

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

TOWN OF FRENCH LICK  
ORANGE COUNTY, INDIANA

January 1, 2015 to December 31, 2015



**FILED**  
08/16/2017



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Melinda Pendley	01-01-14 to 12-31-19
President of the Town Council	Donald L. Renner Barry M. Wininger	01-01-15 to 12-31-15 01-01-16 to 12-31-17
Superintendent of Wastewater Utility	Chris Mills	01-01-15 to 12-31-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statement**

We have audited the accompanying financial statement of the Town of French Lick (Town), which comprises the financial position and results of operations for the year ended December 31, 2015, and the related notes to the financial statement as listed in the Table of Contents.

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

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (Indiana Code 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 to the financial statement, the Town prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the year ended December 31, 2015.

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the year ended December 31, 2015, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

*Other Information*

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

In accordance with *Government Auditing Standards*, we have also issued a report dated June 15, 2017, 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* in considering the Town's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

June 15, 2017



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Town of French Lick (Town), which comprises the financial position and results of operations for the year ended December 31, 2015, and the related notes to the financial statement, and have issued our report thereon dated June 15, 2017, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001, 2015-002, and 2015-003, that we consider to be material weaknesses.

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

**Compliance and Other Matters**


As part of obtaining reasonable assurance about whether the Town's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

**Town of French Lick's Response to Findings**

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

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

June 15, 2017

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

TOWN OF FRENCH LICK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended December 31, 2015

Fund	Cash and Investments 01-01-15	Receipts	Disbursements	Cash and Investments 12-31-15
General	\$ 21,119	\$ 2,158,570	\$ 2,106,877	\$ 72,812
Motor Vehicle Highway	93,750	248,860	270,051	72,559
Local Road and Street	3,639	7,887	9,822	1,704
Income Tax	10,782	92,063	61,355	41,490
Law Enforcement Continuing Education	2,940	530	-	3,470
Rainy Day	642	-	-	642
Levy Excess	10	-	-	10
PD Leverage/Undisbursed Loan	47,594	115,436	163,030	-
FLRLF-LOAN	315,500	230,584	355,577	190,507
Casino	18,137	2,510,713	1,996,134	532,716
Redevelopment Commission TIF - Checking	840,078	1,961,313	1,173,853	1,627,538
Grants	21,295	152,636	163,630	10,301
Debt Service	22,807	65,814	55,000	33,621
Aviation Loan Repay	-	19,470	18,354	1,116
Aviation Revolving Gas	45,245	188,689	113,207	120,727
Airport Operating Fund	76,028	192,315	186,404	81,939
French Lick Tourism	2,780	36,083	37,204	1,659
FLRLF-Loan Operating	16,542	54,317	39,183	31,676
Sewer Cash Drawer	200	-	-	200
FL Redevelopment/Other Income	25,113	124,890	136,164	13,839
Park and Recreation Improvements	6,025	15,824	12,399	9,450
Cumulative Capital Improvement Fund	2,619	4,539	-	7,158
Payroll	433	807,272	807,610	95
Sewer Operating	107,870	725,666	734,363	99,173
Sewer-Debt Reserve	276,425	3,770,000	3,761,282	285,143
Totals	<u>\$ 1,957,573</u>	<u>\$ 13,483,471</u>	<u>\$ 12,201,499</u>	<u>\$ 3,239,545</u>

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

TOWN OF FRENCH LICK  
NOTES TO FINANCIAL STATEMENT

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

*A. Reporting Entity*

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

The accompanying financial statement presents the financial information for the Town.

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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

*C. Cash and Investments*

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

*D. Receipts*

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

*Taxes.* Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

*Licenses and permits.* Amounts received from businesses, occupations, or non-businesses that must be licensed before doing business within the government's jurisdiction, or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF FRENCH LICK  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

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

*Utility fees.* Amounts received from charges for current services.

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

**E. Disbursements**

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

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

*Supplies.* Amounts disbursed for articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

*Other services and charges.* Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

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

TOWN OF FRENCH LICK  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Capital outlay.* Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

*Utility operating expenses.* Amounts disbursed for operating the utilities.

