

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

TOWN OF PAOLI  
ORANGE COUNTY, INDIANA

January 1, 2017 to December 31, 2017



**FILED**  
07/19/2018



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report .....	3-5
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i> .....	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis .....	10
Notes to Financial Statement .....	11-15
Other Information - Unaudited:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis .....	18-32
Schedule of Payables and Receivables .....	33
Schedule of Leases and Debt .....	34
Schedule of Capital Assets.....	35
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control over Compliance .....	38-40
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards.....	42
Notes to Schedule of Expenditures of Federal Awards .....	43
Schedule of Findings and Questioned Costs .....	44-50
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	52-54
Corrective Action Plan .....	55-57
Other Reports.....	58

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Amy J. Morris	01-01-16 to 12-31-19
President of the Town Council	Carolyn N. Clements Michael A. Harkness	01-01-17 to 12-31-17 01-01-18 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statement**

We have audited the accompanying financial statement of the Town of Paoli (Town), which comprises the financial position and results of operations for the year ended December 31, 2017, and the related notes to the financial statement as listed in the Table of Contents.

***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this 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). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statement 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***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.

***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* paragraph, 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 and results of operations of the Town for the year ended December 31, 2017.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the year ended December 31, 2017, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 itself, 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 taken as a whole.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated June 14, 2018, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

  
Paul D. Joyce, CPA  
State Examiner

June 14, 2018



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

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

We have audited, in accordance with 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 (Town), which comprises the financial position and results of operations for the year ended December 31, 2017, and the related notes to the financial statement, and have issued our report thereon dated June 14, 2018, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

**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) to determine the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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 2017-001, that we consider to be a material weakness.

**Compliance and Other Matters**

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

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


determination of financial statement amounts. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001.

**Town of Paoli's Response to Findings**

The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

**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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

June 14, 2018

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the Town. The financial statement and notes are presented as intended by the Town.

TOWN OF PAOLI  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH  
AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Year Ended December 31, 2017

Fund	Cash and Investments 01-01-17	Receipts	Disbursements	Cash and Investments 12-31-17
CORPORATION	\$ 244,973	\$ 765,863	\$ 757,051	\$ 253,785
MVH	163,699	194,510	79,602	278,607
LOCAL ROAD AND STREET	3,089	16,795	12,500	7,384
AIRPORT OPERATING	49,773	79,862	60,536	69,099
PARKING METERS	15	-	-	15
PARK SOFTBALL	10,387	-	-	10,387
UNSAFE PREMISES	39,463	21,634	19,216	41,881
VEHICLE UNLOCK	1,775	480	504	1,751
ABANDONED VEHICLE	559	34,146	23,502	11,203
COMMUNITY OUTREACH	731	798	767	762
LOCAL LAW ENFORCEMENT CONTINUING EDUCATION	6,244	2,624	930	7,938
RIVERBOAT CASINO FUND	684,379	683,830	490,227	877,982
PARK OPERATING	9,264	166,324	107,103	68,485
RAINY DAY	6,506	-	-	6,506
EDIT	250,123	111,780	225,358	136,545
EXCESS LEVY	1,400	-	-	1,400
GAS REVOLVING AIRPORT	28,130	25,412	25,364	28,178
CUMULATIVE CAPITAL IMPROVEMENT	15,761	8,942	11,591	13,112
CUMULATIVE CAPITAL DEVELOPMENT	204,824	45,143	48,329	201,638
INDUSTRIAL DEVELOPMENT	286,982	15,149	-	302,131
T.I.F.	92,482	33,335	23,415	102,402
AIRPORT TIMBER SALE/CONSTRUCTION	16,636	-	-	16,636
PAOLI CEMETERY	41,963	100	30	42,033
MISCELLANEOUS GRANTS	23,580	190	23,768	2
PARK DEBT SERVICE RESERVE	521,500	333,000	333,000	521,500
GOLF CART/UTV VEHICLES	1,225	555	-	1,780
PROHIBITED VEHICLE VIOLATION	15	-	-	15
TRAFFIC ENFORCEMENT VIOLATION	353	-	-	353
RESERVE OFFICER FUND	-	2,000	305	1,695
FIRE DEPARTMENT DONATIONS	-	8,296	5,591	2,705
PARK DONATIONS	-	2,626	-	2,626
POLICE DEPT DONATIONS	-	22,144	8,737	13,407
TOWN DONATIONS	-	10,358	-	10,358
LOIT 2016 SPECIAL DISTRIBUTION	43,180	-	-	43,180
FIREWORKS DONATIONS	1,254	5,729	6,983	-
SIDEWALK FUND	5,853	-	-	5,853
INDOT RW PURCHASE	51,355	9,200	-	60,555
PAYROLL NET SALARIES	-	1,076,000	1,076,000	-
PAYROLL 941 FEDERAL/FICA MEDICARE	-	395,245	395,253	(8)
PAYROLL STATE/COUNTY WITHHOLDINGS	-	67,308	67,308	-
PAYROLL PERF	-	208,354	208,354	-
PAYROLL AFA	244	23,145	22,947	442
PAYROLL AFLAC	104	451	451	104
PAYROLL COLONIAL INSURANCE	-	237	237	-
PAYROLL LIBERTY NATIONAL	16	2,112	1,912	216
PAYROLL OC GARNISHMENT	-	169	169	-
PAYROLL IN GARNISHMENT	-	305	305	-
PAYROLL KY GARNISHMENT	-	5,986	5,986	-
PAYROLL 457 RETIREMENT PLAN	-	5,706	5,706	-
PAYROLL BANK INTEREST	36	26	-	62
PAYROLL SITEX	29	313	334	8
WATER SYSTEMS IMPROVEMENT PROJECT	-	317,046	317,046	-
WATER PROJECT RETAINAGE	-	15,098	15,098	-
AIRPORT RUNWAY GRANT	(2,605)	1,886,566	1,901,854	(17,893)
AIRPORT RENTAL DEPOSIT	639	1,683	1,706	616
AWARENESS DAY - AIRPORT	885	3,359	2,475	1,769
PARK CONCESSIONS	32,420	48,443	33,278	47,585
PARK EVENTS	23,941	12,353	5,877	30,417
PAYROLL	1,450	-	-	1,450
UTILITY	-	6,670,996	6,670,996	-
ELECTRIC OPERATING	788,168	4,694,654	4,943,386	539,436
ELECTRIC METER DEPOSIT	124,822	21,600	19,305	127,117
ELECTRIC DEPRECIATION	247,627	1,192	168,000	80,819
ELECTRIC LIGHT CASH RESERVE	65,313	-	-	65,313
ELECTRIC-IMPA ENERGY EFFICIENCY	11,636	2,966	-	14,602
ELECTRIC CASH CHANGE	500	-	-	500
SEWER OPERATING	420,163	1,255,289	1,286,118	389,334
SEWER DEBT SERVICE RESERVE	154,366	-	-	154,366
SEWER BOND AND INTEREST	14,038	165,390	165,390	14,038
SEWER BOND AND INTEREST BNY	8,188	33,409	33,269	8,328
SEWER DEBT SERVICE RESERVE BNY	35,718	238	-	35,956
WATER OPERATING	130,544	1,180,191	1,317,717	(6,982)
WATER METER DEPOSIT	37,942	6,275	5,367	38,850
WATER BOND AND INTEREST	120,645	230,000	230,000	120,645
WATER DEBT SERVICE RES	232,650	-	-	232,650
WATER TANK FUND	15,145	-	-	15,145
Totals	<u>\$ 5,272,097</u>	<u>\$ 20,932,930</u>	<u>\$ 21,166,253</u>	<u>\$ 5,038,774</u>

