

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDING
DECEMBER 31, 2000 AND 1999**

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

We have reviewed the independent auditor's report of the Muskingum Watershed Conservancy District, Tuscarawas County, prepared by Mike Lynch CPA, for the audit period January 1, 1999 through December 31, 2000. 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.

JIM PETRO
Auditor of State

October 31, 2001

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CONSERVANCY DISTRICT**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Muskingum Watershed Conservancy District, (the District) as of and for the years ended December 31, 2000 and 1999 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 generally accepted accounting principles.

The District's financial statements referred to above do not reflect adjustments to the liability sections of the 1999 and 2000 Enterprise Fund Statements of Assets, Liabilities and Fund Balances to correct an \$ 89,748.99 discrepancy in employers P.E.R.S. liability (see internal control note 1.), a \$ 118,769.03 total of three liability accounts with debit balances at December 31, 1999 and a \$ 22,408.22 total of four liability accounts with debit balances at December 31, 1999. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary to correct the above discrepancies, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2000 and 1999, and the related cash receipts and disbursements, and budgeted receipts and appropriations for the years then ended, on the basis of accounting described in Note 1.B.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The separate fund and sub-district financial statements located on pages 24 through 67 are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Muskingum Watershed Conservancy District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, except for the failure of the District to post adjusting journal entries to correct the \$ 89,748.99 discrepancy in the Employers P.E.R.S. liability account and other debit balances in liability accounts described on page 23 of the notes to the financial statements, such information is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2001 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. 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.

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 this 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.

Mike Lynch CPA

Zanesville, Ohio
July 16, 2001

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**COMBINED ENTERPRISE FUND STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCES
MODIFIED CASH BASIS OF ACCOUNTING**

AS OF DECEMBER 31, 2000

MAIN DISTRICT AND SUB-DISTRICTS COMBINED

ASSETS:

	Main District	Sub-Districts	Total Memorandum Only
Current Assets			
Pooled cash and cash equivalents	\$ 419,731.96	\$	\$ 419,731.96
Cash in bank		176,424.75	176,424.75
Accounts receivable	<u>363,551.34</u>		<u>363,551.34</u>
Total current assets	<u>783,283.30</u>	<u>176,424.75</u>	<u>959,708.05</u>
Property Assets			
Land	2,170,878.93		2,170,878.93
Capitalized development costs and land purchases		2,139,578.14	2,139,578.14
Easements and right of way	48,871.27		48,871.27
Buildings and improvements	20,342,381.68		20,342,381.68
Machinery and equipment	3,889,064.81		3,889,064.81
Office furniture and fixtures	514,045.03		514,045.03
Autos and trucks	<u>1,045,447.96</u>		<u>1,045,447.96</u>
Total property assets	28,010,689.68	2,139,578.14	30,150,267.82
Less: accumulated depreciation	<u>(22,367,173.87)</u>		<u>(22,367,173.87)</u>
Net property assets	<u>5,643,515.81</u>	<u>2,139,578.14</u>	<u>7,783,093.95</u>
Total Assets	<u>\$6,426,799.11</u>	<u>\$2,316,002.89</u>	<u>\$ 8,742,802.00</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, 2000

MAIN DISTRICT AND SUB-DISTRICTS COMBINED

LIABILITIES AND FUND BALANCE:	Main		Total
	<u>District</u>	<u>Sub-Districts</u>	<u>Memorandum</u>
			<u>Only</u>
Current Liabilities			
Accounts payable	\$ 238,034.27		\$ 238,034.27
Vouchers payable	(1,107.75)		(1,107.75)
Bonds payable –			
portion due within one year	60,000.00		60,000.00
Accrued interest payable	100.00		100.00
Performance bond payable	5,500.00		5,500.00
Escrow land rentals	175.00		175.00
Accrued health insurance	(47,867.56)		(47,867.56)
Accrued medicare	1,516.30		1,516.30
Accrued taxes	5,263.92		5,263.92
Accrued life insurance	759.50		759.50
Accrued industrial insurance	235,013.17		235,013.17
Accrued disability income	6,565.27		6,565.27
Accrued retirement insurance	<u>(69,793.72)</u>		<u>(69,793.72)</u>
Total current liabilities	<u>434,158.40</u>		<u>434,158.40</u>
Long – Term Liabilities			
Accounts payable		\$ 52,512.22	52,512.22
Loan payable-local committee		15,000.00	15,000.00
Loan payable-			
Ohio water commission		6,000.00	6,000.00
Escrow funds payable	1,489,775.67		1,489,775.67
Bonds payable –			
portion due after one year	2,840,635.71		2,840,635.71
Deferred income – gift	551.80		551.80
Total long – term liabilities	<u>4,330,963.18</u>	<u>73,512.22</u>	<u>4,404,475.40</u>
Total Liabilities	<u>4,765,121.58</u>	<u>73,512.22</u>	<u>4,838,633.80</u>
Fund Balance	<u>1,661,677.53</u>	<u>2,242,490.67</u>	<u>3,904,168.20</u>
Total Liabilities and Fund Balance	<u>\$ 6,426,799.11</u>	<u>\$ 2,316,002.89</u>	<u>\$ 8,742,802.00</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, 2000

MAIN DISTRICT AND SUB-DISTRICTS COMBINED

	Main District	Sub-Districts	Total Memorandum Only
Operating Receipts:			
Timber sales	\$ 130,445.36		\$ 130,445.36
Pine/pulpwood sales	148,011.77		148,011.77
Land and building rentals	30,671.00		30,671.00
Collection of Assessments		15,866.99	15,866.99
Mineral rights and royalties	159,729.13		159,729.13
Share crop leases	229,001.25		229,001.25
State of Ohio – operating funds	150,000.00		150,000.00
Atwood lodge – net income	117,739.30		117,739.30
Road maintenance	28,563.80		28,563.80
Cottage sites	1,073,133.85		1,073,133.85
Private docks	332,360.00		332,360.00
Clubs	57,176.97		57,176.97
Water and sewage maintenance	54,480.64		54,480.64
Lake patrol operations	33,202.00		33,202.00
Grants	45,667.22		45,667.22
Marina operations	767,768.38		767,768.38
Fishing rights	126,531.74		126,531.74
Marina camping	82,022.81		82,022.81
Sale of assets	18,674.47		18,674.47
Water resources/flood control	18,000.00		18,000.00
Cottage construction permits	7,185.00		7,185.00
Capital credit refunds	7,370.59		7,370.59
Chippewa subdistrict reimbursement	2,085.08		2,085.08
Miscellaneous income	23,046.52		23,046.52
Easements / rights of way	100.00		100.00
Public launching facilities	49,493.16		49,493.16
Lake dredging income	136,143.06		136,143.06
Rental boats	12,950.70		12,950.70
Refreshment stand	5,627.71		5,627.71
Vacation cabins	290,392.13		290,392.13
Activity centers	45,919.38		45,919.38
Park camping	2,922,470.68		2,922,470.68
Firewood	22,808.45		22,808.45
Trailer storage	129,203.00		129,203.00
Trailer pump out	25,154.00		25,154.00
Admissions – park facilities	105,020.91		105,020.91
Public information	880.00		880.00
Special events	33,439.04		33,439.04
Total operating receipts	<u>\$ 7,422,469.10</u>	<u>\$ 15,866.99</u>	<u>\$ 7,438,336.09</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, 2000

MAIN DISTRICT AND SUB-DISTRICT

	Main District	Sub-Districts	Total Memorandum Only
Operating Disbursements:			
Easement / right of way expense	\$ 1,386.85		\$ 1,386.85
Property asset purchases	703.21		703.21
Water resources / flood control expense	10,500.82		10,500.82
Improvements to district properties	115,166.57		115,166.57
Office remodeling and equipment	76,862.25		76,862.25
Lake access improvements	2,356.51		2,356.51
Land and building rentals	26,307.10		26,307.10
Share crop expenses	113,105.76		113,105.76
Mineral operation expenses	15,888.15		15,888.15
Watershed management	166,986.24		166,986.24
Forestry maintenance expense	145,112.31		145,112.31
Purchase of recreation equipment/vehicles	283,277.13		283,277.13
Debt retirement	173,766.74		173,766.74
Park camping expense	2,521,614.41		2,521,614.41
General park facilities expense	1,375,695.38		1,375,695.38
Cottage site expenses	466,948.65		466,948.65
Marina operation expenses	401,513.12		401,513.12
Water and sewer system expenses	343,957.14		343,957.14
Lake patrol operation expenses	299,325.27		299,325.27
Public information expense	257,242.61		257,242.61
Other recreation maintenance expense	961,836.80		961,836.80
Cost of lake dredging	212,534.24		212,534.24
Expense of public launching facilities	79,269.44		79,269.44
Inter-fund transfers out	236,827.90		236,827.90
Vacation cabin expense	8,511.60		8,511.60
Total operating disbursements	<u>\$ 8,296,696.20</u>	<u>\$.00</u>	<u>\$ 8,296,696.20</u>
Excess of operating disbursements over operating receipts	(874,227.10)	15,866.99	(858,360.11)
Other Revenues:			
Interest on investments	<u>72,826.64</u>	<u>9,712.92</u>	<u>82,539.56</u>
Net Income (Loss)	(801,400.46)	25,579.91	(775,820.55)
Fund Balance – January 1, 2000	<u>\$ 2,463,077.99</u>	<u>\$2,216,910.76</u>	<u>\$ 4,679,988.75</u>
Fund Balance – December 31, 2000	<u>\$ 1,661,677.53</u>	<u>\$2,242,490.67</u>	<u>\$ 3,904,168.20</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, 1999

