

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

FINANCIAL STATEMENT AUDIT REPORT

OF

TOWN OF FOUNTAIN CITY

WAYNE COUNTY, INDIANA

January 1, 2023 to December 31, 2023



FILED

10/28/2024



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

October 28, 2024

To: The Officials of the Town of Fountain City
Town of Fountain City
Wayne County, Indiana

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of the Town of Fountain City. We have reviewed the audit report opined upon by Crowe LLP, Independent Public Accountants, for the period January 1, 2023 to December 31, 2023. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of Town of Fountain City as of December 31, 2023, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings in the report on pages 25 through 31. Please refer to the Schedule of Findings and Questioned Costs for further detail related to the findings. Management's Corrective Action Plan appears on pages 32 through 37.

In our opinion, Crowe LLP prepared the audit report in accordance with the guidelines established by the Indiana State Board of Accounts.

In addition to the report presented herein, a supplemental report of the Town of Fountain City was prepared in accordance with the guidelines established by the Indiana State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in black ink that reads "Tammy R. White". The signature is written in a cursive style.

Tammy R. White, CPA
Deputy State Examiner

TOWN OF FOUNTAIN CITY
Wayne County, Indiana

FINANCIAL STATEMENT
For the Year Ended December 31, 2023

TOWN OF FOUNTAIN CITY
Wayne County, Indiana

FINANCIAL STATEMENT
For the Year Ended December 31, 2023

CONTENTS

SCHEDULE OF OFFICIALS (Unaudited).....	1
INDEPENDENT AUDITOR'S REPORT.....	2
FINANCIAL STATEMENT	
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES – REGULATORY BASIS.....	5
NOTES TO FINANCIAL STATEMENT.....	6
OTHER INFORMATION (Unaudited)	
COMBINING SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES – REGULATORY BASIS.....	10
SCHEDULE OF PAYABLES AND RECEIVABLES.....	13
SCHEDULE OF LEASES AND DEBT.....	14
SCHEDULE OF CAPITAL ASSETS.....	15
STATE REPORTING INFORMATION.....	16
SUPPLEMENTARY INFORMATION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	17
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	18
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	19
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE.....	21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	24

TOWN OF FOUNTAIN CITY
SCHEDULE OF OFFICIALS (Unaudited)
December 31, 2023

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

INDEPENDENT AUDITOR'S REPORT

Those Charged with Governance
Town of Fountain City
Wayne County, Indiana

Opinions

We have audited the accompanying statement of receipts, disbursements, and cash and investment balances of the Town of Fountain City (the "Town") as of December 31, 2023, and the related notes to the financial statement.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement presents fairly, in all material respects, the cash and investment balances of the Town as of December 31, 2023, and its cash receipts and cash disbursements for the year then ended, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

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 section of our report, 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 of the Town as of December 31, 2023, or changes in net position for the year then ended.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

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

As discussed in Note 1 to the financial statement, the Unit 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 and pervasive.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the 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) as described in Note 1, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the Town's financial statement. The accompanying Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis 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 themselves, 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 as a whole.

Other Information

Management is responsible for the other information included with the financial statement. The other information comprises the Schedule of Officials, Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, Schedule of Capital Assets, and State Reporting Information, but does not include the financial statement and our auditor's report thereon. Our opinion on the financial statement does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2024, our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.


Crowe LLP

Indianapolis, Indiana
September 26, 2024

TOWN OF FOUNTAIN CITY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND
INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2023