The notes to the financial statement are an integral part of this statement.

TOWN OF PAOLI  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. 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 Town.

*B. 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 regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, 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.

*C. 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.

*D. Receipts*

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

*Taxes.* Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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.

TOWN OF PAOLI  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Intergovernmental receipts.* Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions 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.

*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.

*Penalties.* Amounts received from late payment fees.

*Other receipts.* Amounts received from various sources, including, but 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.

*E. 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

*Other services and charges.* Amounts disbursed for services including, but not limited to, the following: 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 Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

TOWN OF PAOLI  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*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 other 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.

*F. 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.

*G. 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 Town. 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 unit itself.

**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 February 15. These rates were based upon the preceding year's lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) assessed valuations adjusted for various tax credits. 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.

TOWN OF PAOLI  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**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. 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 Town 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.

**Note 6. Pension Plan**

*Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing 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 Indiana Public Retirement System (INPRS) 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 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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:

Indiana Public Retirement System  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

TOWN OF PAOLI  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy and Annual Pension Cost*

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

**Note 7. Cash Balance Deficits**

The financial statement contains the Airport Runway Grant fund with a deficit in cash. This is a result of the fund being set up for reimbursable grants. The reimbursements for expenditures made by the Town were not received by December 31, 2017. The Water Operating fund also has a deficit in cash. This is the result of expenditures exceeding receipts and available funds on hand.

**Note 8. Holding Corporation**

The Town has entered into a capital lease with the Paoli Building Corporation (the 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 the year 2017 totaled \$333,000.

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#### OTHER INFORMATION - UNAUDITED

The Town's Annual Financial Reports information can be found on the Indiana Gateway for Government Units website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Town's Annual Financial Reports referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the Town. It is presented as intended by the Town.

