



Rea & associates *a brighter way*

Muskingum Watershed Conservancy District  
Tuscarawas County, Ohio

*Audited Financial Statements*

For the Year Ended  
December 31, 2013





# Dave Yost • Auditor of State

Board of Directors  
Muskingum Watershed Conservancy District  
PO Box 349  
New Philadelphia, Ohio 44663

We have reviewed the *Independent Auditor's Report* of the Muskingum Watershed Conservancy District, Tuscarawas County, prepared by Rea & Associates, Inc., for the audit period January 1, 2013 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

May 26, 2015

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**MUSKINGUM WATERSHED CONSERVANCY DISTRICT  
TUSCARAWAS COUNTY**

**DECEMBER 31, 2013**

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March 25, 2015

To the Board of Directors  
Muskingum Watershed Conservancy District  
Tuscarawas County, Ohio  
P.O. Box 349  
New Philadelphia, Ohio 44663

## **Independent Auditor's Report**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Muskingum Watershed Conservancy District, Tuscarawas County, Ohio, (the Conservancy District) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Conservancy District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Muskingum Watershed Conservancy District, Tuscarawas County, Ohio, as of December 31, 2013, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4–11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2015 on our consideration of the Conservancy District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Conservancy District's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

New Philadelphia, Ohio

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**Muskingum Watershed Conservancy District  
Tuscarawas County, Ohio**

*Management's Discussion and Analysis  
For the Year Ended December 31, 2013*

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The discussion and analysis of the Muskingum Watershed Conservancy District's (the "Conservancy District") financial performance provides an overall review of the Conservancy District's financial activities for the year ended December 31, 2013. The intent of this discussion and analysis is to look at the Conservancy District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the Conservancy District's financial performance.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for 2013 are as follows:

- Total assets increased \$47,090,821. This increase is due to a large increase in pooled cash, cash equivalents and investments, which was directly related to proceeds received from the lease of oil and gas rights during 2013.
- Net position increased \$46,622,037 as a result of current year operations.
- Outstanding debt decreased from \$1,184,903 to \$1,048,039 through principal payments.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management's discussion and analysis, the basic financial statements and notes to the basic financial statements. These statements are organized so that the reader can understand the financial position of the Conservancy District. The statement of net position represents the basic statement of position for the Conservancy District. The statement of revenues, expenses and changes in net position present increases (e.g. revenues) and decreases (e.g. expenses) in net total position. The statement of cash flows reflects how the Conservancy District finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

**Muskingum Watershed Conservancy District**  
**Tuscarawas County, Ohio**

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*

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**FINANCIAL ANALYSIS OF THE CONSERVANCY DISTRICT AS A WHOLE**

The Conservancy District is not required to present government-wide financial statements as the Conservancy District is engaged in only business-type activities. Therefore, no condensed financial information derived from government-wide financial statements is included in the discussion and analysis.

The following tables represent the Conservancy District's condensed financial information for 2013 and 2012 derived from the statement of net position and the statement of revenues, expenses, and changes in net position.

|                                  | <u>2013</u>           | <u>2012</u>          |
|----------------------------------|-----------------------|----------------------|
| <b>Assets</b>                    |                       |                      |
| Current and Other Assets         | \$ 87,994,781         | \$ 48,966,335        |
| Capital Assets, net              | 24,190,811            | 16,128,436           |
| <i>Total Assets</i>              | <u>112,185,592</u>    | <u>65,094,771</u>    |
| <b>Liabilities</b>               |                       |                      |
| Current Liabilities              | 2,097,497             | 1,436,437            |
| Long-Term Liabilities            | 1,629,574             | 1,821,850            |
| <i>Total Liabilities</i>         | <u>3,727,071</u>      | <u>3,258,287</u>     |
| <b>Net Position</b>              |                       |                      |
| Net Investment in Capital Assets | 22,054,155            | 14,838,785           |
| Restricted                       | 18,150,420            | 15,417,119           |
| Unrestricted                     | 68,253,946            | 31,580,580           |
| <i>Total Net Position</i>        | <u>\$ 108,458,521</u> | <u>\$ 61,836,484</u> |

Net position increased \$46,622,037 which is mainly attributable to an increase in cash equivalents and investments, as well as an increase in capital assets. The increase in cash equivalents and investments is directly related to an additional lease of oil and gas rights during 2013. Capital assets increased due to a number of construction projects such as the Atwood Water Treatment Plant, the completion of the Seneca Welcome Center, upgrading the marina at Seneca, completing an activity center at Charles Mill Park, as well as numerous new restroom and shower facilities throughout the Conservancy District. In addition there were a number of shoreline stabilization projects completed and the vehicle and equipment fleet was upgraded. Current liabilities increased due to an increase in payables, mostly related to the construction projects in progress at December 31, 2013. Long term liabilities decreased due to debt being reduced in 2013.

**Muskingum Watershed Conservancy District  
Tuscarawas County, Ohio**

*Management's Discussion and Analysis  
For the Year Ended December 31, 2013*

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Changes in Net Assets/Position – The following shows the changes in net position for 2013 and 2012.

|                                 | <u>2013</u>          | <u>2012</u>          |
|---------------------------------|----------------------|----------------------|
| <b>Operating Revenues</b>       |                      |                      |
| Timber Sales                    | \$ 339,832           | \$ 186,734           |
| Pine-Pulpwood Sales             | 85,599               | 145,088              |
| Easements/Right of Ways         | 162,825              | 32,959               |
| Mineral Rights and Royalties    | 46,310,947           | 22,141,892           |
| Share Crop Lease                | 241,772              | 666,486              |
| Cottage Sites                   | 2,645,990            | 2,646,648            |
| Marina Operations               | 1,191,820            | 985,963              |
| Fishing Rights                  | 62,647               | 62,647               |
| Marina Camping                  | 240,375              | 202,473              |
| Water Sales                     | 807,679              | 226,286              |
| Beach Facilities                | 122,077              | 130,953              |
| Water and Sewer Systems         | 60,838               | 63,588               |
| Vacation Cabin                  | 397,898              | 435,216              |
| Park Camping                    | 4,442,902            | 4,257,947            |
| Admissions - park facilities    | 106,917              | 138,472              |
| Special Events                  | 131,711              | 136,569              |
| Miscellaneous Income            | 60,536               | 76,848               |
| <i>Total Operating Revenues</i> | <u>\$ 57,412,365</u> | <u>\$ 32,536,769</u> |

**Muskingum Watershed Conservancy District  
Tuscarawas County, Ohio**

*Management's Discussion and Analysis  
For the Year Ended December 31, 2013*

|                                     | <u>2013</u>           | <u>2012</u>           |
|-------------------------------------|-----------------------|-----------------------|
| <b>Operating Expenses</b>           |                       |                       |
| Water quality                       | \$ 87,331             | \$ 306,308            |
| Vehicles and equipment              | 619,059               | 330,688               |
| Dam Safety/Upgrades                 | 5,427,058             | 2,221,688             |
| Boundary survey                     | 50,606                | 42,294                |
| Conservation                        | 139,606               | 128,807               |
| Reservoir Maintenance               | 20,749                | 8,499                 |
| Information Systems/Technology      | 490,671               | 266,793               |
| Shoreline Protection                | 185,746               | 250,138               |
| Share crop                          | 292,266               | 295,773               |
| Mineral operation                   | 305,513               | 225,118               |
| Watershed management                | 434,840               | 128,837               |
| Beach facilities                    | 281,146               | 233,102               |
| Office building                     | 165,973               | 138,662               |
| Administrative and finance          | 1,641,995             | 1,906,055             |
| Engineering                         | 638,165               | 625,159               |
| Planning and development            | 475,267               | 392,228               |
| GIS and Parcel Development          | 248,316               | 330,265               |
| Forestry maintenance                | 137,847               | 70,369                |
| Park camping                        | 2,649,714             | 2,346,275             |
| Cottage sites and clubs             | 877,446               | 745,959               |
| Cottage Road Maintenance            | 25,763                | 0                     |
| General park facilities             | 2,477,024             | 2,058,716             |
| Vacation cabin                      | 190,151               | 163,272               |
| Marina operation                    | 1,208,968             | 789,225               |
| Water and sewer system              | 788,803               | 669,682               |
| Lake patrol operation               | 312,797               | 277,558               |
| Education and public information    | 451,109               | 222,002               |
| Safety                              | 126,982               | 132,050               |
| Recreation maintenance              | 163,346               | 123,506               |
| Parks - special events              | 81,471                | 84,469                |
| Partners in Watershed Management    | 239,528               | 539,171               |
| Special Clean up                    | 60,906                | 88,698                |
| Depreciation                        | <u>1,236,424</u>      | <u>960,320</u>        |
| <br><i>Total Operating Expenses</i> | <br><u>22,532,586</u> | <br><u>17,101,686</u> |
| <br><i>Operating Income/(Loss)</i>  | <br><u>34,879,779</u> | <br><u>15,435,083</u> |

