



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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March 8, 2019

Board of Directors  
South-West Lake Maxinkuckee Conservancy District  
460 Forest Place  
Culver, IN 46511

This report is supplemental to the audit report of the South-West Lake Maxinkuckee Conservancy District (District), for the period from January 1, 2015 to December 31, 2017. It has been provided as a separate report so that the reader may easily identify any Examination Findings that pertain to the District. It should be read in conjunction with the financial statement audit report of the District, which provides an opinion on the District's financial statements. This report may be found at [www.in.gov/sboa/](http://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 District and perform procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Findings and Results contained herein describe the identified reportable instances of noncompliance found as a result of these procedures.

We have reviewed the Supplemental Audit Report for South-West Lake Maxinkuckee Conservancy District prepared by Crowe LLP, Independent Public Accountants, for the period January 1, 2015 to December 31, 2017. In our opinion, the Supplemental Audit Report was prepared in accordance with the guidelines established by the State Board of Accounts.

We call your attention to the findings in the report. Page 3 contains two Examination Findings and Results. Management's response may be found beginning on page 5.

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA  
State Examiner

**COMPLIANCE EXAMINATION OF  
SOUTH-WEST LAKE MAXINKUCKEE CONSERVANCY DISTRICT**

Marshall County, Indiana  
January 1, 2015 to December 31, 2017

SOUTH-WEST LAKE MAXINKUCKEE CONSERVANCY DISTRICT

Marshall County, Indiana  
January 1, 2015 to December 31, 2017

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SOUTH-WEST LAKE MAXINKUCKEE CONSERVANCY DISTRICT  
SCHEDULE OF OFFICIALS  
January 1, 2015 to December 31, 2017

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<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk/District Coordinator	Kathy Clark	01-01-15 to 12-31-17
Chairman of the Board	John Crist	01-01-15 to 12-31-17

## INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and  
Management of South-West Lake Maxinkuckee Conservancy District

We have examined South-West Lake Maxinkuckee Conservancy District's ("Unit") compliance with the Indiana State Board of Accounts' *Accounting and Uniform Compliance Guidelines Manual For Special Districts* during the period January 1, 2015, to December 31, 2017. Management of the Unit is responsible for the Unit's compliance with the specified requirements. Our responsibility is to express an opinion on the Unit'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 Unit complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Unit 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.

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

Our examination disclosed material noncompliance with the *Accounting and Uniform Compliance Guidelines Manual For Special Districts* applicable to the Unit during the period January 1, 2015 to December 31, 2017, as described in items 2018-001 and 2018-002 on the following Schedule of Examination Findings and Results.

In our opinion, except for the material noncompliance described in the preceding paragraph, the Unit complied, in all material respects, with the aforementioned requirements during the period January 1, 2015 to December 31, 2017.

The Unit's responses to the findings identified in our examination are described in the accompanying Schedule of Examination Findings and Results. The Unit's responses were not subjected to the procedures applied in the examination of compliance and, accordingly, we express no opinion on them.

  
Crowe LLP

Indianapolis, Indiana  
December 11, 2018

SOUTH-WEST LAKE MAXINKUCKEE CONSERVANCY DISTRICT  
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS  
January 1, 2015 to December 31, 2017

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**FINDING 2018-001: MATERIALITY THRESHOLD**

**Criteria:** SBOA State Examiner Directive 2015-6 requires political subdivisions to develop a materiality threshold policy approved through ordinance or resolution and policies and procedures to administer and report.

**Condition:** During testing, we noted that the Unit had not adopted a materiality threshold for the period under audit.

**FINDING 2018-002: 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. . . .*"

**Condition:** During testing, we noted that the Unit did not meet the minimum standards of internal control. Specifically, the Unit has no formal documentation of the implementation of a minimum level of internal controls standards.

SOUTH-WEST LAKE MAXINKUCKEE CONSERVANCY DISTRICT  
EXIT CONFERENCE  
January 1, 2015 to December 31, 2017

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The contents of this report were discussed on December 11, 2018, with Rosy Oshry, External Accountant, Kathy Clark, Financial Clerk, and John Crist, Chairman of the Board. The officials acknowledged the findings. The Official Response has been made a part of this report and may be found immediately following the findings on the previous page.

# South-West Lake Maxinkuckee Conservancy District

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

P.O. Box 56  
Culver, IN 46511

## SOUTH-WEST LAKE MAXINKUCKEE CONSERVANCY DISTRICT SCHEDULE OF EXAMINATION FINDINGS AND RESULTS January 1, 2015 to December 31, 2017

Please accept the following as our response to the Findings:

### **FINDING 2018-001: MATERIALITY THRESHOLD**

Criteria: SBOA State Examiner Directive 2015-6 requires political subdivisions to develop a materiality threshold policy approved through ordinance or resolution and policies and procedures to administer and report.

