

**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, 2009 to December 31, 2010



**FILED**  
06/27/2011



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Dennis Jones	01-01-08 to 12-31-11
President of the Town Council	William E. Ratliff Marlene Noble	01-01-09 to 12-31-10 01-01-11 to 12-31-11
Superintendent of Wastewater Utility	Chris Mills	01-01-09 to 12-31-11



**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](http://www.in.gov/sboa)

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 Town of French Lick (Town), for the years ended December 31, 2009 and 2010. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over reporting. Accordingly, we express no such opinion. 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 1, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2009 and 2010, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated June 6, 2011, 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 integral part of 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 an opinion on the Town's 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the Town's financial statements. The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statements. The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, 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 financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Town's management, the Town Council, others within the entity, 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

June 6, 2011



**STATE OF INDIANA**  
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ROOM E418  
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Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

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 Town of French Lick (Town), for the years ended December 31, 2009 and 2010, and have issued our report thereon dated June 6, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2010-1 to be material weaknesses.

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)

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, others within the entity, 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

June 6, 2011

FINANCIAL STATEMENT(S)

TOWN OF FRENCH LICK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
General	\$ 3,965	\$ 1,160,102	\$ 1,065,143	\$ 98,924
Springs Valley Park Donations	6,760	-	-	6,760
Casino	124,073	4,409,121	4,163,845	369,349
TIF	415,031	1,441,736	1,272,634	584,133
Motor Vehicle Highway	55,956	147,501	278,274	(74,817)
Local Road And Street	-	7,951	-	7,951
Aviation Revolving Gasoline	-	550,000	549,997	3
Donations	-	1,950	1,950	-
Economic Development Income Tax	78,293	91,685	49,849	120,129
Landfill	5,696	5	-	5,701
Aviation Grant	73,558	402,734	472,640	3,652
Law Enforcement Continuing Education	-	2,119	-	2,119
Tourism Commission	1,258	-	-	1,258
Rainy Day	4,542	77,350	-	81,892
Levy Excess	29,904	-	28,498	1,406
Community Center Lease	(44,183)	73,204	40,496	(11,475)
French Lick Promenade	1,521	-	-	1,521
Aviation Hanger Rental Depreciation	10,592	6,741	-	17,333
Airport Capital Improvements	13,014	21,351	29,219	5,146
Municipal Airport Fuel	1	120,820	64,902	55,919
Airport Operating	5,663	377,941	368,527	15,077
French Lick Tourism	24,649	1,051	5,643	20,057
Casino Regular	-	84,737	80,000	4,737
French Lick Revolving Loan Recipient	12,060	35,408	28,505	18,963
French Lick Revolving Loan-Loan	164,544	385,168	406,504	143,208
Sewer Cash Drawer	100	-	-	100
Park And Recreation	33,919	63,051	85,736	11,234
Cumulative Capital Improvement	23,619	5,951	-	29,570
Payroll	826	762,073	762,576	323
Wastewater Operating	72,177	953,216	955,192	70,201
Wastewater Debt Reserve	203,254	574,959	488,353	289,860
Totals	<u>\$ 1,320,792</u>	<u>\$ 11,757,925</u>	<u>\$ 11,198,483</u>	<u>\$ 1,880,234</u>

