

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

COMPLIANCE EXAMINATION 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

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October 23, 2024

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

This report is supplemental to the audit report of the Town of Paoli (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 Examination Findings that pertain to the Town. It should be read in conjunction with the financial statement audit report of the Town, which provides an opinion on the Town's financial statements. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of the Town and perform procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Findings and Results contained herein describe the identified reportable instances of noncompliance found as a result of these procedures.

We have reviewed the Supplemental Audit Report for Town of Paoli prepared by Crowe LLP, Independent Public Accountants, for the period January 1, 2023 to December 31, 2023. In our opinion, the Supplemental Audit Report was prepared in accordance with the guidelines established by the Indiana State Board of Accounts.

We call your attention to the findings in the report on pages 3 and 4.

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

**COMPLIANCE EXAMINATION OF**  
Town of Paoli  
Orange County, Indiana  
January 1, 2023 through December 31, 2023

TOWN OF PAOLI

Orange County, Indiana  
January 1, 2023 through December 31, 2023

CONTENTS

SCHEDULE OF OFFICIALS ..... 1

INDEPENDENT ACCOUNTANT'S REPORT ..... 2

SCHEDULE OF EXAMINATION FINDINGS AND RESULTS:

    2023-001: ANNUAL FINANCIAL REPORTS ..... 3-4

    2023-002: INTERNAL CONTROLS – TRAINING ..... 4

EXIT CONFERENCE ..... 5

TOWN OF PAOLI  
SCHEDULE OF OFFICIALS  
January 1, 2023 through December 31, 2023

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

## INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and  
Management of the Town of Paoli

We have examined the Town of Paoli ("Town") compliance with the Indiana State Board of Accounts' *Accounting and Uniform Compliance Guidelines Manual For Cities and Towns* during the period January 1, 2023 through December 31, 2023. Management of the Town is responsible for the Town's compliance with the specified requirements. Our responsibility is to express an opinion on the Town's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our qualified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Town's compliance with specified requirements.

Our examination disclosed material noncompliance with the *Accounting and Uniform Compliance Guidelines Manual For Cities and Towns* applicable to the Town during the period January 1, 2023 through December 31, 2023, as described in item 2023-001 and 2023-002 on the following Schedule of Examination Findings and Results.

In our opinion, except for the material noncompliance described in the preceding paragraph, the Town complied, in all material respects, with the aforementioned requirements during the period January 1, 2023 through December 31, 2023.

Crowe LLP

Indianapolis, Indiana  
September 30, 2024

TOWN OF PAOLI  
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS  
January 1, 2023 through December 31, 2023

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**FINDING 2023-001: ANNUAL FINANCIAL REPORTS**

**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 not later than sixty (60) days after the close of each fiscal year. 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."

**Condition:**

Financial, supplemental, 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 designed and implemented internal controls over all portions of the AFR information entered into Gateway; resulting in the following errors:

*Receipts:* For the period of January 1, 2023 through December 31, 2023, the receipts amounts reported on the AFR do not reconcile to the underlying utility subledger detail by \$1,447,260. We noted that ending cash tied out to statements and reconciliations and therefore, the subledger detail is incorrect and no adjustment is needed to the AFR.

*Capital Assets:* The capital assets schedule reported in Gateway included the 2022 balances instead of the 2023 balances. Audit adjustments were proposed, accepted by the Town and made to the Schedule of Capital Asset presented as Other Information in the Financial Statement Audit Report of the Town. The following adjustments were proposed:

- Governmental Activities:
- Land (28,049)
  - Infrastructure (185,424)
  - Buildings (130,712)
  - Improvements Other than Buildings (26,728)
  - Machinery Equipment and Vehicles 759.39
  - Construction In Progress (6,631)

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(Continued)

TOWN OF PAOLI  
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS  
January 1, 2023 through December 31, 2023

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**FINDING 2023-001: ANNUAL FINANCIAL REPORTS** (Continued)

Electric:

- Land (10,000)
- Infrastructure (4,680,045)
- Buildings (8,730)
- Improvements Other than Buildings (31,150)

Wastewater:

- Infrastructure (555,246)
- Improvements Other than Buildings (8,490,868)
- Machinery Equipment and Vehicles (56,675)
- Construction In Progress (686,383)

Water

- Land (10,000)
- Infrastructure (7,951,955)
- Construction In Progress (3,518)

A similar finding also appeared in prior Report 000001408S.

**FINDING 2023-002: INTERNAL CONTROLS – TRAINING**

**Criteria:** Indiana Code 5-11-1-27(h) states in part, “After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that: . . . (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2).”

**Condition:** Per discussion with management, during the current year, the Town was not tracking the certifications that the aforementioned trainings were completed by new employees upon hire.

TOWN OF PAOLI  
EXIT CONFERENCE  
January 1, 2023 through December 31, 2023

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The contents of this report were discussed on September 25, 2024 with Beth Jones, Clerk-Treasurer, and Bobbie Bostock, President of the Town Council.