

**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, 2018 to December 31, 2018



**FILED**  
08/23/2019



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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	01-01-18 to 12-31-19
Superintendent of the Utilities	Chris Mills	01-01-18 to 12-31-19



**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, 2018, 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, 2018.

***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, 2018, 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 August 6, 2019, 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

August 6, 2019



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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, 2018, and the related notes to the financial statement, and have issued our report thereon dated August 6, 2019, 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 item 2018-001, that we consider to be a material weakness.

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

August 6, 2019

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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, 2018

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18
General	\$ 151,221	\$ 4,480,659	\$ 4,496,182	\$ 135,698
Motor Vehicle Highway	113,336	267,636	266,838	114,134
Local Road And Street	13,707	14,205	990	26,922
Income Tax	75,386	96,897	94,679	77,604
Law Enforcement Continuing Ed	6,023	762	230	6,555
Rainy Day	214,063	156,963	33,492	337,534
Levy Excess	10	-	-	10
PD Leverage/Undisbursed Loan	30,875	-	-	30,875
FLRLF-LOAN	261,515	103,086	364,601	-
Fire Department-Contract	5,489	121,000	113,635	12,854
Airport-Petty Cash	135	-	-	135
PUBLIC SAFETY	-	185,875	83,061	102,814
STEM CELL GRANT PROJECT	-	900	-	900
DICKASON SR CITIZEN PROJECT	-	380,000	331,354	48,646
Casino	1,136,094	2,772,483	2,519,442	1,389,135
Redev Com/Tif - Checking	1,638,953	2,761,276	2,301,025	2,099,204
Grants	28,382	269,876	280,821	17,437
Debt Service	8,442	62,848	54,000	17,290
Airport Miscellaneous	98,480	57,387	66,144	89,723
Aviation Revolving Gas	123,303	136,609	115,148	144,764
Airport Operating Fund	36,788	193,768	172,606	57,950
French Lick Tourism	330	25,841	25,002	1,169
FLRLF-Loan Operating	16,856	758,141	473,271	301,726
Sewer Cash Drawer	200	-	-	200
FI Redevelopment/Other Income	196,321	301,680	89,718	408,283
Park And Recreation Improvements	11,802	15,024	18,702	8,124
Cumulative Capital Improvements Fund	16,157	4,224	-	20,381
Payroll	435	848,963	849,058	340
Sewer Operating	105,151	765,519	785,296	85,374
Sewer-Debt Reserve	309,279	235,127	230,565	313,841
<b>Totals</b>	<b>\$ 4,598,733</b>	<b>\$ 15,016,749</b>	<b>\$ 13,765,860</b>	<b>\$ 5,849,622</b>

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.

TOWN OF FRENCH LICK  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*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 December 31 of the year preceding the budget year or January 15 of the budget year if the Town is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. 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) Defined Benefit Plan is a cost-sharing multiple-employer defined benefit plan and provides retirement, disability, and survivor benefits to plan members. PERF is administered through the Indiana Public Retirement System (INPRS) Board in accordance with state statutes (IC 5-10.2, IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the Town authority to contribute to the plan.

My Choice: Retirement Savings Plan for Public Employees (My Choice) is a multiple-employer defined contribution plan. It is administered through the Indiana Public Retirement System (INPRS) Board in accordance with state statutes (IC 5-10.2, IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the Town authority to contribute to the plan.

New employees hired have a one-time election to join either the Public Employees' Hybrid Plan (PERF Hybrid) or the My Choice: Retirement Savings Plan for Public Employees (My Choice), which is a multiple-employer defined contribution plan. PERF Hybrid consists of two components: PERF DB, the employer-funded monthly defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account, the defined contribution component.

TOWN OF FRENCH LICK  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Financial Report*

INPRS 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. (844) 464-6777

*Contributions*

Members' contributions are set by state statute at 3 percent of compensation for both the defined contribution component of PERF Hybrid and My Choice. The employer may elect to make the contribution on behalf of the member of the defined contribution component of PERF Hybrid and My Choice members may receive additional employer contribution in lieu of the PERF DB. Contributions to the PERF DB are determined by INPRS Board based on actuarial valuation.

