

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

SOUTH-WEST LAKE MAXINKUCKEE
CONSERVANCY DISTRICT
MARSHALL COUNTY, INDIANA

January 1, 2011 to December 31, 2012



FILED
11/20/2015

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|--|--------------------------------|--|
| District Coordinator/ Financial Clerk | Kathy Clark | 01-01-11 to 12-31-15 |
| Chairman of the Board | Kathryn Densborn John Crist | 01-01-11 to 12-31-14 01-01-15 to 12-31-15 |



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE SOUTH-WEST LAKE MAXINKUCKEE
CONSERVANCY DISTRICT, MARSHALL COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the South-West Lake Maxinkuckee Conservancy District (District), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the District for the period of January 1, 2011 to December 31, 2012.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the District for the period of January 1, 2011 to December 31, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the District's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.


Other Information

Our audit was conducted for the purpose of forming an opinion on the District's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 8, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 District's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

September 8, 2015



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

TO: THE OFFICIALS OF THE SOUTH-WEST LAKE MAXINKUCKEE
CONSERVANCY DISTRICT, MARSHALL COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the South-West Lake Maxinkuckee District (District), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated September 8, 2015, wherein we noted the District followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

Our consideration of the internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2012-001 and 2012-002 to be material weaknesses.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the District's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2012-001 and 2012-002.

South-West Lake Maxinkuckee Conservancy District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

September 8, 2015

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

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SOUTH-WEST LAKE MAXINKUCKEE CONSERVANCY DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2011 and 2012

| Fund | Cash and Investments 01-01-11 | Receipts | Disbursements | Cash and Investments 12-31-11 | Receipts | Disbursements | Cash and Investments 12-31-12 |
|--|-------------------------------------|---------------------|---------------------|-------------------------------------|-------------------|-------------------|-------------------------------------|
| Wastewater Operating | \$ 1,007 | \$ 2,431,349 | \$ 2,397,963 | \$ 34,393 | \$ 785,771 | \$ 675,390 | \$ 144,774 |
| Wastewater BNY Debt Service Reserve Fund | - | 18,061 | - | 18,061 | 44,255 | - | 62,316 |
| Wastewater BNY Sinking | - | 19,933 | - | 19,933 | 106,205 | 18,876 | 107,262 |
| Totals | <u>\$ 1,007</u> | <u>\$ 2,469,343</u> | <u>\$ 2,397,963</u> | <u>\$ 72,387</u> | <u>\$ 936,231</u> | <u>\$ 694,266</u> | <u>\$ 314,352</u> |

The notes to the financial statement are an integral part of this statement.

SOUTH-WEST LAKE MAXINKUCKEE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The District was established under the laws of the State of Indiana. The District operates under an appointed governing board.

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

Taxes which can include 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 District.

Utility fees which are comprised mostly of charges for current services.

Penalties which include fees received for late payments.

Other receipts which include 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.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

SOUTH-WEST LAKE MAXINKUCKEE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENT
(Continued)

Other services and charges which include, 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 which include fixed obligations resulting from financial transactions previously entered into by the District. It includes all expenditures for the reduction of the principal and interest of the District's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

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

G. Fund Accounting

Separate funds are established, maintained, and reported by the District. Each fund is used to account for money 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 District. The money 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 District in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the District 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. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

SOUTH-WEST LAKE MAXINKUCKEE CONSERVANCY DISTRICT
 NOTES TO FINANCIAL STATEMENT
 (Continued)

State statutes authorize the District to invest in securities including, but not limited to, 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 4. Risk Management

The District 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 District to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 5. Subsequent Events

On April 20, 2015, the Indiana State Revolving (SRF) Loan program approved loan forgiveness for the SRF Bond Anticipation Note (BAN) with a balance of \$1,150,000.

Note 6. Transactions Prior to January 1, 2011

The District was created by Court Order on August 15, 2006. On June 4, 2011, the District's Board approved resolution 2011-06-4-2 formally establishing the District. The schedule below shows transactions of the District prior to January 1, 2011.

| | |
|---------------------------------------|------------------------|
| <u>Receipts:</u> | |
| Short-Term borrowing | \$ 854,013 |
| Donations | <u>5,842</u> |
| Total Receipts | <u>859,855</u> |
| <u>Disbursements:</u> | |
| Town of Culver-hook up fee | 725,000 |
| Preliminary engineering costs | 82,310 |
| Preliminary accounting costs | 11,298 |
| Debt service - interest | 26,097 |
| Other preliminary costs | <u>14,143</u> |
| Total Disbursements | <u>858,848</u> |
| Cash and Investment Balance, 12-31-10 | <u><u>\$ 1,007</u></u> |

OTHER INFORMATION - UNAUDITED

The District's Annual Financial Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Financial Report of the District which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the District. It is presented as intended by the District.

