

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

AUDIT REPORT

OF

TOWN OF FRENCH LICK

ORANGE COUNTY, INDIANA

January 1, 2007 to December 31, 2008



**FILED**  
10/28/2009



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	3
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards .....	4-5
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards .....	6-7
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis .....	8, 12
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds .....	9, 13
Proprietary Fund:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Fund .....	10, 14
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Fund .....	11, 15
Notes to Financial Statements .....	16-28
Required Supplementary Information:	
Schedule of Funding Progress .....	29
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds .....	30-33, 35-38
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Agency Fund .....	34, 39
Schedule of Capital Assets .....	40
Schedule of Long-Term Debt .....	41

TABLE OF CONTENTS  
(Continued)

<u>Description</u>	<u>Page</u>
Audit Results and Comments:	
Condition of Records .....	42-44
Internal Controls Over Financial Transactions and Reporting .....	44-45
Temporary Transfer of Funds .....	45
Deposits .....	46
Personal Expenses .....	46
Local Road and Street Funds Received into the Motor Vehicle Highway Fund .....	46
Dormant Fund Balances .....	46-47
Ordinances and Resolutions .....	47
Distribution of Gross Revenues to the Various Funds .....	47
Appropriations .....	48
Official Bond .....	48
Conflict of Interest .....	48-49
Deposits - Aviation .....	49
Vending, Concessions, or Other Sales Controls - Aviation .....	49-50
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 .....	52-53
Schedule of Expenditures of Federal Awards .....	54
Note to Schedule of Expenditures of Federal Awards .....	55
Schedule of Findings and Questioned Costs .....	56-58
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings .....	59
Corrective Action Plan .....	60-61
Exit Conference .....	62

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Dave Harner Dennis Jones	01-06-04 to 12-31-07 01-01-08 to 12-31-11
President of the Town Council	Marlene J. Noble William E. Ratliff	01-01-07 to 12-31-07 01-01-08 to 12-31-09
Superintendent of Wastewater Utility	Chris Mills	01-01-07 to 12-31-09



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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE TOWN OF FRENCH LICK, ORANGE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of French Lick (Town), as of and for the years ended December 31, 2007 and 2008, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As discussed in Note I, the financial statements referred to above do not include a component unit of the Town which should have been included to fairly present the financial position of the Town.

In our opinion, except that the omission of the component unit of the Town referred to in the preceding paragraph results in incomplete presentation, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2007 and 2008, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated October 7, 2009, 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 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 internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Town has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

October 7, 2009



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE TOWN OF FRENCH LICK, ORANGE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of French Lick (Town), as of and for the years ended December 31, 2007 and 2008, which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 7, 2009. The opinions to the financial statements were qualified due to the omission of the component unit of the Town which resulted in incomplete presentation. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in item 2008-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider item 2008-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are 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 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Town's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, the Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

October 7, 2009

TOWN OF FRENCH LICK  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2007

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 1,986,861	\$ 40,559	\$ -	\$ -	\$ (1,946,302)	\$ -	\$ (1,946,302)
Public safety	20,357	4,444	-	-	(15,913)	-	(15,913)
Highways and streets	244,897	-	69,364	-	(175,533)	-	(175,533)
Sanitation	3,180	10,215	-	-	7,035	-	7,035
Aviation	848,548	-	-	339,702	(508,846)	-	(508,846)
Economic development	828,718	-	-	-	(828,718)	-	(828,718)
Culture and recreation	62,044	1,620	-	-	(60,424)	-	(60,424)
Principal and interest on indebtedness	871,197	-	-	-	(871,197)	-	(871,197)
Total governmental activities	4,865,802	56,838	69,364	339,702	(4,399,898)	-	(4,399,898)
Business-type activities:							
Wastewater	679,429	722,491	-	-	-	43,062	43,062
Total primary government	\$ 5,545,231	\$ 779,329	\$ 69,364	\$ 339,702	(4,399,898)	43,062	(4,356,836)
General receipts:							
Property taxes					471,715	-	471,715
Income taxes					83,673	-	83,673
Intergovernmental					2,066,752	-	2,066,752
Other local sources					1,879,049	-	1,879,049
Grants and contributions not restricted to specific programs					50,960	-	50,960
Investment earnings					33,309	3,680	36,989
Total general receipts					4,585,458	3,680	4,589,138
Change in net assets					185,560	46,742	232,302
Net assets - beginning					1,275,086	250,364	1,525,450
Net assets - ending					\$ 1,460,646	\$ 297,106	\$ 1,757,752
<b>Assets</b>							
Cash and investments					\$ 881,530	\$ 65,397	\$ 946,927
Restricted assets:							
Cash and investments					579,116	231,709	810,825
Total assets					\$ 1,460,646	\$ 297,106	\$ 1,757,752
<b>Net Assets</b>							
Restricted for:							
General government					\$ 1,258	\$ -	\$ 1,258
Public safety					2,286	-	2,286
Highways and streets					115,084	-	115,084
Sanitation					78,453	-	78,453
Aviation					98,799	-	98,799
Economic development					59,686	-	59,686
Culture and recreation					79,002	-	79,002
Debt service					30,159	231,709	261,868
Capital outlay					114,389	-	114,389
Unrestricted					881,530	65,397	946,927
Total net assets					\$ 1,460,646	\$ 297,106	\$ 1,757,752

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

TOWN OF FRENCH LICK  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2007

	General	French Lick Revolving Loan	Aviation Grant	Casino	TIF	Other Governmental Funds	Totals
<b>Receipts:</b>							
Taxes	\$ 164,894	\$ -	\$ -	\$ -	\$ 51,876	\$ 254,945	\$ 471,715
Licenses and permits	1,650	-	-	-	-	739	2,389
Intergovernmental	263,894	-	339,702	1,758,113	-	197,782	2,559,491
Charges for services	5,913	-	-	-	-	200,189	206,102
Fines and forfeits	500	-	-	-	-	1,555	2,055
Other	74,698	503,311	-	1,170,892	659	60,050	1,809,610
<b>Total receipts</b>	<b>511,549</b>	<b>503,311</b>	<b>339,702</b>	<b>2,929,005</b>	<b>52,535</b>	<b>715,260</b>	<b>5,051,362</b>
<b>Disbursements:</b>							
General government	628,339	-	-	1,356,264	-	2,258	1,986,861
Highways and streets	-	-	-	-	-	244,897	244,897
Sanitation	-	-	-	-	-	3,180	3,180
Aviation	-	-	589,718	-	-	258,830	848,548
Economic development	-	773,526	-	-	-	40,024	813,550
Culture and recreation	-	-	-	-	-	24,990	24,990
<b>Debt service:</b>							
Principal	-	-	-	244,371	-	26,867	271,238
Interest	-	-	-	477,910	-	122,049	599,959
<b>Capital outlay:</b>							
Public safety	-	-	-	-	-	20,357	20,357
Economic development	-	-	-	-	-	15,168	15,168
Culture and recreation	37,054	-	-	-	-	-	37,054
<b>Total disbursements</b>	<b>665,393</b>	<b>773,526</b>	<b>589,718</b>	<b>2,078,545</b>	<b>-</b>	<b>758,620</b>	<b>4,865,802</b>
Excess (deficiency) of receipts over disbursements	(153,844)	(270,215)	(250,016)	850,460	52,535	(43,360)	185,560
<b>Other financing sources (uses):</b>							
Transfers in	293,714	-	-	-	-	91,210	384,924
Transfers out	-	-	-	(263,637)	-	(121,287)	(384,924)
<b>Total other financing sources (uses)</b>	<b>293,714</b>	<b>-</b>	<b>-</b>	<b>(263,637)</b>	<b>-</b>	<b>(30,077)</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	139,870	(270,215)	(250,016)	586,823	52,535	(73,437)	185,560
Cash and investment fund balance - beginning	54,956	272,007	250,017	97,640	-	600,466	1,275,086
Cash and investment fund balance - ending	\$ 194,826	\$ 1,792	\$ 1	\$ 684,463	\$ 52,535	\$ 527,029	\$ 1,460,646
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ 194,826	\$ -	\$ -	\$ 684,463	\$ -	\$ 2,241	\$ 881,530
<b>Restricted assets:</b>							
Cash and investments	-	1,792	1	-	52,535	524,788	579,116
<b>Total cash and investment assets - ending</b>	<b>\$ 194,826</b>	<b>\$ 1,792</b>	<b>\$ 1</b>	<b>\$ 684,463</b>	<b>\$ 52,535</b>	<b>\$ 527,029</b>	<b>\$ 1,460,646</b>
<b>Cash and Investment Fund Balance - Ending</b>							
<b>Restricted for:</b>							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,258	\$ 1,258
Public safety	-	-	-	-	-	2,286	2,286
Highways and streets	-	-	-	-	-	115,084	115,084
Sanitation	-	-	-	-	-	78,453	78,453
Aviation	-	-	-	-	-	98,799	98,799
Economic development	-	1,792	-	-	52,535	5,359	59,686
Culture and recreation	-	-	-	-	-	79,002	79,002
Debt service	-	-	-	-	-	30,159	30,159
Capital outlay	-	-	1	-	-	114,388	114,389
Unrestricted	194,826	-	-	684,463	-	2,241	881,530
<b>Total cash and investment fund balance - ending</b>	<b>\$ 194,826</b>	<b>\$ 1,792</b>	<b>\$ 1</b>	<b>\$ 684,463</b>	<b>\$ 52,535</b>	<b>\$ 527,029</b>	<b>\$ 1,460,646</b>