*Other disbursements.* Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Interfund Transfers*

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

*G. Fund Accounting*

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's 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  
(Continued)

**Note 4. *Deposits and Investments***

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

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

**Note 5. *Risk Management***

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

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

**Note 6. *Pension Plan***

*Public Employees' Retirement Fund*

*Plan Description*

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

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

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

TOWN OF FRENCH LICK  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy and Annual Pension Cost*

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

**Note 7. 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 year 2015 totaled \$55,000.

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#### OTHER INFORMATION - UNAUDITED

The Town's Annual Financial Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

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

TOWN OF FRENCH LICK  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2015

	General	Motor Vehicle Highway	Local Road and Street	Income Tax	Law Enforcement Continuing Education	Rainy Day	Levy Excess
Cash and investments - beginning	\$ 21,119	\$ 93,750	\$ 3,639	\$ 10,782	\$ 2,940	\$ 642	\$ 10
Receipts:							
Taxes	213,363	178,957	-	-	-	-	-
Licenses and permits	15,363	-	-	-	350	-	-
Intergovernmental receipts	1,701,753	67,568	7,887	-	-	-	-
Charges for services	-	-	-	-	180	-	-
Fines and forfeits	1,522	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	<u>226,569</u>	<u>2,335</u>	<u>-</u>	<u>92,063</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total receipts	<u>2,158,570</u>	<u>248,860</u>	<u>7,887</u>	<u>92,063</u>	<u>530</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	374,082	210,606	-	-	-	-	-
Supplies	38,780	32,767	-	-	-	-	-
Other services and charges	338,795	24,699	9,822	61,355	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	1,979	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	<u>1,355,220</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>2,106,877</u>	<u>270,051</u>	<u>9,822</u>	<u>61,355</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>51,693</u>	<u>(21,191)</u>	<u>(1,935)</u>	<u>30,708</u>	<u>530</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 72,812</u>	<u>\$ 72,559</u>	<u>\$ 1,704</u>	<u>\$ 41,490</u>	<u>\$ 3,470</u>	<u>\$ 642</u>	<u>\$ 10</u>

TOWN OF FRENCH LICK  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2015  
 (Continued)

	PD Leverage/ Undisbursed Loan	FLRLF-LOAN	Casino	Redevelopment Commission TIF - Checking	Grants	Debt Service	Aviation Loan Repay
Cash and investments - beginning	\$ 47,594	\$ 315,500	\$ 18,137	\$ 840,078	\$ 21,295	\$ 22,807	\$ -
Receipts:							
Taxes	-	-	-	1,767,459	-	64,438	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	382,881	-	145,018	1,376	-
Charges for services	-	-	-	-	-	-	19,470
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	115,436	230,584	2,127,832	193,854	7,618	-	-
Total receipts	<u>115,436</u>	<u>230,584</u>	<u>2,510,713</u>	<u>1,961,313</u>	<u>152,636</u>	<u>65,814</u>	<u>19,470</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	602,806	352,783	-	-	-
Debt service - principal and interest	-	-	1,238,197	-	-	55,000	-
Capital outlay	-	-	-	821,070	163,630	-	18,354
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	163,030	355,577	155,131	-	-	-	-
Total disbursements	<u>163,030</u>	<u>355,577</u>	<u>1,996,134</u>	<u>1,173,853</u>	<u>163,630</u>	<u>55,000</u>	<u>18,354</u>
Excess (deficiency) of receipts over disbursements	<u>(47,594)</u>	<u>(124,993)</u>	<u>514,579</u>	<u>787,460</u>	<u>(10,994)</u>	<u>10,814</u>	<u>1,116</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 190,507</u>	<u>\$ 532,716</u>	<u>\$ 1,627,538</u>	<u>\$ 10,301</u>	<u>\$ 33,621</u>	<u>\$ 1,116</u>

TOWN OF FRENCH LICK  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2015  
 (Continued)

