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January 22, 2019


Board of Directors
Damon Run Conservancy District
P.O. Box 472
Valparaiso, IN 46384

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of Damon Run Conservancy District. We have reviewed the audit report opined upon by Crowe LLP, Independent Public Accountants, for the period January 1, 2016 to December 31, 2017. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of Damon Run Conservancy District as of December 31, 2016 and 2017, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

In addition to the report presented herein, a Supplemental Report for Damon Run Conservancy District was prepared in accordance with the guidelines established by the State Board of Accounts.

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


Paul D. Joyce, CPA
State Examiner

DAMON RUN CONSERVANCY DISTRICT
Porter County, Indiana

FINANCIAL STATEMENTS
December 31, 2016 and 2017

DAMON RUN CONSERVANCY DISTRICT
Porter County, Indiana

FINANCIAL STATEMENTS
December 31, 2016 and 2017

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DAMON RUN CONSERVANCY DISTRICT
SCHEDULE OF OFFICIALS (Unaudited)
December 31, 2016 and 2017

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jennifer Beauchamp	01-01-16 to 12-31-17
President of the District Board	John Barko	01-01-16 to 12-31-17

INDEPENDENT AUDITOR'S REPORT

Those Charged with Governance
Damon Run Conservancy District
Valparaiso, Indiana

Report on the Financial Statement

We have audited the accompanying statements of receipts, disbursements, and cash and investment balances of Damon Run Conservancy District (the Unit) as of and for the years ended December 31, 2016 and 2017, and the related notes (the financial statements).

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of these financial statements 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. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity'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 statements.

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 statements, the Unit prepares its financial statements 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 statements 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 statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Unit as of December 31, 2016 and 2017, or changes in net position or cash flows thereof for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investment balances of the Unit as of December 31, 2016 and 2017, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Officials and Supplementary Information Schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The information has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.


Crowe LLP

Indianapolis, Indiana
December 6, 2018

DAMON RUN CONSERVANCY DISTRICT
 STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2016 and 2017

<u>Fund</u>	Cash and Investments <u>01-01-16</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash and Investments <u>12-31-16</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash and Investments <u>12-31-17</u>
Operating Fund - Water	\$ 289,813	\$ 503,667	\$ 476,458	\$ 317,022	\$ 405,565	\$ 609,939	\$ 112,648
Permit Fund - Water	9,700	7,355	-	17,055	14,500	-	31,555
Bond Reserve Fund	1,236,323	16,351	-	1,252,674	16,529	-	1,269,203
Debt Service Fund	130,530	1,399,544	1,310,248	219,826	1,363,221	1,315,939	267,108
Operating Fund - Sewer	81,363	587,757	561,985	107,135	563,367	573,079	97,423
Permit Fund - Sewer	78,956	62,462	104,941	36,477	156,398	75,700	117,175
Totals	<u>\$ 1,826,685</u>	<u>\$ 2,577,136</u>	<u>\$ 2,453,632</u>	<u>\$ 1,950,189</u>	<u>\$ 2,519,580</u>	<u>\$ 2,574,657</u>	<u>\$ 1,895,112</u>

See accompanying notes to the financial statement.

DAMON RUN CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Damon Run Conservancy District (the Unit) was established under the laws of the State of Indiana. The Unit operates under an appointed governing board.

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

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 (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:

Charges for services. Amounts received including, but not limited to the following: planning commission charges, building department charges, copies of public records, copy machine 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 television receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

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 Unit.

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:

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 Unit. It includes all expenditures for the reduction of the principal and interest of the Unit general obligation indebtedness.

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

(Continued)

DAMON RUN CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, lease agreements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

Interfund Transfers: The Unit 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 Unit. 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 Unit 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 Unit 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 Unit 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 February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. 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.

(Continued)

DAMON RUN CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2017

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

State statutes authorize the Unit 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. Given the limited investment parameters applicable under state statute, certain risks, such as credit, custodial, concentration, and interest rate are not deemed significant.

The Unit held cash deposits with financial institutions that maintained FDIC and PDIF coverages, as applicable. The Unit did not hold investments for any of the years under audit.

NOTE 5 - RISK MANAGEMENT

The Unit may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions 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 Unit has purchased insurance to address the risks described above.

NOTE 6 - DEBT

In 2010, the Unit issued the Conservancy District Ad Valorem Special Benefits Property Tax Bonds of 2010, Series A and B in the amount of \$12,000,000 and \$2,000,000, respectively. Both bonds were for the purpose of expanding the conservancy district. The bonds mature on July 1, 2030. The Unit made principal and interest payments during the years under audit.