Fund	Cash and Investments 01-01-23	Receipts	Disbursements	Cash and Investments 12-31-23
GENERAL FUND	\$ 16,692	\$ 185,319	\$ 187,942	\$ 14,069
MOTOR VEHICLE HIGHWAY	(27,734)	15,375	26,997	(39,356)
LOCAL ROAD & STREET	14,116	12,205	6,696	19,625
TRASH COLLECTION	34,371	57,640	51,058	40,953
LEVI COFFIN HOUSE GRANT	10,000	-	-	10,000
LOCAL LAW ENF. CONT. ED.	3,012	844	155	3,701
RIVERBOAT REVENUE SHARING	(3,000)	7,042	3,000	1,042
PARK GRANT - 2015	(328)	-	-	(328)
RAINY DAY	1,909	-	-	1,909
OPIOID SETTLEMENT-RESTRICTED	1,729	387	-	2,116
OPIOID SETTLEMENT-UNRESTRICTED	741	133	-	874
EXCESS LEVY	21	-	-	21
FIRE TERRITORY	96,791	114,129	141,852	69,068
CUM. CAP. IMPR. - (CIG. TAX)	6,695	1,296	3,300	4,691
ECONOMIC DEV. INCOME TAX	29,243	39,117	18,232	50,128
FIRE EQUIP. REPLACEMENT	63	22,088	19,028	3,123
PARK DONATIONS - PRIVATE SOURCE	(1,912)	25	-	(1,887)
LOIT SPECIAL DISTRIBUTION	34	-	-	34
ARP - REPLC OF LOST REVENUE	104,620	-	82,834	21,786
MVH - RESTRICTED	64,659	15,375	-	80,034
POLICE DONATION	2,595	3,912	4,249	2,258
GRANT CLEARING	-	266,034	266,034	-
CC CLEARING	-	123,053	123,053	-
PAYROLL	1,288	269,246	269,154	1,380
WASTEWATER UTL. OPERATING	103,645	391,421	414,188	80,878
WASTEWATER METER DEPOSIT	16,675	1,690	1,605	16,760
BONY WASTEWATER B&I	32,911	69,640	55,374	47,177
BONY WASTEWATER DSR	10,472	14,667	-	25,139
BONY WW CONSTRUCTION	-	250,550	250,550	-
WASTEWATER REPLACEMENT	440,793	-	-	440,793
WASTEWATER SINKING (BOND & INT)	11,575	-	-	11,575
DEBT SERVICE RESERVE WW SINKING	7,716	-	-	7,716
WATER UTL. OPERATING	125,594	191,981	191,432	126,143
WATER UTL. METER DEPOSIT	9,493	910	870	9,533
WATER UTL. DEPRECIATION	10,958	-	-	10,958
BONY WATER BOND & INTEREST	14,056	13,181	11,800	15,437
BONY - WATER CONSTRUCTION	-	19,782	19,782	-
BONY - WATER DEBT RESERVE	5,179	2,871	-	8,050
STORM WATER UTL. OPERATING	66,857	144,472	117,655	93,674
TRANSPORTATION AND STORMWATER	-	576,092	576,092	-
Totals	<u>\$ 1,211,529</u>	<u>\$ 2,810,477</u>	<u>\$ 2,842,932</u>	<u>\$ 1,179,074</u>

See accompanying notes to financial statement.

TOWN OF FOUNTAIN CITY
NOTES TO FINANCIAL STATEMENT
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 basis of accounting also requires presentation of certain information as Other Information.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP), 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. The regulatory basis also allows for all investments to be stated at cost, while GAAP requires fair value for qualifying investments.

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.

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

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

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

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

Charges for services. 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.

(Continued)

TOWN OF FOUNTAIN CITY
NOTES TO FINANCIAL STATEMENT
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Penalties. Amounts received from late payment fees.

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

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 Towns 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 office supplies, operating supplies, and repair and maintenance supplies.

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

Debt service principal and interest. 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 Unit general obligation indebtedness as well as lease agreements.

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

Utility operating expenses. Amounts disbursed for operating the utilities.

Other disbursements. Amounts disbursed for various 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.

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.

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 Unit. 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 Town itself.

(Continued)

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.

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 (PDIF). 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 Unit 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.

The Town has purchased insurance to address the risks described above.

TOWN OF FOUNTAIN CITY
NOTES TO FINANCIAL STATEMENT
December 31, 2023

NOTE 6 - CASH BALANCE DEFICITS

The financial statement contains some funds with deficits in cash. This is a result of certain funds being set up for reimbursable grants, but for which reimbursement was not yet received by December 31, 2023. The deficit in the Motor Vehicle Highway fund and the Park Donations – Private Source fund was the result of disbursements exceeding receipts due to under-estimating current requirements for the fund. These deficits are to be prepaid from future receipts.

OTHER INFORMATION (Unaudited)

TOWN OF FOUNTAIN CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2023

	GENERAL FUND	MOTOR VEHICLE HIGHWAY	LOCAL ROAD & STREET	TRASH COLLECTION	LEVI COFFIN HOUSE GRANT	LOCAL LAW ENF. CONT. ED.	RIVERBOAT REVENUE SHARING	PARK GRANT - 2015	RAINY DAY	OPIOID SETTLEMENT- RESTRICTED	OPIOID SETTLEMENT- UNRESTRICTED	EXCESS LEVY	FIRE TERRITORY	CUM. CAP. IMPR. - (CIG. TAX)	ECONOMIC DEV. INCOME TAX
Cash and investments - beginning	\$ 16,692	\$ (27,734)	\$ 14,116	\$ 34,371	\$ 10,000	\$ 3,012	\$ (3,000)	\$ (328)	\$ 1,909	\$ 1,729	\$ 741	\$ 21	\$ 96,791	\$ 6,695	\$ 29,243
Receipts:															
Taxes	99,291	-	-	-	-	-	-	-	-	-	-	-	95,465	-	-
Licenses and permits	1,938	-	-	-	-	825	-	-	-	-	-	-	-	-	-
Intergovernmental receipts	81,783	15,375	12,200	-	-	-	7,042	-	-	387	133	-	7,364	1,296	38,992
Charges for services	276	-	-	57,640	-	5	-	-	-	-	-	-	11,300	-	-
Fines and forfeits	125	-	-	-	-	4	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receipts	1,906	-	5	-	-	10	-	-	-	-	-	-	-	-	125
Total receipts	185,319	15,375	12,205	57,640	-	844	7,042	-	-	387	133	-	114,129	1,296	39,117
Disbursements:															
Personal services	123,890	23,470	-	-	-	-	-	-	-	-	-	-	11,448	-	-
Supplies	19,037	3,527	-	-	-	155	-	-	-	-	-	-	20,930	-	-
Other services and charges	43,533	-	3,126	51,058	-	-	3,000	-	-	-	-	-	33,664	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	3,570	-	-	-	-	-	-	-	-	-	75,810	3,300	9,068
Utility operating expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other disbursements	1,482	-	-	-	-	-	-	-	-	-	-	-	-	-	9,164
Total disbursements	187,942	26,997	6,696	51,058	-	155	3,000	-	-	-	-	-	141,852	3,300	18,232
Excess (deficiency) of receipts over disbursements	(2,623)	(11,622)	5,509	6,582	-	689	4,042	-	-	387	133	-	(27,723)	(2,004)	20,885
Cash and investments - ending	\$ 14,069	\$ (39,356)	\$ 19,625	\$ 40,953	\$ 10,000	\$ 3,701	\$ 1,042	\$ (328)	\$ 1,909	\$ 2,116	\$ 874	\$ 21	\$ 69,068	\$ 4,691	\$ 50,128