TOWN OF PAOLI  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	CORPORATION	MVH	LOCAL ROAD AND STREET	AIRPORT OPERATING	PARKING METERS	PARK SOFTBALL
Cash and investments - beginning	\$ 244,973	\$ 163,699	\$ 3,089	\$ 49,773	\$ 15	\$ 10,387
Receipts:						
Taxes	547,510	48,275	-	51,449	-	-
Licenses and permits	2,005	-	-	-	-	-
Intergovernmental receipts	119,899	144,727	16,795	6,109	-	-
Charges for services	1,078	1,433	-	22,304	-	-
Fines and forfeits	26,570	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	68,801	75	-	-	-	-
Total receipts	765,863	194,510	16,795	79,862	-	-
Disbursements:						
Personal services	486,454	14,354	-	37,514	-	-
Supplies	26,683	42,510	12,500	3,320	-	-
Other services and charges	189,658	16,159	-	19,702	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	22,296	6,579	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	31,960	-	-	-	-	-
Total disbursements	757,051	79,602	12,500	60,536	-	-
Excess (deficiency) of receipts over disbursements	8,812	114,908	4,295	19,326	-	-
Cash and investments - ending	\$ 253,785	\$ 278,607	\$ 7,384	\$ 69,099	\$ 15	\$ 10,387

TOWN OF PAOLI  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	UNSAFE PREMISES	VEHICLE UNLOCK	ABANDONED VEHICLE	COMMUNITY OUTREACH	LOCAL LAW ENFORCEMENT CONTINUING EDUCATION	RIVERBOAT CASINO FUND
Cash and investments - beginning	\$ 39,463	\$ 1,775	\$ 559	\$ 731	\$ 6,244	\$ 684,379
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	1,330	-
Intergovernmental receipts	-	-	-	-	-	683,830
Charges for services	-	480	34,146	-	310	-
Fines and forfeits	-	-	-	-	175	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	21,634	-	-	798	809	-
Total receipts	21,634	480	34,146	798	2,624	683,830
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	19,216	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	504	23,502	767	930	490,227
Total disbursements	19,216	504	23,502	767	930	490,227
Excess (deficiency) of receipts over disbursements	2,418	(24)	10,644	31	1,694	193,603
Cash and investments - ending	\$ 41,881	\$ 1,751	\$ 11,203	\$ 762	\$ 7,938	\$ 877,982

TOWN OF PAOLI  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	PARK OPERATING	RAINY DAY	EDIT	EXCESS LEVY	GAS REVOLVING AIRPORT
Cash and investments - beginning	\$ 9,264	\$ 6,506	\$ 250,123	\$ 1,400	\$ 28,130
Receipts:					
Taxes	95,396	-	111,780	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	70,818	-	-	-	-
Charges for services	110	-	-	-	25,412
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	-	-	-	-	-
Total receipts	<u>166,324</u>	<u>-</u>	<u>111,780</u>	<u>-</u>	<u>25,412</u>
Disbursements:					
Personal services	53,928	-	-	-	-
Supplies	1,106	-	-	-	-
Other services and charges	52,069	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	225,358	-	25,364
Total disbursements	<u>107,103</u>	<u>-</u>	<u>225,358</u>	<u>-</u>	<u>25,364</u>
Excess (deficiency) of receipts over disbursements	<u>59,221</u>	<u>-</u>	<u>(113,578)</u>	<u>-</u>	<u>48</u>
Cash and investments - ending	<u>\$ 68,485</u>	<u>\$ 6,506</u>	<u>\$ 136,545</u>	<u>\$ 1,400</u>	<u>\$ 28,178</u>

TOWN OF PAOLI  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	CUMULATIVE CAPITAL IMPROVEMENT	CUMULATIVE CAPITAL DEVELOPMENT	INDUSTRIAL DEVELOPMENT	T.I.F.	AIRPORT TIMBER SALE/ CONSTRUCTION
Cash and investments - beginning	\$ 15,761	\$ 204,824	\$ 286,982	\$ 92,482	\$ 16,636
Receipts:					
Taxes	-	40,197	-	33,335	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	8,942	4,946	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	-	-	15,149	-	-
Total receipts	8,942	45,143	15,149	33,335	-
Disbursements:					
Personal services	-	-	-	-	-
Supplies	11,591	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	48,329	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	23,415	-
Total disbursements	11,591	48,329	-	23,415	-
Excess (deficiency) of receipts over disbursements	(2,649)	(3,186)	15,149	9,920	-
Cash and investments - ending	\$ 13,112	\$ 201,638	\$ 302,131	\$ 102,402	\$ 16,636

TOWN OF PAOLI  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	PAOLI CEMETERY	MISCELLANEOUS GRANTS	PARK DEBT SERVICE RESERVE	GOLF CART/UTV VEHICLES	PROHIBITED VEHICLE VIOLATION
Cash and investments - beginning	\$ 41,963	\$ 23,580	\$ 521,500	\$ 1,225	\$ 15
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	100	-	-	555	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	-	190	333,000	-	-
Total receipts	100	190	333,000	555	-
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	333,000	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	30	23,768	-	-	-
Total disbursements	30	23,768	333,000	-	-
Excess (deficiency) of receipts over disbursements	70	(23,578)	-	555	-
Cash and investments - ending	\$ 42,033	\$ 2	\$ 521,500	\$ 1,780	\$ 15

TOWN OF PAOLI  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	TRAFFIC ENFORCEMENT VIOLATION	RESERVE OFFICER FUND	FIRE DEPARTMENT DONATIONS	PARK DONATIONS	POLICE DEPT DONATIONS
Cash and investments - beginning	\$ 353	\$ -	\$ -	\$ -	\$ -
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	-	2,000	8,296	2,626	22,144
Total receipts	-	2,000	8,296	2,626	22,144
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	305	5,591	-	8,737
Total disbursements	-	305	5,591	-	8,737
Excess (deficiency) of receipts over disbursements	-	1,695	2,705	2,626	13,407
Cash and investments - ending	\$ 353	\$ 1,695	\$ 2,705	\$ 2,626	\$ 13,407