SOUTH-WEST LAKE MAXINKUCKEE CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2011

| | Wastewater Operating | Wastewater BNY Debt Service Reserve Fund | Wastewater BNY Sinking | Totals |
|---------------------------------------|-------------------------|--|------------------------------|------------------|
| Cash and investments - beginning | \$ 1,007 | \$ - | \$ - | \$ 1,007 |
| Receipts: | | | | |
| Taxes | 93,672 | - | - | 93,672 |
| Utility fees | 74,334 | - | - | 74,334 |
| Other receipts | <u>2,263,343</u> | <u>18,061</u> | <u>19,933</u> | <u>2,301,337</u> |
| Total receipts | <u>2,431,349</u> | <u>18,061</u> | <u>19,933</u> | <u>2,469,343</u> |
| Disbursements: | | | | |
| Other services and charges | 7,448 | - | - | 7,448 |
| Debt service - principal and interest | 1,034,487 | - | - | 1,034,487 |
| Capital outlay | 1,148,699 | - | - | 1,148,699 |
| Utility operating expenses | 169,335 | - | - | 169,335 |
| Other disbursements | <u>37,994</u> | <u>-</u> | <u>-</u> | <u>37,994</u> |
| Total disbursements | <u>2,397,963</u> | <u>-</u> | <u>-</u> | <u>2,397,963</u> |
| Excess of receipts over disbursements | <u>33,386</u> | <u>18,061</u> | <u>19,933</u> | <u>71,380</u> |
| Cash and investments - ending | <u>\$ 34,393</u> | <u>\$ 18,061</u> | <u>\$ 19,933</u> | <u>\$ 72,387</u> |

SOUTH-WEST LAKE MAXINKUCKEE CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012

| | Wastewater Operating | Wastewater BNY Debt Service Reserve Fund | Wastewater BNY Sinking | Totals |
|--|-------------------------|--|------------------------------|-------------------|
| Cash and investments - beginning | \$ 34,393 | \$ 18,061 | \$ 19,933 | \$ 72,387 |
| Receipts: | | | | |
| Taxes | 56,614 | - | - | 56,614 |
| Utility fees | 178,124 | - | - | 178,124 |
| Penalties | 2,364 | - | - | 2,364 |
| Other receipts | 548,669 | 44,255 | 106,205 | 699,129 |
| Total receipts | <u>785,771</u> | <u>44,255</u> | <u>106,205</u> | <u>936,231</u> |
| Disbursements: | | | | |
| Other services and charges | 6,143 | - | - | 6,143 |
| Debt service - principal and interest | 52,378 | - | 18,876 | 71,254 |
| Capital outlay | 229,983 | - | - | 229,983 |
| Utility operating expenses | 232,629 | - | - | 232,629 |
| Other disbursements | 154,257 | - | - | 154,257 |
| Total disbursements | <u>675,390</u> | <u>-</u> | <u>18,876</u> | <u>694,266</u> |
| Excess of receipts over disbursements | <u>110,381</u> | <u>44,255</u> | <u>87,329</u> | <u>241,965</u> |
| Cash and investments - ending | <u>\$ 144,774</u> | <u>\$ 62,316</u> | <u>\$ 107,262</u> | <u>\$ 314,352</u> |

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SOUTH-WEST LAKE MAXINKUCKEE CONSERVANCY DISTRICT
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2012

| <u>Enterprise</u> | <u>Accounts Payable</u> | <u>Accounts Receivable</u> |
|-------------------|-----------------------------|--------------------------------|
| Wastewater | <u>\$ 13,260</u> | <u>\$ 691</u> |

SOUTH-WEST LAKE MAXINKUCKEE CONSERVANCY DISTRICT
SCHEDULE OF LEASES AND DEBT
December 31, 2012

| Description of Debt | | Ending | Principal and |
|-------------------------|--------------------------------|---------------------|------------------|
| Type | Purpose | Principal | Interest Due |
| | | Balance | Within One |
| | | | Year |
| Wastewater: | | | |
| Revenue bonds | Collection and disposal system | \$ 850,000 | \$ 56,052 |
| Notes and loans payable | SRF - Forgivable BAN | <u>1,150,000</u> | <u>-</u> |
| Totals | | <u>\$ 2,000,000</u> | <u>\$ 56,052</u> |

SOUTH-WEST LAKE MAXINKUCKEE CONSERVANCY DISTRICT
SCHEDULE OF CAPITAL ASSETS
December 31, 2012

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> |
|------------------------------------|--------------------------------|
| Wastewater: | |
| Infrastructure | \$ 914,899 |
| Machinery, equipment, and vehicles | 364,760 |
| Books and other | <u>725,000</u> |
| Total capital assets | <u><u>\$ 2,004,659</u></u> |

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE SOUTH-WEST LAKE MAXINKUCKEE
CONSERVANCY DISTRICT, MARSHALL COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the South-West Lake Maxinkuckee District's (District) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the period of January 1, 2011 to December 31, 2012. The District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the period of January 1, 2011 to December 31, 2012.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)


Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

September 8, 2015

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the District. The schedule and note are presented as intended by the District.

