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December 31, 2020


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, 2018 to December 31, 2019. 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, 2018 and 2019, 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, 2018 and 2019

DAMON RUN CONSERVANCY DISTRICT
Porter County, Indiana

FINANCIAL STATEMENTS
December 31, 2018 and 2019

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DAMON RUN CONSERVANCY DISTRICT
SCHEDULE OF OFFICIALS (Unaudited)
December 31, 2018 and 2019

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jennifer Beauchamp	01-01-18 to 12-31-19
President of the District Board	John Barko	01-01-18 to 12-31-19

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, 2018 and 2019, 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, 2018 and 2019, 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, 2018 and 2019, 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 22, 2020

DAMON RUN CONSERVANCY DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2018 and 2019

<u>Fund</u>	Cash and Investments <u>01-01-18</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash and Investments <u>12-31-18</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash and Investments <u>12-31-19</u>
Operating Fund - Water	\$ 112,648	\$ 341,225	\$ 398,975	\$ 54,898	\$ 447,481	\$ 385,157	\$ 117,222
Permit Fund - Water	31,555	7,500	39,000	55	8,500	8,055	500
Bond Reserve Fund	1,269,203	73,244	42	1,342,405	25,409	1,367,814	-
Debt Service Fund	267,108	1,233,491	1,365,277	135,322	1,058,294	1,176,961	16,655
Operating Fund - Sewer	97,423	444,809	503,733	38,499	685,383	707,915	15,967
Permit Fund - Sewer	<u>117,175</u>	<u>63,930</u>	<u>31,825</u>	<u>149,280</u>	<u>72,454</u>	<u>219,622</u>	<u>2,112</u>
Totals	<u>\$ 1,895,112</u>	<u>\$ 2,164,199</u>	<u>\$ 2,338,852</u>	<u>\$ 1,720,459</u>	<u>\$ 2,297,521</u>	<u>\$ 3,865,524</u>	<u>\$ 152,456</u>

See accompany notes to financial statements.

DAMON RUN CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2019

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.

(Continued)

DAMON RUN CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2019

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.

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.

(Continued)

DAMON RUN CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2019

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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 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 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 Unit made principal and interest payments during the years under audit and the bonds were ultimately paid in full using the Series 2019 proceeds and sale of assets as discussed below.

In 2019, the Unit issued the Conservancy District Ad Valorem Special Benefits Property Tax Refunding Bonds, Series 2019 in the amount of \$4,265,000. The bond was for the purpose of refunding the 2010 Series A and B bonds in coordination with the sale of sewer assets as disclosed in Note 7. The bond matures on July 1, 2031. The Unit made principal and interest payments during the years under audit.

NOTE 7 – SALE OF SEWER ASSETS

On October 15, 2019, the Unit entered into an asset transfer agreement for the sale of sewer assets to the City of Valparaiso. The transfer was closed on December 10, 2019 through the issuance of the Series 2019 Bond (Note 6) and net proceeds from the City of Valparaiso of \$4,648,711. The proceeds from the bond issuance and the sale were deposited into an escrow account for the purpose of the defeasance of the 2010 Series A and B bonds and thus this activity is not reflected within the receipts and disbursements activity of the Unit. As part of the closing, the Unit made disbursements from the bond reserve, debt service, operating, and permit funds totaling \$1,783,480 to the escrow account.

NOTE 8 – RECENT EVENTS

In December 2019, a novel strain of coronavirus surfaced and spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Unit may be materially affected by this global pandemic. The Unit has budgeted for operations and has continued to maintain business operations during 2020 to date. The extent to which the coronavirus may affect revenues and other business activity will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

