



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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October 21, 2020

To: The Officials of the Knapp Lake Area Conservancy District
Knapp Lake Area Conservancy District
P.O. Box 185
Cromwell, IN 46732

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of Knapp Lake Area Conservancy District. We have reviewed the audit report opined upon by Crowe LLP, Independent Public Accountants, for the period January 1, 2017 to December 31, 2020. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly, in all material respects, the cash and investment balances of the District as of December 31, 2017, 2018, 2019, and 2020, 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.

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 Knapp Lake Area 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.

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

Paul D. Joyce, CPA
State Examiner

KNAPP LAKE AREA CONSERVANCY DISTRICT
Noble County, Indiana

FINANCIAL STATEMENTS
December 31, 2017, 2018, 2019, and 2020

KNAPP LAKE AREA CONSERVANCY DISTRICT
Noble County, Indiana

FINANCIAL STATEMENTS
December 31, 2017, 2018, 2019, and 2020

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KNAPP LAKE AREA CONSERVANCY DISTRICT
SCHEDULE OF OFFICIALS (Unaudited)
December 31, 2017, 2018, 2019, and 2020

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Missy Sorg	01-01-17 to 12-31-20
President of the Board	Dean Bickel	01-01-17 to 12-31-20

INDEPENDENT AUDITOR'S REPORT

Those Charged with Governance
Knapp Lake Area Conservancy District
Noble County, Indiana

Report on the Financial Statement

We have audited the accompanying statements of receipts, disbursements, and cash and investment balances of Knapp Lake Area Conservancy District (the District) as of and for the years ended December 31, 2017, 2018, 2019, and 2020, 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 District 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 District as of December 31, 2017, 2018, 2019, and 2020, 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 District as of December 31, 2017, 2018, 2019, and 2020, 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
October 12, 2021

KNAPP LAKE AREA CONSERVANCY DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
REGULATORY BASIS
For the Years Ended December 31, 2017 and 2018

<u>Fund</u>	Cash and Investments <u>01-01-17</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash and Investments <u>12-31-17</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash and Investments <u>12-31-18</u>
Construction	\$ 366	\$ 265,278	\$ 265,644	\$ -	\$ -	\$ -	\$ -
Wastewater Billing Operating Fund	47,061	224,403	239,125	32,339	205,916	222,145	16,110
Wastewater Bond & Interest Fund	-	82,106	49,628	32,478	54,333	48,937	37,874
Wastewater Improvement Fund	<u>-</u>	<u>11,600</u>	<u>-</u>	<u>11,600</u>	<u>27,840</u>	<u>-</u>	<u>39,440</u>
 Totals	 <u>\$ 47,427</u>	 <u>\$ 583,387</u>	 <u>\$ 554,397</u>	 <u>\$ 76,417</u>	 <u>\$ 288,089</u>	 <u>\$ 271,082</u>	 <u>\$ 93,424</u>

See Independent Auditor's Report and notes to financial statements.

KNAPP LAKE AREA CONSERVANCY DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 REGULATORY BASIS
 For the Years Ended December 31, 2019 and 2020

<u>Fund</u>	Cash and Investments <u>01-01-19</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash and Investments <u>12-31-19</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash and Investments <u>12-31-20</u>
Wastewater Billing Operating Fund	\$ 16,110	\$ 232,900	\$ 220,553	\$ 28,457	\$ 221,680	\$ 208,418	\$ 41,719
Wastewater Bond & Interest Fund	37,874	54,805	49,514	43,165	49,758	50,067	42,856
Wastewater Improvement Fund	<u>39,440</u>	<u>27,840</u>	<u>-</u>	<u>67,280</u>	<u>27,840</u>	<u>-</u>	<u>95,120</u>
Totals	<u>\$ 93,424</u>	<u>\$ 315,545</u>	<u>\$ 270,067</u>	<u>\$ 138,902</u>	<u>\$ 299,278</u>	<u>\$ 258,485</u>	<u>\$ 179,695</u>

See Independent Auditor's Report and notes to financial statements.

KNAPP LAKE AREA CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2018, 2019, and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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. As applicable, investments are stated at cost, rather than at fair value.

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:

Utility fees. Amounts received from charges for current services.

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

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

Utility operating expenses. Amounts disbursed for operating the utilities.

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

(Continued)

KNAPP LAKE AREA CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2018, 2019, and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Personal services. Amounts disbursed for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Interfund Transfers: The District 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 District. 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 District. 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 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 District 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.

State statutes authorize the District 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)

KNAPP LAKE AREA CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017, 2018, 2019, and 2020

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 statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. The District purchased various insurance premiums for the years under audit and thus did not require a self-insurance fund.

NOTE 5 - RECENT EVENTS

In December 2019, a novel strain of coronavirus surfaced in Wuhan, China, and has 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 Organization may be materially affected by this global pandemic. 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)

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

	<u>Construction</u>	<u>Wastewater Billing Operating Fund</u>	<u>Wastewater Bond & Interest Fund</u>	<u>Wastewater Improvement Fund</u>	<u>Totals</u>
Cash and investments - beginning	\$ 366	\$ 47,061	\$ -	\$ -	\$ 47,427
Receipts:					
Utility fees	-	211,472	-	-	211,472
Other receipts	265,278	12,931	82,106	11,600	371,915
Total receipts	<u>265,278</u>	<u>224,403</u>	<u>82,106</u>	<u>11,600</u>	<u>583,387</u>
Disbursements:					
Other services and charges	40,456	3,579	-	-	44,035
Debt service - principal and interest	-	-	49,628	-	49,628
Capital outlay	225,107	-	-	-	225,107
Utility operating expenses	-	141,840	-	-	141,840
Other disbursements	81	93,706	-	-	93,787
Total disbursements	<u>265,644</u>	<u>239,125</u>	<u>49,628</u>	<u>-</u>	<u>554,397</u>
Excess (deficiency) of receipts over disbursements	<u>(366)</u>	<u>(14,722)</u>	<u>32,478</u>	<u>11,600</u>	<u>28,990</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 32,339</u>	<u>\$ 32,478</u>	<u>\$ 11,600</u>	<u>\$ 76,417</u>

