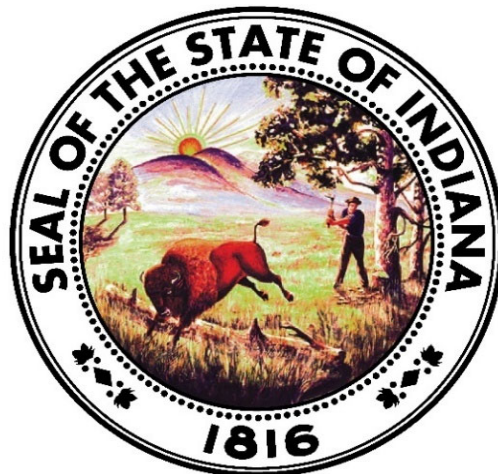


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

FINANCIAL STATEMENT AND
FEDERAL COMPLIANCE AUDIT REPORT
OF

TOWN OF PAOLI
ORANGE COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED
10/23/2024



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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October 23, 2024

To: The Officials of the Town of Paoli
Town of Paoli
Orange County, Indiana

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of Town of Paoli. We have reviewed the audit report opined upon by Crowe LLP, Independent Public Accountants, for the period January 1, 2023 to December 31, 2023. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of Town of Paoli as of December 31, 2023, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings included in the report on pages 29 through 33. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's Corrective Action Plan appears on pages 34 through 36.

In our opinion, Crowe LLP prepared the audit report in accordance with the guidelines established by the Indiana State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for Town of Paoli was prepared in accordance with the guidelines established by the Indiana State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in black ink that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

TOWN OF PAOLI
Orange County, Indiana

FINANCIAL STATEMENT
For the Year Ended December 31, 2023

TOWN OF PAOLI
Orange County, Indiana

FINANCIAL STATEMENT
For the Year Ended December 31, 2023

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TOWN OF PAOLI
SCHEDULE OF OFFICIALS (Unaudited)
December 31, 2023

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Beth Jones	01-01-23 to 12-31-24
President of the Town Council	Bobbie Bostock	01-01-23 to 12-31-24

INDEPENDENT AUDITOR'S REPORT

Those Charged with Governance
Town of Paoli
Orange County, Indiana

Opinions

We have audited the accompanying statement of receipts, disbursements, and cash and investment balances of the Town of Paoli (the "Town") as of December 31, 2023, and the related notes to the financial statement.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement presents fairly, in all material respects, the cash and investment balances of the Town as of December 31, 2023, and its cash receipts and cash disbursements for the year then ended, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Town as of December 31, 2023, or changes in net position for the year then ended.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United State of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 to the financial statement, the Town prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

(Continued)

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6) as described in Note 1, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprise the Town's financial statement. The accompanying Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.

(Continued)

Other Information

Management is responsible for the other information included with the financial statement. The other information comprises the Schedule of Officials, Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, Schedule of Capital Assets, and State Reporting Information, but does not include the financial statement and our auditor's report thereon. Our opinion on the financial statement does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2024, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Crowe LLP

Indianapolis, Indiana
September 30, 2024

TOWN OF PAOLI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND
INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2023

<u>Fund</u>	Cash and Investments <u>01-01-23</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash and Investments <u>12-31-23</u>
GENERAL FUND	\$ 755,828	\$ 1,228,027	\$ 1,042,567	\$ 941,288
MOTOR VEHICLE HIGHWAY	128,935	139,305	143,613	124,627
LOCAL ROAD AND STREET	67,959	26,903	6,819	88,043
MVH RESTRICTED (SUBFUND OF MOTOR VEHICLE HIGHWAY)	183,762	78,942	177,994	84,710
AVIATION (OPERATION MOSTLY WITH TAX REVENUE SUPPOR	21,830	110,332	79,290	52,872
PARKING METER	15	-	-	15
COUNTY ECONOMIC DEVELOPMENT INCOME TAX (CEDIT)	260,359	125,566	122,523	263,402
ABANDONED VEHICLE	31,628	19,543	44,721	6,450
LOCAL LAW ENFORCEMENT CONTINUING EDUCATION FUND	547	423	686	284
UNSAFE BUILDING	38,953	-	6,141	32,812
RIVERBOAT	991,470	486,072	592,107	885,435
PARK AND RECREATION - OPERATING	105,074	83,784	122,596	66,262
RAINY DAY	14,654	-	-	14,654
LOIT SPECIAL DISTRIBUTION	43,180	-	-	43,180
OPIOID - RESTRICTED FUND	16,101	4,462	16,101	4,462
OPIOID - UNRESTRICTED FUND	6,901	1,235	3,604	4,532
CEMETERY	41,933	-	-	41,933
LEVY EXCESS	1,400	-	-	1,400
CUMULATIVE CAPITAL DEVELOPMENT	164,272	48,447	54,074	158,645
REDEVELOPMENT CAPITAL	71,565	20,632	4,848	87,349
INDUSTRIAL DEVELOPMENT (CAPITAL PROJECTS COSTS NO	367,896	14,768	-	382,664
CUMULATIVE CAPITAL IMPROVEMENT - CIGARETTE TAX	25,442	6,655	6,706	25,391
PAYROLL NET SALARIES	-	1,309,825	1,309,825	-
PAYROLL - BANK INTEREST	156	-	-	156
PAYROLL - IN GARNISHMENT	-	2,442	2,442	-
PAYROLL WITHHOLDING (WHEN MAINTAINED APART FROM PA	-	398,094	398,094	-
PAYROLL - PERF	-	239,334	239,334	-
PAYROLL - STATE / COUNTY W/H	-	85,994	85,994	-
PAYROLL - SITEX	2	144	144	2
LIT - PUBLIC SAFETY	276,687	206,825	200,227	283,285
TOWN DONATIONS	12,888	500	899	12,489
PARK DONATIONS	5,181	-	-	5,181
POLICE DEPT DONATIONS	1,435	16,400	14,952	2,883
FIRE DEPT DONATIONS	1,748	-	-	1,748
FIREWORKS DONATIONS	6,067	12,223	-	18,290
PD GRANTS	(852)	13,201	4,470	7,879
AVIATION RUNWAY GRANT	1,759	281,385	291,288	(8,144)
AVIATION TIMBER SALE/CONSTRUCTION	16,636	-	-	16,636
AVIATION RENTAL HOUSE	2,264	2,788	1,528	3,524
AVIATION AWARENESS DAY	58	-	-	58
PARK CONCESSIONS	36,777	44,738	35,796	45,719
PARK EVENTS	24,447	9,750	26,914	7,283
VEHICLE UNLOCK	845	50	-	895