(Continued)

TOWN OF FOUNTAIN CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2023

	FIRE EQUIP. REPLACEMENT	PARK DONATIONS - PRIVATE SOURCE	LOIT SPECIAL DISTRIBUTION	ARP - REPLC OF LOST REVENUE	MVH - RESTRICTED	POLICE DONATION	GRANT CLEARING	CC CLEARING	PAYROLL	WASTEWATER UTL. OPERATING	WASTEWATER METER DEPOSIT	BONY WASTEWATER B&I	BONY WASTEWATER DSR
Cash and investments - beginning	\$ 63	\$ (1,912)	\$ 34	\$ 104,620	\$ 64,659	\$ 2,595	\$ -	\$ -	\$ 1,288	\$ 103,645	\$ 16,675	\$ 32,911	\$ 10,472
Receipts:													
Taxes	20,506	-	-	-	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental receipts	1,582	-	-	-	15,375	-	266,034	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-	231,108	-	-	-
Penalties	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receipts	-	25	-	-	-	3,912	-	123,053	269,246	160,313	1,690	69,640	14,667
Total receipts	22,088	25	-	-	15,375	3,912	266,034	123,053	269,246	391,421	1,690	69,640	14,667
Disbursements:													
Personal services	-	-	-	-	-	-	-	-	192,731	64,535	-	-	-
Supplies	-	-	-	-	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	82,834	-	4,249	-	-	-	8,305	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-	-	-	55,374	-
Capital outlay	19,028	-	-	-	-	-	-	-	-	151,476	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-	38,273	-	-	-
Other disbursements	-	-	-	-	-	-	266,034	123,053	76,423	151,599	1,605	-	-
Total disbursements	19,028	-	-	82,834	-	4,249	266,034	123,053	269,154	414,188	1,605	55,374	-
Excess (deficiency) of receipts over disbursements	3,060	25	-	(82,834)	15,375	(337)	-	-	92	(22,767)	85	14,266	14,667
Cash and investments - ending	\$ 3,123	\$ (1,887)	\$ 34	\$ 21,786	\$ 80,034	\$ 2,258	\$ -	\$ -	\$ 1,380	\$ 80,878	\$ 16,760	\$ 47,177	\$ 25,139

(Continued)

