

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, 2016 to December 31, 2016



FILED
03/15/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	10
Notes to Financial Statement	11-15
Other Information - Unaudited:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	18-23
Schedule of Payables and Receivables	24
Schedule of Leases and Debt	25
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control over Compliance	28-30
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	32
Notes to Schedule of Expenditures of Federal Awards	33
Schedule of Findings and Questioned Costs	34-42
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings	44-49
Corrective Action Plan	50-55
Other Reports	56

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Melinda Pendley	01-01-16 to 12-31-19
President of the Town Council	Barry M. Winger	01-01-16 to 12-31-18
Superintendent of the Wastewater Utility	Chris Mills	01-01-16 to 12-31-18



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, 2016, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the year ended December 31, 2016.

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, 2016, 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 December 20, 2018, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

December 20, 2018



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

TO: THE OFFICIALS OF THE TOWN OF 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, 2016, and the related notes to the financial statement, and have issued our report thereon dated December 20, 2018, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001, 2016-002, and 2016-003, 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

December 20, 2018

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

TOWN OF FRENCH LICK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2016

Fund	Cash and Investments 01-01-16	Receipts	Disbursements	Cash and Investments 12-31-16
General	\$ 72,812	\$ 1,754,000	\$ 1,683,214	\$ 143,598
Motor Vehicle Highway	72,559	250,250	246,954	75,855
Local Road And Street	1,704	10,880	8,718	3,866
Income Tax	41,490	76,515	82,983	35,022
Law Enforcement Continuing Ed	3,470	1,250	-	4,720
Rainy Day	642	143,201	60,933	82,910
Levy Excess	10	-	-	10
PD Leverage/Undisbursed Loan	-	115,435	84,560	30,875
FLRLF-LOAN	190,507	450,328	293,885	346,950
LOIT Special Distribution	-	38,569	38,569	-
Fire Department-Contract	-	122,401	122,401	-
Casino	532,716	2,367,739	2,036,417	864,038
Redev Com/Tif - Checking	1,627,538	1,940,287	1,508,150	2,059,675
Grants	10,301	233,560	234,531	9,330
Debt Service	33,621	54,145	55,000	32,766
Aviation Loan Repay	1,116	24,617	3,550	22,183
Aviation Revolving Gas	120,727	127,882	75,618	172,991
Airport Operating Fund	81,939	143,490	191,363	34,066
French Lick Tourism	1,659	27,058	26,283	2,434
FLRLF-Loan Operating	31,676	50,658	60,195	22,139
Sewer Cash Drawer	200	-	-	200
FI Redevelopment/Other Income	13,839	129,185	15,057	127,967
Park And Recreation Improvements	9,450	10,824	14,110	6,164
Cumulative Capital Improvements Fund	7,158	4,606	-	11,764
Payroll	95	829,534	829,196	433
Sewer Operating	99,173	798,698	773,565	124,306
Sewer-Debt Reserve	285,143	235,151	230,565	289,729
Totals	<u>\$ 3,239,545</u>	<u>\$ 9,940,263</u>	<u>\$ 8,675,817</u>	<u>\$ 4,503,991</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, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

Licenses and permits. Amounts received from businesses, occupations, or 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 the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

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,

TOWN OF FRENCH LICK
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

TOWN OF FRENCH LICK
NOTES TO FINANCIAL STATEMENT
(Continued)

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

F. *Interfund Transfers*

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

G. *Fund Accounting*

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

Note 2. *Budgets*

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

Note 3. *Property Taxes*

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

TOWN OF 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 2016 totaled \$55,000.