MAIN DISTRICT AND SUB-DISTRICTS COMBINED

ASSETS:	Main		Total
Current Assets	<u>District</u>	<u>Sub-Districts</u>	<u>Memorandum</u>
			<u>Only</u>
Pooled cash and cash equivalents	\$ 2,600,011.99	\$	\$ 2,600,011.99
Cash in bank		191,736.66	191,736.66
Accounts receivable	<u>317,319.14</u>		<u>317,319.14</u>
Total current assets	<u>2,917,331.13</u>	<u>\$</u>	<u>3,109,067.79</u>
 Property Assets			
Land	2,170,978.93		2,170,978.93
Capitalized development costs and land purchases		2,082,259.00	2,082,259.00
Easements and rights of way	48,871.27		48,871.27
Buildings and improvements	19,010,569.73		19,010,569.73
Machinery and equipment	3,676,035.12		3,676,035.12
Office furniture and fixtures	511,545.03		511,545.03
Autos and trucks	<u>1,018,794.96</u>		<u>1,018,794.96</u>
Total property assets	<u>26,436,795.04</u>	<u>\$</u>	<u>28,519,054.04</u>
Less: accumulated Depreciation	<u>(22,124,991.18)</u>		<u>(22,124,991.18)</u>
Net property assets	<u>4,311,803.86</u>	<u>\$</u>	<u>6,394,062.86</u>
 Total Assets	 <u>\$ 7,229,134.99</u>	 <u>\$</u>	 <u>\$ 9,503,130.65</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, 1999

MAIN DISTRICT AND SUB-DISTRICTS COMBINED

LIABILITIES AND FUND BALANCE:	Main	Sub-Districts	Total Memorandum
	<u>District</u>	<u>Sub-Districts</u>	<u>Only</u>
Current Liabilities			
Accounts payable	\$ 56,936.20		\$ 56,936.20
Vouchers payable	(1,107.75)		(1,107.75)
Bonds payable –			
portion due within one year	75,988.08		75,988.08
Accrued interest payable	100.00		100.00
Escrow funds payable	(124.35)		(124.35)
Performance bond payable	5,200.00		5,200.00
Accrued taxes	(990.44)		(990.44)
Escrow land rentals	175.00		175.00
Accrued health insurance	169,372.63		169,372.63
Accrued medicare	1,516.30		1,516.30
Accrued industrial insurance	161,206.03		161,206.03
Accrued retirement insurance	(20,185.68)		(20,185.68)
Total current liabilities	<u>448,086.02</u>	<u>.00</u>	<u>448,086.02</u>
Long – Term Liabilities			
Accounts payable		42,084.90	42,084.90
Loan payable – local committee		15,000.00	15,000.00
Escrow funds payable	1,489,775.67		1,489,775.67
Bonds payable –			
Portion due after one year	2,821,496.53		2,821,496.53
Deferred income – gift	6,698.78		6,698.78
Total long – term liabilities	<u>4,317,970.98</u>	<u>57,084.90</u>	<u>4,375,055.88</u>
Total Liabilities	<u>4,766,057.00</u>	<u>57,084.90</u>	<u>4,823,141.90</u>
Fund Balance	<u>2,463,077.99</u>	<u>2,216,910.76</u>	<u>4,679,988.75</u>
Total Liabilities and Fund Balance	<u>\$ 7,229,134.99</u>	<u>\$ 2,273,995.66</u>	<u>\$9,503,130.65</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, 1999

MAIN DISTRICT AND SUB-DISTRICTS COMBINED

	Main District	Sub-Districts	Total Memorandum Only
Operating Receipts:			
Timber sales	\$ 175,607.40		\$ 175,607.40
Pine/pulpwood sales	135,158.08		135,158.08
Land and building rentals	22,698.25	\$ 2,100.00	24,798.25
Collection of assessments		15,681.99	15,681.99
Mineral rights and royalties	107,614.25		107,614.25
Share crop leases	233,804.16		233,804.16
State of Ohio – operating funds	150,000.00		150,000.00
Lake dredging	104,342.34		104,342.34
Atwood lodge – net income	160,314.90		160,314.90
Cottage sites	1,006,698.00		1,006,698.00
Private docks	318,651.07		318,651.07
Clubs	54,809.72		54,809.72
Fishing rights	125,901.74		125,901.74
Water and sewage maintenance	79,206.19		79,206.19
Road maintenance	18,923.00		18,923.00
Lake patrol operations	27,600.00		27,600.00
Public Information	100.00		100.00
Marina operations	780,458.79		780,458.79
Plans and maps	2,057.25		2,057.25
Marina camping	84,054.03		84,054.03
Sale of assets	23,486.18		23,486.18
Cottage construction permits	8,850.00		8,850.00
Capital credit refunds	5,435.77		5,435.77
Chippewa sub-district reimbursements	7,446.53		7,446.53
Miscellaneous income	12,937.85		12,937.85
Rental boats	24,507.37		24,507.37
Refreshment stand	8,995.51		8,995.51
Vacation cabins	241,527.91		241,527.91
Activity centers	96,968.49		96,968.49
Park camping	2,739,024.09		2,739,024.09
Firewood	17,369.15		17,369.15
Trailer storage	121,278.40		121,278.40
Trailer pump out	23,522.16		23,522.16
Admissions – park facilities	250,544.42		250,544.42
Public launching facilities	111,735.17		111,735.17
Special events	35,973.12		35,973.12
Total operating receipts	<u>\$ 7,317,601.29</u>	<u>\$ 17,781.99</u>	<u>\$7,335,383.28</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, 1999

MAIN DISTRICT AND SUB-DISTRICTS COMBINED

	Main District	Sub-Districts	Total Memorandum Only
Operating Disbursements:			
Water resources/flood control expense	\$ 43,895.87		\$ 43,895.87
Improvements to district properties	141,955.69		141,955.69
Office remodeling and equipment	172,833.53		172,833.53
Lake access improvements	3,496.27		3,496.27
Land/building rentals	29,899.59		29,899.59
Share crop expenses	136,783.37		136,783.37
Mineral operation expenses	41,472.88		41,472.88
Watershed management	95,708.73		95,708.73
Chippewa reimbursement expense	1,421.59		1,421.59
Forestry maintenance expense	168,386.08		168,386.08
Purchase of recreation equipment /vehicles	365,539.54		365,539.54
Debt retirement – pleasant hill marina	48,916.02		48,916.02
Park camping expense	2,078,179.33		2,078,179.33
General park facilities expense	1,439,834.59		1,439,834.59
Cottage site expenses	442,610.10		442,610.10
Other recreation maintenance expense	2,026,290.70		2,026,290.70
Marina operations expense	41,963.48		41,963.48
Cost of lake dredging	138,513.70		138,513.70
Expense of public launching facilities	44,765.88		44,765.88
Inter-fund transfers out	436,657.29		436,657.29
Cost of water and sewer systems	<u>573,559.05</u>		<u>573,559.05</u>
Total operating disbursements	<u>8,472,683.28</u>	<u>\$.00</u>	<u>8,472,683.28</u>
Excess of operating disbursements over operating receipts	(1,155,081.99)	17,781.99	(1,137,300.00)
Other Revenues:			
Interest on investments	<u>192,303.83</u>	<u>8,020.62</u>	<u>200,324.45</u>
Total other revenues	<u>192,303.83</u>	<u>8,020.62</u>	<u>200,324.45</u>
Net Income (Loss)	(962,778.16)	25,802.61	(936,975.55)
Fund Balance – January 1, 1999	<u>3,425,856.15</u>	<u>2,191,108.15</u>	<u>5,616,964.30</u>
Fund Balance – December 31, 1999	<u>\$ 2,463,077.99</u>	<u>\$ 2,216,910.76</u>	<u>\$ 4,679,988.75</u>

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

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**COMBINED STATEMENT OF RECEIPTS AND DISBURSEMENTS
BUDGET AND ACTUAL
MAIN DISTRICT
FOR THE YEAR ENDED DECEMBER 31, 2000**

<u>Fund Type</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Enterprise – Main District:			
Revenue	\$8,156,377.00	(A) \$ 7,422,469.10	\$ (733,907.90)
Expenditures	(C) <u>9,061,811.49</u>	(B) <u>8,059,868.30</u>	<u>1,001,943.19</u>
Operating disbursements (over) under operating revenue	(905,434.49)	(637,399.20)	268,035.29
Non-operating revenues: Interest on investments	<u>210,000.00</u>	<u>72,826.64</u>	<u>(137,173.36)</u>
Revenue over (under) expenses	<u>\$ (695,434.49)</u>	<u>\$ (564,572.56)</u>	<u>\$ 130,861.93</u>

(A) Detail at page (4) of these financial statements.

(B) Detail at page (5) of these financial statements.

(C) Major changes in budgeted expenses are approved by the board of directors on a monthly basis.