**Muskingum Watershed Conservancy District  
Tuscarawas County, Ohio**

*Management's Discussion and Analysis  
For the Year Ended December 31, 2013*

|  | 2013          | 2012          |
|--|---------------|---------------|
| <b>Non-Operating Revenues (Expenses)</b>       |               |               |
| Maintenance assessments                        | \$ 11,528,484 | \$ 11,261,798 |
| Grants   | 245,839       | 259,012       |
| Interest on investments                        | 84,853        | 57,811        |
| Debt retirement - Interest                     | (116,918)     | (45,583)      |
| <i>Total Non-Operating Revenues (Expenses)</i> | 11,742,258    | 11,533,038    |
| <br>   |               |               |
| <i>Change in Net Position</i>                  | \$ 46,622,037 | \$ 26,968,121 |

The increase in operating revenue is the result of the additional lease of the deep mineral rights at Seneca reservoir during 2013. The Conservancy District also began receiving royalties from two Utica shale wells at Clendening Reservoir. Water sales increased due to a few agreements with the oil and gas industry to purchase water for their operations. Share crop revenue declined during 2013 due to a flood that wiped out the crop on 789.5 acres out of a total of 1364 available acres.

The operating expenditures increased during 2013; the following highlight some of the main changes. The decrease in water quality expenditures during 2013 is the result of no large projects during 2013. In 2012 the Conservancy District was the cost share with Ohio Department of Natural Resources (ODNR), Resource Management – Acid mine drainage unit for two large projects. The large increase in vehicles and equipment is the result of the purchase of, and contract for the MARCS radio system. This system provides for safer parks and recreation areas by allowing for communication with multiple agencies throughout the state. The increase in dam/safety upgrades was the result of the cost share with the US Army Corp of Engineers. There was more activity on the project at Bolivar in addition to the Dover Dam project during 2013. The increase in information systems and technology was the result of shifting duties of the current staff during 2013 and upgraded technology throughout the Conservancy District. The increase in watershed management is due to an increased role with the ODNR Soil and Water Resources for the cover crop program. During 2013 this program was expanded from four to fifteen counties. Marina expenditures were up in 2013 due to an effort to invest in the two self-operated marinas during 2013. The increase in education and public information was the result of the implementation of the branding initiatives. Some of the larger branding initiatives during 2013 is new signage within the parks and the re-branding of the Conservancy District vehicles.

**Muskingum Watershed Conservancy District  
Tuscarawas County, Ohio**

*Management's Discussion and Analysis  
For the Year Ended December 31, 2013*

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2013 the Conservancy District had \$24,190,811 of capital assets net of accumulated depreciation. The following table shows 2013 balances compared with 2012:

|                                   | <u>2013</u>          | <u>2012</u>          |
|-----------------------------------|----------------------|----------------------|
| Land                              | \$ 1,806,650         | \$ 1,806,650         |
| Capitalized Development Costs     | 1,189,495            | 1,189,495            |
| Construction in Progress          | 5,034,402            | 688,333              |
| Land Improvements                 | 3,914,471            | 3,304,363            |
| Buildings                         | 5,074,209            | 2,996,852            |
| Building Improvements             | 1,615,305            | 1,424,561            |
| Furniture, Fixtures and Equipment | 1,282,957            | 1,019,532            |
| Vehicles                          | 729,919              | 612,462              |
| Infrastructure                    | 3,543,403            | 3,086,188            |
| <i>Totals</i>                     | <u>\$ 24,190,811</u> | <u>\$ 16,128,436</u> |

Additional information on the Conservancy District's capital assets can be found in Note 5.

**Debt**

The outstanding debt for the Conservancy District as of December 31, 2013 was \$1,048,439 with \$59,677 due within one year. The following table summarizes the Conservancy District's debt outstanding as of December 31, 2013 and 2012:

|                    | <u>2013</u>         | <u>2012</u>         |
|--------------------|---------------------|---------------------|
| OWDA #2162 - 5.56% | \$ 323,089          | \$ 345,233          |
| OWDA #5413 - 0%    | 151,108             | 160,552             |
| OWDA #5575 - 3.25% | 548,746             | 573,084             |
| OWDA #5558 - 3.25% | 25,496              | 26,694              |
| OWDA #6104 - 3.99% | 0                   | 79,340              |
| <i>Totals</i>      | <u>\$ 1,048,439</u> | <u>\$ 1,184,903</u> |

Additional information on the Conservancy District's long-term debt can be found in Note 10.

**Muskingum Watershed Conservancy District  
Tuscarawas County, Ohio**

*Management's Discussion and Analysis  
For the Year Ended December 31, 2013*

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**CURRENT ISSUES**

The recent surge in the Utica shale activity in Ohio has presented the Conservancy District with opportunities to utilize its natural resources. With approximately 14,000 acres available for lease, the Conservancy District is continuing to develop and implement its plan for the prudent use of the resources it has available. Currently the Conservancy District has leased acreage at Clendening Reservoir, Leesville Reservoir, and Seneca Reservoir. The Conservancy District is anticipating an additional lease during 2014.

In October 2013 the board of directors approved the park master plan. The park master plan will consist of major updates at all five parks and the two marinas operated by the Conservancy District. The estimated cost of the master plan is \$160 million with the projected completion in seven to ten years. Conservancy District staff plans to present to the board a park master plan budget for 2014 by the second or third quarter of 2014.

Included in the 2014 budget approved by the board of directors were \$8.4 million of expenditures related to deferred maintenance projects. These projects are high need areas throughout the Conservancy District that had not been addressed in the past due to budget constraints.

The sediment removal program which was approved by the board of directors in 2012 was kicked off during 2013. The plan includes designing the program, developing goals, objectives, milestones, tasks, and the internal and external communication protocols. The dredging will begin in 2014 at Tappan Lake. The budget for 2014 includes \$2.6 million for the dredging program. The sediment removal program will protect and extend the useful life of the reservoirs for many years to come by allowing for proper flow storage capacity. This multi-year project will protect people and property within the reservoirs and is a component of the Amendment of the Official Plan.

In the second half of 2012, the board of directors approved the establishment of a cottage site road program. In recognition of past revenues, a portion of existing lease revenues are being re-invested into the road program, establishing a self-supported road maintenance program. The board approved payment of \$450,000 in the first quarter of 2014 which was for upgrading the road at the Atwood North Shore cottage area.

The Conservancy District implemented an on-line reservation system in 2013 and a full campground management system in 2014. The implementation of this system was a large undertaking for staff. Camping revenue increased in 2013, due in part to the implementation of the system. This system allows our customers to make reservations up to one year in advance.

The Conservancy District continues to be the local cost share sponsor in the US Army Corp of Engineer projects. The current on-going projects are the Dover and Bolivar dam rehabilitations. The board of directors approved payment in excess of \$7.8 million in the first quarter of 2014 for the Bolivar project which is paid from the maintenance assessment.

