

MUSKINGUM WATERSHED CONSERVANCY DISTRICT

AUDIT REPORT

DECEMBER 31, 2003



**Auditor of State
Betty Montgomery**

Board of Directors
Muskingum Watershed Conservancy District
1319 3rd Street NW
P. O. Box 349
New Philadelphia, Ohio 44663

We have reviewed the *Independent Auditor's Report* of the Muskingum Watershed Conservancy District, Tuscarawas County, prepared by S.R. Snodgrass, A.C., for the audit period January 1, 2003 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Muskingum Watershed Conservancy District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 14, 2005

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MUSKINGUM WATERSHED CONSERVANCY DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Muskingum Watershed Conservancy District
1319 Third Street, NW
New Philadelphia, OH 44663

We have audited the accompanying financial statements of Muskingum Watershed Conservancy District, (the District) as of and for the year ended December 31, 2003 as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1.B, the District prepares its statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2003, and the related cash receipts and disbursements, for the year then ended, on the basis of accounting described in Note 1.B.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2005 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, and grants. 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* and should be read in conjunction with this report in considering the results of our audit.



Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The separate fund and sub-district financial statements located on page 22 through 57 are presented for purposes of additional analysis and are not a required part of the financial statements of Muskingum Watershed Conservancy District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, such information is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, the Board of Directors, and other officials authorized to receive its report under 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

S. R. Smolgram, A.C.

Steubenville, Ohio
March 29, 2005

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT
 COMBINED ENTERPRISE FUND STATEMENT OF
 ASSETS, LIABILITIES AND FUND BALANCES
 MODIFIED CASH BASIS OF ACCOUNTING
 AS OF DECEMBER 31, 2003**

MAIN DISTRICT AND SUB-DISTRICTS COMBINED

	<u>Main District</u>	<u>Sub-Districts</u>	<u>Total Memorandum Only</u>
ASSETS:			
Current Assets			
Pooled cash and cash equivalents	\$ 720,679.67	\$ -	\$ 720,679.67
Cash in bank	-	258,144.71	258,144.71
Accounts receivable	<u>1,060,446.60</u>	<u>-</u>	<u>1,060,446.60</u>
Total current assets	<u>1,781,126.27</u>	<u>258,144.71</u>	<u>2,039,270.98</u>
Property Assets			
Land	2,171,278.93	-	2,171,278.93
Capitalized development costs and land purchases	-	3,025,181.28	3,025,181.28
Easements and right of way	48,871.27	-	48,871.27
Buildings and improvements	20,342,354.88	-	20,342,354.88
Machinery and equipment	4,422,839.71	-	4,422,839.71
Office furniture and fixtures	516,487.05	-	516,487.05
Autos and trucks	<u>1,137,043.29</u>	<u>-</u>	<u>1,137,043.29</u>
Total property assets	28,638,875.13	3,025,181.28	31,664,056.41
Less: accumulated depreciation	<u>(22,994,986.12)</u>	<u>-</u>	<u>(22,994,986.12)</u>
Net property assets	<u>5,643,889.01</u>	<u>3,025,181.28</u>	<u>8,669,070.29</u>
Total Assets	<u>\$ 7,425,015.28</u>	<u>\$3,283,325.99</u>	<u>\$10,708,341.27</u>

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

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT
 COMBINED ENTERPRISE FUND STATEMENT OF
 ASSETS, LIABILITIES AND FUND BALANCES
 MODIFIED CASH BASIS OF ACCOUNTING
 AS OF DECEMBER 31, 2003**

MAIN DISTRICT AND SUB-DISTRICTS COMBINED

	<u>Main District</u>	<u>Sub-Districts</u>	<u>Total Memorandum Only</u>
LIABILITIES:			
Current Liabilities			
Accounts payable	\$ 231,616.42	\$ -	\$ 231,616.42
Bonds payable – portion due within one year	177,733.52	-	177,733.52
Accrued interest payable	100.00	-	100.00
Performance bond payable	3,200.00	-	3,200.00
Escrow land rentals	175.00	-	175.00
Accrued health insurance	344,960.98	-	344,960.98
Accrued medicare	6,749.33	-	6,749.33
Accrued life insurance	6,052.40	-	6,052.40
Accrued industrial insurance	229,089.92	-	229,089.92
Accrued disability income	91.49	-	91.49
Accrued retirement insurance	<u>31,523.62</u>	<u>-</u>	<u>31,523.62</u>
Total current liabilities	<u>1,031,292.68</u>	<u>-</u>	<u>1,031,292.68</u>
Long-Term Liabilities			
Accounts payable	-	14,451.69	14,451.69
Loan payable – local committee	-	15,000.00	15,000.00
Loan payable – Ohio water commission	-	6,000.00	6,000.00
Bonds payable – portion due after One year	3,042,203.48	-	3,042,203.48
Deferred revenue	<u>9,816.46</u>	<u>-</u>	<u>9,816.46</u>
Total long-term liabilities	<u>3,052,019.94</u>	<u>35,451.69</u>	<u>3,087,471.63</u>
Total Liabilities	4,083,312.62	35,451.69	4,118,764.31
Fund Balance	<u>3,341,702.66</u>	<u>3,247,874.30</u>	<u>6,589,576.96</u>
Total Liabilities and Fund Balance	<u>\$7,425,015.28</u>	<u>\$3,283,325.99</u>	<u>\$10,708,341.27</u>