(Continued)

TOWN OF PAOLI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND
INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2023

Fund	Cash and Investments		Cash and Investments	
	01-01-23	Receipts	Disbursements	12-31-23
GOLF CART/UTV REGISTRATION	\$ 602	\$ 255	\$ 179	\$ 678
PROHIBITED VEHICLE VIOLATION	15	-	-	15
RESERVE OFFICER FUND	746	3,650	2,181	2,215
COMMUNITY OUTREACH	5,249	2,510	6,693	1,066
INDOT RW PURCHASE	60,555	-	-	60,555
K9 FUND	5,316	7,830	9,748	3,398
UTILITY	-	7,533,929	7,533,929	-
PARK BOND (SINKING)	523,511	329,489	330,000	523,000
POLICE CAR LOAN	-	129,718	129,718	-
STATE GRANT - COMMUNITY CROSSINGS	18,024	778,592	713,504	83,112
SIDEWALK FUND	101,853	-	33,466	68,387
PAYROLL - 457 RETIRMENT PLAN	-	10,221	10,221	-
FAA CARES ACT FUND	-	31,000	4,129	26,871
AMERICAN RESCUE PLAN ACT FUND (ARP)	743,224	-	171,302	571,922
AVIATION GAS REVOLVING	25,177	61,131	63,278	23,030
PAYROLL	1,537	25	148	1,414
PAYROLL - COLONIAL INS	-	237	237	-
PAYROLL - LIBERTY NAT'L	305	512	512	305
PAYROLL - TOWN REIMBURSEMENTS	-	5,839	5,839	-
PAYROLL - LINCOLN INS	99	7,356	7,286	169
PAYROLL - AFA	(78)	18,923	18,747	98
PAYROLL - AFLAC	67	-	-	67
ELECTRIC UTILITY OPERATING	939,759	5,088,561	5,003,306	1,025,014
ELECTRIC UTILITY METER DEPOSIT	280,148	96,175	61,632	314,691
ELECTRIC UTILITY DEPRECIATION	216,968	166	2	217,132
ELECTRIC UTILITY LIGHT CASH RES	65,313	-	-	65,313
ELECTRIC UTILITY CASH CHANGE	500	-	-	500
SEWAGE UTILITY OPERATING	379,986	1,471,880	1,337,260	514,606
SEWAGE UTILITY DSR - BNY	37,884	1,666	39,550	-
SEWAGE UTILITY CONSTRUCTION (IN PROGRESS)	-	920	460	460
SEWERAGE UTILITY DEBT SERVICE RES	154,366	154,366	154,366	154,366
SEWAGE UTILITY B&I - BNY	8,790	233,691	242,480	1
SEWAGE WORKS CONSTRUCTION	-	15,496,121	15,496,121	-
WATER UTILITY OPERATING	363,401	1,696,397	1,536,609	523,189
WATER UTILITY METER DEPOSIT	71,552	18,903	12,192	78,263
WATER UTILITY BOND & INTEREST	96,009	225,592	227,975	93,626
WATER UTILITY DEBT SERVICE RESERVE	232,650	-	-	232,650
WATER TANK MAINT FUND	7,305	-	-	7,305
Totals	\$ 8,066,635	\$ 38,424,444	\$ 38,189,367	\$ 8,301,712

See accompanying notes to financial statement.

TOWN OF PAOLI
NOTES TO FINANCIAL STATEMENT
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 some or all of 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, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the Unit.

Basis of Accounting: The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred. The basis of accounting also requires presentation of certain information as Other Information.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP), 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. The regulatory basis also allows for all investments to be stated at cost, while GAAP requires fair value for qualifying investments.

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

Receipts: Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes. Amounts received including one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits. Amounts received from businesses, occupations, or non-businesses that must be licensed before doing business within the government's jurisdiction, or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

(Continued)

TOWN OF PAOLI
NOTES TO FINANCIAL STATEMENT
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fines and forfeits. Amounts received from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees. Amounts received from charges for current services.

Other receipts. Amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

Disbursements: Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services. Amounts disbursed for salaries, wages, and related employee benefits provided for all persons employed. In those Units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies. Amounts disbursed for articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest. Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the Unit. It includes all expenditures for the reduction of the principal and interest of the Unit general obligation indebtedness as well as lease agreements.

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses. Amounts disbursed for operating the utilities.

Other disbursements. Amounts disbursed for various purposes including, but not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

Interfund Transfers: The Town may, from time to time, make transfers from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

Fund Accounting: Separate funds are established, maintained, and reported by the Town. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Unit. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the Town itself.

(Continued)

NOTE 2 - BUDGETS

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

NOTE 3 - PROPERTY TAXES

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by December 31 of the year preceding the budget year or January 15 of the budget year if the Town is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. Taxable property is assessed at 100 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

NOTE 4 - DEPOSITS AND INVESTMENTS

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund (PDIF). This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the Town to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

NOTE 5 - RISK MANAGEMENT

The Town may be 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; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the Unit to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

The Town has purchased insurance to address the risks described above.