**Muskingum Watershed Conservancy District  
Tuscarawas County, Ohio**

*Management's Discussion and Analysis  
For the Year Ended December 31, 2013*

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**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, investors and creditors with a general overview of the Conservancy District's finances and to show the Conservancy District's accountability for the money it receives. If you have questions about this report or need additional information, contact James Cugliari of the Muskingum Watershed Conservancy District.

Muskingum Watershed Conservancy District  
Tuscarawas County, Ohio  
Statement of Net Position  
Proprietary Fund  
December 31, 2013

|   |                           |
|---|---------------------------|
| <hr/> <hr/>                                     |                           |
| Assets  |                           |
| <i>Current Assets:</i>                          |                           |
| Equity in Pooled Cash and Investments           | \$ 85,166,472             |
| Accrued Interest                                | 578                       |
| Accounts Receivable                             | 1,177,797                 |
| Assets Held for Resale                          | 70,419                    |
| Prepays   | 112,623                   |
| Maintenance Assessments Receivable              | <u>1,295,096</u>          |
| <i>Total Current Assets</i>                     | <u>87,822,985</u>         |
| <br><i>Non-Current Assets:</i>                  |                           |
| Capitalized Costs                               | 171,796                   |
| Non-Depreciable Capital Assets                  | 8,030,547                 |
| Depreciable Capital Assets, Net                 | <u>16,160,264</u>         |
| <i>Total Non-Current Assets</i>                 | <u>24,362,607</u>         |
| <br><i>Total Assets</i>                         | <br><u>112,185,592</u>    |
| <br>Liabilities                                 |                           |
| <i>Current Liabilities:</i>                     |                           |
| Accounts Payable                                | 215,750                   |
| Contracts Payable                               | 750,077                   |
| Retainage Payable                               | 204,711                   |
| Performance Bond Payable                        | 42,750                    |
| Escrow Land Rentals                             | 175                       |
| Escrow Funds Payable                            | 2                         |
| Due to Other Governments                        | 138,535                   |
| Accrued Wages and Benefits                      | 146,978                   |
| Accrued Interest Payable                        | 100                       |
| Accrued Life Insurance                          | 13,133                    |
| Advances  | 89,204                    |
| Claims Payable                                  | 205,374                   |
| Compensated Absences                            | 66,084                    |
| Capital Leases Payable                          | 164,947                   |
| OWDA Loans Payable                              | <u>59,677</u>             |
| <i>Total Current Liabilities</i>                | <u>2,097,497</u>          |
| <br><i>Long-Term Liabilities:</i>               |                           |
| Compensated Absences - net of current portion   | 495,727                   |
| Capital Leases Payable - net of current portion | 145,085                   |
| OWDA Loans Payable - net of current portion     | <u>988,762</u>            |
| <i>Total Long-Term Liabilities</i>              | <u>1,629,574</u>          |
| <br><i>Total Liabilities</i>                    | <br><u>3,727,071</u>      |
| <br>Net Position                                |                           |
| Net Investment in Capital Assets                | 22,054,155                |
| Restricted for Maintenance Assessment           | 18,150,420                |
| Unrestricted                                    | <u>68,253,946</u>         |
| <br><i>Total Net Position</i>                   | <br><u>\$ 108,458,521</u> |

See accompanying notes to the basic financial statements

Muskingum Watershed Conservancy District  
Tuscarawas County, Ohio  
*Statement of Revenues, Expenses and Changes in Net Position*  
*Proprietary Fund*  
For the Year Ended December 31, 2013

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|                                 |            |
|---------------------------------|------------|
| Operating Revenues              |            |
| Water Sales                     | \$ 807,679 |
| Water and sewer systems         | 60,838     |
| Timber sales                    | 339,832    |
| Pine/pulpwood sales             | 85,599     |
| Mineral rights and royalties    | 46,310,947 |
| Share crop lease                | 241,772    |
| Cottage sites                   | 2,645,990  |
| Marina operations               | 1,191,820  |
| Marina camping                  | 240,375    |
| Fishing rights                  | 62,647     |
| Easements/Right of ways         | 162,825    |
| Beach facilities                | 122,077    |
| Vacation cabin                  | 397,898    |
| Park camping                    | 4,442,902  |
| Parks - Special events          | 131,711    |
| Admissions - park facilities    | 106,917    |
| Miscellaneous income            | 60,536     |
|                                 | 57,412,365 |
| <i>Total Operating Revenues</i> |            |
| Operating Expenses              |            |
| Water Quality                   | 87,331     |
| Vehicles and equipment          | 619,059    |
| Dam safety/upgrades             | 5,427,058  |
| Boundary survey                 | 50,606     |
| Conservation                    | 139,606    |
| Reservoir Maintenance           | 20,749     |
| Information Systems/Technology  | 490,671    |
| Shoreline Protection            | 185,746    |
| Share crop                      | 292,266    |
| Mineral operation               | 305,513    |
| Watershed management            | 434,840    |
| Beach facilities                | 281,146    |
| Office building                 | 165,973    |
| Administrative and finance      | 1,641,995  |
| Engineering                     | 638,165    |
| Planning and development        | 475,267    |
| GIS and Parcel Development      | 248,316    |
| Forestry maintenance            | 137,847    |
| Park camping expense            | 2,649,714  |
| Cottage sites and clubs         | 877,446    |
| Cottage Road Maintenance        | 25,763     |
| General park facilities         | 2,477,024  |
| Vacation cabin                  | 190,151    |
| Marina operation                | 1,208,968  |

Muskingum Watershed Conservancy District  
Tuscarawas County, Ohio  
*Statement of Revenues, Expenses and Changes in Net Position*  
*Proprietary Fund*  
For the Year Ended December 31, 2013

|  |    | (Continued)           |
|--|----|-----------------------|
| Water and sewer system                         | \$ | 788,803               |
| Lake patrol operation                          |    | 312,797               |
| Education and public information               |    | 451,109               |
| Safety   |    | 126,982               |
| Recreation maintenance                         |    | 163,346               |
| Parks - special events                         |    | 81,471                |
| PWM  |    | 239,528               |
| Special Clean up                               |    | 60,906                |
| Depreciation                                   |    | <u>1,236,424</u>      |
| <i>Total Operating Expenses</i>                |    | <u>22,532,586</u>     |
| <i>Operating Income</i>                        |    | 34,879,779            |
|  |    |                       |
| <i>Non-Operating Revenues (Expenses)</i>       |    |                       |
| Maintenance assessments                        |    | 11,528,484            |
| Grants   |    | 245,839               |
| Interest on investments                        |    | 84,853                |
| Debt retirement - Interest                     |    | <u>(116,918)</u>      |
| <i>Total Non-Operating Revenues (Expenses)</i> |    | <u>11,742,258</u>     |
| <i>Change in Net Position</i>                  |    | 46,622,037            |
|  |    |                       |
| Net Position - Beginning of Year               |    | <u>61,836,484</u>     |
| Net Position - End of Year                     |    | <u>\$ 108,458,521</u> |