**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 2018 totaled \$54,000.

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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, 2018

	General	Motor Vehicle Highway	Local Road And Street	Income Tax	Law Enforcement Continuing Ed
Cash and investments - beginning	\$ 151,221	\$ 113,336	\$ 13,707	\$ 75,386	\$ 6,023
Receipts:					
Taxes	566,825	168,707	-	96,897	-
Licenses and permits	13,692	-	-	-	480
Intergovernmental receipts	1,588,957	87,414	14,205	-	-
Charges for services	20,854	-	-	-	18
Fines and forfeits	-	-	-	-	9
Utility fees	-	-	-	-	-
Other receipts	2,290,331	11,515	-	-	255
Total receipts	<u>4,480,659</u>	<u>267,636</u>	<u>14,205</u>	<u>96,897</u>	<u>762</u>
Disbursements:					
Personal services	407,692	194,749	-	19,410	-
Supplies	25,098	51,042	990	5,649	230
Other services and charges	209,083	17,642	-	60,620	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	3,405	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	3,854,309	-	-	9,000	-
Total disbursements	<u>4,496,182</u>	<u>266,838</u>	<u>990</u>	<u>94,679</u>	<u>230</u>
Excess (deficiency) of receipts over disbursements	<u>(15,523)</u>	<u>798</u>	<u>13,215</u>	<u>2,218</u>	<u>532</u>
Cash and investments - ending	<u>\$ 135,698</u>	<u>\$ 114,134</u>	<u>\$ 26,922</u>	<u>\$ 77,604</u>	<u>\$ 6,555</u>

TOWN OF FRENCH LICK  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Rainy Day	Levy Excess	PD Leverage/Undisbursed Loan	FLRLF-LOAN
Cash and investments - beginning	\$ 214,063	\$ 10	\$ 30,875	\$ 261,515
Receipts:				
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental receipts	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Utility fees	-	-	-	-
Other receipts	156,963	-	-	103,086
Total receipts	<u>156,963</u>	<u>-</u>	<u>-</u>	<u>103,086</u>
Disbursements:				
Personal services	-	-	-	-
Supplies	33,492	-	-	-
Other services and charges	-	-	-	-
Debt service - principal and interest	-	-	-	-
Capital outlay	-	-	-	-
Utility operating expenses	-	-	-	-
Other disbursements	-	-	-	364,601
Total disbursements	<u>33,492</u>	<u>-</u>	<u>-</u>	<u>364,601</u>
Excess (deficiency) of receipts over disbursements	<u>123,471</u>	<u>-</u>	<u>-</u>	<u>(261,515)</u>
Cash and investments - ending	<u>\$ 337,534</u>	<u>\$ 10</u>	<u>\$ 30,875</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, 2018

	Fire Department-Contract	Airport-Petty Cash	PUBLIC SAFETY	STEM CELL GRANT PROJECT	DICKASON SR CITIZEN PROJECT
Cash and investments - beginning	\$ 5,489	\$ 135	\$ -	\$ -	\$ -
Receipts:					
Taxes	-	-	185,875	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	121,000	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	-	-	-	900	380,000
Total receipts	<u>121,000</u>	<u>-</u>	<u>185,875</u>	<u>900</u>	<u>380,000</u>
Disbursements:					
Personal services	59,772	-	-	-	-
Supplies	22,473	-	2,643	-	-
Other services and charges	31,390	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	80,418	-	331,354
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	-
Total disbursements	<u>113,635</u>	<u>-</u>	<u>83,061</u>	<u>-</u>	<u>331,354</u>
Excess (deficiency) of receipts over disbursements	<u>7,365</u>	<u>-</u>	<u>102,814</u>	<u>900</u>	<u>48,646</u>
Cash and investments - ending	<u>\$ 12,854</u>	<u>\$ 135</u>	<u>\$ 102,814</u>	<u>\$ 900</u>	<u>\$ 48,646</u>