NOTE 6 - PENSION PLANS

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund Defined Benefit Plan (PERF DB) is a cost-sharing multiple-employer defined benefit plan and provides retirement, disability, and survivor benefits to plan members. PERF DB is administered through the Indiana Public Retirement System (INPRS) Board in accordance with state statutes (IC 5-10.2 and IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the Town authority to contribute to the plan.

The Public Employees' Hybrid Plan (PERF Hybrid) consists of two components: PERF DB, the employer-funded monthly defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account, the defined contribution component.

Financial Report

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (844) 464-6777

Contributions

Members' contributions are set by state statute at 3 percent of compensation for the defined contribution component of PERF Hybrid. The employer may elect to make the contribution on behalf of the member of the defined contribution component of PERF Hybrid. Contributions to the PERF DB are determined by INPRS Board based on actuarial valuation.

NOTE 7 - CASH BALANCE DEFICIT

The financial statements contain a fund with a deficit in cash. This is a result of the timing of a reimbursable grant in the Aviation Runway Grant fund for which reimbursements were not received as of December 31, 2023.

NOTE 8 - HOLDING CORPORATIONS

The Town has entered into a capital lease with the Paoli Building Corporation (lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the Town. The lessor has been determined to be a related-party of the Town. Lease payments during 2023 totaled \$330,000.

OTHER INFORMATION (Unaudited)

TOWN OF PAOLI
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2023

	GENERAL FUND	MOTOR VEHICLE HIGHWAY	LOCAL ROAD AND STREET	MVH RESTRICTED (SUBFUND OF MOTOR VEHICLE HIGHWAY)	AVIATION (OPERATION MOSTLY WITH TAX REVENUE SUPPOR	PARKING METER	COUNTY ECONOMIC DEVELOPMENT INCOME TAX (CEDIT)	ABANDONED VEHICLE	LOCAL LAW ENFORCEMENT CONTINUING EDUCATION FUND	UNSAFE BUILDING	RIVERBOAT	PARK AND RECREATION - OPERATING
Cash and investments - beginning	\$ 755,828	\$ 128,935	\$ 67,959	\$ 183,762	\$ 21,830	\$ 15	\$ 260,359	\$ 31,628	\$ 547	\$ 38,953	\$ 991,470	\$ 105,074
Receipts:												
Taxes	539,773	-	-	-	79,311	-	-	-	-	-	-	26,698
Licenses and permits	1,994	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental receipts	468,029	78,942	26,903	78,942	8,437	-	125,566	-	-	-	486,072	52,840
Charges for services	50	1,433	-	-	22,410	-	-	19,543	195	-	-	275
Fines and forfeits	1,522	-	-	-	-	-	-	-	5	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-	-	-	-
Other receipts	216,659	58,930	-	-	174	-	-	-	223	-	-	3,971
Total receipts	1,228,027	139,305	26,903	78,942	110,332	-	125,566	19,543	423	-	486,072	83,784
Disbursements:												
Personal services	735,080	-	-	-	49,387	-	-	-	-	-	-	68,866
Supplies	44,962	109,636	6,819	177,994	1,976	-	-	-	-	-	-	2,244
Other services and charges	224,113	2,352	-	-	27,927	-	-	-	-	-	-	51,486
Debt service - principal and interest	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	17,220	31,625	-	-	-	-	-	-	-	6,141	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other disbursements	21,192	-	-	-	-	-	122,523	44,721	686	-	592,107	-
Total disbursements	1,042,567	143,613	6,819	177,994	79,290	-	122,523	44,721	686	6,141	592,107	122,596
Excess (deficiency) of receipts over disbursements	185,460	(4,308)	20,084	(99,052)	31,042	-	3,043	(25,178)	(263)	(6,141)	(106,035)	(38,812)
Cash and investments - ending	\$ 941,288	\$ 124,627	\$ 88,043	\$ 84,710	\$ 52,872	\$ 15	\$ 263,402	\$ 6,450	\$ 284	\$ 32,812	\$ 885,435	\$ 66,262

(Continued)

TOWN OF PAOLI
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2023

	RAINY DAY	LOIT SPECIAL DISTRIBUTION	OPIOID - RESTRICTED FUND	OPIOID - UNRESTRICTED FUND	CEMETERY	LEVY EXCESS	CUMULATIVE CAPITAL DEVELOPMENT	REDEVELOPMENT CAPITAL	INDUSTRIAL DEVELOPMENT (CAPITAL PROJECTS COSTS NO	CUMULATIVE CAPITAL IMPROVEMENT - CIGARETTE TAX	PAYROLL NET SALARIES	PAYROLL - BANK INTEREST	PAYROLL - IN GARNISHMENT
Cash and investments - beginning	\$ 14,654	\$ 43,180	\$ 16,101	\$ 6,901	\$ 41,933	\$ 1,400	\$ 164,272	\$ 71,565	\$ 367,896	\$ 25,442	\$ -	\$ 156	\$ -
Receipts:													
Taxes	-	-	-	-	-	-	43,789	20,632	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	4,658	-	-	6,655	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	4,462	1,235	-	-	-	-	14,768	-	1,309,825	-	2,442
Total receipts	-	-	4,462	1,235	-	-	48,447	20,632	14,768	6,655	1,309,825	-	2,442
Disbursements:													
Personal services	-	-	-	-	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-	6,706	-	-	-
Other services and charges	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	54,074	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	16,101	3,604	-	-	-	4,848	-	-	1,309,825	-	2,442
Total disbursements	-	-	16,101	3,604	-	-	54,074	4,848	-	6,706	1,309,825	-	2,442
Excess (deficiency) of receipts over disbursements	-	-	(11,639)	(2,369)	-	-	(5,627)	15,784	14,768	(51)	-	-	-
Cash and investments - ending	\$ 14,654	\$ 43,180	\$ 4,462	\$ 4,532	\$ 41,933	\$ 1,400	\$ 158,645	\$ 87,349	\$ 382,664	\$ 25,391	\$ -	\$ 156	\$ -