TOWN OF PAOLI  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	TOWN DONATIONS	LOIT 2016 SPECIAL DISTRIBUTION	FIREWORKS DONATIONS	SIDEWALK FUND	INDOT RW PURCHASE
Cash and investments - beginning	\$ -	\$ 43,180	\$ 1,254	\$ 5,853	\$ 51,355
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	10,358	-	5,729	-	9,200
Total receipts	<u>10,358</u>	<u>-</u>	<u>5,729</u>	<u>-</u>	<u>9,200</u>
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	6,983	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>6,983</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>10,358</u>	<u>-</u>	<u>(1,254)</u>	<u>-</u>	<u>9,200</u>
Cash and investments - ending	<u>\$ 10,358</u>	<u>\$ 43,180</u>	<u>\$ -</u>	<u>\$ 5,853</u>	<u>\$ 60,555</u>

TOWN OF PAOLI  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	PAYROLL NET SALARIES	PAYROLL 941 FEDERAL/ FICA MEDICARE	PAYROLL STATE/COUNTY WITHHOLDINGS	PAYROLL PERF	PAYROLL AFA
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 244
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	1,076,000	395,245	67,308	208,354	23,145
Total receipts	<u>1,076,000</u>	<u>395,245</u>	<u>67,308</u>	<u>208,354</u>	<u>23,145</u>
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	1,076,000	395,253	67,308	208,354	22,947
Total disbursements	<u>1,076,000</u>	<u>395,253</u>	<u>67,308</u>	<u>208,354</u>	<u>22,947</u>
Excess (deficiency) of receipts over disbursements	-	(8)	-	-	198
Cash and investments - ending	<u>\$ -</u>	<u>\$ (8)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 442</u>

TOWN OF PAOLI  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	PAYROLL AFLAC	PAYROLL COLONIAL INSURANCE	PAYROLL LIBERTY NATIONAL	PAYROLL OC GARNISHMENT	PAYROLL IN GARNISHMENT
Cash and investments - beginning	\$ 104	\$ -	\$ 16	\$ -	\$ -
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	451	237	2,112	169	305
Total receipts	451	237	2,112	169	305
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	451	237	1,912	169	305
Total disbursements	451	237	1,912	169	305
Excess (deficiency) of receipts over disbursements	-	-	200	-	-
Cash and investments - ending	\$ 104	\$ -	\$ 216	\$ -	\$ -

TOWN OF PAOLI  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	PAYROLL KY GARNISHMENT	PAYROLL 457 RETIRMENT PLAN	PAYROLL BANK INTEREST	PAYROLL SITEX	WATER SYSTEMS IMPROVEMENT PROJECT
Cash and investments - beginning	\$ -	\$ -	\$ 36	\$ 29	\$ -
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	317,046
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	5,986	5,706	26	313	-
Total receipts	5,986	5,706	26	313	317,046
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	317,046
Utility operating expenses	-	-	-	-	-
Other disbursements	5,986	5,706	-	334	-
Total disbursements	5,986	5,706	-	334	317,046
Excess (deficiency) of receipts over disbursements	-	-	26	(21)	-
Cash and investments - ending	\$ -	\$ -	\$ 62	\$ 8	\$ -

TOWN OF PAOLI  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	WATER PROJECT RETAINAGE	AIRPORT RUNWAY GRANT	AIRPORT RENTAL DEPOSIT	AWARENESS DAY - AIRPORT	PARK CONCESSIONS
Cash and investments - beginning	\$ -	\$ (2,605)	\$ 639	\$ 885	\$ 32,420
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	15,098	1,886,566	-	-	-
Charges for services	-	-	1,683	-	48,443
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	-	-	-	3,359	-
Total receipts	<u>15,098</u>	<u>1,886,566</u>	<u>1,683</u>	<u>3,359</u>	<u>48,443</u>
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	15,098	1,901,854	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	1,706	2,475	33,278
Total disbursements	<u>15,098</u>	<u>1,901,854</u>	<u>1,706</u>	<u>2,475</u>	<u>33,278</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(15,288)</u>	<u>(23)</u>	<u>884</u>	<u>15,165</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ (17,893)</u>	<u>\$ 616</u>	<u>\$ 1,769</u>	<u>\$ 47,585</u>

