

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

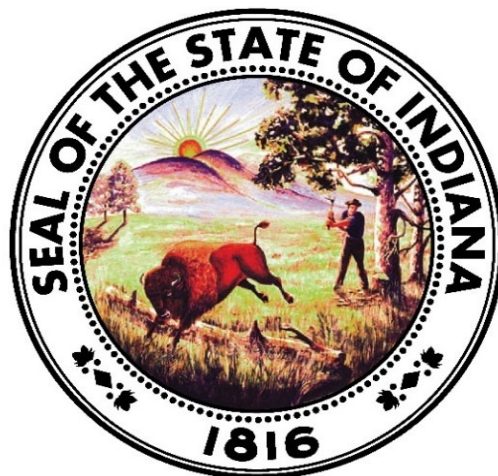
COMPLIANCE EXAMINATION REPORT

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

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October 28, 2024

To: The Officials of the Town of Fountain City
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, 2023 to December 31, 2023. It has been provided as a separate report so that the reader may easily identify any findings that pertain to the Town. It should be read in conjunction with the financial statement audit report of the Town, which provides an opinion on the Town's financial statements. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of the Town and perform procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The findings contained herein describe the identified reportable instances of noncompliance found as a result of these procedures.

We have reviewed the supplemental report of the Town of Fountain City prepared by Crowe LLP, Independent Public Accountants, for the period January 1, 2023 to December 31, 2023. In our opinion, the supplemental report was prepared in accordance with the guidelines established by the Indiana State Board of Accounts.

We call your attention to the findings in the report on pages 3 and 4.

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".

Tammy R. White, CPA
Deputy State Examiner

COMPLIANCE EXAMINATION OF
TOWN OF FOUNTAIN CITY
Wayne County, Indiana
January 1, 2023 through December 31, 2023

TOWN OF FOUNTAIN CITY

Wayne County, Indiana
January 1, 2023 through December 31, 2023

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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 ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and
Management of the Town of Fountain City

We have examined the Town of Fountain City's ("Town") compliance with the Indiana State Board of Accounts' *Accounting and Uniform Compliance Guidelines Manual For Cities and Towns* during the period January 1, 2023 through December 31, 2023. Management of the Town is responsible for the Town's compliance with the specified requirements. Our responsibility is to express an opinion on the Town's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our qualified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Town's compliance with specified requirements.

Our examination disclosed material noncompliance with the *Accounting and Uniform Compliance Guidelines Manual for Cities and Towns* applicable to the Town during the period January 1, 2023 through December 31, 2023, as described in items 2023-001 through 2023-006 on the following Schedule of Examination Findings and Results.

In our opinion, except for the material noncompliance described in the preceding paragraph, the Town complied, in all material respects, with the aforementioned requirements during the period January 1, 2023 through December 31, 2023.

Crowe LLP
Crowe LLP

Indianapolis, Indiana
September 26, 2024

TOWN OF FOUNTAIN CITY
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2023 through December 31, 2023

FINDING 2023-001: RECEIPTS – SUPPORTING DOCUMENTS

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: During testing of receipts, we noted one instance, in a sample of nine, in which supporting documentation was not provided. Additionally, we noted one instance in which the receipt type was misstated as a check receipt on the Town’s receipt form. The cash receipt support indicated it was an ACH receipt.

FINDING 2023-002: OVERDRAWN CASH BALANCES

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns states in part, *“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.”*

A similar comment appeared in the prior year report 000001061S, entitled OVERDRAWN CASH BALANCES.

Condition: During testing of cash fund balances, we noted the following funds that were not cost-reimbursement grant based with a cash balance below zero as of December 31, 2023:

- Motor Vehicle Highway fund overdrawn by \$39,356
- Park Donations – Private Source fund overdrawn by \$1,887

FINDING 2023-003: MINIMUM LEVEL OF INTERNAL CONTROLS

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. . . ."

A similar comment appeared in the prior year report 000001061S, entitled INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING, that also referenced Indiana Code 5-11-1-27(e) and highlighted various control breakdowns in the financial reporting process.

Condition: During testing, we noted that the Town did not have formal documentation surrounding the implementation of the minimum level of internal controls.

(Continued)

TOWN OF FOUNTAIN CITY
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
January 1, 2023 through December 31, 2023

FINDING 2023-004: CERTIFIED REPORT FILED AFTER DUE DATE

Criteria: Indiana Code 5-11-13-1(a) states in part, *"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts . . . The certification must be filed electronically in the manner prescribed under IC 5-14-3.8-7.*

Condition: During testing of certified reporting, we noted the Town's 2023 100R was submitted on February 28, 2024, 28 days after the due date.

FINDING 2023-005: SCHEDULES IN ANNUAL FINANCIAL REPORT – OTHER INFORMATION

Criteria: The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance Manual for Cities and Towns, Chapter 1)

A similar comment appeared in the prior year report 000001061S, entitled ANNUAL FINANCIAL REPORT.

Condition: Financial 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. The information entered into Gateway contained the following errors:

Schedule of Payables and Receivables

Management did not provide support for the receivable amounts reported on the Payables and Receivables Schedule.

Schedule of Leases and Debt

The Fountain City Water Revenue Bond Series 2020 ending principal balance at December 31, 2023 is incorrectly reported as \$194,000. The debt payment schedule states an ending principal balance of \$186,000. Additionally, the Fountain City Water Revenue Anticipation Note, Series 2020 is excluded from the schedule. The schedule has been updated in the financial statement.

Capital Assets

Management provided a capital asset listing stating a balance of \$193,464. The total capital asset balance reported on the AFR is \$7,985,255. The unsupported balance is \$7,985,255.

FINDING 2023-006: COMPENSATION AND BENEFITS

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns states in part, *"All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements."*

Condition: The Town did not provide an approved salary ordinance. During testing of payroll expenditures, we were unable to tie one employee's salary to the unapproved salary ordinance.

TOWN OF FOUNTAIN CITY
EXIT CONFERENCE
January 1, 2023 through December 31, 2023

The contents of this report were discussed on September 26, 2024 with Trina McGuire, Clerk Treasurer, and Michael Gray, Council Member.