(Continued)

TOWN OF PAOLI
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2023

	PAYROLL WITHHOLDING (WHEN MAINTAINED APART FROM PA	PAYROLL - PERF	PAYROLL - STATE / COUNTY W/H	PAYROLL - SITEX	LIT - PUBLIC SAFETY	TOWN DONATIONS	PARK DONATIONS	POLICE DEPT DONATIONS	FIRE DEPT DONATIONS	FIREWORKS DONATIONS	PD GRANTS	AVIATION RUNWAY GRANT	AVIATION TIMBER SALE/CONSTRUCTION	AVIATION RENTAL HOUSE
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 2	\$ 276,687	\$ 12,888	\$ 5,181	\$ 1,435	\$ 1,748	\$ 6,067	\$ (852)	\$ 1,759	\$ 16,636	\$ 2,264
Receipts:														
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	206,825	-	-	-	-	-	13,201	281,385	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-	-	-	-	2,788
Fines and forfeits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receipts	398,094	239,334	85,994	144	-	500	-	16,400	-	12,223	-	-	-	-
Total receipts	398,094	239,334	85,994	144	206,825	500	-	16,400	-	12,223	13,201	281,385	-	2,788
Disbursements:														
Personal services	-	-	-	-	-	-	-	-	-	-	4,470	-	-	-
Supplies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	200,227	-	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	291,288	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other disbursements	398,094	239,334	85,994	144	-	899	-	14,952	-	-	-	-	-	1,528
Total disbursements	398,094	239,334	85,994	144	200,227	899	-	14,952	-	-	4,470	291,288	-	1,528
Excess (deficiency) of receipts over disbursements	-	-	-	-	6,598	(399)	-	1,448	-	12,223	8,731	(9,903)	-	1,260
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 2	\$ 283,285	\$ 12,489	\$ 5,181	\$ 2,883	\$ 1,748	\$ 18,290	\$ 7,879	\$ (8,144)	\$ 16,636	\$ 3,524

(Continued)

TOWN OF PAOLI
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2023

	AVIATION AWARENESS DAY	PARK CONCESSIONS	PARK EVENTS	VEHICLE UNLOCK	GOLF CART/UTV REGISTRATION	PROHIBITED VEHICLE VIOLATION	RESERVE OFFICER FUND	COMMUNITY OUTREACH	INDOT RW PURCHASE	K9 FUND	UTILITY	PARK BOND (SINKING)	POLICE CAR LOAN	STATE GRANT - COMMUNITY CROSSINGS	SIDEWALK FUND
Cash and investments - beginning	\$ 58	\$ 36,777	\$ 24,447	\$ 845	\$ 602	\$ 15	\$ 746	\$ 5,249	\$ 60,555	\$ 5,316	\$ -	\$ 523,511	\$ -	\$ 18,024	\$ 101,853
Receipts:															
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-	-	-	-	-	-	-	778,592	-
Charges for services	-	44,738	9,750	50	255	-	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	3,650	2,510	-	7,830	7,533,929	329,489	129,718	-	-
Total receipts	-	44,738	9,750	50	255	-	3,650	2,510	-	7,830	7,533,929	329,489	129,718	778,592	-
Disbursements:															
Personal services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-	-	-	330,000	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	129,718	713,504	-
Utility operating expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other disbursements	-	35,796	26,914	-	179	-	2,181	6,693	-	9,748	7,533,929	-	-	-	33,466
Total disbursements	-	35,796	26,914	-	179	-	2,181	6,693	-	9,748	7,533,929	330,000	129,718	713,504	33,466
Excess (deficiency) of receipts over disbursements	-	8,942	(17,164)	50	76	-	1,469	(4,183)	-	(1,918)	-	(511)	-	65,088	(33,466)
Cash and investments - ending	\$ 58	\$ 45,719	\$ 7,283	\$ 895	\$ 678	\$ 15	\$ 2,215	\$ 1,066	\$ 60,555	\$ 3,398	\$ -	\$ 523,000	\$ -	\$ 83,112	\$ 68,387

(Continued)

TOWN OF PAOLI
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2023

	PAYROLL - 457 RETIRMENT PLAN	FAA CARES ACT FUND	AMERICAN RESCUE PLAN ACT FUND (ARP)	AVIATION GAS REVOLVING	PAYROLL	PAYROLL - COLONIAL INS	PAYROLL - LIBERTY NAT'L	PAYROLL - TOWN REIMBURSEMENTS	PAYROLL - LINCOLN INS	PAYROLL - AFA	PAYROLL - AFLAC	ELECTRIC UTILITY OPERATING	ELECTRIC UTILITY METER DEPOSIT	ELECTRIC UTILITY DEPRECIATION
Cash and investments - beginning	\$ -	\$ -	\$ 743,224	\$ 25,177	\$ 1,537	\$ -	\$ 305	\$ -	\$ 99	\$ (78)	\$ 67	\$ 939,759	\$ 280,148	\$ 216,968
Receipts:														
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for services	-	31,000	-	61,131	-	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-	-	-	4,442,530	-	-
Other receipts	10,221	-	-	-	25	237	512	5,839	7,356	18,923	-	646,031	96,175	166
Total receipts	10,221	31,000	-	61,131	25	237	512	5,839	7,356	18,923	-	5,088,561	96,175	166
Disbursements:														
Personal services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-	-	-	4,384,953	61,632	-
Other disbursements	10,221	4,129	171,302	63,278	148	237	512	5,839	7,286	18,747	-	618,353	-	2
Total disbursements	10,221	4,129	171,302	63,278	148	237	512	5,839	7,286	18,747	-	5,003,306	61,632	2
Excess (deficiency) of receipts over disbursements	-	26,871	(171,302)	(2,147)	(123)	-	-	-	70	176	-	85,255	34,543	164
Cash and investments - ending	\$ -	\$ 26,871	\$ 571,922	\$ 23,030	\$ 1,414	\$ -	\$ 305	\$ -	\$ 169	\$ 98	\$ 67	\$ 1,025,014	\$ 314,691	\$ 217,132

