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

EXAMINATION REPORT

OF

TOWN OF PAOLI

ORANGE COUNTY, INDIANA

January 1, 2008 to December 31, 2009

FILED
11/17/2010

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OFFICIALS

Office	Official	Term
Clerk-Treasurer	Carolyn N. Clements	01-01-08 to 12-31-11
President of the Town Council	William E. Windhorst	01-01-08 to 12-31-08
	Robert L. Gilliatt	01-01-09 to 12-31-09
	Mark A. Jones	01-01-10 to 12-31-10
Supervisor of Utilities	Mike Compton	01-01-08 to 07-21-09
	(Vacant)	07-22-09 to 11-16-09
	Steve Starr	11-17-09 to 12-31-10

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF PAOLI, ORANGE COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Paoli (Town), for the period of January 1, 2008 to December 31, 2009. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

August 23, 2010

TOWN OF PAOLI
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	$ 120,653	$ 673,067	$ 754,253	$ 39,467
Motor Vehicle Highway	118,836	122,218	195,323	45,731
Local Road and Street	667	14,212	13,951	928
Cumulative Capital Improvement	10,277	12,500	7,381	15,396
Cumulative Capital Development	53,322	56,618	20,194	89,746
Paoli Cemetery	22,818	712	-	23,530
Parking Meters	6,322	40	-	6,362
Riverboat Casino	-	1,358,945	1,007,942	351,003
Miscellaneous Grants	2,500	1,000	307	3,193
Park Debt Service Reserve	486,524	1,364,341	1,315,546	535,319
Law Enforcement Continuing Education	413	2,422	2,315	520
Industrial Development	134,933	53,263	163,084	25,112
Economic Development Income Tax	86,077	110,733	101,685	95,125
Rainy Day	-	45,120	23,626	21,494
Riverboat Wagering Tax	41,439	-	41,439	-
Senior Citizen Project	6,467	127,119	133,586	-
Fireworks Donations	-	4,806	4,806	-
Airport Operating	20,122	38,829	52,734	6,217
Airport Timber Sale/Construction	863	282,330	277,922	5,271
Airport Rental Deposit	500	2,187	2,252	435
Airport Awareness Day	1,602	3,605	2,369	2,838
Airport Gas Revolving	4,488	17,830	16,441	5,877
Park Operating	83,342	50,118	93,153	40,307
Park and Pool Donations	19,387	-	19,387	-
Nonreverting Softball Program	8,189	-	8,189	-
Park Concessions	-	21,836	14,033	7,803
Park Softball	-	12,866	11,031	1,835
Cemetery Money Market	20,633	20,613	20,633	20,613
Proprietary Funds:				
Water Utility - Operating	159,794	1,087,760	1,075,585	171,969
Water Utility - Bond and Interest	101,943	247,084	244,788	104,239
Water Utility - Debt Service Reserve	91,686	28,516	-	120,202
Water Utility - Depreciation	362	-	-	362
Water Utility - Meter Deposit	32,947	6,925	6,066	33,806
Water Utility - Building	55,580	22,882	3,664	74,798
Water Utility - Tank	60,265	4,420	48,045	16,640
Electric Utility - Operating	694,219	3,785,846	4,192,810	287,255
Electric Utility - Debt Service Reserve	162,118	3,545	60,000	105,663
Electric Utility - Light Cash Reserve	51,704	65,202	-	116,906
Electric Utility - Depreciation	261,846	6,689	100,000	168,535
Electric Utility - Meter Deposit	105,687	22,432	19,628	108,491
Electric Utility - Building	59,206	22,881	-	82,087
Electric Utility - Cash Change	300	-	-	300
Wastewater Utility - Operating	410,250	985,570	1,071,917	323,903
Wastewater Utility - Debt Service Reserve	193,033	4,641	-	197,674
Wastewater Utility - Revenue Reserve	13,949	167,489	167,383	14,055
Wastewater Utility - Building	60,810	22,882	3,684	80,008
Fiduciary Funds:				
Construction Escrow	18,669	5,856	24,525	-
Payroll	15,441	1,624,904	1,622,351	17,994
Totals	$ 3,800,183	$ 12,512,854	$ 12,944,028	$ 3,369,009

The accompanying notes are an integral part of the financial information.