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

TOWN OF FRENCH LICK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 98,924	\$ 658,350	\$ 630,291	\$ 126,983
Springs Valley Park Donations	6,760	-	-	6,760
Casino Regular	4,737	3,318,993	3,308,576	15,154
TIF	584,133	1,476,713	1,082,353	978,493
Motor Vehicle Highway	(74,817)	217,802	150,798	(7,813)
Local Road And Street	7,951	8,099	11,500	4,550
Aviation Revolving Gasoline	3	-	-	3
Economic Development Income Tax	120,129	95,579	123,116	92,592
Landfill	5,701	4	-	5,705
Aviation Grant	3,652	1,696,650	1,611,914	88,388
Law Enforcement Continuing Education	2,119	941	653	2,407
Tourism Commission	1,258	-	-	1,258
Rainy Day	81,892	34,236	-	116,128
Levy Excess 2010	-	1,444	-	1,444
Community Center Lease	(11,475)	107,172	47,211	48,486
French Lick Promenade	1,521	-	-	1,521
Aviation Hanger Rental Depreciation	17,333	1,667	-	19,000
Airport Capital Improvements	5,146	28,828	26,019	7,955
Levy Excess	1,406	-	-	1,406
Municipal Airport Fuel	55,919	134,914	160,862	29,971
Airport Operating	15,077	212,115	181,290	45,902
French Lick Tourism	20,057	15,479	28,249	7,287
Casino	369,349	77	369,426	-
French Lick Revolving Loan Recipient	18,963	27,955	30,875	16,043
French Lick Revolving Loan-Loan	143,208	402,033	310,404	234,837
Sewer Cash Drawer	100	100	-	200
French Lick Redevelopment/Other Income	-	235,677	-	235,677
Park And Recreation	11,234	25,696	15,926	21,004
Cumulative Capital Improvement	29,570	5,683	32,297	2,956
Payroll	323	786,040	786,158	205
Wastewater Operating	70,201	855,640	834,929	90,912
Wastewater Debt Reserve	289,860	401,870	361,900	329,830
Totals	<u>\$ 1,880,234</u>	<u>\$ 10,749,757</u>	<u>\$ 10,104,747</u>	<u>\$ 2,525,244</u>

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

TOWN OF FRENCH LICK  
NOTES TO FINANCIAL STATEMENT(S)

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

*A. Reporting Entity*

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement(s) present(s) the financial information for the Town (primary government), and does not include financial information for any of the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Town (primary government).

*B. Basis of Accounting*

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

*C. Cash and Investments*

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

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

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

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

TOWN OF FRENCH LICK  
NOTES TO FINANCIAL STATEMENT(S)  
(Continued)

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

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

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

Utility fees which are comprised mostly of charges for current services.

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

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

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

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

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

TOWN OF FRENCH LICK  
NOTES TO FINANCIAL STATEMENT(S)  
(Continued)

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

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

*F. Interfund Transfers*

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

*G. Fund Accounting*

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

TOWN OF FRENCH LICK  
NOTES TO FINANCIAL STATEMENT(S)  
(Continued)

**Note 4. Deposits and Investments**

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

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

**Note 5. Risk Management**

The Town may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Town by recording as a disbursement and replacement items purchased.

**Note 6. Pension Plan(s)**

*A. Public Employees' Retirement Fund*

*Plan Description*

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

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

TOWN OF FRENCH LICK  
NOTES TO FINANCIAL STATEMENT(S)  
(Continued)

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

*Funding Policy and Annual Pension Cost*

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

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town of French Lick's Annual Report(s) can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

TOWN OF FRENCH LICK  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2009

	General	Springs Valley Park Donations	Casino	TIF	Motor Vehicle Highway	Local Road And Street	Aviation Revolving Gasoline
Cash and investments - beginning	\$ 3,965	\$ 6,760	\$ 124,073	\$ 415,031	\$ 55,956	\$ -	\$ -
Receipts:							
Taxes	413,291	-	-	-	89,540	-	-
Licenses and permits	450	-	-	-	-	-	-
Intergovernmental	259,251	-	3,457,506	-	56,101	-	-
Charges for services	4,594	-	-	-	-	-	-
Fines and forfeits	1,375	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	481,141	-	951,615	1,441,736	1,860	7,951	550,000
Total receipts	<u>1,160,102</u>	<u>-</u>	<u>4,409,121</u>	<u>1,441,736</u>	<u>147,501</u>	<u>7,951</u>	<u>550,000</u>
Disbursements:							
Personal services	377,349	-	-	-	140,086	-	-
Supplies	53,905	-	-	-	43,735	-	-
Other services and charges	205,267	-	-	-	5,803	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	8,500	-	-	-	10,853	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	420,122	-	4,163,845	1,272,634	77,797	-	549,997
Total disbursements	<u>1,065,143</u>	<u>-</u>	<u>4,163,845</u>	<u>1,272,634</u>	<u>278,274</u>	<u>-</u>	<u>549,997</u>
Excess (deficiency) of receipts over disbursements	<u>94,959</u>	<u>-</u>	<u>245,276</u>	<u>169,102</u>	<u>(130,773)</u>	<u>7,951</u>	<u>3</u>
Cash and investments - ending	<u>\$ 98,924</u>	<u>\$ 6,760</u>	<u>\$ 369,349</u>	<u>\$ 584,133</u>	<u>\$ (74,817)</u>	<u>\$ 7,951</u>	<u>\$ 3</u>