	Aviation Revolving Gas	Airport Operating Fund	French Lick Tourism	FLRLF-Loan Operating	Sewer Cash Drawer	FL Redevelopment/ Other Income
Cash and investments - beginning	\$ 45,245	\$ 76,028	\$ 2,780	\$ 16,542	\$ 200	\$ 25,113
Receipts:						
Taxes	-	179,293	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	3,790	-	-	-	-
Charges for services	-	-	-	-	-	4,300
Fines and forfeits	-	-	-	54,317	-	-
Utility fees	-	-	-	-	-	-
Other receipts	188,689	9,232	36,083	-	-	120,590
<b>Total receipts</b>	<b>188,689</b>	<b>192,315</b>	<b>36,083</b>	<b>54,317</b>	<b>-</b>	<b>124,890</b>
Disbursements:						
Personal services	-	107,116	-	25,771	-	-
Supplies	113,207	16,705	37,024	13,412	-	-
Other services and charges	-	41,711	180	-	-	136,164
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	20,872	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
<b>Total disbursements</b>	<b>113,207</b>	<b>186,404</b>	<b>37,204</b>	<b>39,183</b>	<b>-</b>	<b>136,164</b>
Excess (deficiency) of receipts over disbursements	75,482	5,911	(1,121)	15,134	-	(11,274)
Cash and investments - ending	<u>\$ 120,727</u>	<u>\$ 81,939</u>	<u>\$ 1,659</u>	<u>\$ 31,676</u>	<u>\$ 200</u>	<u>\$ 13,839</u>

TOWN OF FRENCH LICK  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2015  
 (Continued)

	Park and Recreation Improvements	Cumulative Capital Improvement Fund	Payroll	Sewer Operating	Sewer-Debt Reserve	Totals
Cash and investments - beginning	\$ 6,025	\$ 2,619	\$ 433	\$ 107,870	\$ 276,425	\$ 1,957,573
Receipts:						
Taxes	15,482	-	-	-	-	2,418,992
Licenses and permits	-	-	-	-	-	15,713
Intergovernmental receipts	342	4,539	-	-	-	2,315,154
Charges for services	-	-	-	-	-	23,950
Fines and forfeits	-	-	-	-	-	55,839
Utility fees	-	-	-	604,271	-	604,271
Other receipts	-	-	807,272	121,395	3,770,000	8,049,552
Total receipts	15,824	4,539	807,272	725,666	3,770,000	13,483,471
Disbursements:						
Personal services	-	-	-	136,734	-	854,309
Supplies	6,386	-	-	-	-	258,281
Other services and charges	5,909	-	-	17,048	-	1,591,272
Debt service - principal and interest	-	-	-	-	3,656,282	4,949,479
Capital outlay	104	-	-	-	-	1,026,009
Utility operating expenses	-	-	-	322,681	-	322,681
Other disbursements	-	-	807,610	257,900	105,000	3,199,468
Total disbursements	12,399	-	807,610	734,363	3,761,282	12,201,499
Excess (deficiency) of receipts over disbursements	3,425	4,539	(338)	(8,697)	8,718	1,281,972
Cash and investments - ending	\$ 9,450	\$ 7,158	\$ 95	\$ 99,173	\$ 285,143	\$ 3,239,545

TOWN OF FRENCH LICK  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2015

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ -	\$ 44,481
Governmental activities	-	-
Totals	\$ -	\$ 44,481

TOWN OF FRENCH LICK  
SCHEDULE OF LEASES AND DEBT  
December 31, 2015

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Dickason HRC Investment LLC	Redevelopment	\$ 138,208	10/1/2012	10/1/2030
Old National Bank	Firetruck Purchase	91,452	2/1/2009	2/1/2018
Redevelopment Authority	Land and Public Improvements	412,732	6/3/2007	6/1/2027
Redevelopment Authority	Land and Public Improvements	825,465	6/3/2007	5/30/2027
French Lick Town Hall Building Corporation	Municipal Building	<u>55,000</u>	1/18/2001	1/1/2041
Total of annual lease payments		<u>\$ 1,522,857</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Wastewater: Revenue bonds	Sewage Works Refunding Bond	<u>\$ 3,500,340</u>	<u>\$ 230,565</u>
Totals		<u>\$ 3,500,340</u>	<u>\$ 230,565</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

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

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

We have audited the Town of French Lick's (Town) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2015. The Town's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2015.