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

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**COMBINED STATEMENT OF RECEIPTS AND DISBURSEMENTS
BUDGET AND ACTUAL
MAIN DISTRICT
FOR THE YEAR ENDED DECEMBER 31, 1999**

<u>Fund Type</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Enterprise – Main District			
Revenue	\$ 12,396,956.00	(A) \$ 7,317,601.29	\$ (5,079,354.71)
Expenditures	(C) <u>12,756,956.00</u>	(B) <u>8,036,025.99</u>	<u>4,720,930.01</u>
Operating disbursements (over) under operating revenues	(360,000.00)	(718,424.70)	(358,424.70)
Non-operating revenues: Interest on investments	<u>210,000.00</u>	<u>192,303.83</u>	<u>17,696.17</u>
Revenue over (under) expenses	<u>\$ (150,000.00)</u>	<u>\$ (526,120.87)</u>	<u>\$ (376,120.87)</u>

(A) Detail at page (8) of these financial statements.

(B) Detail at page (9) of these financial statements.

(C) Major changes in budgeted expenses are approved by the board of directors on a monthly basis.

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

MUSKINGUM WATERSHED CONSERVANCY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 1999 AND 2000

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 6101 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 1999 and 2000 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.

1999 Board of Directors:

Joanne Limbach – Vice-President	Term expires-6/8/01
Frederic J. Grant III – Member	Term expires-6/3/03
David E. Brightbill – President	Term expires-7/18/02
Thomas A. Depler – Member	Term expires-7/18/04
Joseph J. Sommer – Member	Term expires-6/3/00

1999 Officers:

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

2000 Board of Directors:

Joseph J. Sommer – Vice President	Term expires-6/3/05
Thomas A. Depler – Member	Term expires-7/18/04
Frederic J. Grant III – Member	Term expires-6/3/03
David E. Brightbill – Member	Term expires-7/18/02
Joanne Limbach – President	Term expires-6/8/01

2000 Officers:

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

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 – PAGE 2

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 Creek 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 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 from Atwood lodge
 - Accounts receivable – deferred compensation
 - A note receivable from Atwood lodge for their share of remodeling at the lodge
- Other items of operating receipts are recorded as received.

Disbursements/Payables:

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

- Employee health insurance
- Industrial insurance
- Long-term liabilities – deferred compensation-
- Escrow accounts are no longer set up for deposits for future land or cottage rentals

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 – PAGE 3

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.

In 1999 and 2000 the method of recording disbursements was changed in a significant manner with the adoption of a new accounting software system. Previously expenses were allocated into four categories: administrative expense, engineering expense, recreation expense, and land expense. Starting in 1999, disbursements were allocated to sources of income and expenses: wages, for example are allocated to each park and then to each department within the park and to the main office and each department within the main office. Under this new method the major expense in both 1999 and 2000 were: park camping expense, general park facilities expense, cottage site expense, and purchase of recreation equipment and vehicles.

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 recovered primarily through user charges and where management has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, proper management control and accountability.

Modifications to the statements that result in the reflection of fixed assets, accumulated depreciation and depreciation expense on the statements:

Buildings and Building improvements are capitalized and no depreciation is taken on them.

Machinery and Equipment and Motor Vehicles – an expense account is debited and cash is credited for one hundred percent of the purchase price of these assets. An asset account (Motor Vehicles or Machinery and Equipment) is then debited and Reserve for Depreciation is credited for one hundred percent of the purchase price of the asset. Through this method the District expenses one hundred percent of the purchase price of Motor Vehicles and Machinery and Equipment in the year of purchase.

C. Investments:

Investment Policy:

Investment objectives in priority order are:

Safety: Investments of the District shall be undertaken in a manner that ensures the preservation of Capital and protection of principal in the overall portfolio.

Prudent Man rule: Invest with that degree of judgment and care which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment.

Liquidity: The District's investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements.

Return on Investments: The District's investment portfolio shall be structured with the objective of attaining a market rate of return, taking into account the District's investment risk constraints and the cash flow characteristics of the portfolio.

Diversification: Investments of the District shall be diversified to minimize the risk of loss resulting from over concentration of assets in a specific maturity, specific issue of a specific class of securities.

MUSKINGUM WATERSHED CONSERVANCY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS – PAGE 4

C. Investments (continued):

Delegation of Authority: Management responsibility for the investment program is delegated to the District Treasurer.

Authorized Investments: The Treasurer is authorized to invest interim funds of the District as permitted by the Ohio Revised Code.

Types of Investments held:

Sub-district Investments: During 1999 and 2000 the only investments of the sub-districts were in bank checking accounts and certificates of deposit. These investments are protected by FDIC and the collateral of the depository banks.

Main District Investments: During 1999 the only investments of the Main District were investments in bank checking accounts and Certificates of Deposit and a \$ 495,000.00 Federal Home Loan Bank Bond. During 2000 the only investments of the Main District were in bank checking accounts and Certificates of Deposit. The bank investments are protected by FDIC and the collateral of the depository banks. The federal securities are of the type allowed by section 135.08 of the Ohio Revised Code.

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 1999 and 2000 years:

- (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.

The improvement and maintenance funds are accounted for as enterprise funds (see Enterprise Fund note above).

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:

A budget of estimated cash receipts and disbursements is submitted to the board of directors for approval on the last meeting of the year in December, for the period January 1 to December 31 of the following year.

MUSKINGUM WATERSHED CONSERVANCY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS – PAGE 5

E. Budgetary Process (continued):

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 balances 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 orders, 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. The district implemented an encumbrance system January 1, 1995 and it was in effect during the January 1, 1999 – December 31, 2000 period of this audit.

Legal Level of Budgetary Control:

The legal level of budgetary control for both the Main District and the sub-districts is the line item. The Buffalo Creek and Black Fork sub-districts had no 1999 and 2000 budgets.

F. Property, Plant and Equipment/Depreciation:

Buildings and Building Improvements:

Building additions and Building Improvements during the 1999-2000 audit period were capitalized with no depreciation taken.

Renovation, construction and installing improvements to the administration building and renovating, constructing, acquiring and installing improvements to cabins and other facilities at Tappan and Atwood parks resulted in capitalization of \$ 1,640,272.39 to Buildings and Improvements during 1999 and 2000.

The District is in the process of valuing assets and infrastructure necessary for a timely implementation of GASBS No. 34.

Machinery and Equipment and Motor Vehicles:

When Machinery and Equipment or Motor Vehicles are purchased – an expense account is debited and cash is credited for one hundred percent of the purchase price of the item. An asset account (Motor Vehicles or Machinery and Equipment) is then debited and Reserve for Depreciation is credited for one hundred percent of the purchase price of the item.

Renovation, construction and installing improvements to the administration building and renovating, constructing, acquiring and installing improvements to cabins and other facilities at Tappan and Atwood parks resulted in capitalization of \$ 548,727.43 to Machinery and Equipment during 1999 and 2000.

MUSKINGUM WATERSHED CONSERVANCY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS – PAGE 6

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. On December 31, 1999, management calculated that \$322,041.78 of vacation leave, \$812,410.32 of sick leave, \$42,595.89 of compensatory time and \$17,009.86 of personal time had been accumulated by the employees of the district. On December 31, 2000, management calculated that \$329,997.99 of vacation leave, \$866,321.10 of sick leave, \$38,540.59 of compensatory time and \$8,613.71 of personal time had been accumulated by the employees of the district. All leave will either be absorbed by time off from work or, within certain limitations, be paid to the employees. It is not practicable to determine the actuarial value of these benefits at December 31, 1999 and December 31, 2000.

2. Equity in 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 counterparty, 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:

12/31/99 Pooled Cash and Cash Equivalents:

Category 1:

1. Petty cash and change funds	\$ 4,950.00
2. Federal Home Loan Bank Bond	<u>495,000.00</u>
Category 1 Total	<u>\$ 499,950.00</u>

MUSKINGUM WATERSHED CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS – PAGE 7

2. Equity in Pooled Cash and Cash Equivalents (continued)

Category 2:

1. Cash in Bank (general checking, credit card accounts)	\$ 169,306.97
2. Bank Certificates of Deposit	1,930,655.02
3. Bond coupons with State Treasurer	<u>100.00</u>
Category 2 Total	<u>\$ 2,100,061.99</u>

Main District – 12/31/99 Total Pooled Cash and Cash Equivalents \$2,600,011.99

Main District:

12/31/2000 Pooled Cash and Cash Equivalents:

Category 1:

1. Petty Cash and change funds	\$ 4,400.00
Category 1 Total	<u>\$ 4,400.00</u>

Category 2:

1. Cash in Bank (General checking, credit card accounts)	\$ 99,666.99
2. Bank Certificates of Deposit and Construction Accounts	315,564.97
3. Bond coupons with State Treasurer	<u>100.00</u>
Category 2 Total	<u>\$ 415,331.96</u>

Main District – 12/31/00 Total Pooled Cash and Cash Equivalents \$ 419,731.96

Sub-districts:

12/31/99 Pooled Cash and Cash Equivalents:

Chippewa Sub-district:

Category 2:

1. Cash in Bank – general checking and Certificates of Deposit	<u>\$ 183,972.97</u>
Category 2 Total	<u>\$ 183,972.97</u>

Chippewa sub-district – 12/31/99 Total Cash and Cash Equivalents \$ 183,972.97

Duck Creek sub-district:

Category 2:

1. Cash in Bank – general checking and Certificates of Deposit	<u>\$ 7,763.69</u>
Category 2 Total	<u>\$ 7,763.69</u>

Duck Creek sub-district – 12/31/99 Total Cash and Cash Equivalents \$ 7,763.69

Sub-districts – 12/31/99 Total Pooled Cash and Cash Equivalents \$ 191,736.66

12/31/00 Pooled Cash and Cash Equivalents:

Chippewa Sub-district:

Category 2:

1. Cash in Bank – general checking and Certificates of Deposit	<u>\$ 168,532.61</u>
Category 2 Total	<u>\$ 168,532.61</u>

Chippewa sub-district – 12/31/00 Total Cash and Cash Equivalents \$ 168,532.61

MUSKINGUM WATERSHED CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS – PAGE 8

Equity in Pooled Cash and Cash Equivalents (continued):

Duck Creek Sub-district:

Category 2:

1. Cash in Bank – general checking and Certificates of Deposit	<u>\$ 7,892.14</u>
Category 2 Total	<u>\$ 7,892.14</u>

Duck Creek sub-district – 12/31/00 Total Cash and Cash Equivalents \$ 7,892.14

– Sub-districts – 12/31/00 Total Pooled Cash and Cash Equivalents \$ 176,424.75

Muskingum Watershed Conservancy District is in compliance with Section 6101.51 of the Ohio revised Code in that all deposits and investments are in accordance with the requirements of this section and bank depositories are put out for bid every two years.