TOWN OF FRENCH LICK  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Casino	Redev Com/Tif - Checking	Grants	Debt Service	Airport Miscellaneous
Cash and investments - beginning	\$ 1,136,094	\$ 1,638,953	\$ 28,382	\$ 8,442	\$ 98,480
Receipts:					
Taxes	-	-	-	61,743	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	1,043,602	-	252,739	1,105	-
Charges for services	-	-	-	-	19,400
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	1,728,881	2,761,276	17,137	-	37,987
Total receipts	2,772,483	2,761,276	269,876	62,848	57,387
Disbursements:					
Personal services	-	-	-	-	-
Supplies	17,589	-	-	-	3,022
Other services and charges	532,468	273,886	280,821	-	2,096
Debt service - principal and interest	1,330,850	138,208	-	54,000	-
Capital outlay	452,460	1,401,424	-	-	61,026
Utility operating expenses	-	-	-	-	-
Other disbursements	186,075	487,507	-	-	-
Total disbursements	2,519,442	2,301,025	280,821	54,000	66,144
Excess (deficiency) of receipts over disbursements	253,041	460,251	(10,945)	8,848	(8,757)
Cash and investments - ending	\$ 1,389,135	\$ 2,099,204	\$ 17,437	\$ 17,290	\$ 89,723

TOWN OF FRENCH LICK  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Aviation Revolving Gas	Airport Operating Fund	French Lick Tourism	FLRLF-Loan Operating
Cash and investments - beginning	\$ 123,303	\$ 36,788	\$ 330	\$ 16,856
Receipts:				
Taxes	-	111,680	-	-
Licenses and permits	-	-	-	-
Intergovernmental receipts	-	1,564	-	-
Charges for services	1,202	-	-	-
Fines and forfeits	-	-	-	-
Utility fees	-	-	-	-
Other receipts	135,407	80,524	25,841	758,141
Total receipts	<u>136,609</u>	<u>193,768</u>	<u>25,841</u>	<u>758,141</u>
Disbursements:				
Personal services	-	116,855	-	26,013
Supplies	92,178	13,142	25,002	189
Other services and charges	20,722	42,205	-	3,362
Debt service - principal and interest	-	-	-	-
Capital outlay	1,046	404	-	-
Utility operating expenses	-	-	-	-
Other disbursements	1,202	-	-	443,707
Total disbursements	<u>115,148</u>	<u>172,606</u>	<u>25,002</u>	<u>473,271</u>
Excess (deficiency) of receipts over disbursements	<u>21,461</u>	<u>21,162</u>	<u>839</u>	<u>284,870</u>
Cash and investments - ending	<u>\$ 144,764</u>	<u>\$ 57,950</u>	<u>\$ 1,169</u>	<u>\$ 301,726</u>

TOWN OF FRENCH LICK  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Sewer Cash Drawer	FI Redevelopment/Other Income	Park And Recreation Improvements	Cumulative Capital Improvements Fund
Cash and investments - beginning	\$ 200	\$ 196,321	\$ 11,802	\$ 16,157
Receipts:				
Taxes	-	-	14,753	-
Licenses and permits	-	-	-	-
Intergovernmental receipts	-	-	271	4,224
Charges for services	-	35,000	-	-
Fines and forfeits	-	-	-	-
Utility fees	-	-	-	-
Other receipts	-	266,680	-	-
Total receipts	-	301,680	15,024	4,224
Disbursements:				
Personal services	-	-	-	-
Supplies	-	779	16,579	-
Other services and charges	-	772	-	-
Debt service - principal and interest	-	-	-	-
Capital outlay	-	-	2,123	-
Utility operating expenses	-	-	-	-
Other disbursements	-	88,167	-	-
Total disbursements	-	89,718	18,702	-
Excess (deficiency) of receipts over disbursements	-	211,962	(3,678)	4,224
Cash and investments - ending	\$ 200	\$ 408,283	\$ 8,124	\$ 20,381