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OTHER INFORMATION - UNAUDITED

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

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Town's Annual Financial 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, 2016

	General	Motor Vehicle Highway	Local Road And Street	Income Tax	Law Enforcement Continuing Ed
Cash and investments - beginning	\$ 72,812	\$ 72,559	\$ 1,704	\$ 41,490	\$ 3,470
Receipts:					
Taxes	267,074	183,802	-	-	-
Licenses and permits	14,571	-	-	-	920
Intergovernmental receipts	1,034,710	65,060	7,880	-	-
Charges for services	-	-	-	-	218
Fines and forfeits	6,677	-	-	-	112
Utility fees	-	-	-	-	-
Other receipts	430,968	1,388	3,000	76,515	-
Total receipts	<u>1,754,000</u>	<u>250,250</u>	<u>10,880</u>	<u>76,515</u>	<u>1,250</u>
Disbursements:					
Personal services	385,183	180,196	-	50,346	-
Supplies	17,585	34,382	-	-	-
Other services and charges	235,541	30,567	8,718	14,533	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	1,809	-	1,703	-
Utility operating expenses	-	-	-	-	-
Other disbursements	1,044,905	-	-	16,401	-
Total disbursements	<u>1,683,214</u>	<u>246,954</u>	<u>8,718</u>	<u>82,983</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>70,786</u>	<u>3,296</u>	<u>2,162</u>	<u>(6,468)</u>	<u>1,250</u>
Cash and investments - ending	<u>\$ 143,598</u>	<u>\$ 75,855</u>	<u>\$ 3,866</u>	<u>\$ 35,022</u>	<u>\$ 4,720</u>

TOWN OF FRENCH LICK
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	Rainy Day	Levy Excess	PD Leverage/ Undisbursed Loan	FLRLF-LOAN	LOIT Special Distribution
Cash and investments - beginning	\$ 642	\$ 10	\$ -	\$ 190,507	\$ -
Receipts:					
Taxes	12,856	-	-	-	38,569
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	130,345	-	115,435	450,328	-
Total receipts	<u>143,201</u>	<u>-</u>	<u>115,435</u>	<u>450,328</u>	<u>38,569</u>
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	60,933	-	84,560	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	38,569
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	293,885	-
Total disbursements	<u>60,933</u>	<u>-</u>	<u>84,560</u>	<u>293,885</u>	<u>38,569</u>
Excess (deficiency) of receipts over disbursements	<u>82,268</u>	<u>-</u>	<u>30,875</u>	<u>156,443</u>	<u>-</u>
Cash and investments - ending	<u>\$ 82,910</u>	<u>\$ 10</u>	<u>\$ 30,875</u>	<u>\$ 346,950</u>	<u>\$ -</u>

TOWN OF FRENCH LICK
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	Fire Department- Contract	Casino	Redev Com/Tif - Checking	Grants	Debt Service
Cash and investments - beginning	\$ -	\$ 532,716	\$ 1,627,538	\$ 10,301	\$ 33,621
Receipts:					
Taxes	-	-	1,844,912	-	53,542
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	471,419	-	220,345	603
Charges for services	106,000	-	-	-	-
Fines and forfeits	-	280,000	-	-	-
Utility fees	-	-	-	-	-
Other receipts	16,401	1,616,320	95,375	13,215	-
Total receipts	<u>122,401</u>	<u>2,367,739</u>	<u>1,940,287</u>	<u>233,560</u>	<u>54,145</u>
Disbursements:					
Personal services	-	-	-	-	-
Supplies	29,008	-	-	-	-
Other services and charges	93,393	189,444	268,372	-	-
Debt service - principal and interest	-	1,329,649	-	-	55,000
Capital outlay	-	-	1,191,946	234,531	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	517,324	47,832	-	-
Total disbursements	<u>122,401</u>	<u>2,036,417</u>	<u>1,508,150</u>	<u>234,531</u>	<u>55,000</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>331,322</u>	<u>432,137</u>	<u>(971)</u>	<u>(855)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 864,038</u>	<u>\$ 2,059,675</u>	<u>\$ 9,330</u>	<u>\$ 32,766</u>