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

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT
COMBINED ENTERPRISE FUND STATEMENT OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
MODIFIED CASH BASIS OF ACCOUNTING
FOR THE YEAR ENDED DECEMBER 31, 2003**

MAIN DISTRICT AND SUB-DISTRICTS COMBINED

	Main District	Sub-Districts	Total Memorandum Only
OPERATING RECEIPTS:			
Timber sales	\$ 409,344.04	\$ -	\$ 409,344.04
Pine/pulpwood sales	127,587.53	-	127,587.53
Land and building rentals	27,154.50	-	27,154.50
Collection of assessments	-	349,254.27	349,254.27
Land rental and miscellaneous	-	240.00	240.00
Hubbard Valley funding	-	220,011.93	220,011.93
Mineral rights and royalties	236,812.04	-	236,812.04
Share crop leases	226,732.27	-	226,732.27
State of Ohio – operating funds	150,000.00	-	150,000.00
Watershed management	92,013.71	-	92,013.71
Road maintenance	17,426.11	-	17,426.11
Cottage sites	1,273,797.49	-	1,273,797.49
Private docks	386,877.00	-	386,877.00
Clubs	53,776.19	-	53,776.19
Water and sewage maintenance	16,608.81	-	16,608.81
Lake patrol operations	34,355.00	-	34,355.00
Grants	88,593.32	-	88,593.32
Marina operations	812,200.32	-	812,200.32
Fishing rights	62,646.74	-	62,646.74
Marina camping	82,283.69	-	82,283.69
Sale of assets	8,626.50	-	8,626.50
Water resources/flood control	18,000.00	-	18,000.00
Cottage construction permits	7,200.00	-	7,200.00
Capital credit refunds	15,352.29	-	15,352.29
Chippewa subdistrict reimbursement	70,447.74	-	70,447.74
Miscellaneous income	7,673.56	-	7,673.56
Public launching facilities	18,833.86	-	18,833.86
Lake dredging income	-	-	-
Water and sewer systems	100,168.34	-	100,168.34
Rental boats	19,020.58	-	19,020.58
Refreshment stand	8,936.01	-	8,936.01
Vacation cabins	352,427.43	-	352,427.43
Activity centers	71,911.57	-	71,911.57
Park camping	3,158,830.57	-	3,158,830.57
Firewood	22,017.10	-	22,017.10
Trailer storage	169,299.44	-	169,299.44
Trailer pump out	22,584.00	-	22,584.00
Admissions – park facilities	115,359.50	-	115,359.50
Public information	972.00	-	972.00
Special events	24,347.70	-	24,347.70
Total operating receipts	<u>\$8,310,216.95</u>	<u>\$569,506.20</u>	<u>\$8,879,723.15</u>

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

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT
COMBINED ENTERPRISE FUND STATEMENT OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
MODIFIED CASH BASIS OF ACCOUNTING
FOR THE YEAR ENDED DECEMBER 31, 2003**

MAIN DISTRICT AND SUB-DISTRICTS COMBINED

	Main District	Sub-Districts	Total Memorandum Only
OPERATING DISBURSEMENTS:			
Easement/right of way expense	\$ 637.29	\$ -	\$ 637.29
Property asset purchases	-	-	-
Water resources/flood control expense	10,038.96	-	10,038.96
Improvements to district properties	44,322.04	-	44,322.04
Office remodeling and equipment	59,305.71	-	59,305.71
Lake access improvements	4,797.62	-	4,797.62
Land and building rentals	27,402.20	-	27,402.20
Share crop expenses	133,336.19	-	133,336.19
Atwood lodge – net loss	1,018,218.14	-	1,018,218.14
Mineral operation expenses	20,633.68	-	20,633.68
Watershed management	188,771.84	-	188,771.84
Auto and truck	130,015.98	-	130,015.98
Office building	96,290.85	-	96,290.85
Administrative and finance	1,150,570.35	-	1,150,570.35
Engineering	250,983.13	-	250,983.13
Forestry maintenance expense	309,061.32	-	309,061.32
Purchase of recreation equipment/vehicles	138,660.07	-	138,660.07
Debt retirement	166,933.02	-	166,933.02
Park camping expense	2,034,588.97	-	2,034,588.97
General park facilities expense	1,007,613.49	-	1,007,613.49
Cottage site expenses	415,462.16	-	415,462.16
Marina operation expenses	292,837.71	-	292,837.71
Water and sewer system expenses	216,080.87	-	216,080.87
Lake patrol operation expenses	215,637.61	-	215,637.61
Public information expense	205,053.82	-	205,053.82
Other recreation maintenance expense	391,061.83	-	391,061.83
Cost of lake dredging	113,682.19	-	113,682.19
Expense of public launching facilities	3,721.88	-	3,721.88
Cost of water and sewer systems	-	-	-
Vacation cabin expense	22,968.25	-	22,968.25
Total operating disbursements	<u>8,668,687.17</u>	<u>-</u>	<u>8,668,687.17</u>
Excess of operating disbursements			
Over operating receipts	(358,470.22)	569,506.20	211,035.98
Non-Operating Receipts (Disbursements)			
Interest on investments	13,141.48	1,895.61	15,037.09
Fund Balance – January 1, 2003	<u>3,687,031.40</u>	<u>2,676,472.49</u>	<u>6,363,503.89</u>
Fund Balance – December 31, 2003	<u>\$3,341,702.66</u>	<u>\$3,247,874.30</u>	<u>\$6,589,576.96</u>