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

TOWN OF FRENCH LICK  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUND  
As Of And For The Year Ended December 31, 2007

	Wastewater Utility
Operating receipts:	
Metered receipts and penalties	\$ 600,974
Miscellaneous	121,517
Total operating receipts	722,491
Operating disbursements:	
Salaries and wages	116,641
Employee pensions and benefits	17,616
Purchased water	88,239
Purchased power	5,022
Sludge removal	27,416
Chemicals	15,604
Material and supplies	38,894
Contractual services	37,325
Transportation disbursements	48,599
Insurance claims and expense	24,418
Miscellaneous disbursements	10,805
Total operating disbursements	430,579
Excess of operating receipts over operating disbursements	291,912
Nonoperating receipts (disbursements):	
Interest and investment receipts	3,680
Debt service of principal	(61,000)
Interest disbursements	(187,850)
Total nonoperating disbursements	(245,170)
Excess of receipts over disbursements and nonoperating disbursements	46,742
Cash and investment fund balance - beginning	250,364
Cash and investment fund balance - ending	\$ 297,106
<u>Cash and Investment Assets - December 31</u>	
Cash and investments	\$ 65,397
Restricted assets:	
Cash and investments	231,709
Total cash and investment assets - December 31	\$ 297,106
<u>Cash and Investment Fund Balance - December 31</u>	
Restricted for:	
Debt service	\$ 231,709
Unrestricted	65,397
Total cash and investment fund balance - December 31	\$ 297,106

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

TOWN OF FRENCH LICK  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUND  
For The Year Ended December 31, 2007

	<u>Agency Fund</u>
Cash and investment fund balance - ending	<u>\$ 9,565</u>

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

TOWN OF FRENCH LICK  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2008

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 3,047,383	\$ 78,473	\$ 1,333	\$ -	\$ (2,967,577)	\$ -	\$ (2,967,577)
Public safety	-	918	-	-	918	-	918
Highways and streets	215,938	-	33,020	-	(182,918)	-	(182,918)
Aviation	510,469	-	-	390,430	(120,039)	-	(120,039)
Economic development	2,109,851	-	-	-	(2,109,851)	-	(2,109,851)
Culture and recreation	30,576	-	-	-	(30,576)	-	(30,576)
Principal and interest on indebtedness	1,485,643	-	-	-	(1,485,643)	-	(1,485,643)
Total governmental activities	7,399,860	79,391	34,353	390,430	(6,895,686)	-	(6,895,686)
Business-type activities:							
Wastewater	681,005	706,540	-	-	-	25,535	25,535
Total primary government	\$ 8,080,865	\$ 785,931	\$ 34,353	\$ 390,430	(6,895,686)	25,535	(6,870,151)
General receipts:							
Property taxes					700,765	-	700,765
Income taxes					39,212	-	39,212
Intergovernmental					2,695,211	-	2,695,211
Other local sources					2,691,703	28,439	2,720,142
Grants and contributions not restricted to specific programs					980	-	980
Investment earnings					272,076	3,979	276,055
Interfund loans					79,528	(79,528)	-
Total general receipts and interfund loans					6,479,475	(47,110)	6,432,365
Change in net assets					(416,211)	(21,575)	(437,786)
Net assets - beginning					1,460,646	297,106	1,757,752
Net assets - ending					\$ 1,044,435	\$ 275,531	\$ 1,319,966
<u>Assets</u>							
Cash and investments					\$ 142,950	\$ 72,277	\$ 215,227
Restricted assets:							
Cash and investments					901,485	203,254	1,104,739
Total assets					\$ 1,044,435	\$ 275,531	\$ 1,319,966
<u>Net Assets</u>							
Restricted for:							
General government					\$ 1,258	\$ -	\$ 1,258
Highways and streets					55,956	-	55,956
Sanitation					5,696	-	5,696
Aviation					16,256	-	16,256
Economic development					593,156	-	593,156
Culture and recreation					40,679	-	40,679
Debt service					13,014	203,254	216,268
Capital outlay					175,470	-	175,470
Unrestricted					142,950	72,277	215,227
Total net assets					\$ 1,044,435	\$ 275,531	\$ 1,319,966

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

TOWN OF FRENCH LICK  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2008

	General	French Lick Revolving Loan	Aviation Grant	Casino	Redevelopment Commission Wagering and Admissions Tax	TIF	Other Governmental Funds	Totals
<b>Receipts:</b>								
Taxes	\$ 111,650	\$ -	\$ -	\$ -	\$ -	\$ 473,556	\$ 115,559	\$ 700,765
Licenses and permits	700	-	-	-	-	-	218	918
Intergovernmental	328,696	-	390,430	2,346,234	-	-	93,846	3,159,206
Charges for services	6,403	-	-	-	-	-	89,809	96,212
Interfund loans	-	-	-	119,528	-	-	40,000	159,528
Other	26,116	396,609	10,296	2,279,236	-	2,608	182,155	2,897,020
<b>Total receipts</b>	<b>473,565</b>	<b>396,609</b>	<b>400,726</b>	<b>4,744,998</b>	<b>-</b>	<b>476,164</b>	<b>521,587</b>	<b>7,013,649</b>
<b>Disbursements:</b>								
General government	683,651	-	-	2,268,994	-	-	94,738	3,047,383
Highways and streets	-	-	-	-	-	-	215,938	215,938
Aviation	-	-	-	-	-	-	183,600	183,600
Economic development	-	233,857	-	-	-	-	28,991	262,848
Culture and recreation	-	-	-	-	-	-	30,576	30,576
Interfund loans	-	-	-	40,000	-	-	40,000	80,000
Debt service:								
Principal	-	-	-	599,924	-	-	27,638	627,562
Interest	-	-	-	832,315	-	-	25,766	858,081
Capital outlay:								
Aviation	-	-	326,869	-	-	-	-	326,869
Economic development	-	-	-	-	1,733,335	113,668	-	1,847,003
<b>Total disbursements</b>	<b>683,651</b>	<b>233,857</b>	<b>326,869</b>	<b>3,741,233</b>	<b>1,733,335</b>	<b>113,668</b>	<b>647,247</b>	<b>7,479,860</b>
Excess (deficiency) of receipts over disbursements	(210,086)	162,752	73,857	1,003,765	(1,733,335)	362,496	(125,660)	(466,211)
<b>Other financing sources (uses):</b>								
Transfers in	66,725	-	-	196,466	1,733,335	-	251,088	2,247,614
Transfers out	(97,500)	-	(300)	(1,760,621)	-	-	(389,193)	(2,247,614)
Other receipts	50,000	-	-	-	-	-	-	50,000
<b>Total other financing sources (uses)</b>	<b>19,225</b>	<b>-</b>	<b>(300)</b>	<b>(1,564,155)</b>	<b>1,733,335</b>	<b>-</b>	<b>(138,105)</b>	<b>50,000</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(190,861)	162,752	73,557	(560,390)	-	362,496	(263,765)	(416,211)
Cash and investment fund balance - beginning	194,826	1,792	1	684,463	-	52,535	527,029	1,460,646
Cash and investment fund balance - ending	\$ 3,965	\$ 164,544	\$ 73,558	\$ 124,073	\$ -	\$ 415,031	\$ 263,264	\$ 1,044,435
<b>Cash and Investment Assets - Ending</b>								
Cash and investments	\$ 3,965	\$ -	\$ -	\$ 124,073	\$ -	\$ -	\$ 14,912	\$ 142,950
Restricted assets:								
Cash and investments	-	164,544	73,558	-	-	415,031	248,352	901,485
<b>Total cash and investment assets - ending</b>	<b>\$ 3,965</b>	<b>\$ 164,544</b>	<b>\$ 73,558</b>	<b>\$ 124,073</b>	<b>\$ -</b>	<b>\$ 415,031</b>	<b>\$ 263,264</b>	<b>\$ 1,044,435</b>
<b>Cash and Investment Fund Balance - Ending</b>								
Restricted for:								
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,258	\$ 1,258
Highways and streets	-	-	-	-	-	-	55,956	55,956
Sanitation	-	-	-	-	-	-	5,696	5,696
Aviation	-	-	-	-	-	-	16,256	16,256
Economic development	-	164,544	-	-	-	415,031	13,581	593,156
Culture and recreation	-	-	-	-	-	-	40,679	40,679
Debt service	-	-	-	-	-	-	13,014	13,014
Capital outlay	-	-	73,558	-	-	-	101,912	175,470
Unrestricted	3,965	-	-	124,073	-	-	14,912	142,950
<b>Total cash and investment fund balance - ending</b>	<b>\$ 3,965</b>	<b>\$ 164,544</b>	<b>\$ 73,558</b>	<b>\$ 124,073</b>	<b>\$ -</b>	<b>\$ 415,031</b>	<b>\$ 263,264</b>	<b>\$ 1,044,435</b>