TOWN OF PAOLI  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	<u>PARK EVENTS</u>	<u>PAYROLL</u>	<u>UTILITY</u>	<u>ELECTRIC OPERATING</u>	<u>ELECTRIC METER DEPOSIT</u>
Cash and investments - beginning	\$ 23,941	\$ 1,450	\$ -	\$ 788,168	\$ 124,822
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	12,353	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	4,288,735	-
Penalties	-	-	-	420	-
Other receipts	-	-	6,670,996	405,499	21,600
Total receipts	<u>12,353</u>	<u>-</u>	<u>6,670,996</u>	<u>4,694,654</u>	<u>21,600</u>
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	121,017	-
Utility operating expenses	-	-	-	4,522,447	19,305
Other disbursements	5,877	-	6,670,996	299,922	-
Total disbursements	<u>5,877</u>	<u>-</u>	<u>6,670,996</u>	<u>4,943,386</u>	<u>19,305</u>
Excess (deficiency) of receipts over disbursements	<u>6,476</u>	<u>-</u>	<u>-</u>	<u>(248,732)</u>	<u>2,295</u>
Cash and investments - ending	<u>\$ 30,417</u>	<u>\$ 1,450</u>	<u>\$ -</u>	<u>\$ 539,436</u>	<u>\$ 127,117</u>

TOWN OF PAOLI  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	ELECTRIC DEPRECIATION	ELECTRIC LIGHT CASH RESERVE	ELECTRIC-IMPA ENERGY EFFICIENCY	ELECTRIC CASH CHANGE	SEWER OPERATING
Cash and investments - beginning	\$ 247,627	\$ 65,313	\$ 11,636	\$ 500	\$ 420,163
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	1,239,002
Penalties	-	-	-	-	410
Other receipts	1,192	-	2,966	-	15,877
Total receipts	1,192	-	2,966	-	1,255,289
Disbursements:					
Personal services	-	-	-	-	390,363
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	32,447
Debt service - principal and interest	-	-	-	-	33,878
Capital outlay	-	-	-	-	70,585
Utility operating expenses	-	-	-	-	558,052
Other disbursements	168,000	-	-	-	200,793
Total disbursements	168,000	-	-	-	1,286,118
Excess (deficiency) of receipts over disbursements	(166,808)	-	2,966	-	(30,829)
Cash and investments - ending	\$ 80,819	\$ 65,313	\$ 14,602	\$ 500	\$ 389,334

TOWN OF PAOLI  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	SEWER DEBT SERVICE RESERVE	SEWER BOND AND INTEREST	SEWER BOND AND INTEREST BNY	SEWER DEBT SERVICE RESERVE BNY	WATER OPERATING
Cash and investments - beginning	\$ 154,366	\$ 14,038	\$ 8,188	\$ 35,718	\$ 130,544
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	1,170,114
Penalties	-	-	-	-	410
Other receipts	-	165,390	33,409	238	9,667
Total receipts	-	165,390	33,409	238	1,180,191
Disbursements:					
Personal services	-	-	-	-	231,655
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	21,592
Debt service - principal and interest	-	165,390	33,269	-	-
Capital outlay	-	-	-	-	96,702
Utility operating expenses	-	-	-	-	737,683
Other disbursements	-	-	-	-	230,085
Total disbursements	-	165,390	33,269	-	1,317,717
Excess (deficiency) of receipts over disbursements	-	-	140	238	(137,526)
Cash and investments - ending	\$ 154,366	\$ 14,038	\$ 8,328	\$ 35,956	\$ (6,982)

TOWN OF PAOLI  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

	WATER METER DEPOSIT	WATER BOND AND INTEREST	WATER DEBT SERVICE RES	WATER TANK FUND	Totals
Cash and investments - beginning	\$ 37,942	\$ 120,645	\$ 232,650	\$ 15,145	\$ 5,272,097
Receipts:					
Taxes	-	-	-	-	927,942
Licenses and permits	-	-	-	-	3,335
Intergovernmental receipts	-	-	-	-	3,274,776
Charges for services	-	-	-	-	148,407
Fines and forfeits	-	-	-	-	26,745
Utility fees	-	-	-	-	6,697,851
Penalties	-	-	-	-	1,240
Other receipts	6,275	230,000	-	-	9,852,634
Total receipts	6,275	230,000	-	-	20,932,930
Disbursements:					
Personal services	-	-	-	-	1,214,268
Supplies	-	-	-	-	97,710
Other services and charges	-	-	-	-	331,627
Debt service - principal and interest	-	230,000	-	-	795,537
Capital outlay	-	-	-	-	2,618,722
Utility operating expenses	5,367	-	-	-	5,842,854
Other disbursements	-	-	-	-	10,265,535
Total disbursements	5,367	230,000	-	-	21,166,253
Excess (deficiency) of receipts over disbursements	908	-	-	-	(233,323)
Cash and investments - ending	\$ 38,850	\$ 120,645	\$ 232,650	\$ 15,145	\$ 5,038,774

TOWN OF PAOLI  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2017

Government or Enterprise	Accounts Payable	Accounts Receivable
Electric	\$ 254,716	\$ 434,254
Wastewater	156,058	113,914
Water	13,383	115,756
Governmental activities	<u>443,392</u>	<u>2,592</u>
Totals	<u>\$ 867,549</u>	<u>\$ 666,516</u>

TOWN OF PAOLI  
SCHEDULE OF LEASES AND DEBT  
December 31, 2017

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: Paoli Building Corporation	Park Construction	\$ 331,000	10/1/2006	1/15/2032
Total of annual lease payments		<u>\$ 331,000</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities: Notes and loans payable	Police Vehicles	\$ 65,157	\$ 33,329
Wastewater:			
Revenue bonds	Sewage Works Revenue Bonds	615,000	166,525
Revenue bonds	Sewage Works State Revolving Loan	359,000	32,688
Notes and loans payable	Trash Truck Loan	<u>33,105</u>	<u>33,850</u>
Total Wastewater		<u>1,007,105</u>	<u>233,063</u>
Water:			
Revenue bonds	Waterworks Revenue Bond	<u>3,955,000</u>	<u>228,000</u>
Totals		<u>\$ 5,027,262</u>	<u>\$ 494,392</u>

TOWN OF PAOLI  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2017

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.