TOWN OF FRENCH LICK  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Payroll	Sewer Operating	Sewer-Debt Reserve	Totals
Cash and investments - beginning	\$ 435	\$ 105,151	\$ 309,279	\$ 4,598,733
Receipts:				
Taxes	-	-	-	1,206,480
Licenses and permits	-	-	-	14,172
Intergovernmental receipts	-	-	-	2,994,081
Charges for services	-	-	-	197,474
Fines and forfeits	-	-	-	9
Utility fees	-	651,575	-	651,575
Other receipts	848,963	113,944	235,127	9,952,958
Total receipts	848,963	765,519	235,127	15,016,749
Disbursements:				
Personal services	-	140,887	-	965,378
Supplies	-	-	-	310,097
Other services and charges	-	30,644	-	1,505,711
Debt service - principal and interest	-	-	230,565	1,753,623
Capital outlay	-	-	-	2,333,660
Utility operating expenses	-	378,765	-	378,765
Other disbursements	849,058	235,000	-	6,518,626
Total disbursements	849,058	785,296	230,565	13,765,860
Excess (deficiency) of receipts over disbursements	(95)	(19,777)	4,562	1,250,889
Cash and investments - ending	\$ 340	\$ 85,374	\$ 313,841	\$ 5,849,622

TOWN OF FRENCH LICK  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2018

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Wastewater	\$ -	\$ 41,515
Governmental activities	<u>-</u>	<u>-</u>
Totals	<u>\$ -</u>	<u>\$ 41,515</u>

TOWN OF FRENCH LICK  
 SCHEDULE OF LEASES AND DEBT  
 December 31, 2018

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
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>54,000</u>	1/18/2001	1/1/2041
Total governmental activities		<u>1,430,405</u>		
Total of annual lease payments		<u>\$ 1,430,405</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater:			
Revenue bonds	SEWAGE WORKS REFUNDING BOND	\$ 3,238,186	\$ 230,565
Totals		<u>\$ 3,238,186</u>	<u>\$ 230,565</u>

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, 2018. 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, 2018.

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 2018-003 and 2018-004. 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 2018-002, 2018-003, and 2018-004, 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*  
Paul D. Joyce, CPA  
State Examiner

August 6, 2019

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, 2018

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 Revolving Loan	Direct	11.307	06-019-02187	\$ -	\$ 1,030,862
Total - Economic Development Cluster				-	1,030,862
Total - Department of Commerce				-	1,030,862
<u>Federal Aviation Administration</u>					
Airport Improvement Program	Direct				
Taxiway Project FY2016		20.106	03-18-0027-16	-	64,934
Taxiway Project FY2018		20.106	03-18-0027-18	-	187,805
Total - Airport Improvement Program				-	252,739
Total - Federal Aviation Administration				-	252,739
Total federal awards expended				\$ -	\$ 1,283,601

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, 2018. 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, 2018	\$ 1,043,193
Add: Cash and Investment balance of FLRLF at December 31, 2018	301,725
Add: Administrative expenses paid out of FLRLF during 2018	29,564
Total Expenditures	\$ 1,374,482
Multiplied by the Federal Participation Rate	0.75
Total presented on SEFA	\$ 1,030,862

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 weakness 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 deficiency identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

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

<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
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**Section II - Financial Statement Findings**

**FINDING 2018-001**

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

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-001.

*Condition*

There were deficiencies in the internal control system of the Town related to cash and investments. The Clerk-Treasurer prepared the bank reconciliations on a monthly basis. There was no indication of a review, oversight, or approval process.

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 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 occur and 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)

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

**FINDING 2018-002**

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: Activities Allowed or Unallowed, Allowable Costs/Cost Principles,  
Special Tests and Provisions - Increases to RLF  
Capital Base and Capital Utilization

Audit Finding: Material Weakness

*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: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Special Tests and Provisions - Increases to RLF Capital Base and Capital Utilization.

*Activities Allowed or Unallowed*

The control procedures in place to ensure activities were allowable, which consisted of a review by the Revolving Loan Board, were not properly implemented. No evidence of the control procedure was presented for audit for one of six claim vouchers examined.

*Allowable Costs/Cost Principles*

The key control procedures in place to ensure costs were allowable, which consisted of a review by the Revolving Loan Board, were not properly implemented. No evidence of the control procedure was presented for audit for one of six claim vouchers examined.