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

TOWN OF FRENCH LICK  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUND  
As Of And For The Year Ended December 31, 2008

	Wastewater Utility
Operating receipts:	
Metered receipts and penalties	\$ 619,675
Miscellaneous	<u>86,865</u>
Total operating receipts	<u>706,540</u>
Operating disbursements:	
Salaries and wages	122,825
Employee pensions and benefits	9,574
Purchased water	1,802
Purchased wastewater treatment	680
Sludge removal	13,342
Purchased power	89,168
Fuel for power production	5,674
Chemicals	15,762
Material and supplies	28,068
Contractual services	62,489
Transportation	4,551
Insurance claims and expense	13,146
Bad debt	123
Collection system	28,757
Interfund loans made/repaid	79,528
Miscellaneous	<u>32,994</u>
Total operating disbursements	<u>508,483</u>
Excess of operating receipts over operating disbursements	<u>198,057</u>
Nonoperating receipts (disbursements):	
Investment income	3,979
Refunds	28,439
Debt service of principal	(61,000)
Interest disbursements	<u>(191,050)</u>
Total nonoperating disbursements	<u>(219,632)</u>
Excess of receipts over disbursements and nonoperating receipts	(21,575)
Cash and investment fund balance - beginning	<u>297,106</u>
Cash and investment fund balance - ending	<u>\$ 275,531</u>
<u>Cash and Investment Assets - December 31</u>	
Cash and investments	\$ 72,277
Restricted assets:	
Cash and investments	<u>203,254</u>
Total cash and investment assets - December 31	<u>\$ 275,531</u>
<u>Cash and Investment Fund Balance - December 31</u>	
Restricted for:	
Debt service	\$ 203,254
Unrestricted	<u>72,277</u>
Total cash and investment fund balance - December 31	<u>\$ 275,531</u>

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

TOWN OF FRENCH LICK  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUND  
For The Year Ended December 31, 2008

	<u>Agency Fund</u>
Cash and investment fund balance - ending	<u>\$ 826</u>

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

TOWN OF FRENCH LICK  
NOTES TO FINANCIAL STATEMENTS

I. 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 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, wastewater, and urban redevelopment and housing.

The Town's financial reporting entity is composed of the following:

Primary Government: Town of French Lick  
Blended Component Unit: French Lick Redevelopment Authority

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

The French Lick Redevelopment Authority, a blended component unit, has been omitted from these financial statements. Accordingly, the financial statements do not include the data of all of the Town's component units necessary to fairly present the financial position of the Town.

Related Organizations

The Town's officials are also responsible for appointing the members of the boards of other organizations, but the Town's accountability for these organizations does not extend beyond making the appointments.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF FRENCH LICK  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The Town reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The French Lick revolving loan fund accounts for loan activity to small businesses.

The aviation grant fund was established to handle all the receipts and disbursements for federal grants for airport construction projects.

The casino fund (Ordinance 06-06) was established to accept all incoming revenues associated with the Blue Sky Casino. The revenues are distributed from this fund by action of the French Lick Town Council.

The redevelopment commission wagering and admissions tax fund is used to account for the revenues and disbursements of the Redevelopment Commission.

The TIF fund accounts for the receipts and disbursements that are received for the French Lick Allocation Area No. 1.

The Town reports the following major proprietary fund:

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

Additionally, the Town reports the following fund type:

The agency fund accounts for assets held by the Town as an agent for other entities and serves as a control of accounts for certain cash transactions during the time they are a liability to the Town.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment 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. Investment transactions are not presented on the financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

TOWN OF FRENCH LICK  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The Town does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and in 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.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

TOWN OF FRENCH LICK  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the Town's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

TOWN OF FRENCH LICK  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the Town submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Town receives approval of the Indiana Department of Local Government Finance.

The Town's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

TOWN OF FRENCH LICK  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Disbursements in Excess of Appropriations

For the years ended December 31, 2007 and 2008, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2007	2008
General	\$ 193,237	\$ 190,569
Community Center Lease	90,322	-
Motor Vehicle Highway	67,630	-
Airport Operating	535,393	85,962
Economic Development Income Tax	72,894	58,000
Cumulative Capital Improvement	18,419	-
Totals	<u>\$ 977,895</u>	<u>\$ 334,531</u>

These disbursements were funded by available fund balances.

C. Cash and Investment Balance Deficits

At December 31, 2007 and 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2007	2008
Community Center Lease	\$ 32,013	\$ 44,183
Municipal Airport Fuel	192	-

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Town does not have a deposit policy for custodial credit risk. At December 31, 2008, the Town had deposit balances in the amount of \$1,405,132. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

TOWN OF FRENCH LICK  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Investments

As of December 31, 2008, the Town had the following investments:

<u>Investment Type</u>	<u>Market Value</u>
Mutual funds	\$ <u>254,652</u>

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the Town to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the Town to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the Town and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the Town may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the Town's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Town does not have a formal investment policy for custodial credit risk for investments.

The Town did not have any investments that were exposed to custodial credit risks.

TOWN OF FRENCH LICK  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town must follow state statute and limit the stated final maturities of the investments to no more than two years. The Town does not have a formal investment policy for interest rate risk for investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below. The Town does not have a formal investment policy for credit risk for investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The Town does not have a formal policy in regards to foreign currency risk.

B. Interfund Transfers

Interfund transfers for the years ended December 31, 2007 and 2008, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2007</u>	<u>2008</u>
General Fund	Casino	\$ -	\$ 97,500
Aviation Grant	General Fund	-	300
Casino	General Fund	193,207	-
Casino	Redevelopment Commission Wagering and Admissions Tax	-	1,733,335
Casino	Other governmental funds	70,430	27,286
Other governmental funds	General Fund	100,507	66,425
Other governmental funds	Casino	-	98,966
Other governmental funds	Other governmental funds	20,780	223,802
Totals		<u>\$ 384,924</u>	<u>\$ 2,247,614</u>

The Town typically uses transfers for cash flow purposes as provided by various statutory provisions.

TOWN OF FRENCH LICK  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

IV. Other Information

A. Risk Management

The Town is 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; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Job Related Illnesses or Injuries to Employees

During 1998, the Town joined a public entity risk pool, the Indiana Public Employer's Plan, Inc., currently operating as a common risk management and insurance program for member governmental entities. This risk pool was formed in 1989 for the purpose of providing a medium for the funding and administration of workers compensation claims. The Town pays an annual premium to the risk pool for its job related illnesses or injuries to employees insurance coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

B. Holding Corporation

The Town has entered into a capital lease with the French Lick Town Hall 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 audit period totaled \$148,555.

C. Subsequent Events

On February 24, 2009, the Aviation Board entered into a contract with Craftsman Construction Unified for the construction of a new airport terminal. The original contract amount was \$448,000. They also received a grant from the Orange County Development Commission for \$250,000 and a \$300,000 grant from the Indiana Economic Development Corporation for construction of the airport terminal. In September, they received a \$1,804,554 grant from the Federal Aviation Authority for construction of a parallel taxiway.

On September 9, 2009, the Aviation Board agreed to take the lowest and best bid for construction. The lowest bid was from Crider & Crider for a base bid of \$656,211.25 plus alternate number 1 of \$37,500 and alternate number 2 of \$27,532.50 for a total of \$721,243.75. This project is supported by a federal grant of \$1,804,554 and a state matching grant of \$47,488.

The Town of French Lick is involved in a lawsuit with the Town of West Baden Springs. The suit is to determine if the Town of West Baden Springs is entitled to 25% of the property tax increment generated by the Blue Sky Casino property located in French Lick. The amount in dispute is approximately \$150,000 per year for up to 30 years.

TOWN OF FRENCH LICK  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

D. Leases and Loans

On April 27, 2006, the Redevelopment Authority adopted resolution Nos. 2006-03 and 2006-04 indicating its intent to issue French Lick Redevelopment Authority Lease Rental Revenue Bonds of 2006, Series A and B. The bond issues were for \$15,000,000 and were to be used for improvements to the wastewater treatment plant as well as for land and public improvements.

Also on April 27, 2006, the French Lick Redevelopment Authority entered into two twenty-year leases with the French Lick Redevelopment Commission. The rental payments to be paid by the Commission are \$1,993,369 per year in monthly installments beginning on June 30, 2007.

On August 1, 2008, the Town of French Lick entered into a project development agreement with W & T Realty, Inc. The agreement is for a revitalization project aimed at creating a historically themed downtown that will enhance the experience of tourists and other visitors to the community, as well as the local residents of the Town. They also entered into a loan agreement for \$200,000. The loan is to be repaid in five annual installments of \$40,000 with the first payment due on August 1, 2009. The loan has a zero percent interest rate.

E. Conduit Debt Obligation

Economic Development Revenue Bonds

On May 29, 2007, the Town adopted an ordinance authorizing the issuance of Taxable Economic Development Revenue Bonds, Series 2007A in the principal amount of \$100,000, Taxable Economic Development Revenue Bonds Series 2007B in the principal amount of \$4,500,000 and Taxable Economic Development Revenue Bonds, Series 2007C in the principal amount of \$1,500,000. These bonds were for the Valley of the Springs Project and the French Lick Redevelopment Commission pledged TIF revenues in case of default on the loan. These bonds are not reported as debt on the Schedule of Long-Term Debt.