TOWN OF PAOLI
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2008 And 2009
(Continued)

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	$ 39,467	$ 715,768	$ 713,190	$ 42,045
Motor Vehicle Highway	45,731	144,436	180,395	9,772
Local Road and Street	928	13,475	9,808	4,595
Cumulative Capital Improvement	15,396	11,787	3,135	24,048
Cumulative Capital Development	89,746	51,263	27,563	113,446
Paoli Cemetery	23,530	34	-	23,564
Parking Meters	6,362	-	-	6,362
Riverboat Casino	351,003	793,145	883,295	260,853
Miscellaneous Grants	3,193	33,260	31,960	4,493
Park Debt Service Reserve	535,319	357,681	359,000	534,000
Law Enforcement Continuing Education	520	1,249	-	1,769
Industrial Development	25,112	64,134	930	88,316
Economic Development Income Tax	95,125	90,646	88,137	97,634
Rainy Day	21,494	15,621	14,750	22,365
Fireworks Donations	-	9,766	9,766	-
Sidewalk	-	65,000	-	65,000
Airport Operating	6,217	54,234	50,632	9,819
Airport Timber Sale/Construction	5,271	81,495	79,678	7,088
Airport Rental Deposit	435	1,420	2,172	(317)
Airport Awareness Day	2,838	2,491	2,615	2,714
Airport Gas Revolving	5,877	12,657	6,806	11,728
Park Operating	40,307	63,106	99,427	3,986
Park Concessions	7,803	33,201	26,460	14,544
Park Softball	1,835	12,081	8,695	5,221
Park Events	-	1,896	1,419	477
Cemetery Money Market	20,613	-	20,613	-
Proprietary Funds:				
Water Utility - Operating	171,969	1,082,132	1,163,319	90,782
Water Utility - Bond and Interest	104,239	247,707	246,687	105,259
Water Utility - Debt Service Reserve	120,202	25,284	-	145,486
Water Utility - Depreciation	362	-	-	362
Water Utility - Meter Deposit	33,806	5,725	5,326	34,205
Water Utility - Building	74,798	20,800	3,464	92,134
Water Utility - Tank	16,640	-	-	16,640
Electric Utility - Operating	287,255	4,149,544	4,263,695	173,104
Electric Utility - Debt Service Reserve	105,663	1,801	21,814	85,650
Electric Utility - Light Cash Reserve	116,906	279	57,185	60,000
Electric Utility - Depreciation	168,535	2,248	-	170,783
Electric Utility - Meter Deposit	108,491	20,700	18,594	110,597
Electric Utility - Building	82,087	29,416	15,915	95,588
Electric Utility - Cash Change	300	-	-	300
Wastewater Utility - Operating	323,903	1,002,432	1,142,783	183,552
Wastewater Utility - Debt Service Reserve	197,674	-	-	197,674
Wastewater Utility - Revenue Reserve	14,055	169,433	169,344	14,144
Wastewater Utility - Building	80,008	20,800	3,699	97,109
Fiduciary Fund:				
Payroll	17,994	1,651,536	1,656,370	13,160
Totals	$ 3,369,009	$ 11,059,683	$ 11,388,641	$ 3,040,051

The accompanying notes are an integral part of the financial information.

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, urban redevelopment, general administrative, electric, water, and wastewater services.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

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

State statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, 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 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

TOWN OF PAOLI
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
For The Year Ended December 31, 2009

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.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

Primary Government	Ending Balance
Governmental activities:	
Capital assets, not being depreciated:	
Land	$ 355,041
Infrastructure	1,058,776
Buildings	5,391,223
Improvements other than buildings	8,816,394
Machinery and equipment	1,323,070
Total governmental activities, capital assets not being depreciated	$ 16,944,504

Primary Government	Ending Balance
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	$ 9,900
Infrastructure	14,476,984
Buildings	313,417
Improvements other than buildings	1,184,089
Machinery and equipment	72,873
Total Water Utility	16,057,263
Wastewater Utility:	
Capital assets, not being depreciated:	
Infrastructure	5,676,602
Buildings	166,656
Improvements other than buildings	1,777,313
Machinery and equipment	210,982
Total Wastewater Utility	7,831,553
Electric Utility:	
Capital assets, not being depreciated:	
Infrastructure	6,116,019
Buildings	229,784
Improvements other than buildings	420,759
Machinery and equipment	207,488
Total Electric Utility	6,974,050
Total business-type activities capital assets	$ 30,862,866

TOWN OF PAOLI
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2009

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Fire equipment	$ 20,993	$ 21,856
Park facilities	4,870,000	356,000
Total governmental activities debt	$ 4,890,993	$ 377,856
Business-type activities:		
Water Utility:		
Revenue bonds:		
2004 Waterworks improvements:		
Series A	$ 3,494,000	$ 195,862
Series B	904,000	50,550
Total Water Utility	4,398,000	246,412
Wastewater Utility:		
Revenue bond:		
2001 Wastewater construction	1,530,000	169,726
Total business-type activities debt	$ 5,928,000	$ 416,138

TOWN OF PAOLI
EXAMINATION RESULT AND COMMENT

ANNUAL FINANCIAL REPORT

The 2009 Annual Financial Report (CTAR-1) for the Town was not filed electronically.

IC 5-11-1-4 Section 4 states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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 filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

TOWN OF PAOLI
EXIT CONFERENCE

The contents of this report were discussed on August 23, 2010, with Carolyn N. Clements, Clerk-Treasurer.