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

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT
STATEMENT OF CASH FLOWS
MAIN DISTRICT
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Main District</u>
<u>Cash Flows from Operating Activities</u>	
Cash received from customers	\$7,147,124.27
Cash payments to suppliers for goods and services	(3,028,455.30)
Cash payments to employees	<u>(4,647,064.54)</u>
Net cash used in operating activities	<u>(528,395.57)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisitions and construction of assets	(212,655.92)
Proceeds from new borrowings	795,000.00
Principal payment on revenue and note payable	<u>(182,468.58)</u>
Net cash provided by capital and related financing activities	<u>399,875.50</u>
<u>Cash Flows form Investing Activities</u>	
Receipts of interest earnings	<u>13,141.48</u>
Net cash provided by investing activities	<u>13,141.48</u>
Net increase in cash and cash equivalents	(115,378.59)
Cash and cash equivalents at beginning of year	<u>836,058.26</u>
Cash and cash equivalents at end of year	<u>\$ 720,679.67</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>	
Excess of operating disbursements over operating receipts	\$ (358,470.22)
Adjustments to reconcile excess of operating receipts over Operating disbursements to net cash provided by operating activities:	
Depreciation	212,655.92
Changes in assets and liabilities:	
Increase in accounts receivable	(541,157.01)
Decrease in accounts payable	(7,287.85)
Decrease in performance bond payables	(2,000.00)
Increase in accrued health insurance	145,479.58
Increase in accrued medicare	3,192.89
Increase in accrued life insurance	447.34
Increase in accrued industrial insurance	16,980.66
Decrease in accrued disability income	(2,908.51)
Increase in accrued retirement insurance	409.55
Increase in deferred revenue	<u>4,262.08</u>
Total adjustments	<u>(169,925.35)</u>
Net cash used in operating activities	<u>\$ (528,395.57)</u>

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

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT
STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCES
MODIFIED CASH BASIS OF ACCOUNTING
AS OF DECEMBER 31, 2003**

	<u>Chippewa</u>	<u>Duck Creek</u>	<u>Blackfork</u>	<u>Buffalo Creek</u>	<u>Total</u>
ASSETS:					
Current Assets					
Cash in bank	\$ 250,065.14	\$ 8,079.57	\$ -	\$ -	\$ 258,144.71
Non-Current Assets					
Capitalized development costs and land costs	<u>2,990,365.82</u>	<u>5,400.32</u>	<u>1,822.26</u>	<u>27,592.88</u>	<u>3,025,181.28</u>
Total Assets	<u>\$3,240,430.96</u>	<u>\$13,479.89</u>	<u>\$1,822.26</u>	<u>\$27,592.88</u>	<u>\$3,283,325.99</u>
LIABILITIES AND FUND BALANCE:					
Long-Term Liabilities					
Accounts payable	\$ -	\$ 36.55	\$1,822.26	\$12,464.98	\$ 14,323.79
Receipts and advances	-	-	-	127.90	127.90
Loan from local committee	-	-	-	15,000.00	15,000.00
Ohio water commission	-	<u>6,000.00</u>	-	-	<u>6,000.00</u>
Total long-term liabilities	-	<u>6,036.55</u>	<u>1,822.26</u>	<u>27,592.88</u>	<u>35,451.69</u>
Fund Balance	<u>3,240,430.96</u>	<u>7,443.34</u>	-	-	<u>3,247,874.30</u>
Total Liabilities and Fund Balance	<u>\$3,240,430.96</u>	<u>\$13,479.89</u>	<u>\$1,822.26</u>	<u>\$27,592.88</u>	<u>\$3,283,325.99</u>

MUSKINGUM WATERSHED CONSERVANCY DISTRICT
STATEMENT OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND BALANCE
MODIFIED CASH BASIS OF ACCOUNTING
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Chippewa</u>	<u>Duck Creek</u>	<u>Blackfork</u>	<u>Buffalo Creek</u>	<u>Total</u>
Operating Receipts:					
Collection of assessments	\$ 349,254.27	\$ -	\$ -	\$ -	\$ 349,254.27
Interest on deposits	1,860.46	35.15	-	-	1,895.61
Land rental and miscellaneous	240.00	-	-	-	240.00
Hubbard Valley Funding	<u>220,011.93</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>220,011.93</u>
Total operating receipts	<u>571,366.66</u>	<u>35.15</u>	<u>-</u>	<u>-</u>	<u>571,401.81</u>
Operating Disbursements:					
Repairs and maintenance (\$147,757.22 capitalized)	-	-	-	-	-
Contract services (\$11,958.25 capitalized)	-	-	-	-	-
Hubbard Valley (\$240,611.52)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of operating receipts over operating disbursements	571,366.66	35.15	-	-	571,401.81
FUND BALANCE JANUARY 1, 2003	<u>2,669,064.30</u>	<u>7,408.19</u>	<u>-</u>	<u>-</u>	<u>2,676,472.49</u>
FUND BALANCE DECEMBER 31, 2003	<u>\$3,240,430.96</u>	<u>\$7,443.34</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,247,874.30</u>

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

1. Summary of Significant Accounting Policies:

A. Type of Reporting Entity:

The Muskingum Watershed Conservancy District was created as a separate political subdivision by the Ohio Legislature in 1933. The Muskingum Watershed Conservancy District was created in accordance with Section 101 of the Ohio Revised Code which is concerned with the formation and governing of conservancy districts. The district operates under an elected conservancy court consisting of eighteen court of common pleas judges, with one judge serving on the court from each county. Muskingum Watershed Conservancy District had a five member board of directors in 2003 appointed by the court. All other officers and employees are hired in accordance with the provisions of Section 6101 of the Ohio Revised Code. The district is a separate governmental entity within the eighteen county area served by the district.

