

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF FOUNTAIN CITY

WAYNE COUNTY, INDIANA

January 1, 2022 to December 31, 2022



**FILED**

09/18/2023



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Trina D. McGuire	01-01-22 to 12-31-23
President of the Town Council	Shane Shroyer	01-01-22 to 12-31-23



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF FOUNTAIN CITY, WAYNE COUNTY, INDIANA

This report is supplemental to the audit report of the Town of Fountain City (Town), for the period from January 1, 2022 to December 31, 2022. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Town. It should be read in conjunction with the Financial Statement Audit Report of the Town, which provides our opinions on the Town's financial statement. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE  
Deputy State Examiner

August 29, 2023

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CLERK-TREASURER  
TOWN OF FOUNTAIN CITY

CLERK-TREASURER  
TOWN OF FOUNTAIN CITY  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

*Condition and Context*

The Town had not established effective internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Town's financial statement.

The Town failed to properly review the financial information prepared and submitted in Gateway. Although one employee prepared and entered the financial information into Gateway, and another employee reviewed and approved the information entered, the internal controls were not effective and did not detect and allow correction of errors prior to submission.

Due to the lack of effective internal controls, the financial statement presented for audit contained the following errors:

- Receipts and disbursements for the CC Clearing fund were each overstated by \$333,966.
- Receipts and disbursements for the BONY - Water Construction fund were each understated by \$152,000.
- Receipts and disbursements were each understated by \$1,222,908 for funds related to Indiana Finance Authority distributions to the Transportation and Stormwater fund.
- Receipts and ending cash and investments balance for the Opioid Settlement-Unrestricted fund were each overstated by \$1,729.
- Receipts and ending cash and investments balance for the Grant Clearing fund were each overstated by \$2,000.

Audit adjustments were proposed, accepted by the Town, and made to the financial statement presented in the Financial Statement Audit Report of the Town.

*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.

CLERK-TREASURER  
TOWN OF FOUNTAIN CITY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

**OVERDRAWN CASH BALANCES**

A similar comment also appeared in prior Reports B56056 and B57977.

*Condition and Context*

Financial information reported by the Town in the Indiana Gateway for Government Units financial reporting system included overdrawn cash balances at December 31, 2022, as noted below:

Fund	Amount Overdrawn
Motor Vehicle Highway	\$ 27,734
Riverboat Revenue Sharing	3,000
Park Grant - 2015	328
Park Donations - Private Source	1,912

*Criteria*

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**TIMELY RECORDING**

A similar comment also appeared in prior Report B57977.

*Condition and Context*

All receipt and disbursement activity for 2022, totaling \$930,601 for the BONY - Water Construction fund and receipts and disbursements totaling \$646,943 of the BONY WW Construction fund, were all recorded at year end.

CLERK-TREASURER  
TOWN OF FOUNTAIN CITY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 51-15-1-1.

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

**ANNUAL FINANCIAL REPORT**

*Condition and Context*

Financial, supplementary, and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system.

*Financial Data*

Receipts and disbursements entered into Gateway contained the following errors:

1. The CC Clearing fund receipts and disbursements were each overstated by \$333,966.
2. The BONY Water Bond & Interest fund receipts and disbursements were each understated by \$152,000.
3. The Transportation and Stormwater fund was omitted causing receipts and disbursements to both be understated by \$1,223,908.
4. Other immaterial differences were noted.

Adjustments were proposed, approved by the Town, and made to the financial statement and the Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances presented as Other Information in the Financial Statement Audit Report of the Town.

*Grants*

The grant schedule entered annually into the AFR via Gateway, which was the source of the Schedule of Expenditures of Federal Awards (SEFA), contained the following errors:

1. The Community Development Block Grant expenditures were not reported, and therefore were understated by \$858,653.
2. The Covid-19 - Coronavirus State and Local Fiscal Recovery Funds for Transportation and Stormwater were not reported, and, therefore, were understated \$1,223,908.

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TOWN OF FOUNTAIN CITY  
AUDIT RESULTS AND COMMENTS  
(Continued)

3. The Covid-19 - Coronavirus State and Local Fiscal Recovery Funds for the American Rescue Plan of 2021 was reported under Assistance Listings Number (ALN) 21.019, instead of ALN 21.027. Also, the grant was listed as a pass-through of Indiana Finance Authority, instead of a direct grant.

Adjustments were proposed, accepted by the Town, and made to the Schedule of Expenditures of Federal Awards presented in the Federal Compliance Audit Report of the Town.

*Leases and Debt*

Debt outstanding was overstated by \$8,000 due to the omission of the December 2022 payment.

Adjustments were proposed, accepted by the Town, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report of the Town.

*Accounts Receivable/Accounts Payable*

Accounts Receivable were reported as \$62,303 with no supporting documentation.

The difference has not been determined, but is presumed to be material. The Town has opted to not report accounts receivable or payable information.

*Criteria*

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

CLERK-TREASURER  
TOWN OF FOUNTAIN CITY  
EXIT CONFERENCE

The contents of this report were discussed on August 29, 2023, with Trina D. McGuire, Clerk-Treasurer, and Steve Clark, Vice President of the Town Council.