3. Insurance:

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

3B. Self-insurance:

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

The monthly premium in 1999 and 2000 for a single employee is \$ 219.78 and for the family of an employee is \$ 541.66.

The overall stop loss for the plan is \$ 628,104.00 at 12/31/99 and \$ 548,574.00 at 12/31/2000.

The limit per occurrence was \$ 35,000.00 in 1999 and \$ 25,000.00 in 2000 with two individual exceptions for employees with serious health issues of \$ 50,000.00 and \$ 75,000.00.

When Muskingum Watershed Conservancy District pays claims or reimburses employees for medical bills in excess of the limits they are re-imbursed by Excess Re-insurance Underwriters Agency, Inc.

4. Retirement Commitments:

The employees of the district belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. The contribution rate as of December 31, 1999 and 2000 was 8.5% for employees other than law enforcement. Law enforcement employees contributed 9.0% of covered salary. The local government employer rate was 13.55%. The law enforcement employer rate was 16.7% of covered payroll for 1999 and 2000. During the six month period July 2000 through December 2000 there was a temporary roll-back to 14.7% for the law enforcement employer rate and to 8.13% on the local government employer rate.

MUSKINGUM WATERSHED CONSERVANCY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS – PAGE 9

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.

The fair market value of deferred compensation of district employees was \$1,467,575.50 at December 31, 1999 and \$1,488,180.24 at December 31, 2000.

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.

6. Legal Compliance:

Section 117.11(A) of the Ohio Revised Code requires that the Auditor ascertain “Whether the laws, ordinances, and orders pertaining to the office have been observed and whether the requirements and rules of the Auditor of State have been complied with”.

Section 117.12 of the Ohio Revised Code requires that the Auditor shall note whether “in his opinion, the laws, ordinances, and orders pertaining to the public office have been complied with”.

Both of these sections also require the Auditor to “Inquire into the methods, accuracy, and legality of the accounts, records, files, and reports of the public office”.

Pursuant to these sections tests were performed of internal control and compliance with various provisions of local, state and/or federal laws as required. Citations are included in a separate part of this report titled “Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements performed in Accordance with Government Auditing Standards”.

7. Bonds Payable:

Muskingum Watershed Conservancy District has three bonds payable outstanding at December 31, 2000, 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:

2001	\$ 69,662.00
2002	73,043.94
2003	76,590.08
2004	80,308.37
2005	84,207.17
2006	88,295.27
Thereafter	<u>649,889.15</u>
Total	<u>\$1,121,995.98</u>

MUSKINGUM WATERSHED CONSERVANCY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS – PAGE 10

7. Bonds Payable (continued):

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, constructing, 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:

2001	\$ 61,442.96
2002	64,786.17
2003	68,311.28
2004	72,028.22
2005	75,947.37
2006	80,079.81
Thereafter	<u>821,890.61</u>
Total	<u>\$ 1,244,486.42</u>

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:

2001	\$ 5,654.88
2002	11,785.75
2003	12,450.15
2004	13,152.00
2005	13,893.41
2006	14,676.63
Thereafter	<u>463,020.51</u>
Total	<u>\$ 534,633.34</u>

8. Funds with Stark Community Foundation:

Two funds were established with the Stark Community Foundation in June of 1994. The funds are “The Muskingum Watershed Conservancy District Charitable Fund” and “The Muskingum Watershed Conservancy District – Thomas W. Hudson Charitable Fund”.

Activity in these funds is not included in the financial statements of Muskingum Watershed Conservancy District.

MUSKINGUM WATERSHED CONSERVANCY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS – PAGE 11

8. Funds with Stark Community Foundation (continued):

Activity in the Muskingum Watershed Conservancy District – Thomas W. Hudson Charitable Fund during the period January 1, 1999 through December 31, 2000 is as follows:

January 1, 1999 balance forward	\$ 52,094.14
1999 additions	10,427.46
1999 realized gain (loss) on sales of securities	2,527.31
1999 income	1,705.99
1999 fees paid	<u>(302.86)</u>
December 31, 1999 balance	<u>\$ 66,452.04</u>
December 31, 1999 fair market value	<u>\$ 73,036.07</u>
January 1, 2000 balance forward	\$ 66,452.04
2000 additions	7,353.10
2000 realized gain (loss) on sales of securities	3,667.56
2000 income	2,414.45
2000 fees paid	<u>(372.94)</u>
December 31, 2000 balance	<u>\$ 79,514.21</u>
December 31, 2000 fair market value	<u>\$ 82,205.22</u>

Activity in the Muskingum Watershed Conservancy District Charitable Fund during the period January 1, 1999 through December 31, 2000 is as follows:

January 1, 1999 balance forward	\$ 13,578.68
1999 additions	6,657.02
1999 realized gain (loss) on sales of securities	729.29
1999 income	498.00
1999 fees paid	<u>(88.86)</u>
December 31, 1999 balance	<u>\$ 21,374.13</u>
December 31, 1999 fair market value	<u>\$ 22,585.46</u>
January 1, 2000 balance forward	\$ 21,374.13
2000 additions	11,024.56
2000 realized gain (loss) on sales of securities	1,158.56
2000 income	825.36
2000 fees paid	<u>(138.58)</u>
December 31, 2000 balance	<u>\$ 34,244.03</u>
December 31, 2000 fair market value	<u>\$ 34,209.81</u>

9. Escrow Funds Payable:

The \$ 1,489,775.67 balance of escrow funds payable at December 31, 1999 and December 31, 2000 is The result of funds transferred from the Main District Maintenance Fund to the Main District Improvement Fund over a period of years for future land and building purchases. There were \$ 50,000.00 increases in this payable in both 1998 and 1999.

MUSKINGUM WATERSHED CONSERVANCY DISTRICT

NOTES TO FINANCIAL STATEMENTS – PAGE 12

10. Deferred Income – Gift:

The \$ 6,698.78 balance in Deferred Income – Gift at December 31, 1999 was the amount donated to Muskingum Watershed Conservancy District by the Atwood Campers Advisory Group to build a shelter at Atwood Park. The money was expended on the construction of the shelter in the year 2000.

The \$ 551.80 balance in Deferred Income – Gift at December 31, 2000 was the amount donated to Muskingum Watershed Conservancy District through December 31, 2000 by the Atwood Campers Advisory Group for purchase of a Heart Defibrillator (AED) machine. The money was expended toward the purchase of a Heart Defibrillator (AED) machine in the year 2001.

11. GASB 20:

In the proprietary activities of Muskingum Watershed Conservancy District and their sub-districts it is their intent to apply all applicable GASB pronouncements as well as the following pronouncements, unless those pronouncements conflict with or contradict GASB pronouncements: FASB statements and interpretations, APB opinions, and ARBs.

12. Liability accounts with debit balances:

All liability accounts in the attached financial statements should carry a credit balance. If a liability account is in brackets this indicates that it has a debit balance.

12A. \$ 1,107.75 debit balance in vouchers payable at December 31, 1999 and December 31, 2000: This amount first appeared with the transition to the new accounting software in October of 1999. The Muskingum Watershed Conservancy District accounting staff is not sure how this amount appeared and has made no adjustment to correct it.

12B. \$ 124.35 debit balance in escrow funds payable at December 31, 1999: This account was credited for boat and fishing license fees received from Marinas and debited when the Main District sent these funds to ODNR. No adjustment has been made to correct this error as of December 31, 2000.

12C. \$ 990.44 debit balance in Reserve for Taxes (accrued taxes) at December 31, 1999: In June of 1999 the District paid \$ 990.44 more in sales tax than was withheld. No adjustment has been made to correct this error as of December 31, 2000.