TOWN OF FRENCH LICK
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	Aviation Loan Repay	Aviation Revolving Gas	Airport Operating Fund	French Lick Tourism	FLRLF-Loan Operating
Cash and investments - beginning	\$ 1,116	\$ 120,727	\$ 81,939	\$ 1,659	\$ 31,676
Receipts:					
Taxes	-	-	139,380	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	1,498	-	-
Charges for services	24,617	-	-	-	-
Fines and forfeits	-	-	-	-	50,628
Utility fees	-	-	-	-	-
Other receipts	-	127,882	2,612	27,058	30
Total receipts	<u>24,617</u>	<u>127,882</u>	<u>143,490</u>	<u>27,058</u>	<u>50,658</u>
Disbursements:					
Personal services	-	-	111,278	-	26,918
Supplies	-	75,618	18,996	-	33,277
Other services and charges	3,550	-	59,734	26,283	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	1,355	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	-
Total disbursements	<u>3,550</u>	<u>75,618</u>	<u>191,363</u>	<u>26,283</u>	<u>60,195</u>
Excess (deficiency) of receipts over disbursements	<u>21,067</u>	<u>52,264</u>	<u>(47,873)</u>	<u>775</u>	<u>(9,537)</u>
Cash and investments - ending	<u>\$ 22,183</u>	<u>\$ 172,991</u>	<u>\$ 34,066</u>	<u>\$ 2,434</u>	<u>\$ 22,139</u>

TOWN OF FRENCH LICK
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	Sewer Cash Drawer	FI Redevelopment/ Other Income	Park And Recreation Improvements	Cumulative Capital Improvements Fund
Cash and investments - beginning	\$ 200	\$ 13,839	\$ 9,450	\$ 7,158
Receipts:				
Taxes	-	-	10,701	-
Licenses and permits	-	-	-	-
Intergovernmental receipts	-	-	123	4,606
Charges for services	-	129,170	-	-
Fines and forfeits	-	-	-	-
Utility fees	-	-	-	-
Other receipts	-	15	-	-
Total receipts	-	129,185	10,824	4,606
Disbursements:				
Personal services	-	-	-	-
Supplies	-	-	3,694	-
Other services and charges	-	15,057	7,952	-
Debt service - principal and interest	-	-	-	-
Capital outlay	-	-	2,464	-
Utility operating expenses	-	-	-	-
Other disbursements	-	-	-	-
Total disbursements	-	15,057	14,110	-
Excess (deficiency) of receipts over disbursements	-	114,128	(3,286)	4,606
Cash and investments - ending	\$ 200	\$ 127,967	\$ 6,164	\$ 11,764

TOWN OF FRENCH LICK
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	Payroll	Sewer Operating	Sewer-Debt Reserve	Totals
Cash and investments - beginning	\$ 95	\$ 99,173	\$ 285,143	\$ 3,239,545
Receipts:				
Taxes	-	-	-	2,550,836
Licenses and permits	-	-	-	15,491
Intergovernmental receipts	-	-	-	1,806,244
Charges for services	-	-	-	260,005
Fines and forfeits	-	-	-	337,417
Utility fees	-	651,714	-	651,714
Other receipts	829,534	146,984	235,151	4,318,556
Total receipts	<u>829,534</u>	<u>798,698</u>	<u>235,151</u>	<u>9,940,263</u>
Disbursements:				
Personal services	-	141,240	-	895,161
Supplies	-	-	-	212,560
Other services and charges	-	-	-	1,098,637
Debt service - principal and interest	-	-	230,565	1,615,214
Capital outlay	-	-	-	1,472,377
Utility operating expenses	-	397,325	-	397,325
Other disbursements	829,196	235,000	-	2,984,543
Total disbursements	<u>829,196</u>	<u>773,565</u>	<u>230,565</u>	<u>8,675,817</u>
Excess (deficiency) of receipts over disbursements	<u>338</u>	<u>25,133</u>	<u>4,586</u>	<u>1,264,446</u>
Cash and investments - ending	<u>\$ 433</u>	<u>\$ 124,306</u>	<u>\$ 289,729</u>	<u>\$ 4,503,991</u>