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

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-004 and 2015-006. Our opinion on the major federal program is not modified with respect to these matters.

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

**Report on Internal Control over Compliance**

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


A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2015-004, 2015-005, and 2015-006, that we consider to be material weaknesses.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

June 15, 2017

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

TOWN OF FRENCH LICK  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2015

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient	Total Federal Awards Expended
<u>Department of Commerce</u>					
Economic Development Cluster					
Economic Adjustment Assistance Revolving Loan	Direct	11.307	06-019-02187	\$ -	\$ 990,509
Total - Economic Development Cluster				-	990,509
Total - Department of Commerce				-	990,509
<u>Department of Transportation</u>					
Airport Improvement Program					
Taxiway Project FY2012	Direct	20.106	03-18-0027-12	-	105,985
Taxiway Project FY2014			03-18-0027-14	-	27,540
Taxiway Project FY2015			03-18-0027-15	-	13,608
Total - Airport Improvement Program				-	147,133
Total - Department of Transportation				-	147,133
Total federal awards expended				\$ -	\$ 1,137,642

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

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

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Town under programs of the federal government for the year ended December 31, 2015. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the Town, it is not intended to and does not present the financial position of the Town.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The Town has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 3. Calculation of Expenditures of the Economic Development Cluster Presented on the SEFA**

Description	Amount
Balance of Revolving Loan Fund loans outstanding at December 31, 2015	\$ 1,059,312
Add: Cash and Investment balance of FLRLF-Loan Operating fund at December 31, 2015	31,676
Add: Cash and Investment balance of FLRLF-LOAN fund at December 31, 2015	190,507
Add: Administrative expenses paid out of FLRLF-Loan Operating during 2015	<u>39,183</u>
Total Expenditures	1,320,678
Multiplied by the Federal Participation Rate	<u>0.75</u>
Total presented on SEFA	<u>\$ 990,509</u>

TOWN OF FRENCH LICK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

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

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

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Economic Development Cluster	Unmodified

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

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

**Section II - Financial Statement Findings**

**FINDING 2015-001**

Subject: Internal Controls over Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediate prior year. The prior year finding number was 2014-001.

*Condition*

There were several deficiencies in the internal control system of the Town related to financial transactions and reporting.

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

1. Lack of Segregation of Duties: The Town had not separated incompatible activities related to receipts, disbursements, and cash and investment balances. The Clerk-Treasurer wrote receipts, wrote checks, completed bank reconciliations, and posted to the records.
2. Monitoring of Controls: The Town had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the Town to monitor and assess the quality of the system of internal control.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

*Cause*

Management of the Town had not established a proper system of internal controls over financial transactions and reporting.

*Effect*

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the Town at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

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

*Views of Responsible Officials*

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

**FINDING 2015-002**

Subject: Internal Controls over Revolving Loan Funds  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediate prior audit. The prior year finding number was 2014-002.

*Condition*

There were several deficiencies in the internal control system of the Revolving Loan Department related to financial transactions and reporting.

The Revolving Loan Department had not separated incompatible activities related to receipts, disbursements, and cash and investment balances. The Revolving Loan Director wrote receipts, wrote checks, completed the bank reconciliation, and posted to the records. There was no indication of a review, oversight, or approval process.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

*Cause*

Management of the Town had not established a proper system of internal control.

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

*Effect*

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected.

*Views of Responsible Officials*

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

**FINDING 2015-003**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediate prior audit. The prior year finding number was 2014-003.

*Condition*

The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Clerk-Treasurer entered the financial information into the Indiana Gateway for Government Units financial system, which is the source of the SEFA. Evidence was not presented that would have indicated there was an oversight, review, approval or other compensating controls in place to verify the accuracy of the information and amounts.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

*Cause*

Management had not established a system of internal controls over the preparation of the SEFA.

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

*Effect*

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected.

*Views of Responsible Officials*

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

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

**FINDING 2015-004**

Subject: Allowable Costs/Cost Principles  
Federal Agency: Department of Commerce  
Federal Program: Economic Adjustment Assistance  
CFDA Number: 11.307  
Federal Award Number and Year (or Other Identifying Number): 06-019-02187  
Compliance Requirement: Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Other Matter

*Repeat Finding*

This is a repeat finding from the immediate prior audit. The prior year finding number was 2014-005.