12D. \$ 47,867.56 debit balance in Reserve for Health Insurance (accrued health insurance) at December 31, 2000: This account is credited for health insurance withheld from employees and debited for health insurance claims paid by the District (see also note 3B on self-employed health insurance). Claims paid in excess of a certain limit are reimbursed by Excess Re-insurance Underwriters Agency, Inc.. Medical payments far in excess of the limit were paid for employee Mark Smith, who has Cancer, resulting in a debit balance in this account at December 31, 2000. Reimbursements for excess medical insurance payments made by the District are also credited to this account. Reimbursements were received from Excess Re-insurance Underwriters Agency, Inc. for these excess Mark Smith medical payments made for \$ 62,834.74 at June 27, 2001 and \$ 27,779.46 at July 23, 2001.

12E. Debit balances in accrued retirement insurance (PERS):

\$ 20,185.68 debit balance in accrued retirement insurance at December 31, 1999: A \$ 50,000.00 debit to this account at December 31, 1999 should have been to Retained Earnings per accounting staff. This error has not been corrected through December 31, 2000.

\$ 69,793.72 debit balance in accrued retirement insurance at December 31, 2000: Carryover of

\$ 50,000.00 error from 1999 and credits for PERS withheld not recorded for \$ 10,503.81 at November 17, 2000 and \$ 10,105.21 at December 15, 2000. These errors were not corrected through December 31, 2000.

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**ENTERPRISE FUND STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCES
MODIFIED CASH BASIS OF ACCOUNTING**

AS OF DECEMBER 31, 2000

IMPROVEMENT FUND

ASSETS:

Current Assets

Pooled cash and cash equivalents	\$ 92,301.87
Account receivable	<u>50,614.27</u>
Total current assets	<u>142,916.14</u>

Property Assets

Land – permanent investment	2,170,878.93
Easements and rights 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	2,325,252.96
Less: accumulated depreciation	<u>(23,446.68)</u>
Net property assets	<u>2,301,806.28</u>

Total Assets \$ 2,444,722.42

LIABILITIES AND FUND BALANCE:

Long – Term Liabilities

Escrow funds payable	\$ <u>1,489,775.67</u>
Total long – term liabilities	<u>1,489,775.67</u>

Total Liabilities 1,489,775.67

Fund Balance

Improvement fund balance	<u>954,946.75</u>
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Total Fund Balance 954,946.75

Total Liabilities and Fund Balance \$ 2,444,722.42

**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, 2000

IMPROVEMENT FUND

Operating Receipts:

Easements/Rights of way	\$ 100.00
Inter-fund transfers in	<u>559.00</u>
Total operating receipts	<u>659.00</u>

Operating Disbursements:

Easements/Rights of way	1,386.85
Property asset purchases	<u>703.21</u>
Total operating disbursements	<u>2,090.06</u>

Excess of operating expenses over operating receipts (1,431.06)

Fund Balance – January 1, 2000 956,377.81

Fund Balance – December 31, 2000 \$ 954,946.75

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**ENTERPRISE FUND STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCES
MODIFIED CASH BASIS OF ACCOUNTING**

AS OF DECEMBER 31, 2000

MAINTENANCE FUND

ASSETS:

Current Assets

Pooled cash and cash equivalents	\$ 255,482.58
Accounts receivable	28,846.55
Accounts receivable – land sale	31,477.25
Accounts receivable – other	62,329.24
Accounts receivable – land lease	5,325.75
Accounts receivable – suspended	4,597.65
Accounts receivable – nsf checks	1,604.48
Accounts receivable – roads	1,991.03
Accounts receivable – water and sewer	239.47
Accounts receivable – recreation	<u>15,745.22</u>
Total current assets	<u>407,639.22</u>

Property Assets

Office building renovation	1,602,977.34
Atwood lodge refurnishing	418,377.76
Vacation cabin renovation	1,331,811.95
Machinery and equipment	3,301,787.45
Lodge equipment	584,451.40
Office furniture and equipment	493,424.31
Autos and trucks	<u>1,045,447.96</u>
Total property assets	8,778,278.17
Less: accumulated depreciation	<u>(5,436,568.64)</u>
Net property assets	<u>3,341,709.53</u>

Total Assets \$ 3,749,348.75

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**ENTERPRISE FUND STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCES
MODIFIED CASH BASIS OF ACCOUNTING**

AS OF DECEMBER 31, 2000

MAINTENANCE FUND

LIABILITIES AND FUND BALANCE:

Current Liabilities

Vouchers payable	\$ (1,107.75)
Current portion of bonds payable	60,000.00
Performance bond payable	5,500.00
Accrued taxes	5,263.92
Escrow land rentals	175.00
Accrued health insurance	(47,867.56)
Accrued medicare	1,516.30
Accrued industrial insurance	235,013.17
Accounts payable	238,034.27
Accrued disability income	6,565.27
Accrued life insurance	759.50
Accrued retirement insurance	<u>(69,793.72)</u>
Total current liabilities	<u>434,058.40</u>

Long – Term Liabilities

Bonds payable – portion due after one year	2,840,635.71
Deferred income – gift	<u>551.80</u>
Total long – term liabilities	<u>2,841,187.51</u>

Total Liabilities

3,275,245.91

Fund Balance

474,102.84

Total Liabilities and Fund Balance

\$ 3,749,348.75

**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, 2000

MAINTENANCE FUND

Operating Receipts:

Timber sales	\$ 130,445.36
Pine/pulpwood sales	148,011.77
Land and building rentals	30,671.00
Mineral rights and royalties	159,729.13
Share crop lease	229,001.25
State of Ohio – operating funds	150,000.00
Atwood lodge – net income	117,739.30
Road maintenance	28,563.80
Cottage sites	1,073,133.85
Private docks	332,360.00
Clubs	57,176.97
Water and sewage maintenance	49,705.87
Lake patrol operations	33,202.00
Grants	45,667.22
Marina operations	767,768.38
Fishing Rights	126,531.74
Marina camping	82,022.81
Sale of assets	18,674.47
Water resources/flood control	18,000.00
Cottage construction permits	7,185.00
Capital credit refunds	7,370.59
Chippewa sub-district reimbursement	2,085.08
Miscellaneous income	16,347.74
Rental boats	12,950.70
Refreshment stand	5,627.71
Vacation cabins	290,392.13
Activity centers	45,919.38
Park camping	2,890,580.68
Firewood	22,808.45
Trailer storage	129,203.00
Trailer pump out	25,154.00
Admissions – park facilities	105,020.91
Public information	880.00
Special events	33,439.04
Total operating receipts	<u>\$ 7,193,369.33</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, 2000

MAINTENANCE FUND

Operating Disbursements:

Water resources/flood control expense	\$ 10,500.82
Improvements to district properties	115,166.57
Office remodeling and equipment	76,862.25
Lake access improvements	2,356.51
Land and building rentals	26,307.10
Share crop expenses	113,105.76
Mineral operation expenses	15,888.15
Watershed management	166,986.24
Forestry maintenance expense	145,112.31
Purchase of recreation equipment/vehicles	283,277.13
Debt retirement	173,766.74
Park camping expense	2,234,322.59
General park facilities expense	1,315,597.36
Cottage site expenses	466,948.65
Marina operation expenses	361,220.62
Water and sewer system expense	337,836.66
Lake patrol operation expenses	299,325.27
Public information expense	257,242.61
Inter-fund transfers out	698,150.72
Other recreation maintenance expense	<u>961,836.80</u>
Total operating disbursements	<u>8,061,810.86</u>

Excess of operating disbursements over operating receipts (868,441.53)

Other Revenues:

Interest on investments 72,826.64

Net Income (Loss) (795,614.89)

Fund Balance - January 1, 2000 1,269,717.73

Fund Balance – December 31, 2000 \$ 474,102.84

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**ENTERPRISE FUND STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCES
MODIFIED CASH BASIS OF ACCOUNTING**

AS OF DECEMBER 31, 2000

RECREATION IMPROVEMENT FUND

ASSETS:

Current Assets

Pooled cash and cash equivalents	\$ 71,847.51
Accounts receivable	<u>160,780.43</u>
Total current assets	<u>232,627.94</u>

Property Assets

Buildings and improvements	16,907,158.55
Less: accumulated depreciation	<u>(16,907,158.55)</u>
Net property assets	<u>.00</u>

Total Assets \$ 232,627.94

LIABILITIES AND FUND BALANCE:

Fund Balance \$ 232,627.94

Total Liabilities and Fund Balance \$ 232,627.94

**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, 2000

RECREATION IMPROVEMENT FUND

Operating Receipts:

Public launching facilities	\$ 49,493.16
General park facilities income	6,698.78
Lake dredging income	136,143.06
Park camping	31,890.00
Water and sewer systems	4,774.77
Inter-fund transfers in	<u>460,763.82</u>
Total operating receipts	<u>689,763.59</u>

Operating Disbursements:

Marina operations expense	40,292.50
Cost of lake dredging	212,534.24
Expense of public launching facilities	79,269.44
Cost of water and sewer systems	6,120.48
Vacation cabin expense	8,511.60
Park camping expense	287,291.82
Expense of general park facilities	<u>60,098.02</u>
Total operating disbursements	<u>694,118.10</u>

Excess of operating disbursements over operating receipts (4,354.51)

Fund Balance – January 1, 2000 236,982.45

Fund Balance – December 31, 2000 \$ 232,627.94

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**ENTERPRISE FUND STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCES
MODIFIED CASH BASIS OF ACCOUNTING**

AS OF DECEMBER 31, 2000

BOND FUND

ASSETS:

Current Assets

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

Total Assets	\$ <u>100.00</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	<u>100.00</u>
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Fund Balance	<u>.00</u>
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Total Liabilities and Fund Balance	\$ <u>100.00</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, 2000

BOND FUND

Operating Receipts:	<u>\$</u>	<u>.00</u>
Operating Disbursements:	<u></u>	<u>.00</u>
Excess of operating receipts over operating disbursements		.00
Fund Balance – January 1, 2000	<u></u>	<u>.00</u>
Fund Balance – December 31, 2000	<u>\$</u>	<u>.00</u>

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**ENTERPRISE FUND STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCES
MODIFIED CASH BASIS OF ACCOUNTING**

AS OF DECEMBER 31, 1999

IMPROVEMENT FUND

ASSETS:

Current Assets

Pooled cash and cash equivalents	\$ 144,291.93
Accounts receivable	<u>300.00</u>
Total current assets	<u>144,591.93</u>

Property Assets

Land – permanent investment	2,170,978.93
Easements and rights of way	48,871.27
Office building	81,018.50
Reservoir building	1,037.58
Engineering equipment	2,825.96
Office furniture and fixtures	11,465.65
Books, maps, drawings	<u>9,155.07</u>
Total property assets	2,325,352.96
Less: accumulated depreciation	<u>(23,446.68)</u>
Net property assets	<u>2,301,906.28</u>

Total Assets \$ 2,446,498.21

LIABILITIES AND FUND BALANCE:

Current Liabilities

Accounts payable	\$ <u>344.73</u>
Total current liabilities	<u>344.73</u>

Long – Term Liabilities

Escrow funds payable	<u>1,489,775.67</u>
Total long – term liabilities	<u>1,489,775.67</u>

Total Liabilities 1,490,120.40

Fund Balance 956,377.81

Total Liabilities and Fund Balance \$ 2,446,498.21

**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, 1999

IMPROVEMENT FUND

Operating Receipts:	<u>\$ 3,176.00</u>
Operating Disbursements:	
Inter-fund transfers out	<u>3,903.00</u>
Total operating disbursements	<u>3,903.00</u>
Excess of operating disbursements over operating receipts	(727.00)
Fund Balance – January 1, 1999	<u>957,104.81</u>
Fund Balance – December 31, 1999	<u>\$ 956,377.81</u>

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**ENTERPRISE FUND STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCES
MODIFIED CASH BASIS OF ACCOUNTING**

AS OF DECEMBER 31, 1999

MAINTENANCE FUND

ASSETS:

Current Assets

Pooled cash and cash equivalents	\$ 2,198,292.16
Accounts receivable	29,169.78
Accounts receivable – land sale	31,477.25
Accounts receivable – other	201,103.73
Accounts receivable – land lease	6,000.75
Accounts receivable – suspended	4,597.65
Accounts receivable – nsf checks	2,949.42
Accounts receivable – roads	5,893.57
Accounts receivable – water and sewer	105.47
Accounts receivable – recreation	<u>11,253.84</u>
Total current assets	<u>2,490,843.62</u>

Property Assets

Office building renovation	1,602,977.34
Atwood lodge refurnishing	418,377.76
Machinery and equipment	3,088,757.76
Lodge equipment	584,451.40
Office furniture and fixtures	490,924.31
Autos and trucks	<u>1,018,794.96</u>
Total property assets	7,204,283.53
Less: accumulated depreciation	<u>(5,194,385.95)</u>
Net property assets	<u>2,009,897.58</u>

Total Assets \$ 4,500,741.20

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**ENTERPRISE FUND STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCES
MODIFIED CASH BASIS OF ACCOUNTING**

AS OF DECEMBER 31, 1999

MAINTENANCE FUND

LIABILITIES AND FUND BALANCE:

Current Liabilities

Escrow funds payable	\$ (124.35)
Vouchers payable	(1,107.75)
Accounts payable	27,766.42
Performance bonds payable	5,200.00
Accrued taxes	(990.44)
Escrow land rentals	175.00
Accrued health insurance	169,372.63
Accrued medicare	1,516.30
Accrued industrial insurance	161,206.03
Accrued retirement insurance	(20,185.68)
Bonds payable-current portion	<u>60,000.00</u>
Total current liabilities	<u>402,828.16</u>

Long – Term Liabilities

Bonds payable-portion due after one year	2,821,496.53
Deferred income-gift	<u>6,698.78</u>
Total long – term liabilities	<u>2,828,195.31</u>

Total Liabilities

3,231,023.47

Fund Balance

1,269,717.73

Total Liabilities and Fund Balance

\$ 4,500,741.20

**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, 1999

MAINTENANCE FUND

Operating Receipts:

Timber sales	\$ 175,607.40
Pine/pulpwood sales	135,158.08
Land and building rentals	22,698.25
Mineral rights and royalties	107,614.25
Share crop lease	233,804.16
State of Ohio – operating funds	150,000.00
Atwood lodge-net income	160,314.90
Cottage sites	1,006,698.00
Private docks	318,651.07
Clubs	54,809.72
Fishing rights	125,901.74
Water and sewage maintenance	68,751.38
Road maintenance	18,923.00
Lake patrol operations	27,600.00
Public information	100.00
Marina operations	780,458.79
Plans and maps	2,057.25
Marina camping	84,054.03
Sale of assets	23,486.18
Cottage construction permits	8,850.00
Capital credit refunds	5,435.77
Chippewa sub-district reimbursement	7,446.53
Miscellaneous income	9,761.85
Rental boats	24,507.37
Refreshment stand	8,995.51
Vacation cabins	241,527.91
Activity centers	96,968.49
Park camping	2,739,024.09
Firewood	17,369.15
Trailer storage	121,278.40
Trailer pump out	23,522.16
Admissions – park facilities	151,044.42
Special events	<u>35,973.12</u>
Total operating receipts	<u>\$ 6,988,392.97</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, 1999

MAINTENANCE FUND

Operating Disbursements:

Water resource/flood control expense	\$ 43,895.87
Improvements to district properties	141,955.69
Office remodeling and equipment	172,833.53
Lake access improvements	3,496.27
Land/building rentals	29,899.59
Share crop expenses	136,783.37
Mineral operation expenses	41,472.88
Watershed management	95,708.73
Chippewa reimbursement expense	1,421.59
Forestry maintenance expense	168,386.08
Purchase of recreation equipment/vehicles	365,539.54
Debt retirement-pleasant hill marina	48,916.02
Park camping expense	1,989,372.28
General park facilities expense	1,226,580.53
Cottage site expenses	442,610.10
Inter-fund transfers out	679,369.79
Other recreation maintenance expense	<u>2,026,290.70</u>
Total operating disbursements	<u>7,614,532.56</u>

Excess of operating disbursements over operating receipts (626,139.59)

Other Revenues:

Interest on investments 192,303.83

Net Income (Loss) (433,835.76)

Fund Balance – January 1, 1999 1,703,553.49

Fund Balance – December 31, 1999 \$ 1,269,717.73

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**ENTERPRISE FUND STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCES
MODIFIED CASH BASIS OF ACCOUNTING**

AS OF DECEMBER 31, 1999

RECREATION IMPROVEMENT FUND

ASSETS:

Current Assets

Pooled cash and cash equivalents	\$ 257,327.90
Accounts receivable	<u>8,479.60</u>
Total current assets	<u>265,807.50</u>

Property Assets

Buildings and improvements	16,907,158.55
Less: accumulated depreciation	<u>(16,907,158.55)</u>
Net property assets	<u>.00</u>

Total Assets

\$ 265,807.50

LIABILITIES AND FUND BALANCE:

Current Liabilities

Accounts payable	<u>\$ 28,825.05</u>
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Fund Balance

236,982.45

Total Liabilities and Fund Balance

\$ 265,807.50

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**ENTERPRISE FUND STATEMENT OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND BALANCE**

FOR THE YEAR ENDED DECEMBER 31, 1999

RECREATION IMPROVEMENT FUND

Operating Receipts:

Public launching facilities	\$ 111,735.17
Lake dredging	104,342.34
General park facilities	99,500.00
Water and sewer systems	10,454.81
Inter-fund transfers in	<u>246,615.50</u>
Total operating receipts	<u>572,647.82</u>

Operating Disbursements:

Marina operations expense	41,963.48
Cost of lake dredging	138,513.70
Expense of public launching facilities	44,765.88
Cost of water and sewer systems	573,559.05
Park camping expense	88,807.05
Expense of general park facilities	<u>213,254.06</u>
Total operating disbursements	<u>1,100,863.22</u>

Excess of operating disbursements over operating receipts (528,215.40)

Fund Balance – January 1, 1999 765,197.85

Fund Balance – December 31, 1999 \$ 236,982.45

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**ENTERPRISE FUND STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCES
MODIFIED CASH BASIS OF ACCOUNTING**

AS OF DECEMBER 31, 1999

BOND FUND

ASSETS:

Current Assets

Cash	\$ 100.00
Accounts receivable	<u>15,988.08</u>
Total current assets	<u>16,088.08</u>

Total Assets

\$ 16,088.08

LIABILITIES AND FUND BALANCE:

Current Liabilities

Bonds payable – portion due within one year	\$ 15,988.08
Accrued interest payable	<u>100.00</u>
Total current liabilities	<u>16,088.08</u>