As of December 31, 2008, the balance due on the Series 2007A bonds is \$91,500.

As of December 31, 2008, there is no balance due on the Series 2007B and Series 2007C bonds since no draws have been made against the bonds.

This same ordinance also included the issuance of Tax Exempt Economic Development Revenue Bonds, Series 2007D in the principal amount of \$650,000. The Town is to pay this loan back in 10 payments with the last payment due February 1, 2013.

On January 2, 2008, the Town adopted an ordinance authorizing the Town to issue Taxable Variable Rate Economic Development Revenue Bonds, Series 2008A and B. These are known as the Town Green Place Project. Series 2008A is for \$2,200,000 and Series 2008B is for \$860,000. On January 22, 2008, the Town entered into a bond pledge agreement with Town Green Place, LLC, an Indiana limited liability company, to pay 82% of the Series 2008B bonds and the Town Green Place, LLC will pay the remaining 18%. The Series 2008A bonds that are to be paid by the Town Green Place, LLC are not included as debt on the Schedule of Long-Term Debt.

The Series 2008A bonds do not have any payments due until April 2009.

TOWN OF FRENCH LICK  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

F. Loans Receivable – Indiana Department of Commerce

The Town established an Economic Development Revolving Loan Fund in 1988. This fund was created to promote the expansion of business and industry in the Town through low cost loans. The outstanding balance of these loans at December 31, 2008, is detailed below.

Recipient	Date of Loan	Purpose	Amount	Interest Rate	Yearly Payment	Outstanding Balance December 31, 2008
Jody's Restaurant	10-14-99	Acquisition/expansion	\$ 100,000	5.0%	\$ 11,099	\$ 78,970
Darrell W. Graham	12-15-05	Expansion	200,094	5.0%	42,000	58,742
Lane Motel, Inc.	03-02-95	Expansion	200,000	6.0%	6,661	49,388
Jasper Seating Co., INC.	02-11-02	Expansion	642,347	5.0%	87,682	190,837
Tim Walls & Associates	11-16-04	New business	32,400	6.0%	9,131	34,946
Andis Logging	03-15-06	Business operations	150,000	6.0%	116,190	17,085
T-Berry's Café	06-26-06	Acquisition	136,074	6.0%	18,128	123,328
Special Occasions	06-21-04	Expansion	14,000	6.0%	1,639	9,882
Amanda Ellis Design & Consulting Richard & Cinthia	07-20-05	Expansion	25,000	7.3%	5,976	16,978
DBA Waren C.W. Concepts	08-15-05	New business	20,000	7.3%	4,781	13,502
Sheila A. Hendrix	06-17-06	New business	50,000	6.0%	6,661	42,241
Paoli Pizzaria	05-23-06	New business	51,500	7.0%	10,536	68,129
Orange County Cooperative Development	03-08-07	New business	109,000	5.0%	14,086	95,838
Magnum Computer	06-13-07	New business	6,000	6.5%	2,207	4,279
Collier Enterprises LLC	06-13-07	New business	100,000	6.5%	12,023	91,827
Dreamland Kid's Daycare	07-12-07	New business	115,000	6.0%	12,938	109,959
Any Time's Liquor Time	08-09-07	New business	60,000	6.5%	7,214	55,995
Elsie Kellams	10-11-07	New business	25,000	6.5%	3,406	23,479
Just Rose's	11-08-07	New business	25,000	6.5%	5,870	20,249
Ma'Aron's Hair Design	12-13-07	New business	71,000	6.5%	8,546	67,379
Totals			<u>\$ 2,132,415</u>		<u>\$ 386,774</u>	<u>\$ 1,173,033</u>

G. Rate Structure – Enterprise Funds

Wastewater Utility

The current rate structure was approved by the Town Council on December 8, 2003.

H. 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 the 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 member's 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.

TOWN OF FRENCH LICK  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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. The 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 plan members for PERF are established by the Board of Trustees of PERF. The Town's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the Town and the Utility is not available.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 9,632
Interest on net pension obligation	(4,891)
Adjustment to annual required contribution	5,574
Annual pension cost	10,315
Contributions made	38,118
Decrease in net pension obligation	(27,803)
Net pension obligation, beginning of year	(67,464)
Net pension obligation, end of year	\$ (95,267)

TOWN OF FRENCH LICK  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	<u>PERF</u>
Contribution rates:	
Town	3.5%
Plan members	3%
Actuarial valuation date	07-01-08
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

<u>Actuarial Assumptions</u>	<u>PERF</u>
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-06	\$ 17,774	74%	\$ (49,953)
	06-30-07	5,683	408%	(67,464)
	06-30-08	10,315	370%	(95,267)

TOWN OF FRENCH LICK  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 531,118	\$ 316,990	\$ 214,128	168%	\$ 396,870	54%
07-01-07	605,375	381,877	223,498	159%	472,465	47%
07-01-08	690,823	432,559	258,264	160%	627,050	41%

TOWN OF FRENCH LICK  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2007

	Motor Vehicle Highway	Local Road and Street	Parking Meter	Landfill	Landfill Nonreverting	Law Enforcement Continuing Education	Airport Operating
<b>Receipts:</b>							
Taxes	\$ 89,026	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 95,157
Licenses and permits	-	-	-	-	-	739	-
Intergovernmental	79,538	8,761	-	-	-	-	10,875
Charges for services	-	-	-	3,180	7,035	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	7,786	-	-	-	10	-	11,868
<b>Total receipts</b>	<b>176,350</b>	<b>8,761</b>	<b>-</b>	<b>3,180</b>	<b>7,045</b>	<b>739</b>	<b>117,900</b>
<b>Disbursements:</b>							
General government	-	-	-	-	-	-	-
Highways and streets	242,097	2,800	-	-	-	-	-
Sanitation	-	-	-	-	3,180	-	-
Aviation	-	-	-	-	-	-	114,766
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
Public safety	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>242,097</b>	<b>2,800</b>	<b>-</b>	<b>-</b>	<b>3,180</b>	<b>-</b>	<b>114,766</b>
Excess (deficiency) of receipts over disbursements	(65,747)	5,961	-	3,180	3,865	739	3,134
<b>Other financing sources (uses):</b>							
Transfers in	88,410	2,800	-	-	-	-	-
Transfers out	-	-	-	(57,376)	-	-	(8,123)
<b>Total other financing sources (uses)</b>	<b>88,410</b>	<b>2,800</b>	<b>-</b>	<b>(57,376)</b>	<b>-</b>	<b>-</b>	<b>(8,123)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	22,663	8,761	-	(54,196)	3,865	739	(4,989)
Cash and investment fund balance - beginning	72,037	11,623	113	126,967	1,817	1,157	48,168
Cash and investment fund balance - ending	\$ 94,700	\$ 20,384	\$ 113	\$ 72,771	\$ 5,682	\$ 1,896	\$ 43,179
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	94,700	20,384	113	72,771	5,682	1,896	43,179
<b>Total cash and investment assets - ending</b>	<b>\$ 94,700</b>	<b>\$ 20,384</b>	<b>\$ 113</b>	<b>\$ 72,771</b>	<b>\$ 5,682</b>	<b>\$ 1,896</b>	<b>\$ 43,179</b>
<b>Cash and Investment Fund Balance - Ending</b>							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	113	-	-	1,896	-
Highways and streets	94,700	20,384	-	-	-	-	-
Sanitation	-	-	-	72,771	5,682	-	-
Aviation	-	-	-	-	-	-	43,179
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ 94,700</b>	<b>\$ 20,384</b>	<b>\$ 113</b>	<b>\$ 72,771</b>	<b>\$ 5,682</b>	<b>\$ 1,896</b>	<b>\$ 43,179</b>

TOWN OF FRENCH LICK  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2007  
 (Continued)

	French Lick Tourism Commission	Unsafe Premises	Springs Valley Park Donations	French Lick Revolving Loan Recipient	Park and Recreation	Rainy Day
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	23,183	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	2,649	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	-	-	37,721	2,224	-
<b>Total receipts</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,721</b>	<b>28,056</b>	<b>-</b>
Disbursements:						
General government	-	-	2,253	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Aviation	-	-	-	-	-	-
Economic development	-	-	-	40,024	-	-
Culture and recreation	-	-	-	-	24,990	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
Public safety	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>-</b>	<b>2,253</b>	<b>40,024</b>	<b>24,990</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	-	-	(2,253)	(2,303)	3,066	-
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(2,253)	(2,303)	3,066	-
Cash and investment fund balance - beginning	1,258	277	9,013	6,141	47,398	4,542
Cash and investment fund balance - ending	<u>\$ 1,258</u>	<u>\$ 277</u>	<u>\$ 6,760</u>	<u>\$ 3,838</u>	<u>\$ 50,464</u>	<u>\$ 4,542</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,542
Restricted assets:						
Cash and investments	1,258	277	6,760	3,838	50,464	-
<b>Total cash and investment assets - ending</b>	<b>\$ 1,258</b>	<b>\$ 277</b>	<b>\$ 6,760</b>	<b>\$ 3,838</b>	<b>\$ 50,464</b>	<b>\$ 4,542</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
General government	\$ 1,258	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	277	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Aviation	-	-	-	-	-	-
Economic development	-	-	-	3,838	-	-
Culture and recreation	-	-	6,760	-	50,464	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	4,542
<b>Total cash and investment fund balance - ending</b>	<b>\$ 1,258</b>	<b>\$ 277</b>	<b>\$ 6,760</b>	<b>\$ 3,838</b>	<b>\$ 50,464</b>	<b>\$ 4,542</b>