*Condition*

Officials of the Revolving Loan Board had not established an effective internal control system related to the grant agreement and the requirements related to Allowable Costs/Cost Principles.

The Clerk-Treasurer received \$125 per month from January to April 2015, and \$200 per month thereafter, for assistance with the administrative functions of the Revolving Loan Program. However, these costs were not supported by proper documentation as records were not maintained for the Clerk-Treasurer's actual time spent on the Revolving Loan Program.

*Context*

The lack of proper documentation for the portion of the Clerk-Treasurer's salary that was paid from the Revolving Loan Program was a pervasive problem throughout audit period.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

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

OMB Circular A-87, Attachment B, item 8h(4) states:

"Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity."

*Cause*

Management of the Town had not designed or implemented internal control procedures to ensure compliance with requirements related to Allowable Costs/Cost Principles.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance with the compliance requirement of the grant to remain undetected.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the Town establish internal controls and implement procedures to ensure that Personal Activity Reports are maintained for requirements pertaining to Allowable Costs/Cost Principles.

*Views of Responsible Officials*

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

**FINDING 2015-005**

Subject: Internal Controls over Revolving Loan Program  
Federal Agency: Department of Commerce  
Federal Program: Economic Adjustment Assistance  
CFDA Number: 11.307  
Federal Award Number and Year (or Other Identifying Number): 06-019-02187  
Compliance Requirements: Program Income, Reporting  
Audit Finding: Material Weakness

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

*Repeat Finding*

This is a repeat finding from the immediate prior audit. The prior year finding numbers were 2014-006 and 2014-007.

*Condition*

An effective internal control system was not in place at the Town in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Program Income and Reporting.

*Program Income*

The Town had not established effective internal controls to ensure compliance with Program Income requirements. The Revolving Loan Director was solely responsible for computing program income and transferring funds when appropriate.

*Reporting*

The Town had not established an effective internal control system to ensure compliance with Reporting requirements. The Revolving Loan Director was solely responsible for completing and submitting the required semiannual reports.

*Context*

The lack of controls over Program Income and Reporting was a systemic problem throughout the audit period.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

*Cause*

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

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

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

*Recommendation*

We recommended that the Town's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements listed above.

*Views of Responsible Officials*

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

**FINDING 2015-006**

Subject: Special Tests and Provisions - Loan Requirements  
Federal Agency: Department of Commerce  
Federal Program: Economic Adjustment Assistance  
CFDA Number: 11.307  
Federal Award Number and Year (or Other Identifying Number): 06-019-02187  
Compliance Requirement: Special Tests and Provisions - Loan Requirements  
Audit Findings: Material Weakness, Other Matter

*Repeat Finding*

This is a repeat finding from the immediate prior audit. The prior year finding number was 2014-008.

*Condition*

Officials of the Revolving Loan Board had not established an effective internal control system related to the grant agreement and the following compliance requirement: Special Tests and Provisions - Loan Requirements.

*Context*

The Director of the Revolving Loan Board were responsible for maintaining the loan files and acquiring all necessary documentation required of loan applicants. Two new loans were issued during the audit period, and the loan files for each were incomplete.

The loan application was not present in one file. The Director indicated an application was not obtained because the borrower had an application on file from previous loans. The signed bank turn-down letters were never obtained for either of the new loan applicants.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

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

13 CFR 307.15(b) states in part:

"Loan and accounting system documents. . . .

- (2) Prior to the disbursement of any EDA funds, the RLF Recipient shall certify that standard RLF loan documents reasonably necessary or advisable for lending are in place and that these documents have been reviewed by its legal counsel for adequacy and compliance with the terms and conditions of the Grant and applicable State and local law. The standard loan documents must include, at a minimum, the following:
- (i) Loan application;
  - (ii) Loan agreement;
  - (iii) Board of directors' meeting minutes approving the RLF loan;
  - (iv) Promissory note;
  - (v) Security agreement(s);
  - (vi) Deed of trust or mortgage (as applicable);
  - (vii) Agreement of prior lien holder (as applicable); and
  - (viii) Signed bank turn-down letter demonstrating that credit is not otherwise available on terms and conditions that permit the completion or successful operation of the activity to be financed. EDA will permit the RLF Recipient to accept alternate documentation only if such documentation is allowed in the Recipient's EDA-approved RLF Plan."