Fund Balance

.00

Total Liabilities and Fund Balance

\$ 16,088.08

**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, 1999

BOND FUND

Operating Receipts:	<u>\$</u>	<u>.00</u>
Operating Disbursements:	<u></u>	<u>.00</u>
Excess of operating receipts over operating disbursements		.00
Fund Balance – January 1, 1999	<u></u>	<u>.00</u>
Fund Balance - December 31, 1999	<u>\$</u>	<u>.00</u>

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**CHIPPEWA SUBDISTRICT STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCES
MODIFIED CASH BASIS OF ACCOUNTING**

AS OF DECEMBER 31, 2000

ASSETS:

Current Assets

Cash in bank \$ 168,532.61

Non – Current Assets

Capitalized development costs and land purchases 2,104,762.68

Total Assets

\$ 2,273,295.29

LIABILITIES AND FUND BALANCE:

Long – Term Liabilities

Accounts payable \$ 38,060.53

Fund Balance Chippewa Sub-district

2,235,234.76

Total Liabilities and Fund Balance

\$ 2,273,295.29

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**CHIPPEWA SUBDISTRICT STATEMENT OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND BALANCE
MODIFIED CASH BASIS OF ACCOUNTING**

FOR THE YEAR ENDED DECEMBER 31, 2000

Operating Receipts:

Collection of assessments	\$ 15,866.99
Interest on deposits	<u>9,584.47</u>
Total operating receipts	<u>25,451.46</u>

Operating Disbursements:

Repairs and maintenance(\$10,610.12 capitalized)	.00
Contract services(\$30,281.70 capitalized)	<u>.00</u>
Total operating disbursements	<u>.00</u>

Excess of operating receipts over operating disbursements 25,451.46

Fund Balance January 1, 2000 2,209,783.30

Fund Balance December 31, 2000 \$ 2,235,234.76

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**DUCK CREEK SUBDISTRICT STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCES
MODIFIED CASH BASIS OF ACCOUNTING**

AS OF DECEMBER 31, 2000

ASSETS:

Current Assets

Cash in bank \$ 7,892.14

Non-Current Assets

Capitalized development costs 5,400.32

Total Assets

\$ 13,292.46

LIABILITIES AND FUND BALANCE:

Long – Term Liabilities

Accounts payable \$ 36.55

Ohio water commission \$ 20,000.00

Less: partial payment (14,000.00) 6,000.00

Total long – term liabilities 6,036.55

Fund Balance Duck Creek Sub-district

7,255.91

Total Liabilities and Fund Balance

\$ 13,292.46

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**DUCK CREEK SUBDISTRICT STATEMENT OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND BALANCE
MODIFIED CASH BASIS OF ACCOUNTING**

FOR THE YEAR ENDED DECEMBER 31, 2000

Operating Receipts:	
Interest on deposits	\$ <u>128.45</u>
Operating Disbursements:	<u>.00</u>
Excess of operating receipts over operating disbursements	128.45
Fund Balance – January 1, 2000	<u>7,127.46</u>
Fund Balance – December 31, 2000	<u>\$ 7,255.91</u>

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**BLACKFORK SUBDISTRICT STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCES
MODIFIED CASH BASIS OF ACCOUNTING**

AS OF DECEMBER 31, 2000

ASSETS:

Non-Current Assets

Capitalized development costs \$ 1,822.26

Total Assets \$ 1,822.26

LIABILITIES AND FUND BALANCE:

Long – Term Liabilities

Accounts Payable – to main district \$ 1,822.26

Fund Balance Blackfork Subdistrict .00

Total Liabilities and Fund Balance \$ 1,822.26

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**BLACKFORK SUBDISTRICT STATEMENT OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2000**

Operating Receipts:	\$ <u> </u> .00
Operating Disbursements:	<u> </u> .00
Excess of operating receipts over operating disbursements	.00
Fund Balance – January 1, 2000	<u> </u> .00
Fund Balance – December 31, 2000	<u><u> </u></u> .00

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**BUFFALO CREEK SUBDISTRICT STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCES
MODIFIED CASH BASIS OF ACCOUNTING**

AS OF DECEMBER 31, 2000

ASSETS:

Non – Current Assets

Capitalized development costs \$ 27,592.88

Total Assets \$ 27,592.88

LIABILITIES AND FUND BALANCE:

Long – Term Liabilities

Accounts payable – to main district \$ 12,464.98

Receipts and advances 127.90

Loan from local committee 15,000.00

Total long – term liabilities 27,592.88

Fund Balance Buffalo Creek Subdistrict .00

Total Liabilities and Fund Balance \$ 27,592.88

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**BUFFALO CREEK SUBDISTRICT STATEMENT OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND BALANCE
MODIFIED CASH BASIS OF ACCOUNTING**

FOR THE YEAR ENDED DECEMBER 31, 2000

Operating Receipts:	<u>\$.00</u>
Operating Disbursements:	<u>.00</u>
Excess of operating receipts over operating disbursements	.00
Fund Balance – January 1, 2000	<u>.00</u>
Fund Balance – December 31, 2000	<u><u>\$.00</u></u>

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**CHIPPEWA SUBDISTRICT STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCES
MODIFIED CASH BASIS OF ACCOUNTING**

AS OF DECEMBER 31, 1999

ASSETS:

Current Assets

Cash in bank \$ 183,972.97

Non –Current Assets

Capitalized development costs and land purchases 2,047,443.54

Total Assets

\$ 2,231,416.51

LIABILITIES AND FUND BALANCE:

Long – Term Liabilities

Accounts payable (to main district) \$ 21,633.21

Fund Balance Chippewa Sub-district

2,209,783.30

Total Liabilities and Fund Balance

\$ 2,231,416.51

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**CHIPPEWA SUBDISTRICT STATEMENT OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND BALANCE
MODIFIED CASH BASIS OF ACCOUNTING**

FOR THE YEAR ENDED DECEMBER 31, 1999

Operating Receipts:

Collection of assessments	\$ 15,681.99
Interest on deposits	7,906.79
Revenue from land rentals	<u>2,100.00</u>
Total operating receipts	<u>25,688.78</u>

Operating Disbursements:

Repairs and maintenance (\$8,333.58 capitalized)	
Contract services (\$11,272.50 capitalized)	
Total operating disbursements	<u>.00</u>

Excess of operating receipts over operating disbursements 25,688.78

Fund Balance – January 1, 1999 2,184,094.52

Fund Balance – December 31, 1999 \$ 2,209,783.30

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**DUCK CREEK SUBDISTRICT STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCES
MODIFIED CASH BASIS OF ACCOUNTING**

AS OF DECEMBER 31, 1999

ASSETS:

Current Assets

Cash in bank \$ 7,763.69

Non-Current Assets

Capitalized development costs 5,400.32

Total Assets

\$ 13,164.01

LIABILITIES AND FUND BALANCE:

Long-term Liabilities

Accounts payable \$ 36.55

Ohio water commission \$ 20,000.00

Less: partial payment (14,000.00) 6,000.00

Total long-term liabilities 6,036.55

Fund Balance Duck Creek Sub-district

7,127.46

Total Liabilities and Fund Balance

\$ 13,164.01

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**DUCK CREEK SUBDISTRICT STATEMENT OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND BALANCE
MODIFIED CASH BASIS OF ACCOUNTING**

FOR THE YEAR ENDED DECEMBER 31, 1999

Operating Receipts:	
Interest on deposits	\$ <u>113.83</u>
Operating Disbursements:	<u>.00</u>
Excess of operating receipts over operating disbursements	113.83
Fund Balance – January 1, 1999	<u>7,013.63</u>
Fund Balance – December 31, 1999	<u>\$ 7,127.46</u>

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**BLACKFORK SUBDISTRICT STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCES
MODIFIED CASH BASIS OF ACCOUNTING**

AS OF DECEMBER 31, 1999

ASSETS:

Non – Current Assets	
Capitalized development costs	\$ <u>1,822.26</u>
Total Assets	\$ <u>1,822.26</u>

LIABILITIES AND FUND BALANCE:

Long – Term Liabilities	
Account payable – to main district	\$ <u>1,822.26</u>
Fund Balance Black Fork Subdistrict	<u>.00</u>
Total Liabilities and Fund Balance	\$ <u>1,822.26</u>

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**BLACK FORK SUBDISTRICT STATEMENT OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND BALANCE
MODIFIED CASH BASIS OF ACCOUNTING**

FOR THE YEAR ENDED DECEMBER 31, 1999

Operating Receipts:	\$ <u> </u> .00
Operating Disbursements:	<u> </u> .00
Excess of operating receipts over operating disbursements	.00
Fund Balance – January 1, 1999	<u> </u> .00
Fund Balance – December 31, 1999	\$ <u> </u> .00

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**BUFFALO CREEK SUBDISTRICT STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCES
MODIFIED CASH BASIS OF ACCOUNTING**

AS OF DECEMBER 31, 1999

ASSETS:

Non – Current Assets

Capitalized development costs \$ 27,592.88

Total Assets \$ 27,592.88

LIABILITIES AND FUND BALANCE:

Long – Term Liabilities

Account payable – to main district \$ 12,464.98

Receipts and advances 127.90

Loan from local committee 15,000.00

Total long – term liabilities 27,592.88

Fund Balance Buffalo Creek Subdistrict .00

Total Liabilities and Fund Balance \$ 27,592.88

**MUSKINGUM WATERSHED
CONSERVANCY DISTRICT**

**BUFFALO CREEK SUBDISTRICT STATEMENT OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND BALANCE
MODIFIED CASH BASIS OF ACCOUNTING**