Condition: During testing, we noted that the Unit had not adopted a materiality threshold for the period under audit.

*As of October 28th 2018 the District signed Resolution #2018-1020-4 regarding Materiality Threshold (See attached.)*

### **FINDING 2018-002: 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. . . .*"

Condition: During testing, we noted that the Unit did not meet the minimum standards of internal control. Specifically, the Unit has no formal documentation of the implementation of a minimum level of internal controls standards.

*At the District's next meeting (February 9th 2019) they will formalize a resolution on internal controls standards based on the attached draft document.*

December 11, 2018

RESOLUTION NO. 2018-1020-4

RESOLUTION REGARDING MATERIALITY THRESHOLDS APPLICABLE TO  
SOUTH WEST LAKE MAXINKUCKEE CONSERVANCY DISTRICT

WHEREAS, IC 5-11-1-27(j) requires erroneous or irregular material variances, losses, shortages, or thefts of political subdivision funds or property shall be reported immediately to the State Board of Accounts; and

WHEREAS, State Examiner Directive 2015-6 directs each political subdivision to determine its own policy on materiality; and

WHEREAS, the South West Lake Maxinkuckee Conservancy District Board of Directors does not condone any erroneous or irregular material variance, losses, shortage, or theft of political subdivision funds or property but recognizes that relatively small items may not justify the cost of the involvement of the State Board of Accounts;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the South West Lake Maxinkuckee Conservancy District:

Section 1. All erroneous or irregular variances, losses, shortages, or thefts of South West Lake Maxinkuckee Conservancy District subdivision funds or property, or funds of property the South West Lake Maxinkuckee Conservancy District holds in trust, shall be reported to the Financial Clerk or designee promptly.

Section 2. It will be the policy of the South West Lake Maxinkuckee Conservancy District Board of Directors (Board) to report to the State Board of Accounts any erroneous or irregular variances, losses, shortage, or thefts of cash in excess of \$500, except for inadvertent clerical errors that are identified timely and promptly corrected with no loss to the South West Lake Maxinkuckee Conservancy District.

Section 3. The Board directs the Financial Clerk to report promptly to the State Board of Accounts any erroneous or irregular variances, losses, shortages, or thefts of non-cash items in excess of \$3,000, estimated market value, except for those resulting from inadvertent clerical errors or misplacement that are identified timely and promptly corrected with no loss to the South West Lake Maxinkuckee Conservancy District, and except for losses from genuine accidents.

Section 4. All documentation relating to resolution of incidents that do not meet the aforementioned materiality thresholds shall be maintained as required by law.

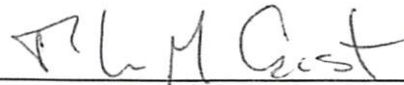
Section 5. Nothing in this Resolution shall alter or diminish IC 5-11-1-27(l) which requires public officials who have actual knowledge of or reasonable cause to believe that

there has been a misappropriation of public funds to immediately send written notice of the misappropriation to the State Board of Accounts and the prosecuting attorney.

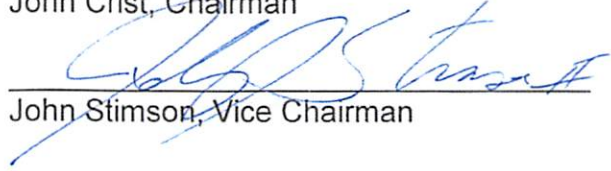
Section 6. All South West Lake Maxinkuckee Conservancy District elected officials and all South West Lake Maxinkuckee Conservancy District employees and agents are directed, to comply with this Resolution.

Passed, Adopted and Executed this 20th day of October, 2018.