TOWN OF FRENCH LICK
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2016

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Wastewater	<u>\$ -</u>	<u>\$ 32,759</u>

TOWN OF FRENCH LICK
 SCHEDULE OF LEASES AND DEBT
 December 31, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Dickason HRC Investment LLC	Redevelopment	\$ 138,208	10/01/2012	10/01/2030
Old National Bank	Firetruck Purchase	91,452	02/01/2009	02/01/2018
Redevelopment Authority	Land and Public Improvements	412,732	06/03/2007	06/01/2027
Redevelopment Authority	Land and Public Improvements	825,465	06/03/2007	05/30/2027
French Lick Town Hall Building Corporation	Municipal Building	<u>55,000</u>	01/18/2001	01/01/2041
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>\$ 3,398,352</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, 2016. 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, 2016.

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 2016-004 and 2016-006. 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 2016-004, 2016-005, and 2016-006, 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

December 20, 2018

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, 2016

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Commerce</u>					
Economic Development Cluster					
Economic Adjustment Assistance	Direct	11.307			
Revolving Loan			06-019-02187	\$ -	\$ 1,021,950
Total - Economic Development Cluster				-	1,021,950
Total - Department of Commerce				-	1,021,950
<u>Federal Aviation Administration</u>					
Airport Improvement Program	Direct	20.106			
Taxiway Project FY2014			03-18-0027-14	-	38,207
Taxiway Project FY2015			03-18-0027-15	-	172,871
Total - Airport Improvement Program				-	211,078
Total - Federal Aviation Administration				-	211,078
Total federal awards expended				\$ -	\$ 1,233,028

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, 2016. 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, 2016	\$ 933,266
Add: Cash and Investment balance of FLRLF - Loan Operating fund at December 31, 2016	22,189
Add: Cash and Investment balance of FLRLF - Loan fund at December 31, 2016	346,950
Add: Administrative expenses paid out of FLRLF - Loan Operating during 2016	<u>60,195</u>
Total Expenditures	1,362,600
Multiplied by the Federal Participation Rate	<u>0.75</u>
Total presented on SEFA	<u>\$ 1,021,950</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 deficiency 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 2016-001

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

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-003.

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 was solely responsible for entering the federal program information into the Indiana Gateway for Government Units financial reporting system, which was the source of the SEFA. There was no evidence of an oversight, review, or approval process, or other compensating control to ensure the accuracy of the SEFA.

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

Context

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

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 control to ensure proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA could have occurred and remained undetected.

Recommendation

We recommended that the Town's management establish controls, including segregation of duties, related to the preparation of the SEFA.

Views of Responsible Officials

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

FINDING 2016-002

Subject: Internal Controls over Cash and Investments
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-001.

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

Condition

There were deficiencies in the internal control system of the Town related to cash and investments. The Clerk-Treasurer prepared the monthly bank reconciliements without evidence of an oversight, review, or approval process.

Context

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

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 over cash and investments.

Effect

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

Recommendation

We recommended that the Town establish a system of internal controls related to cash and investments.

Views of Responsible Officials

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

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

FINDING 2016-003

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

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-002.

Condition

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

The Town had not separated incompatible activities related to receipts, disbursements, and cash and investment balances of the Revolving Loan funds. The Revolving Loan Director issued receipts, issued checks, completed the bank reconciliations, and posted to the records. There was no indication of an oversight, review, or approval process.

Context

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

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 over the Revolving Loan funds.

Effect

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

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

Recommendation

We recommended that the Town establish a system of internal controls related to financial transactions and reporting of the Revolving Loan funds.

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 2016-004

Subject: Economic Adjustment Assistance - 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 Matters

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-004.

Condition

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

The Clerk-Treasurer received \$200 per month for assistance with the administrative functions of the Revolving Loan Program. However, these costs were not properly supported as documentation was 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 paid from the Revolving Loan Program was a pervasive issue 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. . . ."