*Cause*

There was not an adequate internal control system in place to ensure compliance with the Special Test and Provisions - Loan Requirements compliance requirement.

*Effect*

Incomplete loans files resulted in noncompliance with the Special Tests and Provision - Loan Requirements of the grant. Failure to comply with the loan documentation requirements for loan recipients could have caused the Town to lose federal funds.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the Town's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirement listed above and implement procedures to ensure acquisition of all documentation that is required as part of the loan application process and that this documentation is retained in the recipients' loan files.

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

*Views of Responsible Officials*

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

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#### AUDITEE-PREPARED DOCUMENTS

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

# Town of French Lick

7959 W Hunters Run Drive  
French Lick, Indiana 47432-8315

## BOARD OF TRUSTEES

Barry Wininger (President)  
John H. Harrison  
Marlene Noble  
Don Renner  
Tony Watts

## CLERK TREASURER

Melinda Pendley

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

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2014-001** INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

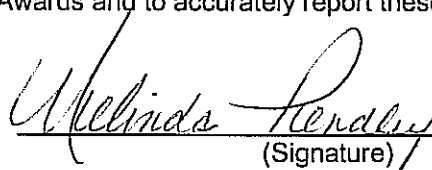
Fiscal year in which the finding initially occurred: 2010  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Commerce  
Contact Person Responsible for Corrective Action: Melinda Pendley, Clerk-Treasurer  
Contact Phone Number: (812)-936-4737

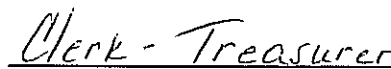
Status of Audit Finding: Office procedures are reviewed and implementation of additional internal controls are ongoing to avoid any risk of invalid transactions, inaccurate records and financial statements.

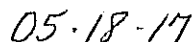
### **FINDING 2014-003** PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal year in which the finding initially occurred: 2012  
Contact Person Responsible for Corrective Action: Melinda Pendley, Clerk-Treasurer  
Contact Phone Number: (812)-936-4737

Status of Audit Finding: The Town continues to develop a proper system of internal controls to prevent errors on the Schedule of Expenditures of Federal Awards and to accurately report these federal awards.

  
(Signature)

  
(Title)

  
(Date)

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

# **French Lick Revolving Loan**

7959 W Hunters Run Drive  
French Lick, Indiana 47432-8315

Jim Springer, Executive Director

Telephone: (812) 936-4885

Fax: (812) 936-7006

Board Members:

Peggy Leehe, President

Mindy Pendley, Clerk-Treasurer

Ann Troutman

Tony Watts

Marlene Noble

Karen Brosmer

John Harrison

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2014-002 INTERNAL CONTROLS OVER REVOLVING LOAN FUNDS**

Fiscal year in which the finding initially occurred: 2014

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Commerce

Contact Person Responsible for Corrective Action: James L. Springer, Executive Director

Contact Phone Number: (812)-936-4885

Status of Audit Finding: Executive Director has a running monthly bank reconciliation for the FLRLF Loan account to maintain accuracy of the account.

**FINDING 2014-004 ACTIVITIES ALLOWED OR UNALLOWED**

Fiscal year in which the finding initially occurred: 2012

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Commerce

Contact Person Responsible for Corrective Action: James L. Springer, Executive Director

Contact Phone Number: (812)-936-4885

Status of Audit Finding: Most of the loans in question were revised or re-amortized loans with Board approval per meeting minutes. All loans, whether new or revised, have a claim form with board signatures for approval.

**FINDING 2014-005 ALLOWABLE COSTS/COST PRINCIPLES**

Fiscal year in which the finding initially occurred: 2012

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Commerce

Contact Person Responsible for Corrective Action: James L. Springer, Executive Director

Contact Phone Number: (812)-936-4885

Status of Audit Finding: Clerk-Treasurer will document time spent on duties pertaining to FLRFL and report to Executive Director.