SOUTH WEST LAKE MAXINKUCKEE  
CONSERVANCY DISTRICT  
BOARD OF DIRECTORS

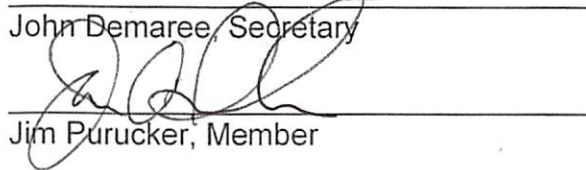


John Crist, Chairman



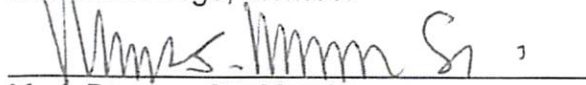
John Stimson, Vice Chairman

John Demaree, Secretary



Jim Purucker, Member

Richard George, Member



Mark Damore Sr., Member

RESOLUTION NO. \_\_\_\_\_

RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
SOUTH WEST LAKE MAXINKUCKEE CONSERVANCY DISTRICT

A Resolution Establishing Internal Control Standards and Procedures  
And  
Establishing a Materiality Threshold

WHEREAS, IC 5-11-1-27 (“Act”) requires each Indiana political subdivision to adopt minimum levels of internal control standards developed by the State Board of Accounts, as published in the Uniform Internal Control Standards for Indiana Political Subdivisions (“Internal Control Standards”);

WHEREAS, the Act requires the legislative body of a political subdivision, after June 30, 2016, to ensure that: (1) the Internal Control Standards and procedures are adopted by the political subdivision and (2) personnel receive training concerning the Internal Control Standards and procedures adopted by the political subdivision;

WHEREAS, South West Lake Maxinkuckee Conservancy District of Marshall, County, Indiana (“Special Districts”) is an Indiana political subdivision;

WHEREAS, South West Lake Maxinkuckee Conservancy District Board of Directors (“Special Districts”) is the legislative body of the Conservancy District, and

NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SOUTH WEST LAKE MAXINKUCKEE CONSERVANCY DISTRICT OF MARSHALL COUNTY, INDIANA, THAT:

Section 1. The South West Lake Maxinkuckee Conservancy Board hereby adopts the Internal Control Standards and Procedures for the Conservancy District and the Materiality Policy for the Conservancy District attached hereto and incorporated by reference herein as Exhibits “A” through “B”.

Section 2. The South West Lake Maxinkuckee Conservancy Board is directed to ensure that all Conservancy personnel receive training concerning the Internal Control Standards adopted herein as expeditiously as possible after the adoption of the Resolution.

Section 3. On October 20, 2018, the Conservancy Board adopted Resolution No. 2018-1020-4 establishing a materiality threshold for the excess of Five Hundred Dollars (\$500) for cash items and the excess of Three Thousand Dollars (\$3,000) for non-cash items to be reportable events to the State Board of Accounts.

Section 4. A copy of this Resolution, with the Internal Control Standards and Procedure shall be: (1) posted in its entirety at a prominent location in the Conservancy office; (2) provided to each current elected and appointed official of the Conservancy; and (3) provided to each newly elected or appointed official within five (5) days of assuming elected or appointed office.

Section 5. This Resolution shall be in full force and effect from and after its passage.

ADOPTED this \_\_\_\_\_ day of February, 2019.

SOUTH WEST LAKE MAXINKUCKEE CONSERVANCY BOARD OF DIRECTORS

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ATTEST:

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Chair

## EXHIBIT "A"

### SOUTH WEST LAKE MAXINKUCKEE CONSERVANCY DISTRICT OF MARSHALL COUNTY, INDIANA INTERNAL CONTROL STANDARDS – 2019

The South West Lake Maxinkuckee Conservancy District Board adopts the following policy and directs the minimum level of internal control standards and internal controls procedures for an internal control system that includes the following five (5) standards to promote government accountability and transparency:

- I. **Control Environment**
  - a. The Board and Chairman demonstrate a commitment to integrity and ethical values.
  - b. The Board oversees the District's internal control system.
  - c. The Chairman establishes an organizational structure, assigns responsibility and delegates authority to achieve the District's objectives.
  - d. The Board evaluates performance and holds individuals accountable for their internal control responsibilities.
- II. **Risk Assessment**
  - a. The Board defines objectives clearly to enable the identification of risks and defines risk tolerance.
  - b. The Board identify, analyze and respond to risks related to achieving the defined objectives.
  - c. The Board considers the potential for fraud with identifying, analyzing and responding to risks.
  - d. The Board identifies, analyzes and responds to significant changes that could impact the internal control system.
- III. **Control Activities**
  - a. The Board designs control activities to achieve objectives and respond to risks.
  - b. The Board designs the District's information system and related control activities to achieve objectives and respond to risks.
  - c. The Board implements control activities through policies.
- IV. **Information and Communication**
  - a. The Board uses quality information to achieve the Board's objectives.
  - b. The Board internally communicates the necessary quality information to achieve the Board's objectives.
  - c. The Board externally communicates the necessary quality information to achieve the Board's objectives.
- V. **Monitoring**
  - a. The Board establishes and operates monitoring activities to monitor the internal control system and evaluate the results.
  - b. The Board remediates identified internal control deficiencies on a timely basis.