(Continued)

TOWN OF PAOLI
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2023

	ELECTRIC UTILITY LIGHT CASH RES	ELECTRIC UTILITY CASH CHANGE	SEWAGE UTILITY OPERATING	SEWAGE UTILITY DSR - BNY	SEWAGE UTILITY CONSTRUCTION (IN PROGRESS)	SEWERAGE UTILITY DEBT SERVICE RES	SEWAGE UTILITY B&I - BNY	SEWAGE WORKS CONSTRUCTION	WATER UTILITY OPERATING	WATER UTILITY METER DEPOSIT	WATER UTILITY BOND & INTEREST	WATER UTILITY DEBT SERVICE RESERVE	WATER TANK MAINT FUND	Totals
Cash and investments - beginning	\$ 65,313	\$ 500	\$ 379,986	\$ 37,884	\$ -	\$ 154,366	\$ 8,790	\$ -	\$ 363,401	\$ 71,552	\$ 96,009	\$ 232,650	\$ 7,305	\$ 8,066,635
Receipts:														
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	710,203
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-	-	-	1,994
Intergovernmental receipts	-	-	-	-	-	-	-	-	-	-	-	-	-	2,617,047
Charges for services	-	-	-	-	-	-	-	-	-	-	-	-	-	193,618
Fines and forfeits	-	-	-	-	-	-	-	-	-	-	-	-	-	1,527
Utility fees	-	-	1,387,679	-	-	-	-	-	1,660,672	-	-	-	-	7,490,881
Other receipts	-	-	84,201	1,666	920	154,366	233,691	15,496,121	35,725	18,903	225,592	-	-	27,409,174
Total receipts	-	-	1,471,880	1,666	920	154,366	233,691	15,496,121	1,696,397	18,903	225,592	-	-	38,424,444
Disbursements:														
Personal services	-	-	406,661	-	-	-	-	-	307,818	-	-	-	-	1,572,282
Supplies	-	-	-	-	-	-	-	-	-	-	-	-	-	350,337
Other services and charges	-	-	30,157	-	-	-	-	-	23,125	-	-	-	-	559,387
Debt service - principal and interest	-	-	-	-	-	-	242,480	-	-	-	227,975	-	-	800,455
Capital outlay	-	-	144,031	-	460	-	-	15,496,121	-	-	-	-	-	16,884,182
Utility operating expenses	-	-	562,513	-	-	-	-	-	980,049	12,192	-	-	-	6,001,339
Other disbursements	-	-	193,898	39,550	-	154,366	-	-	225,617	-	-	-	-	12,021,385
Total disbursements	-	-	1,337,260	39,550	460	154,366	242,480	15,496,121	1,536,609	12,192	227,975	-	-	38,189,367
Excess (deficiency) of receipts over disbursements	-	-	134,620	(37,884)	460	-	(8,789)	-	159,788	6,711	(2,383)	-	-	235,077
Cash and investments - ending	\$ 65,313	\$ 500	\$ 514,606	\$ -	\$ 460	\$ 154,366	\$ 1	\$ -	\$ 523,189	\$ 78,263	\$ 93,626	\$ 232,650	\$ 7,305	\$ 8,301,712

TOWN OF PAOLI
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2023

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	\$ 92,644	\$ 99,371
Electric	238,359	393,307
Wastewater	13,677	447,133
Water	<u>10,609</u>	<u>151,433</u>
Totals	<u>\$ 355,289</u>	<u>\$ 1,091,244</u>

TOWN OF PAOLI
SCHEDULE OF LEASES AND DEBT
December 31, 2023

<u>Lessor</u>	<u>Purpose</u>	<u>Annual Lease Payment</u>	<u>Lease Beginning Date</u>	<u>Lease Ending Date</u>
Governmental activities:				
Paoli Building Corporation	Park Construction	\$ 332,000	10/1/2006	1/15/2032
Town of Paoli	Police Department Headquarters	<u>50,099</u>	10/20/2021	1/15/2042
Total governmental activities		<u>382,099</u>		
Total of annual lease payments		<u>\$ 382,099</u>		

<u>Description of Debt</u>		<u>Ending Principal Balance</u>	<u>Principal Due Within One Year</u>
<u>Type</u>	<u>Purpose</u>		
Governmental activities:			
Notes and Loans Payable	2022 E-One Typhoon Fire Truck	\$ 393,121	\$ 23,921
Notes and Loans Payable	Two 2022 Dodge Durango Police Vehicles	76,657	37,909
Notes and Loans Payable	Two 2023 Dodge Durango Police Vehicles	<u>129,718</u>	<u>129,718</u>
Total governmental activities		<u>599,496</u>	<u>191,548</u>
Wastewater:			
Revenue bonds	Sewer Works Revenue Bonds Series 2023A 2023B 2023C	<u>9,108,000</u>	<u>92,000</u>
Total Wastewater		<u>9,108,000</u>	<u>92,000</u>
Water:			
Revenue bonds	Waterworks Revenue Bond	<u>3,325,000</u>	<u>110,000</u>
Totals		<u>\$ 13,032,496</u>	<u>\$ 393,548</u>