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

One employee was responsible for monitoring compliance with the Special Tests and Provisions - Increases to RLF Capital Base and Capital Utilization compliance requirement. The responsibility of issuing receipts, posting the loan payments (principle and interest), depositing payments, and access to outstanding loans documents to make adjustments is performed primarily by one employee. There were no control procedures in place, such as an oversight, review, or approval process, to ensure compliance with the Special Tests and Provisions - Increases to RLF Capital Base and Capital Utilization compliance requirement.

*Context*

The lack of controls was limited to one of six items for activities allowed or unallowed and for allowable costs/cost principles.

The lack of controls for special tests and provisions - increases to RLF capital base and capital utilization was a systemic issue throughout the audit period.

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

*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 . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

*Cause*

The Town's management had not implemented an adequate system of internal controls that would have ensured compliance with the compliance requirements listed above.

*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.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the Town's management establish and implement control procedures 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.

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

***FINDING 2018-003***

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 Tests and Provisions - Loan Requirements  
Audit Findings: Material Weakness, Other Matters

*Condition*

An effective internal control system was not in place at the Town in order to assure compliance with requirements related to Special Tests and Provisions - Loan Requirements during the audit period. The compliance attributes for Special Tests and Provisions - Loan Requirements were not met in one of three RLF Recipient loans granted during the audit period. The granted RLF Recipient's loan documentation did not include the standard loan documentation of the loan application and Board of Directors' meeting minutes approving the RLF loan.

*Context*

The lack of controls and noncompliance was limited to the one RLF Recipient loan as described above in the condition.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

13 CFR 307.11(a) states in part:

". . . (ii) The RLF Recipient's certification that standard RLF loan documents reasonably necessary or advisable for lending are in place and a certification from the RLF Recipient's legal counsel that the loan documents are adequate and comply with the terms and conditions of the RLF Grant, RLF Plan, and applicable State and local law. The standard loan documentation must include, at a minimum, the following:

- (A) loan application;
- (B) loan agreement;
- (C) board of directors' meeting minutes approving the RLF loan;

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

- (D) promissory note;
- (E) security agreement(s);
- (F) deed of trust or mortgage (as applicable);
- (G) agreement of prior lien holder (as applicable); and
- (H) evidence demonstrating that credit is not otherwise available on terms and conditions that permit the completion or successful operation of the activity to be financed. . . ."

*Cause*

Town's management had not implemented an adequate system of internal controls that would have ensured compliance with Special Tests and Provisions - Loan Requirements.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the Town's management establish controls related to the grant agreement and the compliance requirement 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 2018-004**

Subject: Economic Adjustment Assistance - Reporting  
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: Reporting  
Audit Findings: Material Weakness, Other Matters

*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 requirement: Reporting. The Annual Report contained an overstatement of RLF Cash Available for Lending of \$10,841 on the report ending December 31, 2018, as compared to the ledger.

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

*Context*

The lack of controls and noncompliance were systemic issues throughout the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

13 CFR 307.14(b) states: "Report contents. RLF Recipients must certify as part of the RLF report to EDA that the RLF is operating in accordance with the applicable RLF Plan and that the information provided is complete and accurate."

*Cause*

Town's management had not implemented an adequate system of internal controls that would have ensured compliance with reporting requirements.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the Town's management establish controls related to the grant agreement and the compliance requirement listed above.

*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

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### FINDING 2017-001

Fiscal year in which the finding initially occurred: 2007

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

Contact Phone Number: (812) 936-4737

Status of Audit Finding: Clerk-Treasurer prepares the monthly bank reconciliation and the Business Office Manager reviews and approves each month.

Completion Date: January 2019

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

*Clerk - Treasurer*  
\_\_\_\_\_  
(Title)

*06-14-19*  
\_\_\_\_\_  
(Date)

# ***Town of French Lick***

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French Lick, Indiana 47432-8315

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Melinda Pendley

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Fax: (812) 936-7006

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

### ***FINDING 2017-002***

Fiscal year in which the finding initially occurred: 2016


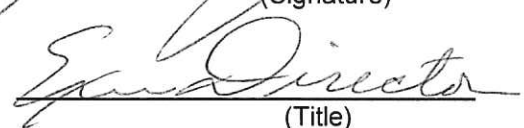
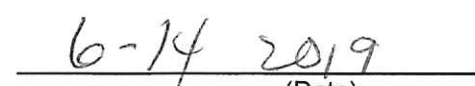
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Commerce

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

Contact Phone Number: (812) 936-4885

Status of Audit Finding: 75 percent of the French Lick Revolving Loan capital is loaned or committed.