TOWN OF FRENCH LICK  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2009  
 (Continued)

	Donations	Economic Development Income Tax	Landfill	Aviation Grant	Law Enforcement Continuing Education	Tourism Commission	Rainy Day
Cash and investments - beginning	\$ -	\$ 78,293	\$ 5,696	\$ 73,558	\$ -	\$ 1,258	\$ 4,542
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	91,685	-	383,578	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,950	-	5	19,156	2,119	-	77,350
Total receipts	1,950	91,685	5	402,734	2,119	-	77,350
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	1,950	49,849	-	472,640	-	-	-
Total disbursements	1,950	49,849	-	472,640	-	-	-
Excess (deficiency) of receipts over disbursements	-	41,836	5	(69,906)	2,119	-	77,350
Cash and investments - ending	\$ -	\$ 120,129	\$ 5,701	\$ 3,652	\$ 2,119	\$ 1,258	\$ 81,892

TOWN OF FRENCH LICK  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2009  
 (Continued)

	Levy Excess	Community Center Lease	French Lick Promenade	Aviation Hanger Rental Depreciation	Airport Capital Improvements	Municipal Airport Fuel
Cash and investments - beginning	\$ 29,904	\$ (44,183)	\$ 1,521	\$ 10,592	\$ 13,014	\$ 1
Receipts:						
Taxes	-	65,767	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	7,437	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	6,741	21,351	120,820
Total receipts	-	73,204	-	6,741	21,351	120,820
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	28,498	40,496	-	-	29,219	64,902
Total disbursements	28,498	40,496	-	-	29,219	64,902
Excess (deficiency) of receipts over disbursements	(28,498)	32,708	-	6,741	(7,868)	55,918
Cash and investments - ending	\$ 1,406	\$ (11,475)	\$ 1,521	\$ 17,333	\$ 5,146	\$ 55,919

TOWN OF FRENCH LICK  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2009  
 (Continued)

	Airport Operating	French Lick Tourism	Casino Regular	French Lick Revolving Loan Recipient	French Lick Revolving Loan-Loan	Sewer Cash Drawer
Cash and investments - beginning	\$ 5,663	\$ 24,649	\$ -	\$ 12,060	\$ 164,544	\$ 100
Receipts:						
Taxes	192,904	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	4,745	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>180,292</u>	<u>1,051</u>	<u>84,737</u>	<u>35,408</u>	<u>385,168</u>	<u>-</u>
Total receipts	<u>377,941</u>	<u>1,051</u>	<u>84,737</u>	<u>35,408</u>	<u>385,168</u>	<u>-</u>
Disbursements:						
Personal services	104,444	-	-	-	-	-
Supplies	4,304	-	-	-	-	-
Other services and charges	62,613	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	22,166	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	<u>175,000</u>	<u>5,643</u>	<u>80,000</u>	<u>28,505</u>	<u>406,504</u>	<u>-</u>
Total disbursements	<u>368,527</u>	<u>5,643</u>	<u>80,000</u>	<u>28,505</u>	<u>406,504</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>9,414</u>	<u>(4,592)</u>	<u>4,737</u>	<u>6,903</u>	<u>(21,336)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 15,077</u>	<u>\$ 20,057</u>	<u>\$ 4,737</u>	<u>\$ 18,963</u>	<u>\$ 143,208</u>	<u>\$ 100</u>

TOWN OF FRENCH LICK  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2009  
 (Continued)