2003 Board of Directors:

David E. Brightbill - Member	Term Expires July 18, 2007
Steve Kokovich - Member	Term Expires June 3, 2008
Thomas A. Depler - Member	Term Expires July 18, 2004
Harry Horstman – Vice President	Term Expires June 3, 2005
Joanne Limbach - President	Term Expires June 8, 2006

2003 Officers:

John M. Hoopingarner – Executive Director/Secretary
Richard A. Bible – Manager of Operations/Chief Engineer
James B. Cugliari – Treasurer

Services provided by the district are defined in detail in the Ohio Conservancy District Act and Section 6104.04 of the Ohio Revised Code and include among other duties the following:

- (A) Flood prevention.
- (B) Regulating stream channels by changing, widening, and deepening the same.
- (C) Providing a water supply for domestic, industrial, and public use.
- (D) Providing for the collection and disposal of sewage and other liquid waste.
- (E) Regulating the flow of streams and conserving the waters thereof.

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

The district manages fourteen reservoirs and receives income from the following and other sources:

- (A) Park camping.
- (B) Rental of sites for cottages.
- (C) Sale of crops
- (D) Sale of timber and pulpwood
- (E) Atwood resort facilities
- (F) Boat marina rentals and docking

Sub-districts:

Chippewa sub-district, Black Fork Sub-district, Buffalo sub-district and Duck Creek Sub-district are component units of Muskingum Watershed Conservancy District. Each sub-district was formed in accordance with Chapter 6101-71 of the Ohio Revised Code; organization of sub-districts. They were put into action as a result of petitions of the owners of real property subject to flooding within their areas. To date the only active sub-district is the Chippewa sub-district. Currently the conservancy district is going through a readjustment of the assessment of Chippewa sub-district so that additional maintenance funds can be obtained to maintain the project. Black Fork sub-district, Buffalo Creed Sub-district and Duck Creek sub-districts are inactive.

B. Basis of Accounting:

The district keeps its books on a modified cash basis of accounting.

Receipts/Receivables:

Under this modified cash method of accounting the following operating receipts (as reported on the enterprise fund statements of receipts, disbursements and changes in fund balances) are accrued (billed):

- Water sales (to City of Cambridge)
- Land, building and cottage rentals
- State of Ohio & Division of Water Craft/Wildlife expense reimbursements for safety patrol rangers, use of lakes for fishing, etc.
- Private dock income
- Club income
- Billings for water and sewage for cottages
- Division of wildlife conservation lease
- Reimbursement of utility and maintenance fees for Atwood Lodge

Other items of operating receipts are recorded as received.

Disbursements/Payables:

Under this modified cash method of accounting the following items of expenses are accrued (set up as payables):

- Employee health insurance premiums
- Industrial insurance

Insurance is recorded as paid and prepaid insurance is not recorded.

Accumulated unpaid vacation and sick pay is not accrued (see Note G)

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

Disbursements/Payables (continued):

Payroll is not accrued and checks for withheld federal, state, and city income tax withheld are prepared with individual payrolls so no accrual is necessary for these at year end.

Other disbursements are not accrued.

Enterprise Funds:

The funds of the district are enterprise funds. The enterprise fund is accounted for in a manner similar to private business enterprises where the intent of management is that the costs and expenses of providing goods and services to the general public on a continuing basis be covered primarily through user charges.

C. Cash and Investments:

Investments are reported as assets. Accordingly, purchases of investments are not reported as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively. The district had no investments during 2003.

D. Fund Accounting:

Main District:

The district maintains its accounting records in accordance with the principles of "Fund" accounting.

The district had four funds during the 2003 year:

- (1) Improvement fund
- (2) Maintenance fund
- (3) Recreation Improvement fund
- (4) Bond fund.

The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds.

Fund Accounting:

There are four sub-districts: Chippewa sub-district, Duck Creek sub-district, Black Fork sub-district, and Buffalo Creek sub-district. Chippewa sub-district has Improvement, Maintenance, Bond and Preliminary Funds. Duck Creek sub-district, Black Fork sub-district and Buffalo Creek sub-district have only Preliminary Funds.

E. Budgetary Process:

Budget:

The District's annual budget of revenues, expenses, and capital expenditures is prepared under the modified cash basis of accounting. The budget is adopted by resolution of the Board of Directors. The District utilizes such budget and related budgetary accounting to ensure that: (1) service objectives are attained, (2) expenditures are properly controlled; and (3) adequate resources will be available to finance current operations and meet capital outlay requirements.

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

Because the District's revenues and expense may fluctuate, a flexible-rather than fixed-dollar budget is utilized to permit budgetary revision. Actual results of operations are compared to the final, revised budget of the District for the year.

Appropriations:

The annual appropriation measure is passed on the last meeting of the year in December, for the period January 1 to December 31 of the following year. The appropriation measure may be amended or supplemented by the board. The total amount appropriated from any fund for any year shall not exceed the sum of the unencumbered balance in the fund at the beginning of the year and the amounts to be received during such year from bonds authorized, and taxes and special assessments imposed prior to their appropriation, together with all other moneys estimated to be received by the fund during the year. At the close of each calendar year, all unencumbered balance of appropriations shall revert to the funds from which they were made and shall be subject to reappropriation.