Completion date: December 31, 2018

  
\_\_\_\_\_  
(Signature)  
  
\_\_\_\_\_  
(Title)  
  
\_\_\_\_\_  
(Date)

# **Town of French Lick**

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## **CORRECTIVE ACTION PLAN**

### **FINDING 2018-001**



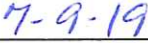
Contact Person Responsible for Corrective Action: Melinda Pendley, Clerk-Treasurer

Contact Phone Number: (812) 936-4737

Views of Responsible Official: We agree with the finding.

Description of Corrective Plan: The Clerk-Treasurer prepares the monthly bank reconciliations and the Business Office Manager reviews and approves each month.

Anticipated Completion Date: Effective January 2019

  
\_\_\_\_\_  
(Signature)  
  
\_\_\_\_\_  
(Title)  
  
\_\_\_\_\_  
(Date)

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**CORRECTIVE ACTION PLAN**

**FINDING 2018-002**

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


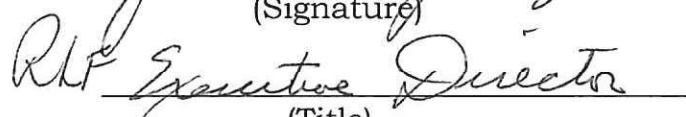
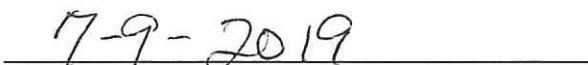
Contact Phone Number: (812) 936-4885

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: All claim vouchers prepared will be reviewed and approved by the French Lick Revolving Loan Fund Board to ensure compliance requirements.

Duties have been segregated so that one employee is not solely responsible for all financial transactions. All transactions are reviewed and approved by the FLRLF Board.

Anticipated Completion Date: Immediately

  
\_\_\_\_\_  
(Signature)  
  
\_\_\_\_\_  
(Title)  
  
\_\_\_\_\_  
(Date)

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**CORRECTIVE ACTION PLAN**


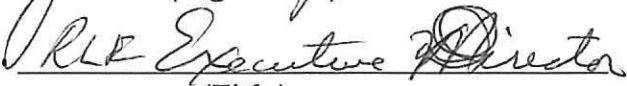
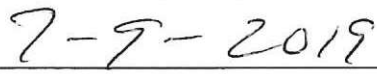
**FINDING 2018-003**

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: Executive Director advises internal controls are in place to ensure that all loan documents required are obtained in the applicant file. All loan documents will be reviewed and approved by the French Lick Revolving Loan Fund Board.

Anticipated Completion Date: July 1, 2019

  
\_\_\_\_\_  
(Signature)  
  
\_\_\_\_\_  
(Title)  
  
\_\_\_\_\_  
(Date)

**Town of French Lick**  
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**CORRECTIVE ACTION PLAN**

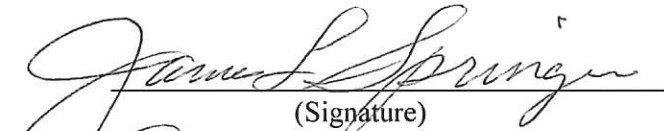
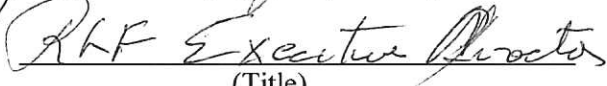
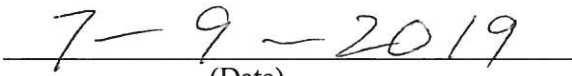
**FINDING 2018-004**

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: Executive Director will ensure accurate information is reported on future reports. Revolving Loan Secretary will review for accuracy and the FLRLF Board President will approve the information.

Anticipated Completion Date: July 1, 2019

  
\_\_\_\_\_  
(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/>.