	Park And Recreation	Cumulative Capital Improvement	Payroll	Wastewater Operating	Wastewater Debt Reserve	Totals
Cash and investments - beginning	\$ 33,919	\$ 23,619	\$ 826	\$ 72,177	\$ 203,254	\$ 1,320,792
Receipts:						
Taxes	17,335	-	-	-	-	778,837
Licenses and permits	-	-	-	-	-	450
Intergovernmental	78	5,951	-	-	-	4,266,332
Charges for services	-	-	-	-	-	4,594
Fines and forfeits	-	-	-	-	-	1,375
Utility fees	-	-	-	619,520	-	619,520
Other receipts	45,638	-	762,073	333,696	574,959	6,086,817
Total receipts	63,051	5,951	762,073	953,216	574,959	11,757,925
Disbursements:						
Personal services	11,952	-	-	-	-	633,831
Supplies	14,889	-	-	-	-	116,833
Other services and charges	1,445	-	-	-	-	275,128
Debt service - principal and interest	-	-	-	-	248,975	248,975
Capital outlay	17,450	-	-	-	-	58,969
Utility operating expenses	-	-	-	377,799	-	377,799
Other disbursements	40,000	-	762,576	577,393	239,378	9,486,948
Total disbursements	85,736	-	762,576	955,192	488,353	11,198,483
Excess (deficiency) of receipts over disbursements	(22,685)	5,951	(503)	(1,976)	86,606	559,442
Cash and investments - ending	\$ 11,234	\$ 29,570	\$ 323	\$ 70,201	\$ 289,860	\$ 1,880,234

TOWN OF FRENCH LICK  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

	General	Springs Valley Park Donations	Casino Regular	TIF	Motor Vehicle Highway	Local Road And Street
Cash and investments - beginning	\$ 98,924	\$ 6,760	\$ 4,737	\$ 584,133	\$ (74,817)	\$ 7,951
Receipts:						
Taxes	463,583	-	-	1,103,927	165,389	-
Intergovernmental	19,888	-	3,071,538	-	50,662	-
Charges for services	4,935	-	-	-	-	-
Fines and forfeits	185	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	169,759	-	247,455	372,786	1,751	8,099
Total receipts	<u>658,350</u>	<u>-</u>	<u>3,318,993</u>	<u>1,476,713</u>	<u>217,802</u>	<u>8,099</u>
Disbursements:						
Personal services	364,279	-	-	-	75,102	-
Supplies	54,920	-	-	-	55,421	-
Other services and charges	201,623	-	-	-	14,724	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	7,207	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	2,262	-	3,308,576	1,082,353	5,551	11,500
Total disbursements	<u>630,291</u>	<u>-</u>	<u>3,308,576</u>	<u>1,082,353</u>	<u>150,798</u>	<u>11,500</u>
Excess (deficiency) of receipts over disbursements	<u>28,059</u>	<u>-</u>	<u>10,417</u>	<u>394,360</u>	<u>67,004</u>	<u>(3,401)</u>
Cash and investments - ending	<u>\$ 126,983</u>	<u>\$ 6,760</u>	<u>\$ 15,154</u>	<u>\$ 978,493</u>	<u>\$ (7,813)</u>	<u>\$ 4,550</u>

TOWN OF FRENCH LICK  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Aviation Revolving Gasoline	Economic Development Income Tax	Landfill	Aviation Grant	Law Enforcement Continuing Education	Tourism Commission
Cash and investments - beginning	\$ 3	\$ 120,129	\$ 5,701	\$ 3,652	\$ 2,119	\$ 1,258
Receipts:						
Taxes	-	-	-	-	-	-
Intergovernmental	-	95,579	-	1,515,380	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	4	181,270	941	-
Total receipts	-	95,579	4	1,696,650	941	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	123,116	-	1,611,914	653	-
Total disbursements	-	123,116	-	1,611,914	653	-
Excess (deficiency) of receipts over disbursements	-	(27,537)	4	84,736	288	-
Cash and investments - ending	\$ 3	\$ 92,592	\$ 5,705	\$ 88,388	\$ 2,407	\$ 1,258