See accompanying notes to the basic financial statements

Muskingum Watershed Conservancy District  
Tuscarawas County, Ohio  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended December 31, 2013

|  |                      |
|--|----------------------|
| Cash flows from Operating Activities:  |                      |
| Cash Received from Customers   | \$ 57,520,253        |
| Cash Payments to Suppliers for Goods and Services  | (13,868,079)         |
| Cash Payments for Employees Services and Benefits  | <u>(7,546,953)</u>   |
| <i>Net Cash Provided by Operating Activities</i>   | <u>36,105,221</u>    |
| Cash Flows from Noncapital Financing Activities:   |                      |
| Proceeds from OWDA Loans   | 84,945               |
| Principal Payments on OWDA Loans   | (174,927)            |
| Intergovernmental Grants   | 140,729              |
| Maintenance Assessments  | 10,705,614           |
| Interest Paid on Debt  | <u>(58,002)</u>      |
| <i>Net Cash Provided by Noncapital Financing Activities</i>  | <u>10,698,359</u>    |
| Cash Flows from Capital and Related Financing Activities:  |                      |
| Acquisition of Capital Assets  | (8,687,038)          |
| Maintenance Assessments  | 822,870              |
| Intergovernmental Grants   | 105,110              |
| Principal Payments on OWDA Loans   | (46,483)             |
| Principal Payments on Capital Leases   | (164,986)            |
| Interest Paid on Debt  | <u>(58,916)</u>      |
| <i>Net Cash Used for Capital and Related Financing Activities</i>  | <u>(8,029,443)</u>   |
| Cash Flows from Investing Activities:  |                      |
| Receipts of Interest   | 282,487              |
| Payments for purchase of investments   | (68,810,453)         |
| Proceeds from sale of investments  | <u>45,865,884</u>    |
| <i>Net Cash used for Investing Activities</i>  | <u>(22,662,082)</u>  |
| <i>Net (Decrease) in Cash and Cash Equivalents</i>   | 16,112,055           |
| <i>Cash and Cash Equivalents Beginning of Year</i>   | <u>15,355,790</u>    |
| <i>Cash and Cash Equivalents End of Year</i>   | <u>\$ 31,467,845</u> |
| Reconciliation of Operating Income To Net Cash Provided by Operating Activities:   |                      |
| Operating Income   | \$ 34,879,779        |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:  |                      |
| Depreciation   | 1,236,424            |
| (Increase) Decrease in Assets  |                      |
| Capitalized Costs  | (92,456)             |
| Accounts Receivable  | 102,996              |
| Prepays  | (112,623)            |
| Assets held for resale   | (70,419)             |
| Accrued Interest   | 4,892                |
| Increase (Decrease) in Liabilities:  |                      |
| Accounts Payable   | (45,859)             |
| Performance Bond Payable   | 22,275               |
| Escrow Funds Payable   | (28,664)             |
| Advances   | 89,204               |
| Claims Payable   | 37,798               |
| Accrued Wages and Benefits   | 25,310               |
| Accrued Life Insurance   | (942)                |
| Compensated Absences   | 34,579               |
| Due to Other Governments   | <u>22,927</u>        |
| <i>Net Cash Provided by Operating Activities</i>   | <u>\$ 36,105,221</u> |
| Reconciliation of cash and investments reported on the Statement of Net Position to cash and cash equivalents reported on the Statement of Cash Flows: |                      |
| Statement of Net Position cash and cash equivalents and investments  | \$ 85,166,472        |
| Investments included in balances above that are not cash equivalents   | <u>(53,698,627)</u>  |
| Cash and Cash equivalents reported on Statement of Cash Flows  | \$ 31,467,845        |

Noncash Capital Financing Activities:  
During 2013, capital assets were acquired through capital leases in the amount of \$103,685.

See accompanying notes to the basic financial statements

Muskingum Watershed Conservancy District  
Tuscarawas County, Ohio  
*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013*

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**NOTE 1: NATURE OF BASIC OPERATIONS AND DESCRIPTION OF ENTITY**

The Muskingum Watershed Conservancy District was created as a separate political subdivision by the Ohio Legislature in 1933. The Muskingum Watershed Conservancy District (the "Conservancy District") was created in accordance with Chapter 6101 of the Ohio Revised Code which is concerned with the formation and governing of conservancy districts. The Conservancy 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 2013 appointed by the court. All other officers and employees are hired in accordance with the provisions of Chapter 6101 of the Ohio Revised Code. The Conservancy District is a separate governmental entity within the eighteen county area served by the Conservancy District.

**2013 Board of Directors:**

- |                                     |                        |
|-------------------------------------|------------------------|
| • David Parham – President          | Term Expires June 2016 |
| • Richard J. Pryce – Vice President | Term Expires June 2017 |
| • William P. Boyle, Jr. - Member    | Term Expires June 2014 |
| • Harry Horstman - Member           | Term Expires June 2015 |
| • Steve Kokovich – Member           | Term Expires June 2013 |
| • Joanne Limbach – Member           | Term Expires June 2018 |

**2013 Officers:**

- John M. Hoopingarner – Executive Director/Secretary
- James B. Cugliari – Chief Financial Officer/Treasurer

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

- (A) Flood reduction
- (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

The Conservancy District manages fourteen reservoirs and receives income from the following operations and other sources:

- (A) Park camping
- (B) Rental of sites for cottages
- (C) Sale of crops
- (D) Sale of timber and pulpwood
- (E) Boat marina rentals and docking
- (F) Assessment
- (G) Oil and Gas royalties
- (H) Water Sales

Muskingum Watershed Conservancy District  
Tuscarawas County, Ohio  
*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013*

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**NOTE 1: NATURE OF BASIC OPERATIONS AND DESCRIPTION OF ENTITY (continued)**

***Subdistricts:***

Chippewa Subdistrict, Black Fork Subdistrict, Buffalo Subdistrict and Duck Creek Subdistrict are blended component units of Muskingum Watershed Conservancy District. Each subdistrict was formed in accordance with Chapter 6101.71 of the Ohio Revised Code; Organization of subdistricts. 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 subdistricts are the Chippewa Subdistrict and the Black Fork Subdistrict. The current status of the Chippewa Subdistrict is to maintain and upgrade the dams and channels. In May of 2011, with work beginning in 2012, the Conservancy District Board of Directors, at the request of Shelby officials, re-activated the Black Fork Subdistrict for the purpose of preparing an Official Plan, as required by the Ohio Revised Code, to address flooding within the Black Fork watershed. Buffalo Creek Subdistrict and Duck Creek Subdistrict are inactive.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Conservancy District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the Conservancy District's accounting policies are described below.

***A. Basis of Presentation***

The Conservancy District uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The Conservancy District operates as a self-supporting governmental enterprise and uses accounting policies applicable to governmental enterprise funds.

***B. Measurement Focus***

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Conservancy District are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Conservancy District finances and meets the cash flow needs of its enterprise activity.

Muskingum Watershed Conservancy District  
Tuscarawas County, Ohio  
*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013*

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***C. Budgetary Process***

**Budget:**

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

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

**Appropriations:**

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

**Encumbrances:**

The Conservancy District is required to use the encumbrance method of accounting by virtue of Ohio Law. Under this system purchase order, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of the calendar year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated.

***D. Property Assets/Depreciation***

Capital Assets are defined by the Conservancy District as assets with an initial, individual cost of more than \$5,000. The capitalization threshold for building improvements is \$10,000 and for infrastructure is \$25,000.

Property, plant and equipment acquired by the Conservancy District are stated at cost (or estimated historical cost), including architectural and engineering fees where applicable.

Muskingum Watershed Conservancy District  
Tuscarawas County, Ohio  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2013

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

All reported capital assets are required to be depreciated except for land, construction in process, and capitalized development costs. Depreciation has been provided using the straight-line method over the following estimated useful lives:

| <u>Description</u>                | <u>Estimated Lives</u> |
|-----------------------------------|------------------------|
| Land Improvements                 | 20 - 25 Years          |
| Buildings                         | 30 - 50 Years          |
| Building Improvements             | 10 - 20 Years          |
| Furniture, Fixtures and Equipment | 3 - 15 Years           |
| Vehicles                          | 3 - 5 Years            |
| Infrastructure                    | 20 - 50 Years          |
| Land                              | N/A                    |
| Construction in Progress          | N/A                    |
| Capitalized Development Costs     | N/A                    |

***E. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The Conservancy District records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the Conservancy District's past experience of making termination payments.

***F. Pensions***

The provision for pension costs are recorded when the related payroll is accrued and the obligation is incurred.

***G. Net Position***

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Restricted for maintenance assessment represents the net position of the maintenance assessment fund, which are restricted by the official plan as to how it can be used.

Muskingum Watershed Conservancy District  
Tuscarawas County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***H. Revenue & Expenses***

Operating revenues consist primarily of fees for services, rents and charges for use of Conservancy District facilities, oil and gas royalties, and other income. Operating expenses include the cost of providing these services, including administrative expenses and depreciation on capital assets.