	Ending Balance
Governmental activities:	
Land	\$ 1,246,773
Infrastructure	1,965,779
Buildings	2,880,383
Improvements other than buildings	2,579,683
Machinery, equipment, and vehicles	1,800,570
Construction in progress	<u>4,187,292</u>
Total governmental activities	<u>14,660,480</u>
Electric:	
Land	300,057
Infrastructure	11,162,952
Buildings	543,856
Improvements other than buildings	942,262
Machinery, equipment, and vehicles	<u>862,396</u>
Total Electric	<u>13,811,523</u>
Wastewater:	
Infrastructure	11,965,957
Buildings	439,219
Improvements other than buildings	8,586,179
Machinery, equipment, and vehicles	<u>811,487</u>
Total Wastewater	<u>21,802,842</u>
Water:	
Land	48,336
Infrastructure	23,413,201
Buildings	441,001
Improvements other than buildings	1,220,948
Machinery, equipment, and vehicles	477,753
Construction in progress	<u>12,040</u>
Total Water	<u>25,613,279</u>
Total capital assets	<u>\$ 75,888,124</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

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

**Report on Compliance for the Major Federal Program**

We have audited the Town of Paoli's (Town) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2017. 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.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town's compliance.

***Opinion on the Major Federal Program***

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002. Our opinion on the major federal program is not modified with respect to these matters.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

The Town's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

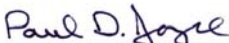
Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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. 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2017-002 and 2017-003, that we consider to be material weaknesses.

The Town's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

  
Paul D. Joyce, CPA  
State Examiner

June 14, 2018

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the Town. The schedule and notes are presented as intended by the Town.

TOWN OF PAOLI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2017

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Housing and Urban Development</u>					
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii Water Improvement Project	Indiana Office of Community and Rural Affairs	14.228	B14DC180001CF-WW-14-121	\$ -	\$ 301,948
Total - Department of Housing and Urban Development				-	301,948
<u>Department of Transportation</u>					
Highway Safety Cluster					
National Priority Safety Programs	Indiana Criminal Justice Institute	20.616			
OPO Grant			D3-16-10173	-	1,280
OPO Grant			D3-17-11115	-	4,851
Total - National Priority Safety Programs				-	6,131
Total - Highway Safety Cluster				-	6,131
Airport Improvement Program	Direct Grant	20.106			
Airport Runway Project			3-18-0064-012-2015	-	185,996
Airport Runway Project			3-18-0064-013-2016	-	1,632,949
Total - Airport Improvement Program				-	1,818,945
Total - Department of Transportation				-	1,825,076
Total federal awards expended				\$ -	\$ 2,127,024

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF PAOLI  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Town under programs of the federal government for the year ended December 31, 2017. The information in the SEFA 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 SEFA presents only a select portion of the operations of the Town, it is not intended to and does not present the financial position of the Town.

**Note 2. Summary of 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. The Town has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

TOWN OF PAOLI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**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 identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Program and type of auditor's report issued on compliance for it:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
20.106	Airport Improvement Program	Unmodified

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

Auditee qualified as low-risk auditee?	no
--	----

**Section II - Financial Statement Findings**

**FINDING 2017-001**

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

*Repeat Finding*

This is a repeat finding from the immediately prior report. The prior audit finding number was 2016-001.

*Condition*

The Town had not established effective internal controls to prevent, or detect and correct, errors in the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the Schedule of Expenditures of Federal Awards (SEFA).

TOWN OF PAOLI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Context*

The SEFA presented for audit contained the following errors:

1. The Airport Improvement Program was overstated by \$67,621 due to the inclusion of the State matching portion.
2. The Federal program names and pass-through entities were listed incorrectly.
3. The Federal expenditures in the amount of \$2,194,701 were incorrectly listed as passed-through to subrecipients.

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

*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. . . ."

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:

TOWN OF PAOLI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (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 CFDA number or other identifying number when the CFDA 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."

*Cause*

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

*Effect*

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

*Recommendation*

We recommended that the Town's management establish controls to prevent, or detect and correct, errors on the SEFA.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

TOWN OF PAOLI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***Section III - Federal Award Findings and Questioned Costs***

***FINDING 2017-002***

Subject: Airport Improvement Program - Procurement and Suspension and Debarment  
Federal Agency: Department of Transportation  
Federal Program: Airport Improvement Program  
CFDA Number: 20.106  
Federal Award Numbers and Years (or Other Identifying Numbers): 3-18-0064-012-2015,  
3-18-0064-013-2016  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior report. The prior audit finding number was 2016-002.