TOWN OF FRENCH LICK  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Rainy Day	Levy Excess 2010	Community Center Lease	French Lick Promenade	Aviation Hanger Rental Depreciation	Airport Capital Improvements
Cash and investments - beginning	\$ 81,892	\$ -	\$ (11,475)	\$ 1,521	\$ 17,333	\$ 5,146
Receipts:						
Taxes	23,997	-	102,145	-	-	-
Intergovernmental	10,239	-	5,027	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	1,444	-	-	1,667	28,828
Total receipts	<u>34,236</u>	<u>1,444</u>	<u>107,172</u>	<u>-</u>	<u>1,667</u>	<u>28,828</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	47,211	-	-	26,019
Total disbursements	<u>-</u>	<u>-</u>	<u>47,211</u>	<u>-</u>	<u>-</u>	<u>26,019</u>
Excess (deficiency) of receipts over disbursements	<u>34,236</u>	<u>1,444</u>	<u>59,961</u>	<u>-</u>	<u>1,667</u>	<u>2,809</u>
Cash and investments - ending	<u>\$ 116,128</u>	<u>\$ 1,444</u>	<u>\$ 48,486</u>	<u>\$ 1,521</u>	<u>\$ 19,000</u>	<u>\$ 7,955</u>

TOWN OF FRENCH LICK  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Levy Excess	Municipal Airport Fuel	Airport Operating	French Lick Tourism	Casino
Cash and investments - beginning	\$ 1,406	\$ 55,919	\$ 15,077	\$ 20,057	\$ 369,349
Receipts:					
Taxes	-	-	108,840	-	-
Intergovernmental	-	-	5,356	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	-	134,914	97,919	15,479	77
Total receipts	-	134,914	212,115	15,479	77
Disbursements:					
Personal services	-	-	100,863	-	-
Supplies	-	-	9,828	-	-
Other services and charges	-	-	51,994	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	18,605	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	160,862	-	28,249	369,426
Total disbursements	-	160,862	181,290	28,249	369,426
Excess (deficiency) of receipts over disbursements	-	(25,948)	30,825	(12,770)	(369,349)
Cash and investments - ending	\$ 1,406	\$ 29,971	\$ 45,902	\$ 7,287	\$ -

TOWN OF FRENCH LICK  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	French Lick Revolving Loan Recipient	French Lick Revolving Loan-Loan	Sewer Cash Drawer	French Lick Redevelopment/ Other Income	Park And Recreation
Cash and investments - beginning	\$ 18,963	\$ 143,208	\$ 100	\$ -	\$ 11,234
Receipts:					
Taxes	-	-	-	-	25,645
Intergovernmental	-	-	-	-	44
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	27,955	402,033	100	235,677	7
Total receipts	<u>27,955</u>	<u>402,033</u>	<u>100</u>	<u>235,677</u>	<u>25,696</u>
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	14,487
Other services and charges	-	-	-	-	1,439
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	30,875	310,404	-	-	-
Total disbursements	<u>30,875</u>	<u>310,404</u>	<u>-</u>	<u>-</u>	<u>15,926</u>
Excess (deficiency) of receipts over disbursements	<u>(2,920)</u>	<u>91,629</u>	<u>100</u>	<u>235,677</u>	<u>9,770</u>
Cash and investments - ending	<u>\$ 16,043</u>	<u>\$ 234,837</u>	<u>\$ 200</u>	<u>\$ 235,677</u>	<u>\$ 21,004</u>

TOWN OF FRENCH LICK  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Cumulative Capital Improvement	Payroll	Wastewater Operating	Wastewater Debt Reserve	Totals
Cash and investments - beginning	\$ 29,570	\$ 323	\$ 70,201	\$ 289,860	\$ 1,880,234
Receipts:					
Taxes	-	-	-	-	1,993,526
Intergovernmental	5,683	-	-	-	4,779,396
Charges for services	-	-	-	-	4,935
Fines and forfeits	-	-	-	-	185
Utility fees	-	-	738,707	-	738,707
Other receipts	-	786,040	116,933	401,870	3,233,008
Total receipts	<u>5,683</u>	<u>786,040</u>	<u>855,640</u>	<u>401,870</u>	<u>10,749,757</u>
Disbursements:					
Personal services	-	-	-	-	540,244
Supplies	-	-	-	-	134,656
Other services and charges	-	-	-	-	269,780
Debt service - principal and interest	-	-	-	251,900	251,900
Capital outlay	-	-	-	-	25,812
Utility operating expenses	-	-	425,517	-	425,517
Other disbursements	32,297	786,158	409,412	110,000	8,456,838
Total disbursements	<u>32,297</u>	<u>786,158</u>	<u>834,929</u>	<u>361,900</u>	<u>10,104,747</u>
Excess (deficiency) of receipts over disbursements	<u>(26,614)</u>	<u>(118)</u>	<u>20,711</u>	<u>39,970</u>	<u>645,010</u>
Cash and investments - ending	<u>\$ 2,956</u>	<u>\$ 205</u>	<u>\$ 90,912</u>	<u>\$ 329,830</u>	<u>\$ 2,525,244</u>

TOWN OF FRENCH LICK  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2010

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.