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, 2018

	Operating Fund <u>Water</u>	Permit Fund <u>Water</u>	Bond Reserve <u>Fund</u>	Debt Service <u>Fund</u>	Operating Fund <u>Sewer</u>	Permit Fund <u>Sewer</u>	<u>Totals</u>
Cash and investments - beginning	\$ 112,648	\$ 31,555	\$ 1,269,203	\$ 267,108	\$ 97,423	\$ 117,175	\$ 1,895,112
Receipts:							
Taxes	-	-	-	904,422	-	-	904,422
Charges for services	334,775	-	-	-	414,367	-	749,142
Other receipts	<u>6,450</u>	<u>7,500</u>	<u>73,244</u>	<u>329,069</u>	<u>30,442</u>	<u>63,930</u>	<u>510,635</u>
Total receipts	<u>341,225</u>	<u>7,500</u>	<u>73,244</u>	<u>1,233,491</u>	<u>444,809</u>	<u>63,930</u>	<u>2,164,199</u>
Disbursements:							
Other services and charges	91,600	-	-	-	494,883	-	586,483
Debt service - principal and interest	-	-	-	1,306,954	-	-	1,306,954
Other disbursements	<u>307,375</u>	<u>39,000</u>	<u>42</u>	<u>58,323</u>	<u>8,850</u>	<u>31,825</u>	<u>445,415</u>
Total disbursements	<u>398,975</u>	<u>39,000</u>	<u>42</u>	<u>1,365,277</u>	<u>503,733</u>	<u>31,825</u>	<u>2,338,852</u>
Excess (deficiency) of receipts over disbursements	<u>(57,750)</u>	<u>(31,500)</u>	<u>73,202</u>	<u>(131,786)</u>	<u>(58,924)</u>	<u>32,105</u>	<u>(174,653)</u>
Cash and investments - ending	<u>\$ 54,898</u>	<u>\$ 55</u>	<u>\$ 1,342,405</u>	<u>\$ 135,322</u>	<u>\$ 38,499</u>	<u>\$ 149,280</u>	<u>\$ 1,720,459</u>

DAMON RUN CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2019

	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	\$ 54,898	\$ 55	\$ 1,342,405	\$ 135,322	\$ 38,499	\$ 149,280	\$ 1,720,459
Receipts:							
Taxes	-	-	-	945,416	-	-	945,416
Charges for services	447,481	-	-	12,709	566,510	-	1,026,700
Other receipts	<u>-</u>	<u>8,500</u>	<u>25,409</u>	<u>100,169</u>	<u>118,873</u>	<u>72,454</u>	<u>325,405</u>
Total receipts	<u>447,481</u>	<u>8,500</u>	<u>25,409</u>	<u>1,058,294</u>	<u>685,383</u>	<u>72,454</u>	<u>2,297,521</u>
Disbursements:							
Other services and charges	94,266	-	-	-	706,340	-	800,606
Debt service - principal and interest	155,870	8,055	1,364,634	1,009,912	-	185,622	2,724,093
Other disbursements	<u>135,021</u>	<u>-</u>	<u>3,180</u>	<u>167,049</u>	<u>1,575</u>	<u>34,000</u>	<u>340,825</u>
Total disbursements	<u>385,157</u>	<u>8,055</u>	<u>1,367,814</u>	<u>1,176,961</u>	<u>707,915</u>	<u>219,622</u>	<u>3,865,524</u>
Excess (deficiency) of receipts over disbursements	<u>62,324</u>	<u>445</u>	<u>(1,342,405)</u>	<u>(118,667)</u>	<u>(22,532)</u>	<u>(147,168)</u>	<u>(1,568,003)</u>
Cash and investments - ending	<u>\$ 117,222</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 16,655</u>	<u>\$ 15,967</u>	<u>\$ 2,112</u>	<u>\$ 152,456</u>

DAMON RUN CONSERVANCY DISTRICT
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2019

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	\$ -	\$ 186,616

DAMON RUN CONSERVANCY DISTRICT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2019

	Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
<u>Type</u>	<u>Purpose</u>		
Governmental activities:			
General obligation bonds	Ad Valorem Special Benefits Property Tax Refunding Bonds Series 2019	<u>3,825,000</u>	<u>410,039</u>
Total governmental activities		<u>3,825,000</u>	<u>410,039</u>
Totals		<u>\$ 3,825,000</u>	<u>\$ 410,039</u>

DAMON RUN CONSERVANCY DISTRICT
SCHEDULE OF CAPITAL ASSETS
December 31, 2019

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>\$ 8,338,091</u>
Total capital assets	<u>\$ 8,338,091</u>

DAMON RUN CONSERVANCY DISTRICT
OTHER REPORT
December 31, 2018 and 2019

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*.