Non-operating revenues and expenses are all revenues and expenses not meeting the definition of operating revenues and expenses. Non-operating revenues include intergovernmental grants, interest from investments and maintenance assessment. Non-operating expenses include interest expense on long-term debt.

***I. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Directors and that are either unusual in nature or infrequent in occurrence. During 2013, the Conservancy District had no extraordinary or special items.

***J. Implementation of New Accounting Policies***

For the year ended December 31, 2013, the Conservancy District implemented Governmental Accounting Standards Board GASB Statement No. 61, *"The Financial Reporting Entity: Omnibus – An amendment of GASB Statements No. 14 and No. 34,"* and GASB Statement No. 66, *"Technical Corrections – 2012 – An amendment of GASB Statement No. 10 and No. 62."*

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial statements and also amends certain criteria for reporting component units as if they were part of the primary government (that is blending) in certain circumstances. As a result, the combining statement of net position; the combining statement of revenues, expenses and changes in net position; and the combining statement of cash flows are part of the notes to the basic financial statements.

GASB Statement No. 66 amends GASB Statement No. 10, by removing provisions that limits fund-based reporting of an entity's risk financing activities to the general fund and internal service fund type. It also amends GASB Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from the straight line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee differs significantly from a current (normal) servicing fee rate. Implementation of this GASB statement did not affect the presentation of the financial statements of the Conservancy District.

Muskingum Watershed Conservancy District  
Tuscarawas County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**K. Statement of Cash Flows**

For the purposes of the statement of cash flows, cash and cash equivalents are defined as cash and any investment with an original maturity of 3 months or less. As of December 31, 2013 none of the Conservancy District's investments qualified as a cash equivalent.

**L. Capitalized Costs**

The Conservancy District has a loan with the Ohio Water Development Authority (OWDA) to cover the costs associated with preparing the Official Plan for the Black Fork Subdistrict. The costs incurred with this project are accumulating until the plan is complete and the subdistrict has a maintenance assessment in place. Once the project is complete the charges will be amortized over the life of the loan with OWDA.

**M. Prepays**

The Conservancy District has a loan with the Ohio Water Development Authority (OWDA) to cover costs associated with preparing the Official Plan for the Black Fork Subdistrict. In 2013, the Conservancy District was required to start making principal and interest payments on the loan based on the total amount of the approved debt, even though the entire amount of the loan had not been drawn down as of December 31, 2013. As of December 31, 2013, the Conservancy District had paid more on the principal of the debt than they had drawn down. This amount of \$112,623 is shown as a prepaid.

**N. Advances**

The Conservancy District records advances when it has received moneys prior to having earned the revenue, or before all grant requirements have been met (other than time). At December 31, 2013 advances consisted of \$29,850 in grant moneys received in advance, without all obligations being met and \$59,354 of moneys received in advance for reservations in our parks and marinas for 2014.

**O. Assets held for Resale**

The Conservancy District acquired assets during 2013 that are not currently being used in operation. The Conservancy District is currently analyzing the best use for this property and as such is classified as Assets held for Resale on the financial statements.

**NOTE 3: DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the Conservancy District into three categories:

**Active deposits** are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Conservancy District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Muskingum Watershed Conservancy District  
Tuscarawas County, Ohio  
*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013*

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**NOTE 3: DEPOSITS AND INVESTMENTS (continued)**

***Inactive deposits*** are public deposits that the Conservancy District has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

***Interim deposits*** are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the Conservancy District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Bonds and other obligations of the State of Ohio;
4. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
5. The State Treasurer's investment pool (STAROhio).
6. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 25 percent of the interim moneys available for investment at any time.

Muskingum Watershed Conservancy District  
Tuscarawas County, Ohio  
*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013*

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**NOTE 3: DEPOSITS AND INVESTMENTS (continued)**

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Conservancy District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Conservancy District's name. During 2013, the Conservancy District and public depositories complied with the provisions of these statutes.

***Deposits with Financial Institutions***

Custodial credit risk is the risk that, in the event of a bank failure, the Conservancy District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the uninsured public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Conservancy District.

At fiscal year-end, the carrying amount of the Conservancy District's deposits was \$31,463,945. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31, 2013, \$31,140,602 of the Conservancy District's bank balance of \$31,903,306 was exposed to custodial risk as discussed above, while \$762,704 was covered by Federal Deposit Insurance Corporation.

***Cash on Hand***

As of December 31, 2013, the Conservancy District had \$3,900 of cash on hand.

Muskingum Watershed Conservancy District  
 Tuscarawas County, Ohio  
*Notes to the Basic Financial Statements  
 For the Year Ended December 31, 2013*

**NOTE 3: DEPOSITS AND INVESTMENTS (continued)**

**Investments**

As of December 31, 2013, the Conservancy District had the following investments and maturities:

| Investment Type                        | Fair Value           | Investment Maturities |                     |                     |                      |
|--|----------------------|-----------------------|---------------------|---------------------|----------------------|
|  |                      | 6 Months or Less      | 7 to 12 Months      | 13 to 24 Months     | More than 24 Months  |
| Commercial Paper                       | \$ 9,994,734         | \$ 9,994,734          | \$ -                | \$ -                | \$ -                 |
| Federal Home Loan Mortgage Corporation | 9,015,637            | 3,976,597             | -                   | 721,218             | 4,317,822            |
| Federal National Mortgage Association  | 18,205,596           | -                     | -                   | 1,001,960.00        | 17,203,636           |
| Federal Farm Credit Bank               | 999,211              | -                     | -                   | -                   | 999,211              |
| Federal Home Loan Bank                 | 5,107,951            | -                     | -                   | -                   | 5,107,951            |
| Bond Anticipation Notes                | 7,456,665            | 4,435,124             | 3,021,541           | -                   | -                    |
| General Obligation Bonds               | 1,520,594            | 386,121               | 1,134,473           | -                   | -                    |
| Revenue Bonds                          | 1,398,239            | -                     | 1,398,239           | -                   | -                    |
|  | <u>\$ 53,698,627</u> | <u>\$ 18,792,576</u>  | <u>\$ 5,554,253</u> | <u>\$ 1,723,178</u> | <u>\$ 27,628,620</u> |

**Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the Conservancy District's investment policy limits portfolio maturities to five years or less.

**Credit Risk:** The Conservancy District's investments in Commercial Paper have a P-1 rating from Moody's. The FHLMC, FNMA, FFCB and FHLB all have Aaa ratings from Moody's. All ratings are the highest on the respective scales from Moody's. The municipal bonds are not rated by Moody's.

**Custodial Credit Risk:** For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the Conservancy District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Conservancy District has no investment policy dealing with investment custodial risk beyond the requirement in the State statute that prohibits payment for the investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Concentration of Credit Risk:** The Conservancy District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type as of December 31, 2013.

Muskingum Watershed Conservancy District  
 Tuscarawas County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**NOTE 3: DEPOSITS AND INVESTMENTS (continued)**

| Investment Type                       | Fair<br>Value        | Percent of<br>Total |
|---------------------------------------|----------------------|---------------------|
| Commercial Paper                      | \$ 9,994,734         | 19%                 |
| Federal Home Loan Mortgage Corporatio | 9,015,637            | 17%                 |
| Federal National Mortgage Association | 18,205,596           | 34%                 |
| Federal Farm Credit Bank              | 999,211              | 2%                  |
| Federal Home Loan Bank                | 5,107,951            | 9%                  |
| Bond Anticipation Notes               | 7,456,665            | 14%                 |
| General Obligation Bonds              | 1,520,594            | 3%                  |
| Revenue Bonds                         | 1,398,239            | 2%                  |
|                                       | <u>\$ 53,698,627</u> | <u>100%</u>         |

The following is the net increase in the fair value of investments during for year ending December 31, 2013.

|   |                     |
|---|---------------------|
| Fair Value of Investments December 31, 2013 | \$ 53,698,627       |
| Add: Proceeds of investments sold in 2013   | 45,865,884          |
| Less: Cost of investments purchased in 2013 | (68,810,453)        |
| Less: Fair value at December 31, 2012       | <u>(30,951,694)</u> |
| Change in fair value of investments         | <u>\$ (197,636)</u> |

**NOTE 4: RECEIVABLES**

Receivables at December 31, 2013 consisted of accounts (billed user charged services) and delinquent maintenance assessments. All receivables are deemed collectible in full.