	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 2,784,864
Infrastructure	18,722,591
Buildings	4,025,997
Improvements other than buildings	86,265
Machinery and equipment	<u>771,439</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 26,391,156</u>
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	<u>197,154</u>
Total Wastewater Utility capital assets	<u>\$ 10,703,613</u>

TOWN OF FRENCH LICK  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2010

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	\$ 862,000	\$ 54,000
Fire truck	612,254	91,452
Town improvements	13,367,634	1,238,197
Notes and loans payable	118,014	38,781
Bonds payable:		
Revenue bonds:		
Taxable Variable Rate Economic Development Revenue Bonds, Series 2008B	410,974	118,900
Tax Exempt Economic Development Revenue Bonds, Series 2007D	325,000	147,550
French Lick Redevelopment Commission Wagering and Admission Tax Revenue Bonds of 2009	<u>780,000</u>	<u>193,560</u>
Total governmental activities debt	<u>\$ 16,475,876</u>	<u>\$ 1,882,440</u>
Business-type activities:		
Wastewater Utility:		
Revenue bonds:		
1993 Sewage Works Improvement	\$ 559,000	\$ 41,950
1998 Sewage Works Improvement	<u>3,280,000</u>	<u>207,600</u>
Total Wastewater Utility	<u>\$ 3,839,000</u>	<u>\$ 249,550</u>

TOWN OF FRENCH LICK  
AUDIT RESULT(S) AND COMMENT(S)

**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 revolving loan was using a generic receipt form instead of the prescribed or approved form.

(b) In some instances receipts were not issued or recorded until the end of the month.

(c) When the receipt included both check and cash, the receipt was marked check.

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)

2. There were a considerable number of posting errors. Receipts for property taxes, financial institution taxes, auto excise tax, certified shares, CAGIT, and commercial vehicle taxes were not posted consistently to the same revenue classification.

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)

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

(a) Claims were not prepared for all disbursements. During 2009, 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. During 2009, numerous disbursements were made without the Clerk-Treasurer reviewing any supporting documentation. The Redevelopment Commission agreed to subsidize the rent for two businesses relocating in the Town Green. These rent payments were made without any supporting documentation. An aviation employee was reimbursed for meal expense and the only documentation provided was the credit card total.

(c) All claims did not have Board approval. The Redevelopment Commission Board minutes indicate they voted to purchase property for \$350,000. However, the accounts payable invoice for the \$355,643 was not signed by the Board. Two other Redevelopment Commission expenditures were not signed by the Board.

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

TOWN OF FRENCH LICK  
AUDIT RESULT(S) AND COMMENT(S)  
(Continued)

Indiana Code 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."

4. The Town and Wastewater Utility have 16 checking accounts. There were ordinances adopted authorizing only 6 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: The Clerk-Treasurer is responsible for the collection of monies, issuing receipts, preparing and making deposits, posting receipt transactions, and preparing the monthly bank reconciliations. He is also responsible for preparing vendor checks and posting the disbursement transactions to the financial records.

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, disbursements, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.

2. Preparing Financial Statements: The Town's ledger contained a considerable number of posting errors. Receipts for property taxes, financial institutions taxes, auto excise tax, certified shares, CAGIT, and commercial vehicle taxes were not posted consistently to the same revenue classification.

TOWN OF FRENCH LICK  
AUDIT RESULT(S) AND COMMENT(S)  
(Continued)

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: Disbursements were made without approval from the Board.

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 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)

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)

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

Local Road and Street distributions received in 2009 totaling \$5,017.40 were receipted into the Motor Vehicle Highway Fund instead of the Local Road and Street Fund.

Indiana Code 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."

TOWN OF FRENCH LICK  
AUDIT RESULT(S) AND COMMENT(S)  
(Continued)

***ORDINANCES AND RESOLUTIONS***

The Town Hall holding corporation agreement was for a minimum payment of \$108,000 per audit period. However, the Town was paying the amount the holding corporation owed USDA and not the higher lease rental amount. The amount due the holding corporation as of December 31, 2010, was \$69,493.75.