TOWN OF FOUNTAIN CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2023

	BONY WW CONSTRUCTION	WASTEWATER REPLACEMENT	WASTEWATER SINKING (BOND & INT)	DEBT SERVICE RESERVE WW SINKING	WATER UTL. OPERATING	WATER UTL. METER DEPOSIT	WATER UTL. DEPRECIATION	BONY WATER BOND & INTEREST	BONY - WATER CONSTRUCTION	BONY - WATER DEBT RESERVE	STORM WATER UTL. OPERATING	TRANSPORTATION AND STORMWATER	Totals
Cash and investments - beginning	\$ -	\$ 440,793	\$ 11,575	\$ 7,716	\$ 125,594	\$ 9,493	\$ 10,958	\$ 14,056	\$ -	\$ 5,179	\$ 66,857	\$ -	\$ 1,211,529
Receipts:													
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	215,262
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-	-	2,763
Intergovernmental receipts	250,550	-	-	-	12,459	-	-	-	-	-	-	576,092	1,286,664
Charges for services	-	-	-	-	-	-	-	-	-	-	-	-	69,221
Fines and forfeits	-	-	-	-	-	-	-	-	-	-	-	-	129
Utility fees	-	-	-	-	-	-	-	-	-	-	29,143	-	260,251
Penalties	-	-	-	-	-	-	-	-	-	-	770	-	770
Other receipts	-	-	-	-	179,522	910	-	13,181	19,782	2,871	114,559	-	975,417
Total receipts	250,550	-	-	-	191,981	910	-	13,181	19,782	2,871	144,472	576,092	2,810,477
Disbursements:													
Personal services	-	-	-	-	58,495	-	-	-	-	-	-	-	474,569
Supplies	-	-	-	-	-	-	-	-	-	-	-	-	43,649
Other services and charges	-	-	-	-	8,174	-	-	-	-	-	-	-	237,943
Debt service - principal and interest	-	-	-	-	-	-	-	11,800	-	-	-	-	67,174
Capital outlay	250,550	-	-	-	12,459	-	-	-	7,323	-	114,559	576,092	1,223,235
Utility operating expenses	-	-	-	-	57,112	-	-	-	-	-	1,010	-	96,395
Other disbursements	-	-	-	-	55,192	870	-	-	12,459	-	2,086	-	699,967
Total disbursements	250,550	-	-	-	191,432	870	-	11,800	19,782	-	117,655	576,092	2,842,932
Excess (deficiency) of receipts over disbursements	-	-	-	-	549	40	-	1,381	-	2,871	26,817	-	(32,455)
Cash and investments - ending	\$ -	\$ 440,793	\$ 11,575	\$ 7,716	\$ 126,143	\$ 9,533	\$ 10,958	\$ 15,437	\$ -	\$ 8,050	\$ 93,674	\$ -	\$ 1,179,074

TOWN OF FOUNTAIN CITY
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2023

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	\$ 4,633	\$ -
Wastewater Utility	5,150	39,339
Water Utility	24,627	22,211
Storm Water Utility	<u>3,780</u>	<u>3,595</u>
Totals	<u>\$ 38,190</u>	<u>\$ 65,145</u>

TOWN OF FOUNTAIN CITY
SCHEDULE OF LEASES AND DEBT
December 31, 2023

<u>Type</u>	<u>Description of Debt</u> <u>Purpose</u>	<u>Ending</u> <u>Principal</u> <u>Balance</u>	<u>Principal Due</u> <u>Within One</u> <u>Year</u>
Water Utility:			
Revenue bonds	FOUNTAIN CITY WATER REVENUE BONDS SERIES 2020	\$ 186,000	\$ 9,000
Bond Anticipation Note	FOUNTAIN CITY WATER REVENUE ANTICIPATION NOTE, SERIES 2020	<u>2,350,000</u>	<u>2,350,000</u>
Total Water Utility		<u>2,536,000</u>	<u>2,359,000</u>
Storm Water Utility:			
Revenue bonds	FOUNTAIN CITY STORM SANITARY SEWER REVENUE BONDS SERIES 2022	<u>1,083,000</u>	<u>48,000</u>
Totals		<u>\$ 3,619,000</u>	<u>\$ 2,407,000</u>

TOWN OF FOUNTAIN CITY
SCHEDULE OF CAPITAL ASSETS
December 31, 2023

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 4,250
Infrastructure	1,208,531
Buildings	282,233
Improvements other than buildings	56,000
Machinery, equipment, and vehicles	<u>155,299</u>
 Total governmental activities	 <u>1,706,313</u>
 Wastewater Utility:	
Land	53,000
Infrastructure	726,500
Buildings	37,233
Improvements other than buildings	970,000
Machinery, equipment, and vehicles	<u>91,342</u>
 Total Wastewater Utility	 <u>1,878,075</u>
 Water Utility:	
Land	2,500
Infrastructure	3,095,667
Buildings	40,433
Improvements other than buildings	165,000
Machinery, equipment, and vehicles	<u>84,830</u>
 Total Water Utility	 <u>3,388,430</u>
 Storm Water Utility:	
Infrastructure	<u>1,205,901</u>
 Total capital assets	 <u><u>\$ 8,178,719</u></u>

TOWN OF FOUNTAIN CITY
STATE REPORTING INFORMATION
For the Year Ended December 31, 2023

The reports presented herein were prepared in addition to another official report prepared for the Town as listed below:

Indiana State Board of Accounts Compliance Examination of the Town of Fountain City.

The above report contains the results of the compliance examination as required by the Indiana State Board of Accounts' *Accounting and Uniform Compliance Guidelines Manual For Cities and Towns*.

SUPPLEMENTARY INFORMATION

TOWN OF FOUNTAIN CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2023

Federal Grantor Agency <u>Cluster Title/Program Title/Project Title</u>	<u>Pass-Through Entity or Direct Grant</u>	Assistance Listing Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Housing and Urban Development</u>				
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii Community Development Block Grant	Indiana Office of Community and Rural Affairs	14.228	WW-17-129	\$ 278,493
Total - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii				<u>278,493</u>
Total - Department of Housing and Urban Development				<u>278,493</u>
<u>Department of the Treasury</u>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds American Rescue Plan of 2021 Transportation and Stormwater	Direct Grant Indiana Finance Authority	21.027	FY 2021 WW 213689 01	\$ 82,834 <u>576,092</u>
Total - COVID-19 - Coronavirus State and Local Fiscal Recovery Funds				<u>658,926</u>
Total - Department of the Treasury				<u>658,926</u>
Total federal awards expended				<u>\$ 937,419</u>

See accompanying notes to the schedule of expenditure of federal awards.