TOWN OF FRENCH LICK  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2007  
 (Continued)

	Levy Excess	Aviation Hanger Rental Depreciation	Airport Capital Improvements	Municipal Airport Fuel	French Lick Promenade	French Lick Community Center
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	34,646	74,479	-	-
Fines and forfeits	-	-	-	-	-	1,555
Other	-	371	70	-	-	-
<b>Total receipts</b>	<b>-</b>	<b>371</b>	<b>34,716</b>	<b>74,479</b>	<b>-</b>	<b>1,555</b>
<b>Disbursements:</b>						
General government	-	-	-	-	5	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Aviation	-	-	-	86,819	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	15,867	-	-	-
Interest	-	-	11,494	-	-	-
Capital outlay:						
Public safety	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>-</b>	<b>27,361</b>	<b>86,819</b>	<b>5</b>	<b>-</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>-</b>	<b>371</b>	<b>7,355</b>	<b>(12,340)</b>	<b>(5)</b>	<b>1,555</b>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>-</b>	<b>371</b>	<b>7,355</b>	<b>(12,340)</b>	<b>(5)</b>	<b>1,555</b>
<b>Cash and investment fund balance - beginning</b>	<b>29,904</b>	<b>10,186</b>	<b>14,271</b>	<b>12,148</b>	<b>1,526</b>	<b>20,223</b>
<b>Cash and investment fund balance - ending</b>	<b>\$ 29,904</b>	<b>\$ 10,557</b>	<b>\$ 21,626</b>	<b>\$ (192)</b>	<b>\$ 1,521</b>	<b>\$ 21,778</b>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 29,904	\$ -	\$ -	\$ (192)	\$ -	\$ -
Restricted assets:						
Cash and investments	-	10,557	21,626	-	1,521	21,778
<b>Total cash and investment assets - ending</b>	<b>\$ 29,904</b>	<b>\$ 10,557</b>	<b>\$ 21,626</b>	<b>\$ (192)</b>	<b>\$ 1,521</b>	<b>\$ 21,778</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Aviation	-	10,557	-	-	-	-
Economic development	-	-	-	-	1,521	-
Culture and recreation	-	-	-	-	-	21,778
Debt service	-	-	21,626	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	29,904	-	-	(192)	-	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ 29,904</b>	<b>\$ 10,557</b>	<b>\$ 21,626</b>	<b>\$ (192)</b>	<b>\$ 1,521</b>	<b>\$ 21,778</b>

TOWN OF FRENCH LICK  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2007  
 (Continued)

	Aviation Revolving Gasoline	Bond and Interest	Community Center Lease	Cumulative Capital Improvement	Economic Development Income Tax	Totals
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ 47,579	\$ -	\$ -	\$ 254,945
Licenses and permits	-	-	-	-	-	739
Intergovernmental	-	-	5,468	6,818	83,673	197,782
Charges for services	80,849	-	-	-	-	200,189
Fines and forfeits	-	-	-	-	-	1,555
Other	-	-	-	-	-	60,050
<b>Total receipts</b>	<b>80,849</b>	<b>-</b>	<b>53,047</b>	<b>6,818</b>	<b>83,673</b>	<b>715,260</b>
<b>Disbursements:</b>						
General government	-	-	-	-	-	2,258
Highways and streets	-	-	-	-	-	244,897
Sanitation	-	-	-	-	-	3,180
Aviation	57,245	-	-	-	-	258,830
Economic development	-	-	-	-	-	40,024
Culture and recreation	-	-	-	-	-	24,990
Debt service:						
Principal	-	-	11,000	-	-	26,867
Interest	-	-	110,555	-	-	122,049
Capital outlay:						
Public safety	-	-	-	-	20,357	20,357
Economic development	-	-	-	-	15,168	15,168
<b>Total disbursements</b>	<b>57,245</b>	<b>-</b>	<b>121,555</b>	<b>-</b>	<b>35,525</b>	<b>758,620</b>
Excess (deficiency) of receipts over disbursements	23,604	-	(68,508)	6,818	48,148	(43,360)
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	91,210
Transfers out	-	-	-	(18,419)	(37,369)	(121,287)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(18,419)</b>	<b>(37,369)</b>	<b>(30,077)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	23,604	-	(68,508)	(11,601)	10,779	(73,437)
Cash and investment fund balance - beginning	21,459	8,533	36,495	28,908	86,302	600,466
Cash and investment fund balance - ending	\$ 45,063	\$ 8,533	\$ (32,013)	\$ 17,307	\$ 97,081	\$ 527,029
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ -	\$ (32,013)	\$ -	\$ -	\$ 2,241
Restricted assets:						
Cash and investments	45,063	8,533	-	17,307	97,081	524,788
<b>Total cash and investment assets - ending</b>	<b>\$ 45,063</b>	<b>\$ 8,533</b>	<b>\$ (32,013)</b>	<b>\$ 17,307</b>	<b>\$ 97,081</b>	<b>\$ 527,029</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,258
Public safety	-	-	-	-	-	2,286
Highways and streets	-	-	-	-	-	115,084
Sanitation	-	-	-	-	-	78,453
Aviation	45,063	-	-	-	-	98,799
Economic development	-	-	-	-	-	5,359
Culture and recreation	-	-	-	-	-	79,002
Debt service	-	8,533	-	-	-	30,159
Capital outlay	-	-	-	17,307	97,081	114,388
Unrestricted	-	-	(32,013)	-	-	2,241
<b>Total cash and investment fund balance - ending</b>	<b>\$ 45,063</b>	<b>\$ 8,533</b>	<b>\$ (32,013)</b>	<b>\$ 17,307</b>	<b>\$ 97,081</b>	<b>\$ 527,029</b>

TOWN OF FRENCH LICK  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUND  
 For The Year Ended December 31, 2007

	Payroll
Additions:	
Agency fund additions	\$ 663,198
Deductions:	
Agency fund deductions	659,628
Excess of total additions over total deductions	3,570
Cash and investment fund balance - beginning	5,995
Cash and investment fund balance - ending	\$ 9,565

TOWN OF FRENCH LICK  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2008

	Motor Vehicle Highway	Local Road And Street	Parking Meter	Landfill	Law Enforcement Continuing Education	Unsafe Premises	Park and Recreation
<b>Receipts:</b>							
Taxes	\$ 15,551	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,372
Licenses and permits	-	-	-	-	218	-	-
Intergovernmental	34,900	-	-	-	-	-	1,495
Charges for services	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Other	33,579	-	-	9	-	-	164
<b>Total receipts</b>	<b>84,030</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>218</b>	<b>-</b>	<b>14,031</b>
<b>Disbursements:</b>							
General government	-	-	-	-	-	-	-
Highways and streets	215,938	-	-	-	-	-	-
Aviation	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	30,576
Interfund loans	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>215,938</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,576</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>(131,908)</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>218</b>	<b>-</b>	<b>(16,545)</b>
<b>Other financing sources (uses):</b>							
Transfers in	93,164	-	-	-	-	-	-
Transfers out	-	(20,384)	(113)	(72,780)	(2,114)	(277)	-
<b>Total other financing sources (uses)</b>	<b>93,164</b>	<b>(20,384)</b>	<b>(113)</b>	<b>(72,780)</b>	<b>(2,114)</b>	<b>(277)</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>(38,744)</b>	<b>(20,384)</b>	<b>(113)</b>	<b>(72,771)</b>	<b>(1,896)</b>	<b>(277)</b>	<b>(16,545)</b>
Cash and investment fund balance - beginning	94,700	20,384	113	72,771	1,896	277	50,464
Cash and investment fund balance - ending	<u>\$ 55,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,919</u>
<b><u>Cash and Investment Assets - Ending</u></b>							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	55,956	-	-	-	-	-	33,919
<b>Total cash and investment assets - ending</b>	<u>\$ 55,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,919</u>
<b><u>Cash and Investment Fund Balance - Ending</u></b>							
<b>Restricted for:</b>							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Highways and streets	55,956	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Aviation	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	33,919
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-
<b>Total cash and investment fund balance - ending</b>	<u>\$ 55,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,919</u>

TOWN OF FRENCH LICK  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2008  
 (Continued)