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 prior Report B34989, 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, 2010, was \$335,358. The balance in those accounts was only \$329,829. The amount unfunded on that date was \$5,529.

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)

***BOARD MINUTES - REDEVELOPMENT***

The minutes of the meetings of the Board of Redevelopment Commissioner's did not include the time and place of the meeting. It could not be determined which Board members were present or the general substance of all matters proposed, discussed, or decided since the minutes were not written out in a form that could be understood. Minutes of the meeting were not in a bound book and were not signed.

Indiana Code 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5."

TOWN OF FRENCH LICK  
AUDIT RESULT(S) AND COMMENT(S)  
(Continued)

**PAYROLL DEDUCTIONS AND SALARY ORDINANCE**

The Town has a contract with the French Lick Fire Department that states the Fire Chief shall also act as the Zoning Administrator and the Town agrees to pay the Fire Chief \$33,800 annually. The agreement also requires the Town to pay PERF, payroll taxes and health insurance. The salary ordinance lists a rate of \$650 per month for the Zoning Inspector but does not include any amount for the Fire Chief. PERF was paid on the \$650 per month, but was not paid on the Fire Chief's salary.

A test of payroll indicated that two Town Board members are participating in PERF and one Town Board member and the Clerk-Treasurer does not. PERF requirements state that full-time, permanent positions specified by a resolution passed by the governing body and requiring 1,000 hours per year must be covered.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

**OFFICIAL BOND**

Members of the Redevelopment Commission did not have current official bonds.

Indiana Code 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."

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

**CASINO REVENUE DISTRIBUTIONS**

Indiana Code 4-33-13-5 requires the Town of French Lick to transfer 12.5 percent of the taxes imposed on adjusted gross receipts received after June 30, 2010, to the Orange County Development Commission (OCDC). No transfers had been made as of May 11, 2011. The calculated amount due as of December 31, 2010, to the OCDC was \$58,289.56.

Indiana Code 4-33-13-5 Sec. 5 (b) (4)(B) states: "At least twelve and five-tenths percent (12.5%) of the taxes imposed on adjusted gross receipts received after June 30, 2010, must be transferred to the Orange County development commission established by IC 36-7-11.5-3.5."

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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](http://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, 2009 and 2010. 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. 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, 2009 and 2010.

Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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)

A deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Town's management, the Town Council, others within the entity, 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

June 6, 2011

TOWN OF FRENCH LICK  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Years Ended December 31, 2009 and 2010

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-09	Total Federal Awards Expended 12-31-10
<u>U.S. DEPARTMENT OF COMMERCE</u>				
Direct Grant				
Public Works and Economic Development Cluster Economic Adjustment Assistance	11.307	06-019-02187	\$ 967,336	\$ 1,090,061
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Pass-Through Indiana Criminal Justice Institute				
Highway Safety Cluster	20.601			
Alcohol Impaired Driving Countermeasures Incentive Grants I Operation Pull Over Enforcement Program		OP-10-02-01-72	-	1,768
Direct Grant				
Airport Improvement Program	20.106			
FY 2006		3-18-0027-06	203,196	2,091
FY 2007		3-18-0027-07	127,410	25,913
FY 2008		3-18-0027-08	-	38,760
FY 2009		3-18-0027-09	12,530	1,118,379
FY 2010		3-18-0027-10	-	330,217
Total for program			343,136	1,515,360
Total for federal grantor agency			343,136	1,517,128
Total federal awards expended			\$ 1,310,472	\$ 2,607,189

The accompanying note(s) are an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF FRENCH LICK  
NOTE(S) TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. 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 cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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.

**Note 2. Loans Outstanding**

The Town had the following loan balances, with continuing federal compliance requirements, outstanding at December 31, 2009 and 2010. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2009	2010
Economic Adjustment Assistance	11.307	\$ 918,921	\$ 872,327

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:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiency identified?	no
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
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?	no

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 2010-1 - 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: The Clerk-Treasurer is responsible for the collection of monies, issuing receipts, preparing and making deposits, posting receipt transactions, and preparing the monthly bank reconciliations. He is also responsible for preparing vendor checks and posting the disbursement transactions to the financial records.