Encumbrances:

The district is required to use the encumbrance method of accounting by virtue of Ohio Law. Under this system purchase order, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of the calendar year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

F. Property Assets/Depreciation:

When property assets are purchased – an expense amount is debited and cash is credited for one hundred percent of the purchase price of the item. An asset account is then debited and Reserve for Depreciation is credited for one hundred percent of the purchase price of the item.

G. Accumulated Unpaid Vacation, Sick Leave, Compensatory and Personal Items:

Accumulated unpaid vacation, sick leave, compensatory and personal time are not accrued under the modified cash basis of accounting described in Note 1.B. All leave will either be absorbed by time off from work or, within certain limitations, be paid to the employees.

MUSKINGUM WATERSHED CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

2. Pooled Cash and Cash Equivalents:

A. Classification:

The district maintains a cash and investment pool used by all funds. The pooled cash and investments are presented on the financial statements as “pooled cash and cash equivalents”.

B. Legal Requirements:

GASB 3 requires that the pooled cash and investments of the District/sub-districts be presented in accordance with the following credit risk categories:

Category 1:

Bank balances insured or collateralized with securities held by the District/sub-district or its agent in the District/sub-district’s name.

Investments insured or registered, or securities held by the District/sub-district or its agent in the District/sub-district’s name.

Category 2:

Bank balances collateralized with securities held by the pledging financial institution’s trust department or agent in the District/sub-district’s name.

Investments uninsured and unregistered, with securities held by the counterparty’s trust department or agent in the District/sub-district’s name.

Category 3:

Bank balances uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by the pledging financial institution, or by its trust department or agent but not in the District/sub-district’s name.

Investments uninsured and unregistered, with securities held by the counterpart, or by its trust department or agent but not in the District/sub-district’s name.

C. GASB 3 Classification of Pooled Cash and Cash Equivalents by Risk Category:

Main District:

12/31/03 Pooled Cash and Cash Equivalents:

Category 1:

1. Petty cash and change funds	\$ 2,900.00
Category I Total	<u>2,900.00</u>

Category 2:

1. Cash in Bank (general checking, credit card accounts)	\$(101,046.22)
2. Bank Certificates of Deposit and Construction Accounts	818,725.89
3. Bond coupons with State Treasurer	<u>100.00</u>
Category 2 Total	<u>717,779.67</u>

Main District – 12/31/03 Total Pooled Cash and Cash Equivalents	\$ <u>720,679.67</u>
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**MUSKINGUM WATERSHED CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

Sub-districts:

12/31/03 Pooled Cash and Cash Equivalents:

Chippewa Sub-district:

Category 2:

1. Cash in Bank – general checking and Certificates of Deposit	<u>\$250,065.14</u>
Category 2 Total	<u>\$250,065.14</u>

Chippewa sub-district –12/31/03 Total Cash and Cash Equivalents	<u>\$250,065.14</u>
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Duck Creek sub-district:

Category 2:

1. Cash in Bank – general checking and Certificates of Deposit	<u>\$ 8,079.57</u>
Category 2 Total	<u>\$ 8,079.57</u>

Duck Creek sub-district – 12/31/03 Total Cash and Cash Equivalents	<u>\$ 8,079.57</u>
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Sub-districts – 12/31/03 Total Pooled Cash and Cash Equivalents	<u>\$258,144.71</u>
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3. Risk Management

3A. Comprehensive Liability Insurance:

The district maintains comprehensive insurance coverage with private carriers for the following:

- A. All risks (Building and contents 80% coinsurance)
- B. Business auto
- C. Law enforcement
- D. Directors/Officers
- E. Boiler and machinery
- F. Aviation liability
- G. Umbrella liability
- H. Public employee disability
- I. Employee bonds

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years and there has been no significant reduction in insurance coverage in the years 2004 and 2003.

3B. Self-insurance:

Muskingum Watershed Conservancy District has a health insurance self-insurance plan administered by third party administrator Aultcare.

The monthly premium in 2003 for a single employee is \$291.73 and for the family of an employee is \$458.01.

The overall stop loss for the plan is \$409,372 at 12/31/03.

The limit per occurrence was \$40,000 in 2003 with no exceptions on individual employees for either year. When Muskingum Watershed Conservancy District pays claims or reimburses employees for medical bills in excess of the limits they are reimbursed by Excess Re-insurance Underwriters Agency, Inc.

MUSKINGUM WATERSHED CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

4. Retirement System:

1. Pension Benefit Obligation

All employees of the District participate in the Public Employees Retirement System of Ohio (the "PERS of Ohio"), a cost-sharing multiple employer defined benefit pension plan. PERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. Interested parties may obtain a copy by making "written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% for employees other than law enforcement and public safety. The law enforcement classification consists of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.0%. Public safety division members contribute at 9%. The 2003 employer contribution rate for local government employer units the rate was 13.55% of covered payroll. The 2003 employer contribution rate for both the law enforcement and public safety divisions was 19.50% of covered payroll. The District's contributions to the PERS of Ohio for the year ending 2001, 2002 and 2003 was \$483,078, \$482,463, and \$525,082 respectively.