	Springs Valley Park Donations	Rainy Day	Levy Excess	French Lick Promenade	Aviation Hanger Rental Depreciation	Airport Capital Improvements	Municipal Airport Fuel
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	17,739	12,956
Interfund loans	-	-	-	-	-	-	-
Other	-	60,076	-	-	35	53	-
<b>Total receipts</b>	<b>-</b>	<b>60,076</b>	<b>-</b>	<b>-</b>	<b>35</b>	<b>17,792</b>	<b>12,956</b>
Disbursements:							
General government	-	60,076	-	-	-	-	30,516
Highways and streets	-	-	-	-	-	-	-
Aviation	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	16,638	-
Interest	-	-	-	-	-	9,766	-
<b>Total disbursements</b>	<b>-</b>	<b>60,076</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,404</b>	<b>30,516</b>
Excess (deficiency) of receipts over disbursements	-	-	-	-	35	(8,612)	(17,560)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	69,749
Transfers out	-	-	-	-	-	-	(51,996)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,753</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	-	35	(8,612)	193
Cash and investment fund balance - beginning	6,760	4,542	29,904	1,521	10,557	21,626	(192)
<b>Cash and investment fund balance - ending</b>	<b>\$ 6,760</b>	<b>\$ 4,542</b>	<b>\$ 29,904</b>	<b>\$ 1,521</b>	<b>\$ 10,592</b>	<b>\$ 13,014</b>	<b>\$ 1</b>
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ -	\$ 4,542	\$ 29,904	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	6,760	-	-	1,521	10,592	13,014	1
<b>Total cash and investment assets - ending</b>	<b>\$ 6,760</b>	<b>\$ 4,542</b>	<b>\$ 29,904</b>	<b>\$ 1,521</b>	<b>\$ 10,592</b>	<b>\$ 13,014</b>	<b>\$ 1</b>
<b>Cash and Investment Fund Balance - Ending</b>							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Aviation	-	-	-	-	10,592	-	1
Economic development	-	-	-	1,521	-	-	-
Culture and recreation	6,760	-	-	-	-	-	-
Debt service	-	-	-	-	-	13,014	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	-	4,542	29,904	-	-	-	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ 6,760</b>	<b>\$ 4,542</b>	<b>\$ 29,904</b>	<b>\$ 1,521</b>	<b>\$ 10,592</b>	<b>\$ 13,014</b>	<b>\$ 1</b>

TOWN OF FRENCH LICK  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2008  
 (Continued)

	Aviation Revolving Gasoline	Airport Operating	French Lick Community Center	French Lick Tourism	Landfill Nonreverting	French Lick Revolving Loan Recipient
Receipts:						
Taxes	\$ -	\$ 74,405	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	10,328	-	-	-	-
Charges for services	59,114	-	-	-	-	-
Interfund loans	-	40,000	-	-	-	-
Other	-	49,512	-	1,509	5	37,213
<b>Total receipts</b>	<b>59,114</b>	<b>174,245</b>	<b>-</b>	<b>1,509</b>	<b>5</b>	<b>37,213</b>
Disbursements:						
General government	-	-	-	4,146	-	-
Highways and streets	-	-	-	-	-	-
Aviation	-	183,600	-	-	-	-
Economic development	-	-	-	-	-	28,991
Culture and recreation	-	-	-	-	-	-
Interfund loans	-	40,000	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>223,600</b>	<b>-</b>	<b>4,146</b>	<b>-</b>	<b>28,991</b>
Excess (deficiency) of receipts over disbursements	59,114	(49,355)	-	(2,637)	5	8,222
Other financing sources (uses):						
Transfers in	-	60,880	-	27,286	9	-
Transfers out	(104,177)	(49,041)	(21,778)	-	-	-
<b>Total other financing sources (uses)</b>	<b>(104,177)</b>	<b>11,839</b>	<b>(21,778)</b>	<b>27,286</b>	<b>9</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(45,063)	(37,516)	(21,778)	24,649	14	8,222
Cash and investment fund balance - beginning	45,063	43,179	21,778	-	5,682	3,838
Cash and investment fund balance - ending	\$ -	\$ 5,663	\$ -	\$ 24,649	\$ 5,696	\$ 12,060
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ -	\$ -	\$ 24,649	\$ -	\$ -
Restricted assets:						
Cash and investments	-	5,663	-	-	5,696	12,060
<b>Total cash and investment assets - ending</b>	<b>\$ -</b>	<b>\$ 5,663</b>	<b>\$ -</b>	<b>\$ 24,649</b>	<b>\$ 5,696</b>	<b>\$ 12,060</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	5,696	-
Aviation	-	5,663	-	-	-	-
Economic development	-	-	-	-	-	12,060
Culture and recreation	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	-	-	24,649	-	-
<b>Total cash and investment fund balance - ending</b>	<b>\$ -</b>	<b>\$ 5,663</b>	<b>\$ -</b>	<b>\$ 24,649</b>	<b>\$ 5,696</b>	<b>\$ 12,060</b>

TOWN OF FRENCH LICK  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2008  
 (Continued)

	French Lick Tourism Commission	Bond And Interest	Community Center Lease	Economic Development Income Tax	Cumulative Capital Improvement	Totals
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ 13,231	\$ -	\$ -	\$ 115,559
Licenses and permits	-	-	-	-	-	218
Intergovernmental	-	-	1,599	39,212	6,312	93,846
Charges for services	-	-	-	-	-	89,809
Interfund loans	-	-	-	-	-	40,000
Other	-	-	-	-	-	182,155
<b>Total receipts</b>	<b>-</b>	<b>-</b>	<b>14,830</b>	<b>39,212</b>	<b>6,312</b>	<b>521,587</b>
<b>Disbursements:</b>						
General government	-	-	-	-	-	94,738
Highways and streets	-	-	-	-	-	215,938
Aviation	-	-	-	-	-	183,600
Economic development	-	-	-	-	-	28,991
Culture and recreation	-	-	-	-	-	30,576
Interfund loans	-	-	-	-	-	40,000
Debt service:						
Principal	-	-	11,000	-	-	27,638
Interest	-	-	16,000	-	-	25,766
<b>Total disbursements</b>	<b>-</b>	<b>-</b>	<b>27,000</b>	<b>-</b>	<b>-</b>	<b>647,247</b>
Excess (deficiency) of receipts over disbursements	-	-	(12,170)	39,212	6,312	(125,660)
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	251,088
Transfers out	-	(8,533)	-	(58,000)	-	(389,193)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(8,533)</b>	<b>-</b>	<b>(58,000)</b>	<b>-</b>	<b>(138,105)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(8,533)	(12,170)	(18,788)	6,312	(263,765)
Cash and investment fund balance - beginning	1,258	8,533	(32,013)	97,081	17,307	527,029
Cash and investment fund balance - ending	<u>\$ 1,258</u>	<u>\$ -</u>	<u>\$ (44,183)</u>	<u>\$ 78,293</u>	<u>\$ 23,619</u>	<u>\$ 263,264</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ -	\$ (44,183)	\$ -	\$ -	\$ 14,912
Restricted assets:						
Cash and investments	1,258	-	-	78,293	23,619	248,352
<b>Total cash and investment assets - ending</b>	<u>\$ 1,258</u>	<u>\$ -</u>	<u>\$ (44,183)</u>	<u>\$ 78,293</u>	<u>\$ 23,619</u>	<u>\$ 263,264</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
General government	\$ 1,258	\$ -	\$ -	\$ -	\$ -	\$ 1,258
Highways and streets	-	-	-	-	-	55,956
Sanitation	-	-	-	-	-	5,696
Aviation	-	-	-	-	-	16,256
Economic development	-	-	-	-	-	13,581
Culture and recreation	-	-	-	-	-	40,679
Debt service	-	-	-	-	-	13,014
Capital outlay	-	-	-	78,293	23,619	101,912
Unrestricted	-	-	(44,183)	-	-	14,912
<b>Total cash and investment fund balance - ending</b>	<u>\$ 1,258</u>	<u>\$ -</u>	<u>\$ (44,183)</u>	<u>\$ 78,293</u>	<u>\$ 23,619</u>	<u>\$ 263,264</u>

TOWN OF FRENCH LICK  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUND  
 For The Year Ended December 31, 2008

	Payroll
Additions:	
Agency fund additions	\$ 709,257
Deductions:	
Agency fund deductions	717,996
Deficiency of total additions over total deductions	(8,739)
Cash and investment fund balance - beginning	9,565
Cash and investment fund balance - ending	\$ 826

TOWN OF FRENCH LICK  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended December 31, 2008

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 are included if acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. 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.

	Ending Balance
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 2,478,531
Infrastructure	17,021,341
Buildings	3,660,000
Improvements other than buildings	86,265
Machinery and equipment	771,439
 Total governmental activities, capital assets not being depreciated	 \$ 24,017,576

	Ending Balance
Business-type activities:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 12,607
Buildings	4,104,360
Improvements other than buildings	6,389,492
Machinery and equipment	178,811
 Total Wastewater Utility capital assets	 \$ 10,685,270

TOWN OF FRENCH LICK  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2008

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:		
Town Hall	\$ 873,000	\$ 54,000
Fire truck	736,725	91,452
Town improvements	14,318,070	1,203,803
Notes and loans payable	223,894	63,763
Bonds payable:		
Revenue bonds:		
Taxable Variable Rate Economic Development Revenue Bonds, Series 2008B	765,000	140,546
Tax Exempt Economic Development Revenue Bonds, Series 2007D	<u>585,000</u>	<u>84,500</u>
Total governmental activities debt	<u>\$ 17,501,689</u>	<u>\$ 1,638,064</u>
Business-type activities:		
Wastewater Utility:		
Revenue bonds:		
1993 Sewage Works Improvement Revenue Bonds	\$ 584,000	\$ 41,200
1998 Sewage Works Improvement Revenue Bonds	<u>3,395,000</u>	<u>207,775</u>
Total Wastewater Utility	<u>\$ 3,979,000</u>	<u>\$ 248,975</u>

TOWN OF FRENCH LICK  
AUDIT RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping, were present during our period of audit:

1. We noted the following deficiencies with receipts:

(a) The Town was using receipts that were not prescribed or approved forms. This included receipts used by the revolving loan, the Town and the Wastewater Utility.