**FINDING 2014-006 PROGRAM INCOME**

Fiscal year in which the finding initially occurred: 2012

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Commerce

Contact Person Responsible for Corrective Action: James L. Springer, Executive Director

Contact Phone Number: (812)-936-4885

Status of Audit Finding: Excess funds in the Administrative Account were due to the inability to properly identify on the Semi-Annual Reports. EDA contacted for recommendation. In January 2016, \$20,000 transferred from Administrative Account to Loan Account. Transfers will continue to be made every six months.

**FINDING 2014-007 REPORTING**

Fiscal year in which the finding initially occurred: 2012

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Commerce

Contact Person Responsible for Corrective Action: James L. Springer, Executive Director

Contact Phone Number: (812)-936-4885

Status of Audit Finding: Executive Director provides monthly reports to the Board for review and acceptance of reports are noted in the meeting minutes.

**FINDING 2014-008 SPECIAL TESTS AND PROVISIONS**

Fiscal year in which the finding initially occurred: 2012

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Commerce

Contact Person Responsible for Corrective Action: James L. Springer, Executive Director

Contact Phone Number: (812)-936-4885

Status of Audit Finding: At the time of several of our loan closings, some of the required documents were not available for various reasons and we failed to follow up on obtaining the documents. In most cases, the missing documents were bank letters of denial. We make every effort to avoid any missing documentation.

James P. Sprungin  
(Signature)  
Executive Director  
(Title)  
5-19-2017  
(Date)

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

# **Town of French Lick**

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## **CLERK TREASURER**

Melinda Pendley

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

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

### ***FINDING 2014-009* CASH MANAGEMENT**

Fiscal year in which the finding initially occurred: 2012

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Transportation

Contact Person Responsible for Corrective Action: Melinda Pendley, Clerk-Treasurer and Zachary Brown, Airport Manager

Contact Phone Number: Clerk- (812)-936-4737 Airport Manager (812)-936-2222

Status of Audit Finding: Regarding Airport Improvement Program and Capital Improvement Projects, the Town generally does not have the funds available to disburse to vendors prior to receiving federal funding on grants. The process is to minimize the time between the receipt of federal funds and the disbursement of federal funds to vendors.

### ***FINDING 2014-010* DAVIS BACON, EQUIPMENT AND REAL PROPERTY MANAGEMENT, AND PERIOD OF AVIALABILITY**

Fiscal year in which the finding initially occurred: 2012

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Transportation

Contact Person Responsible for Corrective Action: Melinda Pendley, Clerk-Treasurer and Zachary Brown, Airport Manager

Contact Phone Number: Clerk- (812)-936-4737 Airport Manager (812)-936-2222

Status of Audit Finding: Authorized airport personnel retain copies of Davis Bacon Certified Payroll records. NGC provided training to personnel so they can verify the accuracy of the payroll records as well. NGC attaches a form to each record submitted for Airport personnel documentation. For the Period of Availability monitoring, NGC provides quarterly FAA reports to the Airport as part of the reports to BOAC. Review and acceptance of reports are recorded in meeting minutes. Airport Manager obtains a working log of all airport assets, including all equipment, structures and projects performed. All AIP Projects for the last 20 years have been added to the list. The log was forwarded to the Clerk-Treasurer for review. New assets are added to the list upon receipt of the asset and final payment to the vendor. Clerk-Treasurer and Airport Manager have worked to add assets to a group report to further the internal control system.

Zachary D Brown  
(Signature)

Airport Manager  
(Title)

5-18-17  
(Date)

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

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Fax: (812) 936-7006

## CORRECTIVE ACTION PLAN

**FINDING 2015-001**

Contact Person Responsible for Corrective Action: Melinda Pendley, Clerk-Treasurer  
Contact Phone Number: (812) 936-4737

Description of Corrective Action Plan: Office procedures are reviewed and implementation of additional internal controls are ongoing to avoid any risk of invalid transactions, inaccurate records and financial statements.