TOWN OF PAOLI
SCHEDULE OF CAPITAL ASSETS
December 31, 2023

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>Ending Balance</u>
Governmental activities:	
Land	\$ 1,154,719
Infrastructure	5,671,266
Buildings	2,878,792
Improvements other than buildings	2,580,763
Machinery, equipment, and vehicles	2,178,290
Construction in progress	<u>5,866,190</u>
Total governmental activities	<u>20,330,020</u>
Electric:	
Land	314,544
Infrastructure	5,510,696
Buildings	422,164
Improvements other than buildings	905,935
Machinery, equipment, and vehicles	<u>664,309</u>
Total Electric	<u>7,817,648</u>
Wastewater:	
Land	10,000
Infrastructure	10,801,743
Buildings	399,723
Improvements other than buildings	688,796
Machinery, equipment, and vehicles	714,521
Construction in progress	<u>8,136,916</u>
Total Wastewater	<u>20,751,699</u>
Water:	
Land	38,800
Infrastructure	13,540,590
Buildings	437,829
Improvements other than buildings	1,209,401
Machinery, equipment, and vehicles	475,943
Construction in progress	<u>4,875</u>
Total Water	<u>15,707,438</u>
Total capital assets	<u>\$ 64,606,805</u>

TOWN OF PAOLI
STATE REPORTING INFORMATION
December 31, 2023

The reports presented herein were prepared in addition to another official report prepared for the Town as listed below:

Indiana State Board of Accounts Compliance Examination of the Town of Paoli.

The above report contains the results of the compliance examination as required by the Indiana State Board of Accounts' *Accounting and Uniform Compliance Guidelines Manual For Cities and Towns*.

SUPPLEMENTARY INFORMATION

TOWN OF PAOLI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2023

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Assistance Listing Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient	Total Federal Awards Expended
<u>Department of Agriculture</u>					
Water and Waste Disposal Systems for Rural Communities Waste Water Improvement Project	Direct Grant	10.760	2023	\$ -	\$ 6,388,121
<u>Department of Transportation</u>					
Highway Safety Cluster					
National Priority Safety Programs	Indiana Criminal Justice Institute	20.616			
OPO Grant			68887	\$ -	\$ 695
PD Grant			FY22 SAVE-2022-00019	-	1,465
Total - National Priority Safety Programs				-	2,160
Total - Highway Safety Cluster				-	2,160
Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	Direct Grant	20.106			
Airport Runway Project			3-18-0064-016-2019	-	291,288
Total - Department of Transportation				-	293,448
<u>Department of the Treasury</u>					
Coronavirus State and Local Fiscal Recovery Funds	Indiana Finance Authority	21.027			
American Rescue Plan			CY2021	-	171,302
Total - Department of the Treasury				-	171,302
Total federal awards expended				\$ -	\$ 6,852,871

See accompanying notes to the schedule of expenditure of federal awards.

TOWN OF PAOLI
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2023

NOTE 1 - BASIS OF PRESENTATION

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Town of Paoli (the "Town") under programs of the federal government for the year ended December 31, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a select portion of the operations of the Town, it is not intended to and does not present the receipts, disbursements, and cash and investment balances – regulatory basis of the Town.

B. Other Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

NOTE 2 - INDIRECT COST RATE

The Town has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENT PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Those Charged with Governance
Town of Paoli
Orange County, Indiana

We have audited, in accordance with the 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, the financial statement of the Town of Paoli (the "Town"), which comprise the statement of receipts, disbursements, and cash and investment balances of the Town as of and for the year ended December 31, 2023 and the related notes to the financial statement, which collectively comprise the Town's financial statement, and have issued our report thereon dated September 30, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statement is free from 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 financial statement. 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*.

(Continued)

The Town's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Indianapolis, Indiana
September 30, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE

Those Charged with Governance
Town of Paoli
Orange County, Indiana

Report on Compliance for Major Federal Program

Qualified Opinion on Major Federal Program

We have audited the Town of Paoli (the "Town") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the Town's major federal program for the year ended December 31, 2023. The Town's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Water and Waste Disposal Systems for Rural Communities program for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on Water and Waste Disposal Systems for Rural Communities

As described in the accompanying schedule of findings and questioned costs, the Town did not comply with requirements regarding Assistance Listing No. 10.760 Water and Waste Disposal Systems for Rural Communities program as described in finding number 2023-002 for Procurement, Suspension and Debarment. Compliance with such requirements is necessary, in our opinion, for the Town to comply with the requirements applicable to that program.

(Continued)

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Town is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Town's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-003 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Town is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Town's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Crowe LLP

Indianapolis, Indiana
September 30, 2024

TOWN OF PAOLI
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 December 31, 2023

Section I – Summary of Auditor’s Results

Financial Statement

Type of auditor’s report issued: Adverse as to GAAP, Unmodified
as to regulatory basis

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiencies identified not
considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statement
noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? X Yes No

Significant deficiencies identified not
considered to be material weaknesses? X Yes None Reported

Type of auditor’s report issued on compliance for
major programs: Qualified

Any audit findings disclosed that are required to
be reported in accordance with
2CFR 200.516(a)? X Yes No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

(Continued)

TOWN OF PAOLI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2023

Section II – Financial Statement Findings

FINDING 2023-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness

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. . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

(b) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within a cluster of programs, and provide the applicable Federal agency name.

(Continued)

TOWN OF PAOLI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2023

Section II – Financial Statement Findings (Continued)

FINDING 2023-001 (Continued)

(2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.

(3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.

(4) Include the total amount provided to subrecipients from each Federal program.

(5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.