Muskingum Watershed Conservancy District  
 Tuscarawas County, Ohio  
 Notes to the Basic Financial Statements  
 For the Year Ended December 31, 2013

**NOTE 5: CAPITAL ASSETS**

Proprietary capital assets – summary by category at December 31, 2013:

|  | Balance<br>12/31/2012 | Additions            | Deletions             | Balance<br>12/31/2013 |
|--|-----------------------|----------------------|-----------------------|-----------------------|
| <b>Capital Assets Not Being Depreciated</b>        |                       |                      |                       |                       |
| Land   | \$ 1,806,650          | \$ 0                 | \$ 0                  | \$ 1,806,650          |
| Construction in Progress                           | 688,333               | 7,440,145            | (3,094,076)           | 5,034,402             |
| Capitalized Development Costs                      | 1,189,495             | 0                    | 0                     | 1,189,495             |
| <i>Total Capital Assets Not Being Depreciated</i>  | <u>3,684,478</u>      | <u>7,440,145</u>     | <u>(3,094,076)</u>    | <u>8,030,547</u>      |
| <b>Capital Assets Being Depreciated</b>            |                       |                      |                       |                       |
| Land Improvements                                  | 3,871,087             | 822,870              | 0                     | 4,693,957             |
| Buildings  | 8,193,892             | 2,246,581            | 0                     | 10,440,473            |
| Building Improvements                              | 2,212,493             | 253,560              | 0                     | 2,466,053             |
| Furniture, Fixtures and Equipment                  | 4,426,347             | 581,388              | (99,997)              | 4,907,738             |
| Vehicles   | 1,746,324             | 332,219              | (173,493)             | 1,905,050             |
| Infrastructure                                     | 4,588,999             | 717,617              | (15,195)              | 5,291,421             |
| <i>Total Capital Assets Being Depreciated</i>      | <u>25,039,142</u>     | <u>4,954,235</u>     | <u>(288,685)</u>      | <u>29,704,692</u>     |
| <b>Less Accumulated Depreciation:</b>              |                       |                      |                       |                       |
| Land Improvements                                  | (566,724)             | (227,957)            | 15,195                | (779,486)             |
| Buildings  | (5,197,040)           | (169,224)            | 0                     | (5,366,264)           |
| Building Improvements                              | (787,932)             | (62,816)             | 0                     | (850,748)             |
| Furniture, Fixtures and Equipment                  | (3,406,815)           | (316,458)            | 98,492                | (3,624,781)           |
| Vehicles   | (1,133,862)           | (214,762)            | 173,493               | (1,175,131)           |
| Infrastructure                                     | (1,502,811)           | (245,207)            | 0                     | (1,748,018)           |
| <i>Total Accumulated Depreciation</i>              | <u>(12,595,184)</u>   | <u>(1,236,424)</u>   | <u>287,180</u>        | <u>(13,544,428)</u>   |
| <i>Total Capital Assets Being Depreciated, Net</i> | <u>12,443,958</u>     | <u>3,717,811</u>     | <u>(1,505)</u>        | <u>16,160,264</u>     |
| <i>Capital Assets, Net</i>                         | <u>\$ 16,128,436</u>  | <u>\$ 11,157,956</u> | <u>\$ (3,095,581)</u> | <u>\$ 24,190,811</u>  |

Muskingum Watershed Conservancy District  
Tuscarawas County, Ohio  
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For the Year Ended December 31, 2013*

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**NOTE 6: RISK MANAGEMENT**

***A. Comprehensive Liability Insurance***

The Conservancy 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. Umbrella liability
- G. Public employee disability
- H. Employee bonds

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years and there has been no significant reduction in insurance coverage in the year 2013.

***B. Self-insurance***

Muskingum Watershed Conservancy District has a self-funded health insurance plan administered by third party administrator Aultcare. The plan year runs June 1 through May 31. The 2012 plan year ran June 1, 2012 through May 31, 2013. The 2013 plan year runs June 1, 2013 through May 31, 2014.

The monthly premium for the 2012 plan year for a single employee is \$697.10, \$1,094.36 for an employee plus 1, and for the family of an employee is \$1,654.07. The monthly premium for the 2013 plan year for a single employee is \$743.10, \$1,166.60 for an employee plus 1, and for the family of an employee is \$1,763.26.

The overall stop loss for the plan year 2012 is \$947,268 and for plan year 2013 is \$1,048,106.

The specific stop loss per occurrence was \$55,000 for plan years 2012 and 2013. For plan year 2012, there was one instance with a special specific deductible. The limit for that instance was \$480,000. For the plan year 2013 there were two special specific deductibles, one of which was \$75,000 and the other \$580,000. There was one claim exceeding the limit for plan year 2012. When the Conservancy District pays claims or reimburses employees for medical bills in excess of the limits they are reimbursed by Excess Re-insurance Underwriters Agency, Inc.

Muskingum Watershed Conservancy District  
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**NOTE 6: RISK MANAGEMENT (continued)**

The claims liability of \$205,374 at December 31, 2013, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims liability for 2013 and 2012 are as follows:

|      | <u>Balance</u><br><u>Beginning of Year</u> | <u>Current</u><br><u>Year Claims</u> | <u>Claims</u><br><u>Payments</u> | <u>Balance</u><br><u>End of Year</u> |
|------|--|--------------------------------------|----------------------------------|--------------------------------------|
| 2012 | \$ 149,266                                 | \$ 1,147,639                         | \$ 1,129,329                     | \$ 167,576                           |
| 2013 | \$ 167,576                                 | \$ 1,047,509                         | \$ 1,009,711                     | \$ 205,374                           |

**NOTE 7: DEFINED BENEFIT PENSION PLAN**

***Ohio Public Employees Retirement System***

Plan Description - The Conservancy District participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional pension plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2013, member and employer contribution rates were consistent across all three plans. The 2013 members in State and local classifications contributed 10 percent of covered payroll. Law enforcement members contributed 12.6%.

The Conservancy District's contribution rate for 2013 was 14.0 percent of covered payroll. The law enforcement contribution rate was 18.1% of covered payroll.

Muskingum Watershed Conservancy District  
Tuscarawas County, Ohio  
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**NOTE 7: DEFINED BENEFIT PENSION PLAN (continued)**

The Conservancy District's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2013, 2012, and 2011 were \$774,477, \$518,418 and \$510,519, respectively; 93 percent has been contributed for 2013 and 100 percent for 2012 and 2011.

**NOTE 8: POSTEMPLOYMENT BENEFITS**

***Ohio Public Employees Retirement System***

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2013, local government employers contributed 14 percent of covered payroll and law enforcement employers contributed at 18.1%. These are the maximum employer contributions rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB plan.

OPERS' post employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care and benefits. The portion of the employer contributions allocated to health care for members in the traditional plan was 1% during calendar year 2013. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving

Muskingum Watershed Conservancy District  
 Tuscarawas County, Ohio  
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**NOTE 8: POSTEMPLOYMENT BENEFITS (continued)**

beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Conservancy District's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$59,551, \$207,367 and \$204,208, respectively; 92 percent has been contributed for 2013 and 100 percent for 2012 and 2011.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4% of the employer contributions toward the health care fund after the end of the transition period.