## **Internal Control Standards Adopted**

1. The Board adopts the internal control standards above to establish an effective internal control system for the District.
2. The Board directs that the above standards be used to design, implement, operate and modify current operations, reposting and compliance objectives that will safeguard the assets of the District, promote reliability, accountability and transparency of financial and non-financial information and to assure compliance with laws and regulations for each office, department and personnel (as defined below) for an effective and reasonable internal control system of the District.
3. The Board authorizes the Chairman to review the current internal control system of the District, recommend standards and procedures for any future internal control system to be effective after June 30, 2017, and perform an annual review, or more frequently, if determined necessary.
4. The personnel, whether an official or employee, of the District, whose official duties include receiving, processing, depositing, disbursing, or otherwise having access to funds that belong to the federal government, state government, a political subdivision, or another governmental entity shall comply with these minimum internal control standards and procedures and any other policy regarding standards and procedures determine necessary by the District now and as may be modified in the future.
5. The personnel of the District whose official duties include receiving, processing, depositing, disbursing, or otherwise having access to funds that belong to the federal government, state government, a political subdivision, or another governmental entity shall be trained at least once during a calendar year and annually thereafter, unless on leave status, on the minimum internal control standards and procedures and any other standards and procedures determined necessary by the District and shall cooperate with the District or the Board's designee so that the Board can timely certify to the State Board of Accounts that the training was received annually by the personnel as provided by law.
6. The Board authorizes the Chairman to identify the positions and persons who are the personnel referred to in sections 4 and 5 above and notify them of their annual training obligations.
7. The Board will perform, or cause to be performed, all internal controls standards activities. For purposes of the implementation of the Board's internal controls standards, the Board is designated as Management.
8. All elected and appointed officials and employees of the Board are hereby directed to abide by and to cooperate fully in the implementation of the internal controls system of the District.
9. An employee who fails to abide by or cooperate with the implementation, compliance and certifications connected with the Internal Control Standards commits a violation of and may result in the discipline, including termination, of the employee.
10. An elected or appointed official of the District who fails to abide by or cooperate with the implementation and the mandated certifications of the Internal Control Standards may be subject to any action allowed by law.

## APPENDIX "B"

### CHAIRMAN DIRECTIVE POLICY ON MATERIALITY AND PROCESS FOR REPORTING MATERIAL ITEMS

WHEREAS, IC 5-11-1-27(j) requires erroneous or irregular material variance, losses, shortages, or thefts of political subdivision funds or property shall be reported immediately to the State Board of Accounts; and

WHEREAS, State Examiner Directive 2015-6 directs each political subdivision to determine its own policy on materiality; and

WHEREAS, the Conservancy does not condone any erroneous or irregular material variance, losses, shortage, or theft of political subdivision funds or property but recognizes that relatively small items may not justify the cost of the involvement of the State Board of Accounts;

NOW, THEREOFRE, I, John Crist, Chairman of South West Lake Maxinkuckee Conservancy District, Marshall County, Indiana, direct as follows;

Section 1. All erroneous or irregular variances, losses, shortages, or thefts of Conservancy subdivision funds or property, or funds of property the Conservancy holds in trust, shall be reported to the Chairman or designee promptly.

Section 2. It will be the policy of the Chairman to report to the State Board of Accounts any erroneous or irregular variances, losses, shortage, or thefts of cash in excess of \$500, except for inadvertent clerical errors that are identified timely and promptly corrected with no loss to the Conservancy.

Section 3. It will be the policy of the Chairman to report promptly to the State Board of Accounts any erroneous or irregular variances, losses, shortages, or thefts of non-cash items in excess of \$3,000, estimated market value, except for those resulting from inadvertent clerical errors or misplacement that are identified timely and promptly corrected with no loss to the Conservancy, and except for losses from genuine accidents.

Section 4. All documentation relating to resolution of incidents that do not meet the aforementioned materiality thresholds shall be maintained as required by law.

Section 5. Nothing in this directive shall alter or diminish IC 5-11-1-27(l) which requires public officials who have actual knowledge of or reasonable cause to believe that there has been a misappropriation of public funds to immediately send written notice of the misappropriation to the State Board of Accounts and the prosecuting attorney.

Section 6. All Conservancy elected officials are asked, and all Conservancy employees and agents are directed, to comply with this policy, and the Conservancy Board is asked to endorse it.

Executed this day of February, 2019.

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Chairman