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

OMB Circular A-87, Attachment B, section 8(h)(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 the Allowable Costs/Cost Principles compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Town establish internal controls to ensure compliance and comply with the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

FINDING 2016-005

Subject: Economic Adjustment Assistance - Internal Controls

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, Special Tests and Provisions -
Increases to RLF Capital Base and Capital Utilization

Audit Finding: Material Weakness

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

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-005.

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 compliance requirements listed above.

Program Income

The Town had not established effective internal controls to ensure compliance with Program Income requirements. The Revolving Loan Director (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 Director was solely responsible for completing and submitting the required semiannual reports.

Special Tests and Provisions - Increases to RLF Capital Base and Capital Utilization

The Town had not established an effective internal control system to ensure compliance with Special Tests and Provisions - Increases to RLF Capital Base and Capital Utilization requirements. The Director was aware of the need to continually look for new borrowers; however, there were no controls in place to ensure that capital utilization was being properly calculated.

Context

The lack of controls was a systemic issue 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 to ensure compliance with the compliance requirements listed above.

Effect

The failure to establish an effective internal control system placed the School Corporation 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 programs.

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

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 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 2016-006

Subject: Economic Adjustment Assistance - 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 Test and Provisions - Loan Requirements
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-006.

Condition

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

The Director of the Revolving Loan Fund was 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.

Context

In both of the new loan files, the loan application was not present. Per the Director, an application was not obtained because the borrower had an application on file from previous loans obtained. For one of the new loans, a signed bank turn-down letter was not obtained.

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 other 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; . . .

(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 that would have ensured compliance with the Special Tests and Provisions - Loan Requirements compliance requirement.

Effect

Incomplete loans files resulted in noncompliance with the Special Tests and Provisions - Loan Requirements compliance requirement. Failure to comply with the loan documentation requirements for loan recipients could have resulted in the loss of federal funds to the Town.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Town's management establish controls to ensure compliance and comply with the grant agreement and the Special Tests and Provisions - Loan Requirements compliance requirement.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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

Town of French Lick
7949 W Hunters Run Drive
French Lick, Indiana 47432-8315

BOARD OF TRUSTEES

Barry Winger (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

SUMMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-001 INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

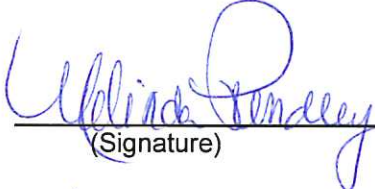
Fiscal year in which the finding initially occurred: 2015

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: Corrective Action Plan based on our SBOA audit completed in August 2017, office procedures are reviewed and additional internal controls are ongoing to avoid any risk of invalid transactions, inaccurate records and financial statements.



(Signature)

Clerk - Treasurer

(Title)

12-11-18

(Date)

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

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SUMMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-002 INTERNAL CONTROLS OVER REVOLVING LOAN FUNDS

Fiscal year in which the finding initially occurred: 2015

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

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

Contact Phone Number: (812) 936-4885

Status of Audit Finding: Corrective Action Plan based on our SBOA audit completed in August 2017, monthly bank reconciliations of the French Lick Revolving Loan Fund are completed on a timely basis, with the Board members reviewing and approving of the reconciliations.



(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).)

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SUMMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-003 PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS


Fiscal year in which the finding initially occurred: 2015

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: N/A

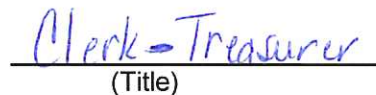
Contact Person Responsible for Corrective Action: Melinda Pendley, Clerk-Treasurer

Contact Phone Number: (812) 936-4737

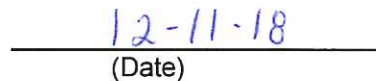
Status of Audit Finding: Corrective Action Plan based on our SBOA audit completed in August 2017, we continue to work on developing a proper system of internal controls to prevent errors on the Schedule of Expenditures of Federal Awards (SEFA) and to accurately report these federal awards.