2. Other Postemployment Benefits

Ohio Public Employees Retirement System (OPERS) provides postemployment health care benefits to age 65 service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2003 employer contribution rate for state employers was 13.55 % of covered payroll of which 4% was the portion used to fund health care for the year. For both the public safety and law enforcement divisions the 2003 employer rate was 19.50% and 7.75% was used to fund health care.

MUSKINGUM WATERSHED CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

The health inflation and significant actuarial assumptions and calculations relating to postemployment ; health care benefits were based on the OPERS latest actuarial review performed as of December 31, 2003. OPEBs are advance-funded on an actuarially determined basis. There were 369,885 active contributing participants in the OPERS as of December 31, 2003. An entry age normal actuarial cost method of valuation was used in determining the present value of benefit liabilities and normal cost. The difference between assumed and actual experience (actuarial gains and losses) became part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2003 was 8%. An annual increase of 4% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4% *base increase*, were assumed to range from .5% to 6.3%. Health care costs were assumed to increase at the project wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years health care costs were assumed to increase at 4% annually.

\$10.5 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2003. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

5. Ohio Public Employees' Deferred Compensation Program:

Employees of the Muskingum Watershed Conservancy District may elect to participate in the Ohio Public Employees Deferred Compensation Program. Under this program, employees elect to have a portion of their pay deferred until a future time, usually after retirement. The deferred pay and interest earned on it is not subject to income taxation until actually received by the employee. This program was established pursuant to Ohio Revised Code Sections 145.71 – 145.76.

Under the terms of the deferred compensation plan agreement these funds are held in trust for the exclusive benefit of the participants and their beneficiaries. These amounts are not included in the District's financial statements.

MUSKINGUM WATERSHED CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

6. Legal Proceedings:

The district is involved in litigation in the normal course of business. Although the eventual outcome of these matters cannot be predicted, it is the opinion of management that the ultimate liability is not expected to have a material effect on the district's financial position.

7. Bonds Payable:

Muskingum Watershed Conservancy District has three bonds payable outstanding at December 31, 2003, as follows:

7A. This is a \$1,300,000.00, 4.75%, fifteen year Revenue Bond dated February 24, 1998, and maturing February 24, 2013. This bond was purchased by Key Bank of Cleveland, Ohio. Funds were borrowed for the renovation, construction and improvement to the Muskingum Watershed Conservancy District administration building in New Philadelphia, Ohio. Principal and interest is due the 24th day of each month starting March 24, 1998.

Bond principal is due as follows:

2004	\$ 80,308.37
2005	84,207.17
2006	88,295.27
2007	92,581.79
2008	97,076.46
2009	101,789.30
Thereafter	<u>356,094.59</u>
Total	<u>\$900,352.95</u>

7B. This is a \$1,300,000.00, 5.31%, fifteen year Revenue Bond dated December 17, 1999 and maturing December 13, 2014. This bond was purchased by Key Bank of Cleveland, Ohio. Funds were borrowed for the purpose of paying all or a portion of the costs of renovating, construction, acquiring and installing improvements to cabins and other facilities at Tappan and Atwood Parks and all necessary appurtenances thereto. Principal and interest is due the 13th day of each month starting January 13, 2000.

Bond principal is due as follows:

2004	\$ 72,028.22
2005	75,947.37
2006	80,079.81
2007	84,437.06
2008	89,031.41
2009	93,875.77
Thereafter	<u>551,787.69</u>
Total	<u>\$1,047,187.33</u>

MUSKINGUM WATERSHED CONSERVANCY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

7C. This is a \$550,692.22, 5.56% Cooperative Agreement with Ohio Water Development Authority for construction of a 75,000 and a 10,000 gallon water tank and 3,807 linear feet of 6" water line and 3,676 linear feet of 4" water line at Tappan Lake Park. The agreement date is April 15, 1999 with a contract term of twenty-five years with the first semi-annual payment due January 1, 2000 and the final payment due July 1, 2024. Principal and interest is due January 1 and July 1 with the first payment due January 1, 2000.

Bond principal is due as follows:

2004	\$ 13,517.63
2005	14,279.65
2006	15,084.64
2007	15,935.00
2008	16,833.31
2009	17,782.25
Thereafter	<u>404,824.21</u>
Total	<u>\$498,256.69</u>

7D. This is a \$795,000 agreement with Consumers Ohio Water Company for improved and upgraded water system at Charles Mill Sites Lake cottages. The agreement is dated December, 2002 with a contract term of twenty five years with monthly payments due March 1, 2003.

Bond principal is due as follows:

2005	\$ 11,879.30
2006	13,717.29
2007	14,782.22
2008	15,929.80
2009	17,166.47
2010	18,499.14
Thereafter	<u>682,165.81</u>
Total	<u>\$774,140.03</u>

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT
ENTERPRISE FUND STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCES
MODIFIED CASH BASIS OF ACCOUNTING
AS OF DECEMBER 31, 2003**

IMPROVEMENT FUND

ASSETS

Current Assets

Pooled cash and cash equivalents	\$ 117,295.34
Account receivable	<u>613.27</u>
Total current assets	<u>117,908.61</u>

Property Assets

Land – permanent investment	2,171,278.93
Easements and right of way	48,871.27
Office building	81,018.50
Reservoir building	1,037.58
Engineering equipment	2,825.96
Office furniture and equipment	11,465.65
Books, maps, drawings	<u>9,155.07</u>
Total property assets	2,325,652.96
Less: accumulated depreciation	<u>(23,446.68)</u>
Net property assets	<u>2,302,206.28</u>