TOWN OF FOUNTAIN CITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2023

NOTE 1 - BASIS OF PRESENTATION

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Town of Fountain City (the "Town") under programs of the federal government for the year ended December 31, 2023. The information in the Schedule 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 Schedule presents only a select portion of the operations of the Town, it is not intended to and does not present the receipts, disbursements, and cash and investment balances – regulatory basis of the Town.

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in 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.

NOTE 2 - INDIRECT COST RATE

The Town has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 - OTHER INFORMATION

The Town did not have any subrecipient activity for the year ended December 31, 2023.

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

Those Charged with Governance
Town of Fountain City
Wayne County, Indiana

We have audited, in accordance with the 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 Fountain City ("Town"), which comprise the statement of receipts, disbursements, and cash and investment balances of the Town as of and for the year ended December 31, 2023 and the related notes to the financial statement, which collectively comprise the Town's financial statement, and have issued our report thereon dated September 26, 2024.

Report on 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) as a basis for designing 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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 2023-001 through 2023-004 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statement is free from 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 financial statement. 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*.

(Continued)

Town's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Town's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and fluid.

Crowe LLP

Indianapolis, Indiana
September 26, 2024

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

Those Charged with Governance
Town of Fountain City
Wayne County, Indiana

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited the Town of Fountain City's ("Town") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the Town's major federal program for the year ended December 31, 2023. 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.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

Basis for Opinion on Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town's federal programs.

(Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-005 to be a material weakness.

(Continued)

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-006 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Town is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Town's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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.


Crowe LLP

Indianapolis, Indiana
September 26, 2024

TOWN OF FOUNTAIN CITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 December 31, 2023

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(es) identified?	<u> X </u>	Yes	_____	No
Significant deficiencies identified not considered to be material weaknesses?	_____	Yes	<u> X </u>	None Reported

Noncompliance material to financial statement noted?	_____	Yes	<u> X </u>	No
--	-------	-----	--------------	----

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> X </u>	Yes	_____	No
Significant deficiencies identified not considered to be material weaknesses?	<u> X </u>	Yes	_____	None Reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	<u> X </u>	Yes	_____	No
---	--------------	-----	-------	----

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds

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

Auditee qualified as low-risk auditee?	_____	Yes	<u> X </u>	No
--	-------	-----	--------------	----

(Continued)

TOWN OF FOUNTAIN CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2023

Section II – Financial Statement Findings

FINDING 2023-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness

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. . . ."

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."

Condition: The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Annual Financial Report (AFR).

Cause: Management had not established a system of internal control that would have ensured proper reporting of the AFR.

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 did not properly review the financial information prepared and submitted in Gateway. Although the Clerk-Treasurer prepared and entered the financial information into Gateway, and a Council member reviewed and approved the information entered, the internal controls were not effective and did not detect and correct of errors prior to submission.

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

- Receipts and disbursements were each understated by \$576,092 for funds related to Indiana Finance Authority distributions for the Transportation and Stormwater award under the State and Local Fiscal Recovery Funds grant.

(Continued)

TOWN OF FOUNTAIN CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2023

Section II – Financial Statement Findings (Continued)

FINDING 2023-001 (Continued)

Effect: Without a proper system of internal control in place that operated effectively, material misstatements of the financial statement remained undetected. The financial statement contained the error identified in the Context section.

Identification as a repeat finding, if applicable: Yes, appears as finding 2022-002 in the prior report.

Recommendation: We recommended that the Town's management establish a formal review over the financial statement to ensure amounts reported are accurate. The Town should establish a documented, secondary review to ensure the amounts reported on the financial statement agree to the underlying detail each year.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and has prepared a corrective action plan.

FINDING 2023-002

Subject: Preparation and Review of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduce here for reference purposes:

- ...
- Accurate and timely recording of transactions. . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

(b) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with § 200.510 Financial statements. . . ."

(Continued)

TOWN OF FOUNTAIN CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2023

Section II – Financial Statement Findings (Continued)

FINDING 2023-002 (Continued)

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within a cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the assistance listing number (ALN) or other identifying number when the ALN information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in §200.414 Indirect (F&A) costs."

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).

Cause: Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Context: The federal grant information entered and submitted in the Indiana Gateway for Government Units financial reporting system was the source of the SEFA. In the Town's submission for the year ended December 31, 2023, the Town reported \$82,834 as federally expended for the year from the Coronavirus Relief Fund. These expenditures were incorrectly listed as Assistance Listing Number 21.019 instead of the correct 21.027 ALN. The Town also incorrectly reported the funding as being passed through Indiana Finance Authority. The funding was received directly from the U. S. Department of Treasury.