(b) The revolving loan wrote receipts timely, but only used a generic receipt form.

(c) For the year 2008, a receipt was not always immediately prepared. A generic receipt was immediately prepared and given to the person making payment if the payment was made in cash. No receipt was written at the time a check was received. At the end of the month, receipts would be written on the prescribed form for all revenues and they would all be dated the last day of the month.

(d) A General Fund collection of a \$25 building application was posted as miscellaneous revenue in the tourism fund. A \$2,400 collection for General Fund office rent was posted as \$2,425.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

2. The Annual City and Town Financial Report prepared by the Town for the fiscal year ending 2008, was misstated. The annual report did not include all of the funds of the Town and the receipts and disbursements for some funds did not agree to the Town's records.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF FRENCH LICK  
AUDIT RESULTS AND COMMENTS  
(Continued)

3. There were a considerable number of posting errors as follows:

(a) These errors included checks and receipts not recorded in the proper amounts, or not posted to the proper funds. Disbursements were posted to the wrong funds and transfers were later posted to correct the original entry. The Clerk-Treasurer stated that these entries were actually loans between funds.

(b) The posting to the General Fund Town Council salaries appropriations in 2007 and 2008 included the payroll of the building/zoning director. In 2008, the posting to the Town Council appropriations did not include the entire gross pay of the Town Council. The gross pay should have been \$3,000 per month. The posting to the appropriations ranged from \$2,951.50 to \$5,328.68 per month.

(c) The excess CAGIT and CEDIT distributions received in March 2008 were posted to the General Fund. These distributions should have been receipted into the Rainy Day Fund.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

4. Financial records presented for audit were incomplete and not reflective of the actual transaction activity of the Redevelopment Commission Wagering and Admissions Tax Fund and the TIF Fund.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

5. The following deficiencies were noted on claims during the audit period:

(a) Claims were not prepared for all disbursements. Banks were allowed to make automatic withdrawals from Town funds for payment of loans. Also, numerous transfers were made between funds. These transactions were coded with a 9000 number, but no claim was prepared.

(b) Claims were not adequately itemized. Numerous disbursements were made without the Clerk-Treasurer reviewing any supporting documentation. In reviewing disbursements from the Casino and Redevelopment Commission Wagering and Admissions Tax Funds, 43 claims were found that had no supporting documentation when the disbursement was made. The Town Attorney was able to provide documentation for several of these claims during the audit.

TOWN OF FRENCH LICK  
AUDIT RESULTS AND COMMENTS  
(Continued)

(c) Not all claims had Board approval. There was no Board approval found for claims paid in January, February, and October 2008. The total claims approved for March 2008 was \$311,850.32. The final Accounts Payable Voucher Register for March totaled \$781,568.44. Also, checks were written and cashed prior to Board approval.

(d) Claims or invoices did not have evidence to support receipt of goods or services.

IC 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

6. The Town and Wastewater Utility have 16 checking accounts. There were ordinances adopted authorizing the establishment of only 4 bank accounts.

It has been our policy to recommend only a minimum number of bank accounts in order to avoid unnecessary bookkeeping and possible errors in charging warrants to bank accounts. So long as an ordinance does not require the keeping of a separate bank account, funds should be consolidated into as few accounts as possible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts, (utility billings and collections,) disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to undetected.

TOWN OF FRENCH LICK  
AUDIT RESULTS AND COMMENTS  
(Continued)

2. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statements and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.
3. Monitoring of Controls: Effective internal control over financial reporting requires the Town Board to monitor and assess the quality of the Town's system of internal control. The Town Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility place the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TEMPORARY TRANSFER OF FUNDS

A temporary transfer of \$79,378 was made in 2008 from the Wastewater Utility to the Casino Fund and not repaid by December 31, 2008.

IC 36-1-8-4 concerning temporary transfer, states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . ."

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

TOWN OF FRENCH LICK  
AUDIT RESULTS AND COMMENTS  
(Continued)

DEPOSITS

Receipts were deposited later than the next business day. A test of receipts indicated that charges for copies were not deposited timely. Receipt 2164 dated December 31, 2008, included collections from July 10 to December 3. The collections totaled \$22.50 and the deposit was only \$20.

IC 5-13-6-1(d) states:

"A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

PERSONAL EXPENSES

The Town expended \$219.70 for a retirement party and gift for a Town employee. The disbursement was made from the promotion of business appropriation in the general fund.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

LOCAL ROAD AND STREET FUNDS RECEIPTED INTO THE MOTOR VEHICLE HIGHWAY FUND

Local Road and Street distributions received in 2008 totaled \$8,441.31. These distributions were receipted into the Motor Vehicle Highway Fund instead of the Local Road and Street Fund.

IC 8-14-2-5 states:

"Money from the local road and street account shall be used exclusively by the cities, towns, and counties for: (1) engineering, land acquisition, construction, resurfacing, maintenance, restoration, or rehabilitation of both local and arterial road and street systems; (2) the payment of principal and interest on bonds sold primarily to finance road, street, or thoroughfare projects; (3) any local costs required to undertake a recreational or reservoir road project under IC 8-23-5; or (4) the purchase, rental, or repair of highway equipment."

DORMANT FUND BALANCES

The Clerk-Treasurer determined that several funds were dormant funds and made the following transfers to close the funds:

TOWN OF FRENCH LICK  
AUDIT RESULTS AND COMMENTS  
(Continued)

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Law Enforcement Continuing Education	General	\$ 2,114
Parking Meter	General	113
Bond and Interest	General	8,533
French Lick Community Center	General	21,778
Unsafe Premises	General	277
Aviation Revolving Gas	Municipal Airport Fuel	51,800
Landfill	Motor Vehicle Highway	72,780
Local Road and Street	Motor Vehicle Highway	20,384

These transfers were made without an order by the fiscal body and some funds were not receipted into the general fund or rainy day fund as required by IC 36-1-8-5.

IC 36-1-8-5 states in part:

"(a) This section applies to all funds raised by a general or special tax levy on all the taxable property of a political subdivision.

(b) Whenever the purposes of a tax levy have been fulfilled and an unused and unencumbered balance remains in the fund, the fiscal body of the political subdivision shall order the balance of that fund to be transferred as follows, unless a statute provides that it be transferred otherwise: . . . (2) Funds of a municipality, to the general fund or rainy day fund of the municipality . . ."

ORDINANCES AND RESOLUTIONS

The Town has Ordinance No. 98-2 concerning setting aside revenues of the French Lick Municipal Airport for airport capital improvements. However, the revenues were not posted to the funds as required. During the audit period, the Aviation Loan Repayment Account was over funded by \$3,143.96 and the Aircraft Hanger Depreciation Account was under funded by \$5,167.60.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DISTRIBUTION OF GROSS REVENUES TO THE VARIOUS FUNDS

As stated in the prior Report B30818, gross revenues were not being distributed to the various utility funds in accordance with Revenue Bond Ordinance No. 97-7. The total amount required to be on hand in the Debt Service Reserve Fund and the Bond and Interest Fund on December 31, 2008, was \$335,167. The balance in those accounts was only \$203,253. The amount underfunded on that date was \$131,914.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF FRENCH LICK  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	2007	2008
General	\$ 193,237	\$ 190,569
Community Center Lease	90,322	-
Motor Vehicle Highway	67,630	-
Airport Operating	535,393	85,962
Economic Development Income Tax	72,894	58,000
Cumulative Capital Improvement	18,419	-
Totals	<u>\$ 977,895</u>	<u>\$ 334,531</u>

IC 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

OFFICIAL BOND

The official bonds of the Redevelopment Commission were bonds renewed from 2005.

IC 36-7-14-7(c) states:

"Each redevelopment commissioner, before beginning his duties, shall execute a bond payable to the state, with surety to be approved by the executive of the unit. The bond must be in the penal sum of fifteen thousand dollars (\$15,000) and must be conditioned on the faithful performance of the duties of his office and the accounting for all monies and property that may come into his hands or under his control. The cost of the bond shall be paid by the special taxing district."

CONFLICT OF INTEREST

Donald Renner, Town Council member, has a financial interest in Helix Technologies, a company the Town does business with. William Kimmel is a member of the Aviation Board and receives compensation to maintain the Town's web site. Marlene J. Noble, Town Council member, has emancipated children employed by the Town. A Uniform Conflict of Interest Disclosure Statement does not appear to have been filed for any of these individuals.

IC 35-44-1-3 states in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony."