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SOUTH-WEST LAKE MAXINKUCKEE CONSERVANCY DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended December 31, 2011 and 2012

| <u>Federal Grantor Agency</u> <u>Cluster Title/Program Title/Project Title</u> | <u>Pass-Through Entity or Direct Grant</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Entity (or Other) Identifying Number</u> | <u>Total Federal Awards Expended 12-31-11</u> | <u>Total Federal Awards Expended 12-31-12</u> |
|---|--|----------------------------|--|---|---|
| <u>Environmental Protection Agency</u> Capitalization Grants for Clean Water State Revolving Funds | Indiana Finance Authority | 66.458 | WW09495001 | <u>\$ 698,995</u> | <u>\$ 47,048</u> |

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

SOUTH-WEST LAKE MAXINKUCKEE CONSERVANCY DISTRICT
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of districts shall be conducted biennially. Such audits shall include both years within the biennial period.

SOUTH-WEST LAKE MAXINKUCKEE CONSERVANCY DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

| | |
|--|--|
| Type of auditor's report issued: | Adverse as to GAAP; Unmodified as to Regulatory Basis |
| Internal control over financial reporting: | |
| Material weaknesses identified? | yes |
| Significant deficiencies identified? | none reported |
| Noncompliance material to financial statement noted? | yes |

Federal Awards:

| | |
|--|---------------|
| Internal control over major program: | |
| Material weaknesses identified? | no |
| Significant deficiencies identified? | none reported |
| Type of auditor's report issued on compliance for major program: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | no |

Identification of Major Program:

| CFDA Number | Name of Federal Program or Cluster |
|----------------|---|
| 66.458 | Capitalization Grants for Clean Water State Revolving Funds |

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2012-001 - FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the District related to receipts, disbursements, and cash and investments and financial reporting.

Financial Reporting

The bookkeeper prepares and submits the annual Gateway financial report, which is used to compile the financial statement, without evidence of oversight, review, or approval to ensure the annual Gateway financial report is accurate.

SOUTH-WEST LAKE MAXINKUCKEE CONSERVANCY DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cash and Investments

The bookkeeper prepares the month-end reconciliation to the bank without evidence of oversight, review, or approval to ensure the cash and investments are properly accounted for.

Receipts and Disbursements

During the audit, we noted that receipts and disbursements of \$1,022,050 were omitted from the financial records and financial statement for 2011. There was no control in place to ensure all receipts and disbursements were accounted for in the District's financial records and financial statement. An audit adjustment was proposed, accepted by the District, and made to the financial statement presented in this report.

The failure to establish these controls enabled material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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."

FINDING 2012-002 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The District did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The District should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

Since the District did not prepare the SEFA properly, adjustments were proposed for 2011 and 2012. The adjustments proposed were accepted by the District, and made to the SEFA presented in this report.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

SOUTH-WEST LAKE MAXINKUCKEE CONSERVANCY DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states in part:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. 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 award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual 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 shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule."

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

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AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the District. The document is presented as intended by the District.

South-West Lake Maxinkuckee Conservancy District

574-400-5450 · SWLMCD.connect@yahoo.com · www.SWLakeMaxCD.com

South West Lake Maxinkuckee Conservancy District
P.O. Box 56
Culver, IN 46511

CORRECTIVE ACTION PLAN

FINDING 2012-001

Contact Person Responsible for Corrective Action: Kathy Clark, District Coordinator/Financial Clerk
Contact Phone Number: 574-952-2963

Description of Corrective Action Plan:

The District may assess procedures and attempt to institute processes that would involve, at least on a sample basis, reviews of the financial information and records for accuracy. The Financial Clerk shall mark each monthly bank statement after reviewing it against the bookkeeper's on-line work. The bookkeeper-prepared financial statements shall also be handled in a similar way. The marked copies will be retained in the District files as proof of oversight.

The recommended procedure provided to the District to account for receipts and disbursements in the annual Gateway financial report has been implemented and the annual Gateway financial report was updated to include the agreed upon adjustment. Going forward, all Gateway reports, prior to submission, shall be reviewed by the Board and referenced as to Board action/acceptance in the District's meeting minutes.

Anticipated Completion Date: Immediate



Kathy J. Clark
(Signature)

District Coordinator/Financial Clerk

(Title)

9/3/2015

(Date)

South-West Lake Maxinkuckee Conservancy District

574-400-5450 - SWLMCD.connect@yahoo.com - www.SWLakeMaxCD.com

Remit to: South West Lake Maxinkuckee Conservancy District
P.O. Box 1887
Warsaw, IN46581

CORRECTIVE ACTION PLAN

FINDING 2012-002

Contact Person Responsible for Corrective Action: Kathy Clark, District Coordinator/Financial Clerk
Contact Phone Number: 574-952-2963

Description of Corrective Action Plan:

Due to the lack of understanding, in the early stages of Gateway, of all the data that was required to be documented in the Grants section of the annual Gateway financial report, not all of the data required was originally updated in the schedule of expenditures of Federal Awards (SEFA). The annual Gateway financial report was subsequently corrected to reflect the proper expenditures of SEFA. The District now has a better comprehensive understanding of these requirements for future events that could dictate the need to complete the Grants section of the annual Gateway financial report.

Anticipated Completion Date: Immediate



Kathy J. Clark
(Signature)

District Coordinator/Financial Clerk

(Title)

9/3/2015

(Date)

OTHER REPORTS

In addition to this report, other reports may have been issued for the District. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.