(6) Include notes that describe that significant accounting policies used in preparing the schedule and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in §200.414 Indirect (F&A) costs."

Condition: The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

Cause: Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Context: The federal grant information entered and submitted in the Indiana Gateway for Government Units financial reporting system was the source of the SEFA. Due to the lack of effective internal controls, the following errors resulted in the net understatement of the total federal awards reported on the SEFA for Water and Waste Disposal Systems for Rural Communities, (ALN 10.760) by \$6,388,121 for the year ended December 31, 2023.

Audit adjustments were proposed, accepted by the Town, and made to the SEFA to correct the issues noted above.

Effect: Without a proper system of internal control in place that operate effectively, material misstatements of the SEFA could go undetected.

Repeat Finding: Yes, see Finding 2022-001.

Recommendation: We recommended that the Town's management establish a formal review over the SEFA to ensure amounts reported are accurate and complete. This review should include a reconciliation of federal receipts on the funds ledger compared to amounts reported in Gateway. We recommend this review be formally documented.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and has prepared a corrective action plan.

(Continued)

TOWN OF PAOLI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2023

Section III – Federal Award Findings and Questioned Costs

Finding 2023-002

Information on the federal program:

Subject: Water and Waste Disposal Systems for Rural Communities – Procurement, Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Program: Water and Waste Disposal Systems for Rural Communities
Assistance Listing Number: 10.760
Federal Award Numbers and Years (or Other Identifying Numbers): 2023
Compliance Requirement: Procurement, Suspension and Debarment
Audit Findings: Material Weakness, Qualified

Criteria: 2 CFR section 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR section 200.318 states in part:

(a) The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity's documented procurement procedures must conform to the procurement standards identified in §§ 200.317 through 200.327.

(b) Non-Federal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders...

(h) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

2 CFR section 200.320 states in part:

(b) *Formal procurement methods.* When the value of the procurement for property or services under a Federal financial assistance award exceeds the SAT, or a lower threshold established by a non-Federal entity, formal procurement methods are required. Formal procurement methods require following documented procedures. Formal procurement methods also require public advertising unless a non-competitive procurement can be used in accordance with § 200.319 or paragraph (c) of this section. The following formal methods of procurement are used for procurement of property or services above the simplified acquisition threshold or a value below the simplified acquisition threshold the non-Federal entity determines to be appropriate:...

(Continued)

TOWN OF PAOLI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2023

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2023-002 (Continued)

(c) *Noncompetitive procurement.* There are specific circumstances in which noncompetitive procurement can be used. Noncompetitive procurement can only be awarded if one or more of the following circumstances apply:

- (1) The acquisition of property or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (see paragraph (a)(1) of this section);
- (2) The item is available only from a single source;
- (3) The public exigency or emergency for the requirement will not permit a delay resulting from publicizing a competitive solicitation;
- (4) The Federal awarding agency or pass-through entity expressly authorizes a noncompetitive procurement in response to a written request from the non-Federal entity; or
- (5) After solicitation of a number of sources, competition is determined inadequate.

Condition: The Town contracted a vendor utilizing federal funds without performing a formal bid process for projects exceeding the simplified acquisition threshold of \$150,000 nor did the City provide documentation supporting a noncompetitive procurement. There was no available history of the procurement process.

Cause: The Town's management had not developed a system of internal controls to ensure compliance with the compliance requirements listed above. Also, the Town does not have written Procurement Policies that comply with the Federal Uniform Guidance requirements for non-Federal entities. The Town's current policy does not address the following requirements:

- Written standards of conduct for employees involved in contracting.
- Written standards for solicitations to foster full and open competition.
- Micro-purchase threshold of \$10,000 (listed at \$25k)
- Written standards for solicitations requiring a formal bid process
- Written standards to rationalize limited competition purchases
- Written standards to maintain historical documentation of the procurement process

Effect: The failure to establish an effective internal control system placed the Town at risk of noncompliance with the grant agreement and the compliance requirements.

Questioned Costs: There were no questioned costs identified.

Context: The Town entered into three contracts funded by the Water and Waste Disposal Systems for Rural Communities (WWTP) grant during the audit period. Two of those contracts were selected for testing. For one of those contracts selected for testing, the Town was unable to provide any procurement history. There were \$459,737 in expenditures incurred on the contract tested with exceptions in the current fiscal year.

Identification as a repeat finding: No.

Recommendation: We recommend that management of the Town establish a proper system of internal controls and develop and implement procurement policies and procedures that adheres of the procurement requirements for purchases with federal awards as required by the 2 CFR 200 Uniform Guidance.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and has prepared a corrective action plan.

(Continued)

TOWN OF PAOLI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2023

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2023-003

Information on the federal program:

Subject: Water and Waste Disposal Systems for Rural Communities – Reporting
Federal Agency: Department of Agriculture
Federal Program: Water and Waste Disposal Systems for Rural Communities
Assistance Listing Number: 10.760
Federal Award Numbers and Years (or Other Identifying Numbers): 2023
Compliance Requirement: Reporting
Audit Findings: Significant Deficiency

Criteria: 2 CFR section 200.328 states

Unless otherwise approved by OMB, the Federal awarding agency must solicit only the OMB-approved governmentwide data elements for collection of financial information (at time of publication the Federal Financial Report or such future, OMB-approved, governmentwide data elements available from the OMB-designated standards lead. This information must be collected with the frequency required by the terms and conditions of the Federal award, but no less frequently than annually nor more frequently than quarterly except in unusual circumstances, for example where more frequent reporting is necessary for the effective monitoring of the Federal award or could significantly affect program outcomes, and preferably in coordination with performance reporting. The Federal awarding agency must use OMB-approved common information collections, as applicable, when providing financial and performance reporting information.