Total assets	<u>\$2,420,114.89</u>
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LIABILITIES AND FUND BALANCE:

Fund Balance	<u>\$2,420,114.89</u>
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Total Liabilities and Fund Balance	<u>\$2,420,114.89</u>
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**MUSKINGUM WATERSHED CONSERVANCY DISTRICT
ENTERPRISE FUND STATEMENT OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND BALANCE
MODIFIED CASH BASIS OF ACCOUNTING
FOR THE YEAR ENDED DECEMBER 31, 2003**

IMPROVEMENT FUND

Operating Receipts:	
Sale of assets	\$ 1,250.00
Total operating receipts	<u>1,250.00</u>
 Operating Disbursements:	
Easements/Rights of way	<u>637.29</u>
Total operating disbursements	<u>637.29</u>
Excess of operating receipts over operating disbursements	612.71
 Non-Operating Receipts (Disbursements)	
Inter-fund transfers IN	-
Inter-fund transfers OUT	(25,000.00)
Interest on investments	-
Fund Balance – January 1, 2003	<u>2,444,502.18</u>
Fund Balance – December 31, 2003	<u>\$2,420,114.89</u>

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT
ENTERPRISE FUND STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCES
MODIFIED CASH BASIS OF ACCOUNTING
AS OF DECEMBER 31, 2003**

MAINTENANCE FUND

ASSETS:

Current Assets

Pooled cash and cash equivalents	\$ 262,545.27
Accounts receivable	529,772.13
Accounts receivable – land sale	31,477.25
Accounts receivable – other	42,985.49
Accounts receivable – land lease	13,733.25
Accounts receivable – suspended	4,582.14
Accounts receivable – nsf checks	950.53
Accounts receivable – roads	2,714.25
Accounts receivable – water and sewer	(2.94)
Accounts receivable – recreation	<u>18,378.47</u>
Total current assets	<u>907,135.84</u>

Property Assets

Office building renovation	1,602,977.34
Atwood lodge refurbishing	418,377.76
Vacation cabin renovation	1,331,785.15
Machinery and equipment	3,826,407.28
Lodge equipment	584,451.40
Office furniture and equipment	505,021.40
Autos and trucks	<u>1,137,043.29</u>
Total property assets	9,406,063.62
Less: accumulated depreciation	<u>6,064,380.89</u>
Net property assets	<u>3,341,682.73</u>

Total Assets

\$4,248,818.57

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT
ENTERPRISE FUND STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCES
MODIFIED CASH BASIS OF ACCOUNTING
AS OF DECEMBER 31, 2003**

MAINTENANCE FUND

LIABILITIES AND FUND BALANCES

Current Liabilities

Current portion of bonds payable	\$ 165,854.22
Performance bond payable	3,200.00
Accrued medicare	6,749.33
Escrow land rentals	175.00
Accrued health insurance	344,960.98
Accrued industrial insurance	229,089.92
Accounts payable	231,616.42
Accrued disability income	91.49
Accrued insurance	6,052.40
Accrued retirement insurance	<u>31,523.62</u>
Total current liabilities	<u>1,019,313.38</u>

Long-Term Liabilities

Bonds payable – portion due after one year	2,279,942.75
Deferred revenue	<u>9,816.46</u>
Total long-term liabilities	<u>2,289,759.21</u>

Total Liabilities 3,309,072.59

Fund Balance 939,745.98

Total Liabilities and Fund Balance \$4,248,818.57

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT
ENTERPRISE FUND STATEMENT OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND BALANCE
MODIFIED CASH BASIS OF ACCOUNTING
FOR THE YEAR ENDED DECEMBER 31, 2003**

MAINTENANCE FUND

Operating Receipts:

Timber sales	\$ 409,344.04
Pine/pulpwood sales	127,587.53
Land and building rentals	27,154.50
Mineral rights and royalties	236,812.04
Share crop lease	226,732.27
State of Ohio – operating funds	150,000.00
Watershed management	92,013.71
Road maintenance	17,426.11
Cottage sites	1,273,797.49
Private docks	386,877.00
Clubs	53,776.19
Water and sewage maintenance	16,608.81
Lake patrol operations	34,355.00
Grants	88,593.32
Marina operations	812,200.32
Fishing rights	62,646.74
Marina camping	82,283.69
Sale of assets	7,376.50
Water resources/flood control	18,000.00
Cottage construction permits	7,200.00
Capital credit refunds	15,352.29
Chippewa sub-district reimbursement	70,447.74
Miscellaneous income	7,673.56
Rental boats	19,020.58
Refreshment stand	8,936.01
Vacation cabins	352,427.43
Activity centers	71,911.57
Park camping	3,158,830.57
Firewood	22,017.10
Trailer storage	169,299.44
Trailer pump out	22,584.00
Admissions – park facilities	115,359.50
Public information	972.00
Special events	<u>24,347.70</u>
Total operating receipts	<u>\$8,189,964.75</u>

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT
ENTERPRISE FUND STATEMENT OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND BALANCE
MODIFIED CASH BASIS OF ACCOUNTING
FOR THE YEAR ENDED DECEMBER 31, 2003**

MAINTENANCE FUND

Operating Disbursements:

Water resources/flood control expense	\$ 10,038.96
Improvements to district properties	44,322.04
Office remodeling and equipment	59,305.71
Lake access improvements	4,797.62
Land and building rentals	27,402.20
Share crop expenses	133,336.19
Atwood Lodge – net loss	1,018,218.14
Mineral operation expenses	20,633.68
Watershed management	188,771.84
Auto and truck	130,015.98
Office building	96,290.85
Administrative and finance	1,150,570.35
Engineering	250,983.13
Forestry maintenance expense	309,061.32
Purchase of recreation equipment/vehicles	138,660.07
Debt retirement	166,933.02
Park camping expense	1,952,301.38
General park facilities expense	1,007,613.49
Cottage site expenses	415,462.16
Marina operation expenses	292,837.71
Water and sewer system expense	113,522.38
Lake patrol operation expenses	215,637.61
Public information expense	205,053.82
Other recreation maintenance expense	<u>391,061.83</u>
Total operating disbursements	<u>8,342,831.48</u>

Excess of operating disbursements over operating receipts	(152,866.73)
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Non-Operating Receipts (Disbursements)

Inter-fund transfers IN	125,000.00
Inter fund transfers OUT	-
Interest on investments	11,038.84

Fund Balance – January 1, 2003	<u>956,573.87</u>
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Fund Balance – December 31, 2003	<u>\$ 939,745.98</u>
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**MUSKINGUM WATERSHED CONSERVANCY DISTRICT
ENTERPRISE FUND STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCE
MODIFIED CASH BASIS OF ACCOUNTING
AS OF DECEMBER 31, 2003**

RECREATION IMPROVEMENT FUND

ASSETS:

Current Assets

Pooled cash and cash equivalent	\$ 340,739.06
Accounts receivable	<u>415,242.76</u>
Total current assets	<u>755,981.82</u>

Property Assets

Buildings and improvements	16,907,158.55
Less: accumulated depreciation	<u>(16,907,158.55)</u>
Net property assets	<u>-</u>

Total Assets

\$ 755,981.82

LIABILITIES AND FUND BALANCE:

Current Liabilities

Current portion of COWC loan	<u>\$ 11,879.30</u>
Total current liabilities	<u>11,879.30</u>

Long-Term Liabilities

COWC loan – portion due after one year	<u>762,260.73</u>
Total long-term liabilities	<u>762,260.73</u>

Fund Balance

(18,158.21)

Total Liabilities and Fund Balance

\$ 755,981.82

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT
ENTERPRISE FUND STATEMENT OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND BALANCE
MODIFIED CASH BASIS OF ACCOUNTING
FOR THE YEAR ENDED DECEMBER 31, 2003**

RECREATION IMPROVEMENT FUND

Operating Receipts:	
Public launching facilities	\$ 18,833.86
Lake dredging income	-
Park camping	-
Water and sewer systems	<u>100,168.34</u>
Total operating receipts	<u>119,002.20</u>
Operating Disbursements:	
Marina operations expense	-
Cost of lake dredging	113,682.19
Expense of public launching facilities	3,721.88
Cost of water and sewer systems	102,558.49
Vacation cabin expense	22,968.25
Cost of park camping	<u>82,287.59</u>
Total operating disbursements	<u>325,218.40</u>
Excess of operating disbursements over receipts	(206,216.20)
Non-Operating Receipts (Disbursements)	
Inter-fund transfers IN	-
Inter-fund transfers OUT	(100,000.00)
Interest on investments	2,102.64
Fund Balance – January 1, 2003	<u>285,955.35</u>
Fund Balance – December 31, 2003	<u>\$(18,158.21)</u>

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT
ENTERPRISE FUND STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCES
MODIFIED CASH BASIS OF ACCOUNTING
AS OF DECEMBER 31, 2003**

BOND FUND

ASSETS:

Current Assets

Cash	<u>\$100.00</u>
Total current assets	<u>100.00</u>

Total Assets	<u><u>\$100.00</u></u>
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LIABILITIES AND FUND BALANCE:

Current Liabilities

Accrued interest payable	\$100.00
Total current liabilities	<u>100.00</u>

Total Liabilities	100.00
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Fund Balance	<u>-</u>
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Total Liabilities and Fund Balance	<u><u>\$100.00</u></u>
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**MUSKINGUM WATERSHED CONSERVANCY DISTRICT
ENTERPRISE FUND STATEMENT OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND BALANCE
MODIFIED CASH BASIS OF ACCOUNTING
FOR THE YEAR ENDED DECEMBER 31, 2003**

BOND FUND

Operating Receipts:	\$ -
Operating Disbursements:	<u>-</u>
Excess of operating receipts over operating disbursements	-
Fund Balance – January 1, 2003	<u>-</u>
Fund Balance – December 31, 2003	<u><u>\$ -</u></u>



REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Muskingum Watershed Conservancy District
1319 Third Street, NW
New Philadelphia, Ohio 44663

We have audited the financial statements of Muskingum Watershed Conservancy District as of and for the years ended December 31, 2003, and have issued our report thereon dated March 29, 2005. 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.

Compliance

As part of obtaining reasonable assurance about whether Muskingum Watershed Conservancy District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Muskingum Watershed Conservancy District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS REPORTED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(CONTINUED)**

This report is intended solely for the information and use of the audit committee, management, the Board of Directors, and other officials authorized to receive its report under 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

S. R. Smodgrass, A.C.

Steubenville, Ohio
March 29, 2005



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140
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800-282-0370
Facsimile 614-466-4490

MUSKINGUM WATERSHED CONSERVANCY DISTRICT

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 22, 2005**