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, disbursements, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.

2. **Preparing Financial Statements:** The Town's ledger contained a considerable number of posting errors. Receipts for property taxes, financial institutions taxes, auto excise tax, certified shares, CAGIT, and commercial vehicle taxes were not posted consistently to the same revenue classification.

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:** Disbursements were made without approval from the Board.

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 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)

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***

No matters are reportable.

Office: 812.936.2222  
Fax: 812.936.3134



Emergency Pager: 888.237.6574  
manager@frenchlickairport.com

9764 West County Road 375 South • French Lick, IN 47432  
www.FrenchLickAirport.com

May 16, 2011

RE: Finding 2008-2, Internal Control Reportable Condition

Original SBA Audit Report Number: B34989

Fiscal Year: January 1, 2009 to December 31, 2010

Auditee Contact Person: Brian Payne

Title of Contact Person: Airport Manager

Phone Number: (812) 936-2222

Status of the finding:

It is recognized by the French Lick Municipal Airport that there were deficiencies as noted in the finding. The Airport and the Town of French Lick have taken many actions to fix these issues on controls over the receipting, disbursing, recording, and accounting for the financial activities.

The French Lick Airport received a letter from the FAA on January 3, 2011 pertaining to the most recent audit from the Indiana State Board of Accounts. It states that since the negative audit finding qualifies as "a documented record of deviation from appropriate grant management process" per AIP Program Guidance Letter (PGL) 07-1, the Town of French Lick has been raised from nominal risk airport sponsor to a moderate risk airport sponsor. As a result, the Town of French Lick will need to provide additional documentation as part of their grant management process as outlined in PGL 07-1. The Airport, along with consulting firm NGC, are currently in the process of completing such additional documentation and will continue to provide such documentation to the FAA as deemed necessary under the guidance of PGL 07-1.

The Airport changed consulting firms which has already shown to be more transparent in their payment requests and the Airport has been given constant updates on each grant and amounts left in each grant. All consulting firm invoices are now attached to each

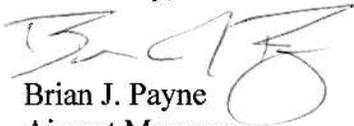
payment request and therefore the Clerk Treasurer will now have the invoices with his copy of the payment request.

The Town has taken the following actions to increase the transparency of each grant:

- The Clerk Treasurer has created a Federal Airport Grant Activity log that breaks down each contract, payment request number, voucher number, amount, and payee.
- The Clerk Treasurer has created an appropriation reported of each grant number and detailing each contractor within each grant.
- The Clerk Treasurer has created a Matching Grant spreadsheet to show the payment request number, vendor, amount, and running balance for each grant.

The Airport feels that all of these changes will make for better transparency and efficiency of current and future grants.

Yours truly,



Brian J. Payne  
Airport Manager  
French Lick Airport

# ***Town of French Lick***

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

## **BOARD OF TRUSTEES**

Marlene Noble (President)  
David Harner  
William Ratliff  
Donald Renner  
Barry Wininger

## **CLERK TREASURER**

Dennis Jones

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

May 17, 2011

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

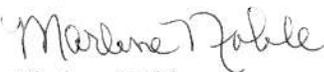
RE: Audit of Town of French Lick  
Federal Finding 2010-1, Internal Controls over Financial Transactions and Reporting

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.

Improvement steps will include but not limited to:

1. Setting accounting cutoff dates, review of source documents and working papers by each department head 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 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. Review quarterly the receipt logs and bank statements.

Respectfully,



Marlene Noble  
President of French Lick Town Council

TOWN OF FRENCH LICK  
EXIT CONFERENCE

The contents of this report were discussed on June 3, 2011, with Brian Payne, Airport Manager, and William K. Kimmel, President of the Board of Aviation.

The contents of this report were discussed on June 6, 2011, with Donald L. Renner, Secretary of the Redevelopment Commission. The official concurred with our audit findings.

The contents of this report were discussed on June 6, 2011, with James Springer, Director of the Revolving Loan; Marlene Noble, President of the Town Council; and Dennis Jones, Clerk-Treasurer.