(Continued)

TOWN OF FOUNTAIN CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2023

Section II – Financial Statement Findings (Continued)

FINDING 2023-002 (Continued)

The Town spent funding on a pass-through grant from the Coronavirus State and Local Fiscal Recovery Funds (21.027) program for the year ended December 31, 2023 that was not reported on the SEFA. The total spent for the year ended December 31, 2023 was \$576,092.

The Town spent funding from the Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii for the year ended December 31, 2023 that was not reported on the SEFA. The total spent for the year ended December 31, 2023 was \$278,493.

Audit adjustments were proposed, accepted by the Town, and made to the SEFA to correct the issues noted above. The Town had no other federal expenditures to report on the SEFA for the year ended December 31, 2023.

Effect: Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the error identified in the Context section.

Identification as a repeat finding, if applicable: Yes, appears as finding 2022-001 in the prior report.

Recommendation: We recommended that the Town's management establish a formal review over the SEFA to ensure amounts reported are accurate. The Town should establish a documented, secondary review to ensure the amounts reported on the SEFA agree to the underlying detail each year.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and has prepared a corrective action plan.

FINDING 2023-003

Subject: Utility Fee Receipts
Audit Findings: Material Weakness

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns states in part, *"Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee."*

Condition: The Town did not have a proper system of internal control in place for record maintenance.

Cause: Management had not established a system of internal control that would have ensured proper record keeping of utility receipts.

Context: We selected a sample of eleven customer bill transactions to test to verify that rates are being charged in accordance with Council approved ordinances for Town utility services. Management was unable to provide customer bills for any of the eleven selections.

Effect: The failure to establish an effective internal control system placed the Town at risk of material misstatement of the financial statement.

Identification as a repeat finding, if applicable: Not a repeat finding.

(Continued)

TOWN OF FOUNTAIN CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2023

Section II – Financial Statement Findings (Continued)

FINDING 2023-003 (Continued)

Recommendation: We recommended that the Town’s management establish a formal review over utility billings and ensure that records are maintained.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and has prepared a corrective action plan.

FINDING 2023-004

Subject: Disbursements
Audit Findings: Material Weakness

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns states in part, *“Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee.”*

Condition: The Town did not have a proper system of internal control in place for record maintenance.

Cause: Management had not established a system of internal control that would have ensured proper record keeping of disbursements.

Context: During testing of disbursements, we noted the following:

- For 6 out of 20 selections, the Town could not produce documented board approval.
- For 1 out of 20 selections, the disbursement register indicated payment was made to "Town of Fountain City". Per review of check copy, payment was made to a vendor.
- For 6 out of 20 selections, the Town could not produce a supporting vendor invoice or debt payment schedule to support the disbursement amount.

Effect: The failure to establish an effective internal control system placed the Town at risk of material misstatement of the financial statement.

Identification as a repeat finding, if applicable: Not a repeat finding.

Recommendation: We recommended that the Town’s management establish a formal review over disbursements to ensure information reported is accurate. The Town should establish a documented, secondary review to ensure the amounts reported on the financial statement agree to the underlying detail each year.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and has prepared a corrective action plan.

(Continued)

TOWN OF FOUNTAIN CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2023

Section III – Federal Award Findings and Questioned Costs

FINDING 2023-005

Subject: Coronavirus State and Local Fiscal Recovery Funds - Procurement and Suspension and Debarment

Federal Agency: U.S. Department of Treasury

Assistance Listing Number: 21.027

Federal Award Number: WW21368901 and FY 2021

Pass-Through Entity: Indiana Finance Authority for WW21368901 and FY 2021 grant was direct

Compliance Requirements: Procurement and Suspension and Debarment

Audit Findings: Material Weakness

Criteria: 2 CFR section 200.303 states in part: "The non-Federal entity must:

(a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards 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). . . ."

2 CFR section 200.303 states in part: "The non-Federal entity must use one of the following methods of procurement...

(b) Simplified acquisition thresholds. The non-Federal entity is responsible for determining an appropriate simplified acquisition threshold based on internal controls, an evaluation of risk and its documented procurement procedures which must not exceed the threshold established in the FAR. When applicable, a lower simplified acquisition threshold used by the non-Federal entity must be authorized or not prohibited under State, local, or tribal laws or regulations.

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 simplified acquisitions procurement method of the Procurement and Suspension and Debarment compliance requirement.

Cause: Management had not established a system of internal control that would have ensured proper procurement procedures are followed.