TOWN OF FRENCH LICK  
AUDIT RESULTS AND COMMENTS  
(Continued)

"(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant . . . and (B) makes a disclosure under subsection (d)(1) through (d)(6). . . ."

"(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

"(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant."

"(k) As used in this section, 'dependent' means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-9-2-2) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (1/2) of whose support is provided during a year by the public servant."

DEPOSITS - AVIATION

As stated in the prior Report B30818, receipts were deposited later than the next business day. In a test of Airport receipts for the month of August 2008, a receipt collected on August 4, was not deposited until August 11.

IC 5-13-6-1(d) states:

"A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

VENDING, CONCESSIONS, OR OTHER SALES CONTROLS - AVIATION

Aviation fuel sales for 2007 did not include the proper internal controls. Meter readings were to be taken from fuel pumps at the end of each month and included in the monthly log of fuel sales. The fuel pumped was to be calculated and compared to the fuel sold. Meter readings were not reported each month. The pumps had been replaced and a new system was installed during the audit period. Therefore, the amount of fuel pumped during 2007 could not be determined.

TOWN OF FRENCH LICK  
AUDIT RESULTS AND COMMENTS  
(Continued)

Internal controls over vending operations, concessions or other sales should include, at a minimum, a regular reconciliation of the beginning inventory, purchases, distributions, items sold and ending inventory to the amount received. Any discrepancies noted should be immediately documented in writing to proper officials. The reconciliation should provide an accurate accounting.

Persons with access to vending should be properly designated and access should be limited to those designated. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE TOWN OF FRENCH LICK, ORANGE COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of French Lick (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2008. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2008.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in a Town's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in item 2008-2 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

October 7, 2009

TOWN OF FRENCH LICK  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended December 31, 2007 and 2008

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-07	Total Federal Awards Expended 12-31-08
<u>U.S. DEPARTMENT OF COMMERCE</u>				
Direct Grant				
Public Works and Economic Development Cluster Economic Adjustment Assistance	11.307	06-019-02187	\$ 994,645	\$ 1,030,889
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Direct Grant				
Bulletproof Vest Partnership Program	16.607	2006-BUBX-06134674	1,400	-
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Direct Grant				
Airport Improvement Program	20.106			
		3-18-0027-0506	128,339	89,511
		3-18-0027-0607	138,352	187,525
		3-18-0027-0708	-	106,146
			<u>266,691</u>	<u>383,182</u>
Total for federal grantor agency			<u>266,691</u>	<u>383,182</u>
Total federal awards expended			<u>\$ 1,262,736</u>	<u>\$ 1,414,071</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF FRENCH LICK  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of French Lick (Town) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF FRENCH LICK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	yes

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	yes

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
20.106	Public Works and Economic Development Cluster Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2008-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts, (utility billings and collections,) disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to undetected.

TOWN OF FRENCH LICK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statements and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.
3. Monitoring of Controls: Effective internal control over financial reporting requires the Town Board to monitor and assess the quality of the Town's system of internal control. The Town Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility place the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Section III – Federal Award Findings and Questioned Costs

FINDING 2008-2, INTERNAL CONTROLS OVER COMPLIANCE

Federal Agency: Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number: 20.106

Federal Award Number: AIP 3-18-0027-0506, AIP 3-18-0027-0607, AIP 3-18-0027-07,  
and AIP 3-18-0027-08

The following deficiencies were noted concerning the controls over the receipting, disbursing, recording, and accounting for the financial activities:

All of the receipts and disbursements for the four federal grant programs listed above were posted to the same grant fund in the Town ledger. There were no subaccounts or subsidiary ledgers to separate the federal receipts and disbursements by grant number.

The local matching portions were disbursed directly from the casino and airport operating funds and not transferred to the grant fund prior to being disbursed.

TOWN OF FRENCH LICK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The grant administrator maintained files with supporting documentation for all the disbursements that should have been made from the Aviation Grant Fund. The Clerk-Treasurer relied exclusively on the grant administrator's approval to disburse funds. He was not verifying that an invoice was received before he disbursed the funds. The grant administrator was not verifying that the funds disbursed by the Clerk-Treasurer agreed with the supporting documentation.

Without separate grant funds or subsidiary ledgers it was difficult to determine if the federal receipts and disbursements had been posted properly or if revenue was properly reported. Also, by disbursing the Town's matching share from various Town funds, it was difficult to determine if the Town had met the matching requirement.

Failure to ensure that the accounting system provides complete and accurate output consistent with management objectives may result in inaccurate information being presented in the financial statements or the schedule of federal awards.

We recommended that the Town design and properly monitor procedures that would ensure that the internal control deficiencies noted are adequately corrected.

# ***Town of French Lick***

8587 W. Main Street  
French Lick, Indiana 47432-1000

## **BOARD OF TRUSTEES**

William Ratliff  
Marlene Noble  
Don Renner

## **CLERK TREASURER**

Dennis Jones

Incorporated May 2, 1857  
Telephone: (812) 936-4737  
Fax: (812) 936-7006  
[www.frenchlick.org](http://www.frenchlick.org)

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Finding Number 2006-1 Cash Management

Original SBA Audit Report Number: B30818

Fiscal Year 2005 and 2006

Auditee Contact Person Dennis Jones

Title of Contact Person Clerk-Treasurer

Phone Number (812) 936-4737

Status of Finding: The current administration has not received any documentation on this finding. We believe it was corrected by the response in the prior report.



---

Dennis Jones  
Clerk-Treasurer

*Town of French Lick*  
8587 W. Main Street  
French Lick, Indiana 47432-1000

**Board of Trustees**

William Ratliff, President  
Marlene Noble  
Donald L. Renner

**Clerk Treasurer**

Dennis Jones

Incorporated May 2, 1857  
Telephone: (812) 936-4737  
Fax: (812) 936-7006

October 7, 2009

State Board of Accounts  
302 W. Washington Street, Room E418  
Indianapolis, Indiana 46204-2765

RE: Audit of Town of French Lick  
Federal Finding 2008-1, Internal Controls over Compliance

This letter confirms the exit interview for the Town of French Lick. We have been notified of several deficiencies in our internal controls. The Town of French Lick acknowledges the deficiencies. Any suggestions by the State Board of Accounts will be welcomed.

These will be addressed at our next board meeting October 19, 2009 and substantially completed by December 31, 2009. Improvement steps will include but not limited to:

1. Setting specific accounting cutoff dates, review of source documents and working papers by each department heads prior to Board meetings and verify in meeting that the reviews have been completed.
2. Requesting additional detailed financial reports are provided to the Town Board at least 3 working days prior to a Board meeting.
3. Have the source documentation at Board meeting for review before claim approval.
4. Review of segregation of duties on the internal controls.
5. Compare bank account totals, bank activities report, bank statements and bank reconciliation working papers by the Town Board.
6. Receive ongoing list of fund transfers (moved) and loans between funds. Limit these to a minimal number.
7. Schedule additional training by software provider for staff (use and reports) and Town Board (reports).
8. Review quarterly the receipt logs and bank statements.

Respectfully,



Donald L. Renner  
Town of French Lick Council Member  
812-936-4737 Town Hall  
812-936-2525 Don Renner office  
812-521-1876 Cell  
drenner@netsurfsa.net

# ***Town of French Lick***

8587 W. Main Street  
French Lick, Indiana 47432-1000

## **BOARD OF TRUSTEES**

William Ratliff  
Marlene Noble  
Don Renner

## **CLERK TREASURER**

Dennis Jones

Incorporated May 2, 1857  
Telephone: (812) 936-4737  
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October 7, 2009

## **FINDING NO. 2008-2, INTERNAL CONTROL OVER COMPLIANCE**

Federal Agency: Department of Transportation

Federal Program: Airport Improvement Program

CFDA Number 20.106

Federal Award Number AIP 3-18-0027-0506, AIP 3-18-0027-0607, AIP 3-18-0027-07, and AIP 3-18-0027-08

Auditee Contact Person: Dennis D. Jones

Title of Contact Person: Clerk-Treasurer

Phone Number: 812-936-4737

Expected Completion Date: October 16, 2009

The Clerk-Treasurer in the future will do the following steps in order to improve the audit ability and the accuracy of the use of Grant Funds.

1. I have altered the Budget Chart of Accounts Listing to use detailed disbursements by Grant.
2. I have altered the Revenue Chart of Accounts Listing to use detailed revenues by Grant.
3. I have set-up new funds to correspond with contracts.
4. The Appropriation Report will show the amount of each grant with funds expended and MTD and YTD activities.
5. The Federal, State, and Local funds will be deposited to the Grant Account.
6. I am working with Karla Price of R.W. Armstrong in order to have the correct net beginning balance for the different contracts.

Sincerely,



Dennis D. Jones  
Clerk-Treasurer

TOWN OF FRENCH LICK  
EXIT CONFERENCE

The contents of this report were discussed on October 7, 2009, with James Springer, Director of the Revolving Loan; Brian Payne, Airport Manager; Thomas J. McCracken, President of the Board of Aviation; Donald L. Renner; member of the Redevelopment Commission and the Town Council; William E. Ratliff, President of the Town Council; and Dennis Jones, Clerk-Treasurer.