SUPPLEMENTAL SCHEDULES (Unaudited)

DAMON RUN CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	Operating Fund <u>Water</u>	Permit Fund <u>Water</u>	Bond Reserve Fund	Debt Service Fund	Operating Fund <u>Sewer</u>	Permit Fund <u>Sewer</u>	<u>Totals</u>
Cash and investments - beginning	\$ 289,813	\$ 9,700	\$ 1,236,323	\$ 130,530	\$ 81,363	\$ 78,956	\$ 1,826,685
Receipts:							
Taxes	-	-	-	907,463	-	-	907,463
Charges for services	503,667	-	-	-	582,161	-	1,085,828
Other receipts	-	7,355	16,351	492,081	5,596	62,462	583,845
Total receipts	<u>503,667</u>	<u>7,355</u>	<u>16,351</u>	<u>1,399,544</u>	<u>587,757</u>	<u>62,462</u>	<u>2,577,136</u>
Disbursements:							
Other services and charges	55,417	-	-	-	523,699	-	579,116
Debt service - principal and interest	-	-	-	1,304,904	-	-	1,304,904
Capital outlay	-	-	-	-	35,924	-	35,924
Other disbursements	421,041	-	-	5,344	2,362	104,941	533,688
Total disbursements	<u>476,458</u>	<u>-</u>	<u>-</u>	<u>1,310,248</u>	<u>561,985</u>	<u>104,941</u>	<u>2,453,632</u>
Excess (deficiency) of receipts over disbursements	<u>27,209</u>	<u>7,355</u>	<u>16,351</u>	<u>89,296</u>	<u>25,772</u>	<u>(42,479)</u>	<u>123,504</u>
Cash and investments - ending	<u>\$ 317,022</u>	<u>\$ 17,055</u>	<u>\$ 1,252,674</u>	<u>\$ 219,826</u>	<u>\$ 107,135</u>	<u>\$ 36,477</u>	<u>\$ 1,950,189</u>

DAMON RUN CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Operating Fund <u>Water</u>	Permit Fund <u>Water</u>	Bond Reserve Fund	Debt Service Fund	Operating Fund <u>Sewer</u>	Permit Fund <u>Sewer</u>	<u>Totals</u>
Cash and investments - beginning	\$ 317,022	\$ 17,055	\$ 1,252,674	\$ 219,826	\$ 107,135	\$ 36,477	\$ 1,950,189
Receipts:							
Taxes	-	-	-	907,991	-	-	907,991
Charges for services	405,565	-	-	-	481,150	-	886,715
Other receipts	-	14,500	16,529	455,230	82,217	156,398	724,874
Total receipts	<u>405,565</u>	<u>14,500</u>	<u>16,529</u>	<u>1,363,221</u>	<u>563,367</u>	<u>156,398</u>	<u>2,519,580</u>
Disbursements:							
Other services and charges	83,157	-	-	-	570,591	-	653,748
Debt service - principal and interest	-	-	-	1,304,748	-	-	1,304,748
Other disbursements	526,782	-	-	11,191	2,488	75,700	616,161
Total disbursements	<u>609,939</u>	<u>-</u>	<u>-</u>	<u>1,315,939</u>	<u>573,079</u>	<u>75,700</u>	<u>2,574,657</u>
Excess (deficiency) of receipts over disbursements	<u>(204,374)</u>	<u>14,500</u>	<u>16,529</u>	<u>47,282</u>	<u>(9,712)</u>	<u>80,698</u>	<u>(55,077)</u>
Cash and investments - ending	<u>\$ 112,648</u>	<u>\$ 31,555</u>	<u>\$ 1,269,203</u>	<u>\$ 267,108</u>	<u>\$ 97,423</u>	<u>\$ 117,175</u>	<u>\$ 1,895,112</u>

DAMON RUN CONSERVANCY DISTRICT
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2017

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	\$ 235,007	\$ 11,710

DAMON RUN CONSERVANCY DISTRICT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2017

<u>Type</u>	<u>Description of Debt</u>	<u>Purpose</u>	<u>Ending Principal Balance</u>	<u>Principal and Interest Due Within One Year</u>
Governmental activities:				
General obligation bonds	Ad Valorem Special Benefits Property Tax Bonds of 2010	Series A	\$ 9,585,000	\$ 1,122,723
General obligation bonds	Ad Valorem Special Benefits Property Tax Bonds of 2010	Series B	<u>1,600,000</u>	<u>184,231</u>
Total governmental activities			<u>11,185,000</u>	<u>1,306,954</u>
Totals			<u>\$ 11,185,000</u>	<u>\$ 1,306,954</u>

DAMON RUN CONSERVANCY DISTRICT
SCHEDULE OF CAPITAL ASSETS
December 31, 2017

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:	
Infrastructure	<u>\$ 15,453,030</u>
 Total capital assets	 <u>\$ 15,453,030</u>

DAMON RUN CONSERVANCY DISTRICT
OTHER REPORT
December 31, 2016 and 2017

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

Indiana State Board of Accounts Compliance Examination of Damon Run Conservancy District.

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 Special Districts*.