**NOTE 9: LEGAL PROCEEDINGS**

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

**NOTE 10: LONG-TERM OBLIGATIONS**

The changes in the Conservancy District's long-term obligations during the fiscal year 2013 were as follows:

|                                     | Principal<br>Outstanding<br>12/31/2012 | Additions         | Reductions          | Principal<br>Outstanding<br>12/31/2013 | Amount<br>Due in<br>One Year |
|-------------------------------------|--|-------------------|---------------------|--|------------------------------|
| OWDA Loan #2162 - 5.56%             | \$ 345,233                             | \$ 0              | \$ (22,144)         | \$ 323,089                             | \$ 23,392                    |
| OWDA Loan #5413 - 0%                | 160,552                                | 0                 | (9,444)             | 151,108                                | 9,444                        |
| OWDA Loan #5575 - 3.25%             | 573,084                                | 0                 | (24,338)            | 548,746                                | 25,604                       |
| OWDA Loan #5558 - 3.25%             | 26,694                                 | 0                 | (1,198)             | 25,496                                 | 1,237                        |
| OWDA Loan #6104 - 3.99%             | 79,340                                 | 84,945            | (164,285)           | 0                                      | 0                            |
| <i>Total</i>                        | <u>1,184,903</u>                       | <u>84,945</u>     | <u>(221,409)</u>    | <u>1,048,439</u>                       | <u>59,677</u>                |
| <b>Other Long-Term Obligations:</b> |  |                   |                     |  |                              |
| Capital Leases                      | 371,333                                | 103,685           | (164,986)           | 310,032                                | 164,947                      |
| Compensated Absences                | 527,232                                | 89,857            | (55,278)            | 561,811                                | 66,084                       |
| Total other long-term obligation    | <u>898,565</u>                         | <u>193,542</u>    | <u>(220,264)</u>    | <u>871,843</u>                         | <u>231,031</u>               |
| <i>Total Long-Term Liabilities</i>  | <u>\$ 2,083,468</u>                    | <u>\$ 278,487</u> | <u>\$ (441,673)</u> | <u>\$ 1,920,282</u>                    | <u>\$ 290,708</u>            |

Muskingum Watershed Conservancy District  
Tuscarawas County, Ohio  
*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013*

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**NOTE 10: LONG-TERM OBLIGATIONS (continued)**

*Ohio Water Development Authority Loans*

In 1999, the Conservancy District was awarded a loan from the Ohio Water Development Authority (OWDA) in the amount of \$550,692. The proceeds of this loan are for the construction of a 75,000 and 10,000 gallon water tank. Also, a 3,807 linear feet of 6" water line and 3,676 linear feet of 4" water line are being constructed with these proceeds. All construction is at Tappan Lake Park. This loan agreement has a term of twenty-five years and matures July 1, 2024. Principal and interest payments are due January 1 and July 1, annually.

In 2009 the Conservancy District was awarded a loan from OWDA in the amount of \$188,884. The proceeds of this loan were used for painting of a water tower. The loan is interest-free and matures on January 1, 2030.

In 2010, the Conservancy District was awarded a loan from OWDA in the amount of \$637,001 for improvements to the Sites Lake Cottage Area wastewater treatment plant. The loan has an interest rate of 3.25 percent and matures on July 1, 2030. As of December 31, 2012, the Conservancy District had drawn down the full amount; however, the final amortization schedule was not complete. Since the amortization schedule is not available it is not reflected in the table below.

The Conservancy District was awarded a \$30,065 loan from OWDA in 2010 for an abandoned water well capping project. The loan has an interest rate of 3.25 percent and matures on January 1, 2030.

In 2012 the Conservancy District was awarded a \$1,500,000 loan from OWDA for studies to develop the Black Fork Subdistrict official plan. As of December 31, 2013, only \$164,285 had been drawn down. This loan required repayment beginning in 2013 based upon the full amount of the loan. During 2013, the Conservancy District repaid more than it had drawn down. \$112,623 is shown as a prepaid which represents the amount in excess of the amount drawn down that has been paid to OWDA. Since the full amount was not drawn down, the amortization schedule is not complete, so it is not reflected in the table below.

Muskingum Watershed Conservancy District  
 Tuscarawas County, Ohio  
*Notes to the Basic Financial Statements  
 For the Year Ended December 31, 2013*

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**NOTE 10: LONG-TERM OBLIGATIONS (continued)**

The annual requirements to retire debt are as follows:

|           | Ohio Water<br>Development Authority Loans |                   |
|-----------|---|-------------------|
|           | Principal                                 | Interest          |
| 2014      | \$ 59,677                                 | \$ 36,090         |
| 2015      | 61,875                                    | 33,891            |
| 2016      | 64,176                                    | 31,560            |
| 2017      | 66,586                                    | 29,181            |
| 2018      | 69,109                                    | 26,658            |
| 2019-2023 | 387,788                                   | 88,643            |
| 2024-2028 | 264,982                                   | 29,593            |
| 2029-2033 | 74,246                                    | 2,102             |
|           | <u>\$ 1,048,439</u>                       | <u>\$ 277,718</u> |

**NOTE 11: CAPITAL LEASES – LESSEE DISCLOSURE**

The Conservancy District has entered into capitalized leases for the acquisition of vehicles and equipment. These leases meet the criteria of a capital lease as they transfer benefits and risks of ownership to the lessee.

The assets acquired by the leases have been capitalized in the amount of \$720,322, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability is recorded and is reduced for each required principal payment.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2013:

|  |      | <u>Capital Leases</u> |
|--|------|-----------------------|
| Year Ending December 31:   | 2014 | \$ 179,510            |
|  | 2015 | 110,943               |
|  | 2016 | <u>41,586</u>         |
| Minimum lease payments   |      | 332,039               |
| Less: amount representing interest at the Conservancy<br>District's incremental borrowing rate of interest |      | <u>(22,007)</u>       |
| Present value of minimum lease payments  |      | <u>\$ 310,032</u>     |

Muskingum Watershed Conservancy District  
 Tuscarawas County, Ohio  
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**NOTE 12: OPERATING LEASE**

On June 17, 2011, the Conservancy District (the “Lessor”) entered into a lease agreement with Gulfport Energy Corporation (the “Lessee”). The Conservancy District leased approximately 6,468 acres of land at Clendening Reservoir to the Lessee. The lease has a primary term of 5 years with options to extend beyond that. The Lessee will pay the Conservancy District lease royalty payments of 16.5% of the gross proceeds attributable to the applicable wells. In addition, the Conservancy District received a bonus payment in 2011 in the amount of \$ 2,400 per acre, or approximately \$15,565,896. This payment was recorded as mineral rights and royalties revenue.

On April 19, 2012, the Conservancy District (the “Lessor”) entered into a lease agreement with Chesapeake Exploration, L.L.C. (the “Lessee”). The Conservancy District leased approximately 3,600 acres of land at Leesville Reservoir to the Lessee. The lease has a primary term of 5 years with options to extend beyond that. The Lessee will pay the Conservancy District lease royalty payments of 20% of the gross proceeds attributable to the applicable wells. In addition, the Conservancy District received a bonus payment in 2012 in the amount of \$5,800 per acre, or approximately \$20,880,000. This payment was recorded as mineral rights and royalties revenue.

On February 15, 2013, the Conservancy District entered into a lease with Antero Resources of Colorado for more than 6,500 acres at Seneca Lake in Noble County. Antero’s lease included \$6,200 per acre, paid up rental, for a 5 year lease and 20% royalty payment on future production revenues. The Conservancy District received at the time of signing is \$40,630,702.

**NOTE 13: CONTRACTUAL COMMITMENTS**

As of December 31, 2013, the Conservancy District had contractual commitments for the following projects:

|                                       | Contractual<br>Commitment | Expended     | Balance<br>12/31/2013 |
|---------------------------------------|---------------------------|--------------|-----------------------|
| Bolivar Dam - Army Corps of Engineers | \$ 37,951,380             | \$ 9,033,269 | \$ 28,918,111         |
| Dover Dam - Army Corps of Engineers   | 3,570,750                 | 2,013,670    | 1,557,080             |
| Atwood Wastewater Treatment Plant     | 4,500,190                 | 3,750,590    | 749,600               |
| Shoreline stabilization projects      | 1,970,870                 | 394,332      | 1,576,538             |
| Long Term Dredge Program              | 650,000                   | 354,074      | 295,926               |
| Precast Restroom Facilities           | 505,138                   | 261,100      | 244,038               |

Muskingum Watershed Conservancy District  
Tuscarawas County, Ohio  
*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013*

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**NOTE 14: SUBSEQUENT EVENTS**

In January 2014, the board of directors approved a contract for Piedmont Lake site improvements in the amount of \$1,579,000.