*Condition*

An effective internal control system was not in place at the Town to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement. The Town was relying on the grant administrator for compliance with requirements pertaining to Procurement and Suspension and Debarment.

The Town did not have written policies and procedures outlining responsibilities and duties for procurement to ensure that staff was knowledgeable about the grant requirements and that they adhered to the requirements. The Town did not have a written code of ethical conduct.

The Town did not perform a verification, obtain certifications, or add a clause to appropriate contracts to ensure that the contracted vendors were not suspended or debarred.

*Context*

The lack of controls and noncompliance were systemic problems throughout the audit period. The Town did not have a formal written policy outlining their procurement policies. There was not any evidence that the Town had verified compliance with suspension and debarment requirements prior to entering into contracts with three of the four vendors tested.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award 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). . . ."

TOWN OF PAOLI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 200.318 states in part:

"(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part.

(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.

(c)(1) The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the performance of its employees engaged in the selection, award and administration of contracts. . . ."

2 CRF 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

(a) Checking the SAM Exclusions; or

(b) Collecting a certification from that person; or

(c) Adding a clause or condition to the covered transaction with that person."

*Cause*

Management had not developed a system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the Town.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the Town's management establish controls related to the grant agreement and comply with the Procurement and Suspension and Debarment compliance requirement.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

TOWN OF PAOLI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2017-003***

Subject: Airport Improvement Program - Special Tests and Provisions - Wage Rate Requirements

Federal Agency: Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Numbers and Years (or Other Identifying Numbers): 3-18-0064-012-2015,  
3-18-0064-013-2016

Compliance Requirement: Special Tests and Provisions - Wage Rate Requirements

Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior report. The prior audit finding number was 2016-003.

*Condition*

An effective internal control system was not in place at the Town to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement. The Town hired an engineering firm to oversee compliance with the wage rate requirements; however, the Town had not implemented procedures that would have ensured that the engineering firm adequately verified compliance.

*Context*

The lack of controls was a systemic problem throughout the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award 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). . . ."

*Cause*

Management of the Town had not developed a system of internal controls, including segregation of duties, that would have ensured that the Town complied with the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

TOWN OF PAOLI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Effect*

The failure to establish an effective internal control system placed the Town at risk of noncompliance with the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the Town's management establish controls related to the grant agreement and the Special Tests and Provisions - Wage Rate Requirements compliance requirement.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

#### AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the Town. The documents are presented as intended by the Town.

# TOWN OF PAOLI

110 North Gospel Street,  
Paoli, Indiana 47454  
Phone: 812.723.2739  
Fax: 812.723.5834

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS


### **FINDING 2016-001**

Fiscal year in which the finding initially occurred: 2016  
Contact Person Responsible for Corrective Action: Amy J. Morris  
Contact Phone Number: 812-723-2739

Status of Audit Finding: The Schedule of Expenditures of Federal Awards (SEFA) presented for audit contained the following errors: 1) AIP was overstated due to the inclusion of State matching grant portion. 2) The Operation Pull-Over grant was overstated due to the inclusion of part of the grant money was received in 2017. 3) Federal program names and pass-through entities were listed incorrectly. The 2016-001 findings are the same in 2017 because the audit was conducted concurrently; therefore, the Town was unable to correct until after the audit was concluded.

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

**CLERK-TREASURER**  
Amy J. Morris  
clerk@paoli.in.gov

**TOWN COUNCIL**  
Michael A. Harkness - President, Steven L. Hankins - Vice President  
Gary N. Barnett, William E. Chastain, Carolyn N. Clements

**GENERAL FOREMAN**  
Mickey Moore  
generalforeman@paoli.in.gov

# TOWN OF PAOLI

110 North Gospel Street,  
Paoli, Indiana 47454  
Phone: 812.723.2739  
Fax: 812.723.5834

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### FINDING 2016-002


Fiscal year in which the finding initially occurred: 2016

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Federal Aviation Administration

Contact Person Responsible for Corrective Action: Michael Harkness and Robert Lambert

Contact Phone Number: 812-723-2739 and 812-723-9923

Status of Audit Finding: Airport Improvement Program – Procurement and Suspension and Debarment Compliance Requirement. The 2016-002 findings are the same in 2017 because the audit was conducted concurrently; therefore, the Town was unable to correct until after the audit concluded.



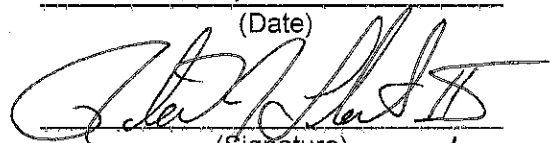
(Signature)

*Council President*

(Title)

*6/6/18*

(Date)



(Signature)

*PMAP BOAC President*

(Title)

*6/6/18*

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

### CLERK-TREASURER

Amy J. Morris  
clerk@paoli.in.gov

### TOWN COUNCIL

Michael A. Harkness - President, Steven L. Hankins - Vice President  
Gary N. Barnett, William E. Chastain, Carolyn N. Clements

### GENERAL FOREMAN

Mickey Moore  
generalforeman@paoli.in.gov

# TOWN OF PAOLI

110 North Gospel Street,  
Paoli, Indiana 47454  
Phone: 812.723.2739  
Fax: 812.723.5834

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2016-003**

Fiscal year in which the finding initially occurred: 2016

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Federal Aviation Administration

Contact Person Responsible for Corrective Action: Robert Lambert

Contact Phone Number:

Status of Audit Finding: Special Tests and Provisions - Wage Rate Requirements.