(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).)

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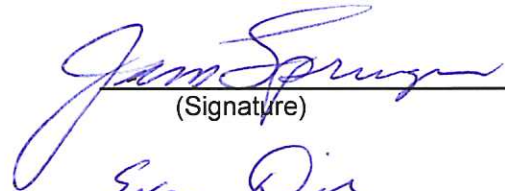
Incorporated May 2, 1857
Telephone 812.936.4737
Fax: 812.936.7006

SUMMMARY SCHEDULE OF PRIOR AUDIT FINDINGS


FINDING 2015-004 ALLOWABLE COSTS/COST PRINCIPLES

Fiscal year in which the finding initially occurred: 2015
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Commerce
Contact Person Responsible for Corrective Action: James Springer, Executive Director
Contact Phone Number: (812) 936-4885

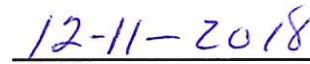
Status of Audit Finding: Corrective Action Plan based on our SBOA audit completed in August 2017, the Clerk-Treasurer will document time spent on performance of duties pertaining to the FLRLF and will be reported monthly to the Executive Director.



(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).)

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SUMMMARY SCHEDULE OF PRIOR AUDIT FINDINGS


FINDING 2015-005 INTERNAL CONTROLS OVER REVOLVING LOAN PROGRAM

Fiscal year in which the finding initially occurred: 2015
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Commerce
Contact Person Responsible for Corrective Action: James Springer, Executive Director
Contact Phone Number: (812) 936-4885

Status of Audit Finding: Corrective Action Plan based on our SBOA audit completed in August 2017, 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 of on them.



(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).)

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SUMMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-006 SPECIAL TESTS AND PROVISIONS – LOAN REQUIREMENTS

Fiscal year in which the finding initially occurred: 2015

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

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

Contact Phone Number: (812) 936-4885

Status of Audit Finding: Corrective Action Plan based on our SBOA audit completed in August 2017, 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 the documents were bank letters of denial. I will make every effort to avoid this in the future.



(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).)

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CORRECTIVE ACTION PLAN

FINDING 2016-001

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


Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Clerk-Treasurer has worked to develop a system of internal controls to prevent errors on the Schedule of Expenditures of Federal Awards (SEFA) and to accurately report these federal awards. Financial information is entered into Gateway by the Clerk-Treasurer after review and approval by the appropriate personnel, i.e. Revolving Loan Executive Director, Airport Manager, etc.


Anticipated Completion Date: Effective June 2017



(Signature)



(Title)



(Date)

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CORRECTIVE ACTION PLAN

FINDING 2016-002

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


Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Due to timing of the 2015 audit completed in 2017, the Clerk-Treasurer was unable to correct the finding for 2016 until 2017. Financial transactions and reporting and bank reconciliations are reviewed and approved by appropriate personnel. Each month the Clerk-Treasurer prepares the monthly financial information to each Board for their review and approval.


Anticipated Completion Date: Effective January 2019



(Signature)



(Title)



(Date)

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CORRECTIVE ACTION PLAN

FINDING 2016-003

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

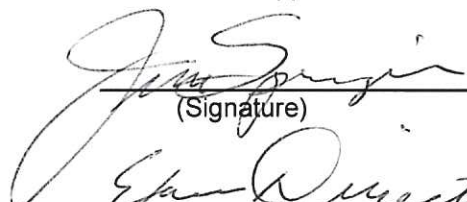
Contact Phone Number: (812) 936-4885

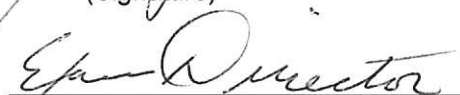
Views of Responsible Official: We concur with the finding.