FOR THE YEAR ENDED DECEMBER 31, 1999

Operating Receipts:	\$ <u> </u> .00
Operating Disbursements:	<u> </u> .00
Excess of operating receipts over operating disbursements	.00
Fund Balance – January 1, 1999	<u> </u> .00
Fund Balance – December 31, 1999	\$ <u> </u> .00

MUSKINGUM WATERSHED CONSERVANCY DISTRICT

CHIPPEWA SUBDISTRICT

STATEMENT OF RECEIPTS AND DISBURSEMENTS
BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2000

<u>Fund Type</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Enterprise – Subdistrict			
Revenue	\$ 15,900.00	\$ 15,866.99	\$ (33.01)
Expenditures	<u>25,000.00</u>	<u>.00</u>	<u>25,000.00</u>
Operating disbursements (over) under operating revenues	(9,100.00)	15,866.99	24,966.99
Non-operating revenues: Interest on investments	<u>8,000.00</u>	<u>9,584.47</u>	<u>1,584.47</u>
Revenue over (under) expenses	<u>\$ (1,100.00)</u>	<u>\$ 25,451.46</u>	<u>\$ 26,551.46</u>

MUSKINGUM WATERSHED CONSERVANCY DISTRICT

DUCK CREEK SUBDISTRICT

STATEMENT OF RECEIPTS AND DISBURSEMENTS
BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2000

<u>Fund Type</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Enterprise – Subdistrict			
Revenue	\$.00	\$.00	\$.00
Expenditures	<u>.00</u>	<u>.00</u>	<u>.00</u>
Operating disbursements (over) under operating revenues	.00	.00	.00
Non-operating revenues: Interest on investments	<u>130.00</u>	<u>128.45</u>	<u>(1.55)</u>
Revenue over (under) expenses	<u>\$ 130.00</u>	<u>\$ 128.45</u>	<u>\$ (1.55)</u>

MUSKINGUM WATERSHED CONSERVANCY DISTRICT

BLACKFORK SUBDISTRICT

STATEMENT OF RECEIPTS AND DISBURSEMENTS
BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2000

<u>Fund Type</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Enterprise – subdistrict			
Revenue	\$.00	\$.00	\$.00
Expenditures	<u>.00</u>	<u>.00</u>	<u>.00</u>
Operating disbursements (over) under operating revenues	.00	.00	.00
Non-operating revenues:			
Interest on investments	<u>.00</u>	<u>.00</u>	<u>.00</u>
Revenue over (under) expenses	<u>\$.00</u>	<u>\$.00</u>	<u>\$.00</u>

MUSKINGUM WATERSHED CONSERVANCY DISTRICT

BUFFALO CREEK SUBDISTRICT

STATEMENT OF RECEIPTS AND DISBURSEMENTS
BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2000

<u>Fund Type</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Enterprise – subdistrict			
Revenue	\$.00	\$.00	\$.00
Expenditures	<u>.00</u>	<u>.00</u>	<u>.00</u>
Operating disbursements (over) under operating revenues	.00	.00	.00
Non-operating revenues: Interest on investments	<u>.00</u>	<u>.00</u>	<u>.00</u>
Revenue over (under) expenses	<u>\$.00</u>	<u>\$.00</u>	<u>\$.00</u>

MUSKINGUM WATERSHED CONSERVANCY DISTRICT

CHIPPEWA SUBDISTRICT

STATEMENT OF RECEIPTS AND DISBURSEMENTS
BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 1999

<u>Fund Type</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Enterprise</u> – Subdistrict			
Revenue	\$ 15,900.00	\$ 17,781.99	\$ 1,881.99
Expenditures	<u>25,000.00</u>	<u>.00</u>	<u>25,000.00</u>
Operating disbursements (over) under operating revenues	(9,100.00)	17,781.99	26,881.99
Non-operating revenues:			
Interest on investments	<u>9,000.00</u>	<u>7,906.79</u>	<u>(1,093.21)</u>
Revenue over (under) expenses	<u>\$ (100.00)</u>	<u>\$25,688.78</u>	<u>\$ 25,788.78</u>

MUSKINGUM WATERSHED CONSERVANCY DISTRICT

DUCK CREEK SUBDISTRICT

STATEMENT OF RECEIPTS AND DISBURSEMENTS
BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 1999

<u>Fund Type</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Enterprise – Subdistrict			
Revenue	\$.00	\$.00	\$.00
Expenditures	<u>.00</u>	<u>.00</u>	<u>.00</u>
Operating disbursements (over) under operating revenues	.00	.00	.00
Non-operating revenues:			
Interest on investments	<u>125.00</u>	<u>113.83</u>	<u>(11.17)</u>
Revenue over (under) expenses	<u>\$ 125.00</u>	<u>\$ 113.83</u>	<u>\$ (11.17)</u>

MUSKINGUM WATERSHED CONSERVANCY DISTRICT

BLACKFORK SUBDISTRICT

STATEMENT OF RECEIPTS AND DISBURSEMENTS
BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 1999

<u>Fund Type</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Enterprise – sub-district			
Revenue	\$.00	\$.00	\$.00
Expenditures	<u>.00</u>	<u>.00</u>	<u>.00</u>
Operating disbursements (over) Under operating revenues	.00	.00	.00
Non-operating revenues: Interest on investments	<u>.00</u>	<u>.00</u>	<u>.00</u>
Revenue over (under) expenses	<u>\$.00</u>	<u>\$.00</u>	<u>\$.00</u>

MUSKINGUM WATERSHED CONSERVANCY DISTRICT

BUFFALO CREEK SUBDISTRICT

STATEMENT OF RECEIPTS AND DISBURSEMENTS
BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 1999

<u>Fund Type</u>	<u>Budget</u>	<u>Actual</u>	<u>Variable Favorable (Unfavorable)</u>
Enterprise – sub-district			
Revenue	\$.00	\$.00	\$.00
Expenditures	<u>.00</u>	<u>.00</u>	<u>.00</u>
Operating disbursements (over) under operating revenues	.00	.00	.00
Non-operating revenues: Interest on investments	<u>.00</u>	<u>.00</u>	<u>.00</u>
Revenue over (under) expenses	<u>\$.00</u>	<u>\$.00</u>	<u>\$.00</u>

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

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

I have audited the Financial Statements of Muskingum Watershed Conservancy District as of and for the years ended December 31, 1999 and December 31, 2000, and have issued my report thereon dated July 16, 2001. I conducted my audit in accordance with generally accepted auditing standards 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, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 my audit, I considered Muskingum Watershed Conservancy District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Muskingum Watershed Conservancy District's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose statements. The reportable conditions for 1999 and 2000 are as follows:

1. Accrued Employer P.E.R.S. -

- A. At 12/31/99 this account carried a debit balance of \$20,185.68. This should be a credit balance of \$28,511.95. Net loss for 1999 is understated by \$48,697.63 as a result of this error.
- B. At 12/31/00 this account carries a debit balance of \$69,793.72. This should be a credit balance of \$19,955.26. Net loss for 2000 is understated by \$89,748.99 as a result of this error.
- C. These discrepancies were not corrected by December 31, 2000.

2. Liability accounts carrying debit balances – not corrected by December 31, 2000:

Liability accounts should carry a credit balance. Note 12 to the financial statements lists several liability accounts which carry debit balances in addition to the Accrued Employer P.E.R.S. discrepancy cited at 1 immediately above. None of these errors were corrected by December 31, 2000.

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

3. Bond Payable discrepancies: During our review of bonds payable, we noted the following conditions:

A. At 12/31/00 short-term bonds were under stated \$76,759.84.

B. At 12/31/00 long-term bonds were overstated \$76,279.81.

We recommend the following:

The long and short term portions of bonds payable should be verified monthly with the redemption schedules in the bond files.

4. Chart of Accounts – Accounting Software:

During our account analysis we noted the following conditions in the District’s Chart of Accounts:

A. In September of 1999 the District adopted a new accounting software program.

B. The accounting system has over 3000 accounts in its chart of accounts. The system generates far more detail than is necessary for company financial statements. For example, with hundreds of salary and wage accounts, there were numerous instances during the audit period where less than \$20.00 was allocated to a wage account for an entire year. Health insurance had annual account totals of under ten cents for numerous accounts. Workmen’s Compensation and Medicare had many accounts with annual totals of less than one dollar.

C. Many unrelated items were posted to the same account. An example is account .550 which includes the following items: Insurance, contracts, inventory, bond principle payments, bond interest payments and lobbyist payments.

We recommend the following:

A. Add additional account numbers where there are many unrelated accounts posted to the same account number.

B. Streamline the chart of accounts, implementing a reasonable, functional allocation of expenses.

A material weakness is a reportable condition in which the design or operation of one or more of the Internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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. My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, of the reportable conditions described above, I consider items 1,2 and 4 to be material weaknesses. I also noted other matters involving the internal control structure and its operation that I reported to the management of Muskingum Watershed Conservancy District in a separate letter dated July 16, 2001.

This report is intended for the information of the Board of Directors, management and the Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

Mike Lynch CPA

Zanesville, Ohio
July 16, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
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 8, 2001**