The 2016-003 findings are the same in 2017 because the audit was conducted concurrently; therefore, the Town was unable to correct until after the audit was concluded.



(Signature)

PMAP BOAC President

(Title)

6/6/18

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

### CLERK-TREASURER

Amy J. Morris  
clerk@paoli.in.gov

### TOWN COUNCIL

Michael A. Harkness - President, Steven L. Hankins - Vice President  
Gary N. Barnett, William E. Chastain, Carolyn N. Clements

### GENERAL FOREMAN

Mickey Moore  
generalforeman@paoli.in.gov

# TOWN OF PAOLI

110 North Gospel Street,  
Paoli, Indiana 47454  
Phone: 812.723.2739  
Fax: 812.723.5834

## CORRECTIVE ACTION PLAN

### **FINDING 2017-001**

Contact Person Responsible for Corrective Action: Amy Morris  
Contact Phone Number: 812-723-2739

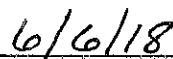
Views of Responsible Official: The Clerk-Treasurer concurs with the findings

Description of Corrective Action Plan: The Clerk-Treasurer's office will modify its procedures to implement internal controls to prevent, or detect and correct errors in the financial information entered into Gateway for Federal Awards (SEFA). The accounts payable clerk will compile the federal dollars amounts, the Clerk-Treasurer will review and enter the required annual financial reporting into Gateway. The Clerk-Treasurer will present the financials to the Town Council for review and approval prior to the final submission in Gateway.

Anticipated Completion Date: Effective Immediately

  
(Signature)

  
(Title)

  
(Date)

**CLERK-TREASURER**  
Amy J. Morris  
clerk@paoli.in.gov

**TOWN COUNCIL**  
Michael A. Harkness - President, Steven L. Hankins - Vice President  
Gary N. Barnett, William E. Chastain, Carolyn N. Clements

**GENERAL FOREMAN**  
Mickey Moore  
generalforeman@paoli.in.gov

# TOWN OF PAOLI

110 North Gospel Street,  
Paoli, Indiana 47454  
Phone: 812.723.2739  
Fax: 812.723.5834

## CORRECTIVE ACTION PLAN


### FINDING 2017-002

Contact Person Responsible for Corrective Action: Michael Harkness and Robert Lambert  
Contact Phone Number: 812-723-2739 and 812-723-9923

Views of Responsible Official: Town Council and Airport Board concur with the finding.

Description of Corrective Action Plan: The Town Council will create a procurement policy for all Federal Funding received. The Airport Board and Clerk-Treasurer will modify the procedures for Suspension & Debarment for all bidders related to any contract to be funded under the Federal Grants within the System For Award Management (SAM). The Clerk-Treasurer will keep a log in the grant file to certify compliance of vendors. The Clerk-Treasurer will have the Airport Manager review this log, along with presenting it to the Town Council annually for their review.

Anticipated Completion Date: June 14, 2018

  
\_\_\_\_\_  
(Signature)

Council President  
(Title)

6/6/18  
(Date)

  
\_\_\_\_\_  
(Signature)

RMAB BOAC President  
(Title)

6/6/18  
(Date)

CLERK-TREASURER  
Amy J. Morris  
clerk@paoli.in.gov

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## CORRECTIVE ACTION PLAN

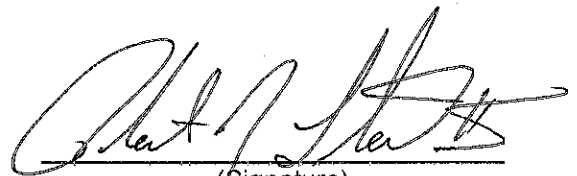
### FINDING 2017-003

Contact Person Responsible for Corrective Action: Robert Lambert  
Contact Phone Number: 812-723-9923

Views of Responsible Official: Airport Board concurs with the finding.

Description of Corrective Action Plan: The Airport Board will modify its Airport Improvement Program (AIP) Grant oversight policy and procedures to require the Airport Grant Administrator to provide the pay wage sheets with their pay request applications when presenting for the Airport Boards approval, therefore, the airport board can document it with their board meeting minutes. The Clerk-Treasurer will review the said documents when the request for payment is made to ensure compliance.

Anticipated Completion Date: June 29, 2018



\_\_\_\_\_

(Signature)

PMAR BOAC President

\_\_\_\_\_

(Title)

6/6/18

\_\_\_\_\_

(Date)

CLERK-TREASURER  
Amy J. Morris  
clerk@paoli.in.gov

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#### OTHER REPORTS

In addition to this report, other reports may have been issued for the Town. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.