Condition: The Town did not prepare or submit the required report for the grant.

Cause: The Town has not developed and implemented controls over grant reporting.

Effect: The Town could fail to submit required reporting to funding agency.

Questioned Costs: There were no questioned costs identified.

Context: The grant requires a single report, Form RD 442-3 Balance Sheet (OMB No. 0575-0015) to be filed annually. Through inquiries with management, it was determined that the Town did not prepare and review the required report. Management noted a third party came to the Town to run systems reports with the information required for the report, prepared and submitted the report on behalf of the Town. The Town did not perform a review of the report before submission by the third party.

Identification as a repeat finding: No.

Recommendation: We recommend that management of the Town establish a proper system of internal controls and develop and implement reporting policies and procedures that ensure timely preparation and submission of required federal reports.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and has prepared a corrective action plan.

CORRECTIVE ACTION PLAN OF CURRENT AUDIT FINDINGS December 31, 2023

FINDING 2023-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness

Condition: The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

Context: The federal grant information entered and submitted in the Indiana Gateway for Government Units financial reporting system was the source of the SEFA. Due to the lack of effective internal controls, the following errors resulted in the net understatement of the total federal awards reported on the SEFA for Water and Waste Disposal Systems for Rural Communities, (ALN 10.760) by \$6,388,121 for the year ended December 31, 2023.

Audit adjustments were proposed, accepted by the City, and made to the SEFA to correct the issues noted above.

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Management will ensure that the SEFA preparation and review internal control process in place is followed and thoroughly documented to detect and prevent material misstatements to the SEFA.

Views of Responsible Official: We concur with the finding.

Responsible Party and Timeline for Completion: The Clerk-Treasurer is the responsible party. The completion will go into effect upon the next SEFA submission.

Finding 2023-002

Information on the federal program:

Subject: Water and Waste Disposal Systems for Rural Communities – Procurement, Suspension and Debarment

Federal Agency: Department of Agriculture

Federal Program: Water and Waste Disposal Systems for Rural Communities

Assistance Listing Number: 10.760

Federal Award Numbers and Years (or Other Identifying Numbers): 2023

Compliance Requirement: Procurement, Suspension and Debarment

Audit Findings: Material Weakness, Qualified

CLERK-TREASURER

Beth A. Jones
clerk@paoli.in.gov

TOWN COUNCIL

Bobbie G. Bostock - President, 1st Vice President - Mylea A. Pluris,
2nd Vice President - Arla Jean Frazier, Theron Owen, Donna Dillard

Finding 2023-002 (Continued)

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Management of the Town will work to adopt a formal procurement policy that is in compliance with Federal Uniform Guidance and State requirements. The Town will also assign a federal procurement leader that will help determine requirements for federal versus nonfederal awards as well as ensuring the Town's new procurement policy is followed.

Responsible Party and Timeline for Completion: The Clerk-Treasurer is the responsible party. We will have this corrective action plan in place by the end of this year.

FINDING 2023-003

Information on the federal program:

Subject: Water and Waste Disposal Systems for Rural Communities – Reporting
Federal Agency: Department of Agriculture
Federal Program: Water and Waste Disposal Systems for Rural Communities
Assistance Listing Number: 10.760
Federal Award Numbers and Years (or Other Identifying Numbers): 2023
Compliance Requirement: Reporting
Audit Findings: Significant Deficiency

Condition: The City did not prepare or submit the required report for the grant.

Context: The grant requires a single report, Form RD 442-3 Balance Sheet (OMB No. 0575-0015) to be filed annually. Through inquiries with management, it was determined that the City did not prepare and review the required report. Management noted the local USDA Rural Development representative came to the City to run systems reports with the information required for the report, prepared and submitted the report on behalf of the City.

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Management of the Town will work to adopt a formal federal reporting policy and monitoring system that will ensure accurate and timely reporting of all grants. The Town will also assign a reporting leader to become familiar with all reporting requirements and monitor the timeline of the reporting requirements.

Responsible Party and Timeline for Completion: The Clerk-Treasurer is the responsible party. This corrective action plan will be put into place before the next deadline reporting period of February 28, 2025.

Condition: The City contracted a vendor utilizing federal funds without performing a formal bid process for projects exceeding the simplified acquisition threshold of \$150,000 nor did the City provide documentation supporting a noncompetitive procurement. There was no available history of the procurement process.

Context: The City entered into three contracts funded by the Water and Waste Disposal Systems for Rural Communities (WWTP) grant during the audit period. Two of those contracts were selected for testing. For one of those contracts selected for testing, the City was unable to provide any procurement history. There were \$459,737 in expenditures incurred on the contract tested with exceptions in the current fiscal year.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

December 31, 2023

FINDING 2022-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Finding: Material Weakness, Noncompliance

Condition: The Town had not established an effective internal control system over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Town's Schedule of Expenditures of Federal Awards (SEFA).

The Town did not properly review the federal grant information prepared and submitted in Gateway. Although one employee prepared and entered the federal award information into Gateway and another employee reviewed and approved the information entered, the system of internal controls was not effective and did not detect or allow correction of errors prior to submission. Due to the lack of an effective internal control system, the SEFA presented for audit included the following errors:

1. The Water and the Waste Disposal Systems for Rural Communities grant was omitted, which
2. Other errors included three incorrect program names and one incorrect assistance listing number.

Audit adjustments were proposed, accepted by the City, and made to the SEFA.

Status of Prior Year Finding: Unresolved – see current finding 2023-001.

CLERK-TREASURER

Beth A. Jones
clerk@paoli.in.gov

TOWN COUNCIL

Bobbie G. Bostock - President, 1st Vice President - Mylea A. Pluris,
2nd Vice President - Arla Jean Frazier, Theron Owen, Donna Dillard