Context: For one procurement, we noted that the Town had one procured contract for \$576,092 that met the simplified acquisition threshold and one contract for \$35,880 that met the small purchase method threshold. The Town performed adequate procurement steps for the contract that met the simplified acquisition threshold but did not for the contract that met the small purchase method threshold. For the contract that fell under the small purchase method, management had support for one quote and noted that a second quote was obtained verbally. Management's procurement policy states that three quotes must be obtained, and the contract must be awarded to the lowest bid. Management did not document the basis for purchasing from the vendor that was utilized. Additionally, for the contract that met the simplified acquisition threshold, management did not provide support indicating that the Town verified the vendor was not suspended or debarred. The Town verified that the vendor selected for the small purchase method was not suspended or debarred.

Effect: The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the simplified acquisition procurement method of the Procurement and Suspension and Debarment compliance requirement.

Identification as a repeat finding, if applicable: No

(Continued)

TOWN OF FOUNTAIN CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2023

Section III – Federal Award Findings and Questioned Costs (Continued)

FINDING 2023-005 (Continued)

Recommendation: We recommended that the Town’s management establish controls related to the grant agreement and the simplified acquisition purchase procurement method of the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and has prepared a corrective action plan.

FINDING 2023-006

Subject: Coronavirus State and Local Fiscal Recovery Funds - Reporting
Federal Agency: U.S. Department of Treasury
Assistance Listing Number: 21.027
Federal Award Number: FY 2021
Pass-Through Entity: N/A
Compliance Requirements: Reporting
Audit Findings: Significant Deficiency

Criteria: 2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:

(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.328 Financial reporting"

34 CFR 76.722 states:

"A State may require a subgrantee to submit reports in a manner and format that assists the State in complying with the requirements under 34 CFR 76.720 and in carrying out other responsibilities under the program."

Condition: The Town did not have a documented review control in place to ensure the annual report was reviewed by someone other than the preparer.

Cause: There were not sufficient internal controls in place to ensure the accuracy of the annual report.

Context: There was no documented review by someone other than the preparer of the annual report to ensure the information submitted was complete and accurate. Per discussion with management, verbal review occurred but there is no documentation to support that review occurred.

Effect: The failure to establish an effective internal control system placed the Town at risk of noncompliance with the grant agreement and the Reporting compliance requirements.

Identification as a repeat finding, if applicable: No

Recommendation: We recommend someone other than the preparer of the report perform a documented review prior to submission to validate the accuracy and completeness of the data submitted.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and has prepared a corrective action plan.

Town of Fountain City

*312 W. Main Street, P.O. Box 312
Fountain City, Indiana 47341
Phone: (765)847-2412, Fax: (765)847-2221
Email: fcity@comcast.net
Trina D. McGuire, Clerk-Treasurer*

Finding 2023-001 – Financial Transactions and Reporting (Material Weakness)

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. . . ."

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

"The state examiner shall require from every audited entity the 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."

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 the Clerk-Treasurer prepared and entered the financial information into

Gateway, and a Council member 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 error:

- Receipts and disbursements were each understated by \$576,092 for funds related to Indiana Finance Authority distributions for the Transportation and Stormwater award under the State and Local Fiscal Recovery Funds grant.

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: Management will ensure that the Annual Financial Report preparation and review internal control process in place is followed and thoroughly documented.

Responsible Party and Timeline for Completion: The Clerk-Treasurer is the responsible party. The completion will go into effect upon the next Annual Financial Report submission.

Finding 2023-002 – Preparation and Review of the Schedule of Expenditures of Federal Awards (Material Weakness)

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduce here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

(b) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

(1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within a cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

(2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.

(3) Provide total Federal awards expended for each individual Federal program and the assistance listing number (ALN) or other identifying number when the ALN information is not available. For a cluster of programs also provide the total for the cluster.

(4) Include the total amount provided to subrecipients from each Federal program.

(5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.

(6) Include notes that describe that significant accounting policies used in preparing the schedule and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in §200.414 Indirect (F&A) costs."

Context: The federal grant information entered and submitted in the Indiana Gateway for Government Units financial reporting system was the source of the SEFA. In the Town's submission for the year ended December 31, 2023, the Town reported \$82,834 as federally expended for the year from the Coronavirus Relief Fund. These expenditures were incorrectly

listed as Assistance Listing Number 21.019 instead of the correct 21.027 ALN. The Town also incorrectly reported the funding as being passed through Indiana Finance Authority. The funding was received directly from the U. S. Department of Treasury.

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: Management will ensure that the SEFA preparation and review internal control process in place is followed and thoroughly documented.

Responsible Party and Timeline for Completion: The Clerk-Treasurer is the responsible party. The completion will go into effect upon the next SEFA submission.

Finding 2023-003 – Utility Fee Receipts (Material Weakness)

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns states in part, *“Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee.”*

Context: A sample of eleven customer bill transactions were tested to verify that rates are being charged in accordance with Council approved ordinances for Town utility services. Management was unable to provide customer bills for any of the eleven selections.

Views of Responsible Officials: We do not concur with the finding.