Anticipated Completion Date: Immediately

Melinda Pendley  
(Signature)

Clerk-Treasurer  
(Title)

06.05.17  
(Date)

# French Lick Revolving Loan

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- Ann Troutman**
- John H. Harrison**

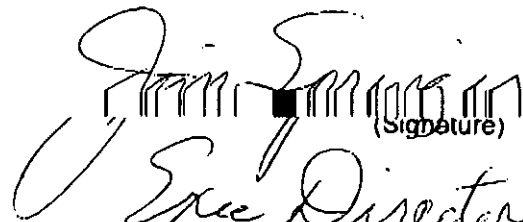
## CORRECTIVE ACTION PLAN

### FINDING 2015-002

Contact Person Responsible for Corrective Action: James Springer, Revolving Loan Executive Director  
Contact Phone Number: (812) 936-4885

Description of Corrective Action Plan: Implementation of monthly bank reconciliation of the FLRLF Loan Account commenced on 01-31-16 and continues in a timely fashion. Further action began in 2017 is the addition of board members signing off on the monthly reconciliations.

Anticipated Completion Date: Immediately

  
(Signature)

Exec Director  
(Title)

6-5-2017  
(Date)

# Town of French Lick

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Melinda Pendley

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

## CORRECTIVE ACTION PLAN

**FINDING 2015-003**

Contact Person Responsible for Corrective Action: Melinda Pendley, Clerk-Treasurer  
Contact Phone Number: (812) 936-4737

Description of Corrective Action Plan: The Town continues to work on developing a proper system of internal controls to prevent errors on the Schedule of Expenditures of Federal Awards (SEFA) and to accurately report these federal awards.

Anticipated Completion Date: Immediately

Melinda Pendley  
(Signature)

Clerk-Treasurer  
(Title)

06-05-17  
(Date)

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- Don Renner**
- Marlene Noble**
- Karen Brosmer**
- Ann Troutman**
- John H. Harrison**

## CORRECTIVE ACTION PLAN

### FINDING 2015-004

Contact Person Responsible for Corrective Action: James Springer, Revolving Loan Executive Director  
Contact Phone Number: (812) 936-4885

Description of Corrective Action Plan: Clerk-Treasurer will document time spent on performance of duties pertaining to FLRLF to be included in monthly report to Executive Director.

Anticipated Completion Date: January 2016

Jim Springer  
(Signature)

Exec Director  
(Title)

6-5-2017  
(Date)

# French Lick Revolving Loan

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French Lick, Indiana 47432-8315

**Jim Springer, Executive Director**

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**Marlene Noble**

**Karen Brosmer**

**Ann Troutman**

**John H. Harrison**

## CORRECTIVE ACTION PLAN

**FINDING 2015-005**

Contact Person Responsible for Corrective Action: James Springer, Revolving Loan Executive Director

Contact Phone Number: (812) 936-4885

Description of Corrective Action Plan: Transfers from the Administrative Account to the Loan Account will be made every six months. I will consult with SBOA Representative for instruction as to how to document these transfers on my semi-annual reports. I will also have someone else to review reports for accuracy and sign off on them.

Anticipated Completion Date: Immediately

  
(Signature)

  
(Title)

  
(Date)

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## **CORRECTIVE ACTION PLAN**

### **FINDING 2015-006**

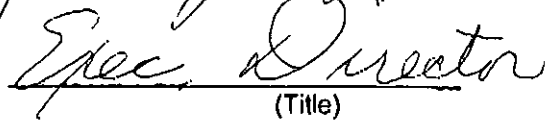
Contact Person Responsible for Corrective Action: James Springer, Revolving Loan Executive Director

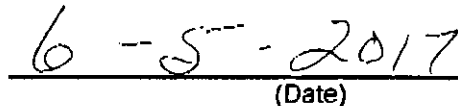
Contact Phone Number: (812) 936-4885

Description of Corrective Action Plan: At some of our loan closings the needed documents were not available for various reasons and we failed to follow up on obtaining them. In most cases these were bank letters of denial. We will make every effort to avoid this in the future.

Anticipated Completion Date: Immediately

  
(Signature)

  
(Title)

  
(Date)

#### OTHER REPORTS

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