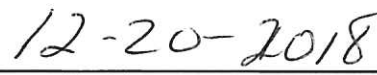
Description of Corrective Action Plan: Effective January 31, 2016, the French Lick Revolving Loan Executive Director implemented timely and consistent monthly bank reconciling for the FLRLF Loan Account. Further action in 2017, was the addition of approval of the bank reconciliations from the FLRLF Board members.

Due to timing of the 2015 audit completed in 2017, the Revolving Loan Executive Director was unable to correct the finding for 2016 until 2017 when the audit was completed.

Anticipated Completion Date: Started bank reconciliations 01-31-16 and Board member approval in 2017.



(Signature)


(Title)


(Date)

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CORRECTIVE ACTION PLAN

FINDING 2016-004

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


Contact Phone Number: (812) 936-4885

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Clerk-Treasurer will document time spent on performance of duties pertaining to the French Lick Revolving Loan Fund and is included in monthly report to Director.

Due to timing of the 2015 audit completed in 2017, the Revolving Loan Executive Director was unable to correct the finding for 2016 until 2017 when the audit was completed.

Anticipated Completion Date: Effective January 2017



(Signature)



(Title)



(Date)

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CORRECTIVE ACTION PLAN

FINDING 2016-005

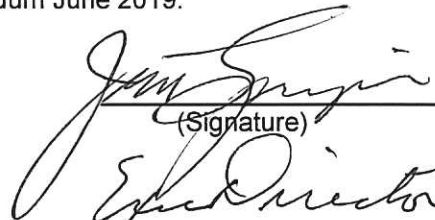
Contact Person Responsible for Corrective Action: James Springer, Executive Director
Contact Phone Number: (812) 936-4885

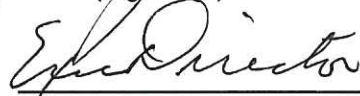
Views of Responsible Official: We concur with the finding.

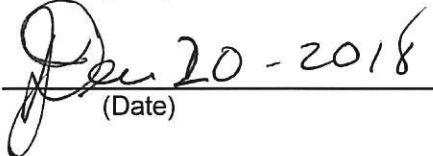
Description of Corrective Action Plan: As to internal controls, effective April 2018, the FL Revolving Loan Account and the Administrative Account have been combined into one account which was approved by the FLRLF Board as well as EDA (Economic Development Administration). Loan payments are received by, and deposits are made by, the Executive Director. The Clerk-Treasurer processes checks at the request of the Executive Director. Bank reconciliations are completed by both the Clerk-Treasurer and the Executive Director. The Executive Director continues to manage the reporting of the principle and interest on the loan accounts. In addition, the Board reviews and approves of the financial reporting, including the semi-annual report.

At times the Revolving Loan Fund has excess money above the allowed percentage available to loan. Being a small community, loan requests are minimal. However, at times we have a need for larger loans that require more money than the maximum amount that we are permitted to keep available for loans. The Executive Director will consult, with Board approval, to an EDA Representative to add an addendum to our current plan addressing this issue.

Anticipated Completion Date: Internal controls April 2018. Addendum June 2019.



(Signature)


(Title)


(Date)

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CORRECTIVE ACTION PLAN

FINDING 2016-006

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


Contact Phone Number: (812) 936-4885


Views of Responsible Official: We concur with the finding.

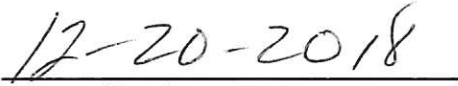
Description of Corrective Action Plan: Loan documents required at the particular time of some closings were not available for various reasons and we failed to follow up on obtaining these documents. The Executive Director advises internal controls are in place to ensure that all loan documentation requirements are obtained in the applicant file.

Due to timing of the 2015 audit completed in 2017, the Revolving Loan Executive Director was unable to correct the finding for 2016 until 2017 when the audit was completed.

Anticipated Completion Date: January 2018



(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/>.