

**Rouse, Rouse, Penn & Rouse, L.L.P.**  
Certified Public Accountants

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City of Eden  
City Council  
Eden, North Carolina

Council Members:

We have just completed our audit of the financial statements of the City of Eden for the year ended June 30, 2012. In the course of the examination, we gave particular attention to accounting procedures and internal control. On the basis of these observations, we offer the following suggestions for improvements which, in our opinion, would increase the efficiency of processing accounting data:

1. Audit Adjustments

Year-end adjustments by the auditors should be kept to a minimum. A comparison of the number of adjustments this year compared to the last four years is presented as follows:

	Year Ended 6-30 <u>2012</u>	Year Ended 6-30 <u>2011</u>	Year Ended 6-30 <u>2010</u>	Year Ended 6-30 <u>2009</u>	Year Ended 6-30 <u>2008</u>
General Fund	7*	10	10	10	11
Water and Sewer Fund	6*	9	5	2	8

\*Number of these entries proposed by city personnel:

General Fund	1
Water & Sewer Fund	2

The City's staff continues its trend of having few adjusting entries necessary to bring the City's financial statements in conformity with generally accepted auditing standards and Government Auditing Standards. We continue to stress the importance of the accounting personnel attending Local Government Commission and

Institute of Government classes to keep abreast of new accounting and auditing issues related to the City's business.

2. Actuarial Studies

A. The city continues to get an actuarial study of the police separation allowance. We commend the city administration for monitoring the funding progress of the police separation allowance and should continue to do so.

B. The City needs to continue to monitor the cost of a study made of other Post Employment Benefits to comply with GASB Statement 43, Financial Reporting for Postemployment Benefits Other than Pension Plans, and Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The long range cost to the City should be analyzed for consideration in the budgeting process for the City of Eden in the future.

3. Water and Sewer Fund

Again we remind the City that since the audited financial statements have been released, the finance department should adjust the current water and sewer rates for the industrial consumers based on the audited expenditures in the Water and Sewer Fund. We suggest that the engineering firm which performed the water and sewer study review these adjustments for completeness and accuracy.

We appreciate the cooperation shown to us during the course of our engagement.

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