KNAPP LAKE AREA CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Wastewater Billing Operating Fund	Wastewater Bond & Interest Fund	Wastewater Improvement Fund	Totals
Cash and investments - beginning	\$ 32,339	\$ 32,478	\$ 11,600	\$ 76,417
Receipts:				
Utility fees	204,717	-	-	204,717
Other receipts	1,199	54,333	27,840	83,372
Total receipts	<u>205,916</u>	<u>54,333</u>	<u>27,840</u>	<u>288,089</u>
Disbursements:				
Personal services	3,275	-	-	3,275
Other services and charges	2,241	-	-	2,241
Debt service - principal and interest	-	48,937	-	48,937
Capital outlay	3,585	-	-	3,585
Utility operating expenses	130,199	-	-	130,199
Other disbursements	82,845	-	-	82,845
Total disbursements	<u>222,145</u>	<u>48,937</u>	<u>-</u>	<u>271,082</u>
Excess (deficiency) of receipts over disbursements	<u>(16,229)</u>	<u>5,396</u>	<u>27,840</u>	<u>17,007</u>
Cash and investments - ending	<u>\$ 16,110</u>	<u>\$ 37,874</u>	<u>\$ 39,440</u>	<u>\$ 93,424</u>

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

	Wastewater Billing Operating Fund	Wastewater Bond & Interest Fund	Wastewater Improvement Fund	Totals
Cash and investments - beginning	\$ 16,110	\$ 37,874	\$ 39,440	\$ 93,424
Receipts:				
Utility fees	224,146	-	-	224,146
Other receipts	8,754	54,805	27,840	91,399
Total receipts	<u>232,900</u>	<u>54,805</u>	<u>27,840</u>	<u>315,545</u>
Disbursements:				
Personal services	3,475	-	-	3,475
Other services and charges	4,264	-	-	4,264
Debt service - principal and interest	-	49,514	-	49,514
Capital outlay	612	-	-	612
Utility operating expenses	128,458	-	-	128,458
Other disbursements	83,744	-	-	83,744
Total disbursements	<u>220,553</u>	<u>49,514</u>	<u>-</u>	<u>270,067</u>
Excess (deficiency) of receipts over disbursements	<u>12,347</u>	<u>5,291</u>	<u>27,840</u>	<u>45,478</u>
Cash and investments - ending	<u>\$ 28,457</u>	<u>\$ 43,165</u>	<u>\$ 67,280</u>	<u>\$ 138,902</u>

KNAPP LAKE AREA CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2020

	Wastewater Billing Operating Fund	Wastewater Bond & Interest Fund	Wastewater Improvement Fund	Totals
Cash and investments - beginning	\$ 28,457	\$ 43,165	\$ 67,280	\$ 138,902
Receipts:				
Utility fees	221,336	-	-	221,336
Other receipts	344	49,758	27,840	77,942
Total receipts	221,680	49,758	27,840	299,278
Disbursements:				
Personal services	3,200	-	-	3,200
Other services and charges	2,359	-	-	2,359
Debt service - principal and interest	-	50,067	-	50,067
Capital outlay	1,788	-	-	1,788
Utility operating expenses	123,107	-	-	123,107
Other disbursements	77,964	-	-	77,964
Total disbursements	208,418	50,067	-	258,485
Excess (deficiency) of receipts over disbursements	13,262	(309)	27,840	40,793
Cash and investments - ending	\$ 41,719	\$ 42,856	\$ 95,120	\$ 179,695

KNAPP LAKE AREA CONSERVANCY DISTRICT
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2020

	<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Wastewater		<u>1,775</u>	<u>12,433</u>
Totals		<u>\$ 1,775</u>	<u>\$ 12,433</u>

KNAPP LAKE AREA CONSERVANCY DISTRICT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2020

Description of Debt	Ending Principal	Principal and Interest Due Within One
Wastewater:		
Revenue bonds Sewer System	\$ 788,773	\$ 37,612
Revenue bonds Sewer System	<u>553,713</u>	<u>20,905</u>
Total Wastewater	<u>1,342,486</u>	<u>58,517</u>
Totals	<u>\$ 1,342,486</u>	<u>\$ 58,517</u>

KNAPP LAKE AREA CONSERVANCY DISTRICT
SCHEDULE OF CAPITAL ASSETS
December 31, 2020

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	\$ 3,847,195
Machinery, equipment, and vehicles	<u>22,291</u>
Total Wastewater	<u>3,869,486</u>
Total capital assets	<u>\$ 3,869,486</u>

KNAPP LAKE AREA CONSERVANCY DISTRICT
OTHER REPORT
December 31, 2020

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

Indiana State Board of Accounts Compliance Examination of the Knapp Lake Area 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*.

KNAPP LAKE AREA CONSERVANCY DISTRICT
EXIT CONFERENCE
January 1, 2017 to December 31, 2020

The contents of this report were discussed on October 12, 2021 with Heather Palan, Consultant, and Dean Bickel, President of the Board.