear audit trail showing how the capital assets totals were derived. In addition, the Town did not provide any evidence that a physical inventory had been taken at least every two years.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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CLERK-TREASURER
TOWN OF EDINBURGH
AUDIT RESULTS AND COMMENTS
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CLERK-TREASURER
TOWN OF EDINBURGH
EXIT CONFERENCE

The contents of this report were discussed on July 18, 2024, with Rhonda Barrett, Clerk-Treasurer; Sherri Sweet, Town Council member; Miriam Rooks, Town Council member; and Scott Finley, prior Clerk-Treasurer.