Description of Corrective Action Plan: Management uploaded the wrong files the first time but corrected this mistake when the items were returned. The customer billing was provided after this Corrective Action Plan was created.

Responsible Party and Timeline for Completion: The Clerk-Treasurer is the responsible party. The completion will go into effect during 2024.

Finding 2023-004 – Disbursements (Material Weakness)

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns states in part, *“Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee.”*

Context: During testing of disbursements, the following items were noted:

- For 6 out of 20 selections, board approval was not provided.

- For 1 out of 20 selections, the disbursement register indicated payment was made to "Town of Fountain City". Per review of check copy, payment was made to a vendor.
- For 6 out of 20 selections, a supporting vendor invoice or debt payment schedule to support the disbursement amount was not provided.

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: Management will ensure that disbursement approval is documented. Management will also ensure that supporting documentation is maintained and agrees to the information entered into the system.

Responsible Party and Timeline for Completion: The Clerk-Treasurer is the responsible party. The completion will go into effect in 2024.

Finding 2023-005 – Coronavirus State and Local Fiscal Recovery Funds - Procurement and Suspension and Debarment (Material Weakness)

Criteria: 2 CFR section 200.303 states in part: "The non-Federal entity must:

(a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards 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). . . ."

2 CFR section 200.303 states in part: "The non-Federal entity must use one of the following methods of procurement...

(b) Simplified acquisition thresholds. The non-Federal entity is responsible for determining an appropriate simplified acquisition threshold based on internal controls, an evaluation of risk and its documented procurement procedures which must not exceed the threshold established in the FAR. When applicable, a lower simplified acquisition threshold used by the non-Federal entity must be authorized or not prohibited under State, local, or tribal laws or regulations.

Context: For one procurement, it was noted that the Town did not have documented support of all quotes obtained. Management had support for one quote and noted that a second quote was obtained verbally. Management's procurement policy states that three quotes must be obtained and the contract must be awarded to the lowest bid. Management did not document the basis for purchasing from the vendor that was utilized. Additionally, for one of the two procurements tested, management did not provide support indicating that the Town verified the vendor was not debarred or suspended.

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: Management will ensure that the adopted procurement policy is followed and documents to support the process are maintained.

Responsible Party and Timeline for Completion: The Clerk-Treasurer is the responsible party. The completion will go into effect in 2024.

Finding 2023-006 – Coronavirus State and Local Fiscal Recovery Funds - Reporting (Significant Deficiency)

Criteria: "The financial management system of each non-Federal entity must provide for the following:

(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.328 Financial reporting"

34 CFR 76.722 states:

"A State may require a subgrantee to submit reports in a manner and format that assists the State in complying with the requirements under 34 CFR 76.720 and in carrying out other responsibilities under the program."

Context: There was no documented review by someone other than the preparer of the annual report to ensure the information submitted was complete and accurate. Per discussion with management, verbal review occurred but there is no documentation to support that review occurred.

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: Management will ensure that review of the annual report is documented.

Responsible Party and Timeline for Completion: The Clerk-Treasurer is the responsible party. The completion will go into effect in 2024.

Town of Fountain City

*312 W. Main Street, P.O. Box 312
Fountain City, Indiana 47341
Phone: (765)847-2412, Fax: (765)847-2221
Email: fcity@comcast.net
Trina D. McGuire, Clerk-Treasurer*

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Finding 2022-001 – Preparation and Review of the Schedule of Expenditures of Federal Awards (Material Weakness)

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 the Clerk-Treasurer prepared and entered the financial information into Gateway, and a Council member 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 SEFA presented for audit included the following errors:

- The Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii was omitted, which understated expenditures by \$858,653.
- The COVID-19 - Coronavirus State and Local Fiscal Recovery Funds subaward for the Transportation and Storm Water project received from the Indiana Finance Authority was omitted, which understated expenditures by \$1,223,908.
- The COVID-19 - Coronavirus State and Local Fiscal Recovery Funds award for the American Rescue Plan of 2021 project received directly from the U.S. Department of the Treasury was listed as Assistance Listings Number 21.019 instead of 21.027.

Status: This finding has not been resolved. A similar finding titled 2023-002 – *Preparation and Review of the Schedule of Expenditures of Federal Awards* appears in the 2023 report.

Finding 2022-002 – Financial Transactions and Reporting (Material Weakness)

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 the Clerk-Treasurer prepared and entered the financial information into Gateway, and the Deputy Clerk-Treasurer 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 \$1,223,908 for funds related to Indiana Finance Authority distributions for the Transportation and Stormwater award under the State and Local Fiscal Recovery Funds grant.
- Receipts and ending cash and investments balance for the Opioid Settlement-Unrestricted fund were overstated by \$1,729.
- Receipts and ending cash and investments balance for the Grant Clearing fund were overstated by \$2,000.

Status: This finding has not been resolved. A similar finding titled *2023-001 Financial Transactions and Reporting* appears in the 2023 report.