On April 22, 2014, the Conservancy District entered into a lease with Antero Resources of Colorado for all available acres at Piedmont Reservoir in Belmont, Harrison and Guernsey Counties. Antero's lease included \$15,000 per acre paid up rental for a 5 year lease and 20% royalty payment on future production revenues. The Conservancy District received at the time of signing \$95,449,950 for 6,363.33 acres. An amendment and ratification of the Antero Resources lease at Piedmont was executed on September 8, 2014 for 135.43 additional acres, bringing total acres leased to 6,498.76. The second payment at \$15,000 per acre totaled \$2,031,450, resulting in an overall total of \$97,481,400. Approximately 146 additional acres which were defected pending future review could be added to the lease in the future.

At the September 2014 board meeting, the Board of Directors approved a 50% reduction in the collection of the maintenance assessment effective for the 2015 collection year.

Effective January 1, 2015, the Conservancy District purchased and began operating Clendening Marina. The purchase price of the marina was \$1,275,000.

At the February 2015 board meeting, the Board of Directors approved entering into a contract for the construction of a welcome center at Atwood Lake. The contract was awarded for \$1,691,212.

**NOTE 15: BLENDED COMPONENT UNITS**

Black Fork, Buffalo Creek, Chippewa and Duck Creek Subdivisions are blended component units under criteria of GASB Statement 61. The following represents combining financial statements for the year ended 2013.

Muskingum Watershed Conservancy District  
Tuscarawas County, Ohio  
Notes to the Basic Financial Statements  
For the year ended December 31, 2013

NOTE 15: BLENDED COMPONENT UNITS (continued)

COMBINING STATEMENT OF NET POSITION

|   | Muskingum<br>Watershed<br>Conservancy<br>District | Subdistricts  |                  |                     |                 | Eliminating<br>Entries | Total                 |
|---|---|---------------|------------------|---------------------|-----------------|------------------------|-----------------------|
|   |   | Black<br>Fork | Buffalo<br>Creek | Chippewa            | Duck<br>Creek   |                        |                       |
| <b>Assets</b>                                   |   |               |                  |                     |                 |                        |                       |
| <i>Current Assets:</i>                          |   |               |                  |                     |                 |                        |                       |
| Equity in Pooled Cash and Investments           | \$ 83,514,922                                     | \$ 0          | \$ 0             | \$ 1,643,140        | \$ 8,410        | \$ 0                   | \$ 85,166,472         |
| Accrued Interest                                | 578   | 0             | 0                | 0                   | 0               | 0                      | 578                   |
| Accounts Receivable                             | 1,203,562   | 0             | 0                | 0                   | 0               | (25,765)               | 1,177,797             |
| Assets held for Resale                          | 70,419  | 0             | 0                | 0                   | 0               | 0                      | 70,419                |
| Prepays   | 112,623   | 0             | 0                | 0                   | 0               | 0                      | 112,623               |
| Maintenance Assessments Receivable              | 1,295,096   | 0             | 0                | 0                   | 0               | 0                      | 1,295,096             |
| <i>Total Current Assets</i>                     | <u>86,197,200</u>                                 | <u>0</u>      | <u>0</u>         | <u>1,643,140</u>    | <u>8,410</u>    | <u>(25,765)</u>        | <u>87,822,985</u>     |
| <i>Non-Current Assets:</i>                      |   |               |                  |                     |                 |                        |                       |
| Capitalized Costs                               | 171,796   | 0             | 0                | 0                   | 0               | 0                      | 171,796               |
| Non-Depreciable Capital Assets                  | 6,841,052   | 1,822         | 27,593           | 1,154,680           | 5,400           | 0                      | 8,030,547             |
| Depreciable Capital Assets, Net                 | 16,160,264  | 0             | 0                | 0                   | 0               | 0                      | 16,160,264            |
| <i>Total Non-Current Assets</i>                 | <u>23,173,112</u>                                 | <u>1,822</u>  | <u>27,593</u>    | <u>1,154,680</u>    | <u>5,400</u>    | <u>0</u>               | <u>24,362,607</u>     |
| <i>Total Assets</i>                             | <u>109,370,312</u>                                | <u>1,822</u>  | <u>27,593</u>    | <u>2,797,820</u>    | <u>13,810</u>   | <u>(25,765)</u>        | <u>112,185,592</u>    |
| <b>Liabilities</b>                              |   |               |                  |                     |                 |                        |                       |
| <i>Current Liabilities:</i>                     |   |               |                  |                     |                 |                        |                       |
| Accounts Payable                                | 194,621   | 1,822         | 27,593           | 11,442              | 6,037           | (25,765)               | 215,750               |
| Contracts Payable                               | 750,077   | 0             | 0                | 0                   | 0               | 0                      | 750,077               |
| Retainage Payable                               | 204,711   | 0             | 0                | 0                   | 0               | 0                      | 204,711               |
| Performance Bond Payable                        | 42,750  | 0             | 0                | 0                   | 0               | 0                      | 42,750                |
| Escrow Land Rentals                             | 175   | 0             | 0                | 0                   | 0               | 0                      | 175                   |
| Escrow Funds Payable                            | 2   | 0             | 0                | 0                   | 0               | 0                      | 2                     |
| Due to Other Governments                        | 138,535   | 0             | 0                | 0                   | 0               | 0                      | 138,535               |
| Accrued Wages and Benefits                      | 146,978   | 0             | 0                | 0                   | 0               | 0                      | 146,978               |
| Accrued Interest Payable                        | 100   | 0             | 0                | 0                   | 0               | 0                      | 100                   |
| Accrued Life Insurance                          | 13,133  | 0             | 0                | 0                   | 0               | 0                      | 13,133                |
| Advances  | 89,204  | 0             | 0                | 0                   | 0               | 0                      | 89,204                |
| Claims Payable                                  | 205,374   | 0             | 0                | 0                   | 0               | 0                      | 205,374               |
| Compensated Absences                            | 66,084  | 0             | 0                | 0                   | 0               | 0                      | 66,084                |
| Capital Leases Payable                          | 164,947   | 0             | 0                | 0                   | 0               | 0                      | 164,947               |
| OWDA Loans Payable                              | 59,677  | 0             | 0                | 0                   | 0               | 0                      | 59,677                |
| <i>Total Current Liabilities</i>                | <u>2,076,368</u>                                  | <u>1,822</u>  | <u>27,593</u>    | <u>11,442</u>       | <u>6,037</u>    | <u>(25,765)</u>        | <u>2,097,497</u>      |
| <i>Long-Term Liabilities:</i>                   |   |               |                  |                     |                 |                        |                       |
| Compensated Absences - net of current portion   | 495,727   | 0             | 0                | 0                   | 0               | 0                      | 495,727               |
| Capital Leases Payable - net of current portion | 145,085   | 0             | 0                | 0                   | 0               | 0                      | 145,085               |
| OWDA Loans Payable - net of current portion     | 988,762   | 0             | 0                | 0                   | 0               | 0                      | 988,762               |
| <i>Total Long-Term Liabilities</i>              | <u>1,629,574</u>                                  | <u>0</u>      | <u>0</u>         | <u>0</u>            | <u>0</u>        | <u>0</u>               | <u>1,629,574</u>      |
| <i>Total Liabilities</i>                        | <u>3,705,942</u>                                  | <u>1,822</u>  | <u>27,593</u>    | <u>11,442</u>       | <u>6,037</u>    | <u>(25,765)</u>        | <u>3,727,071</u>      |
| <b>Net Position</b>                             |   |               |                  |                     |                 |                        |                       |
| Net Investment in Capital Assets                | 20,864,660  | 1,822         | 27,593           | 1,154,680           | 5,400           | 0                      | 22,054,155            |
| Restricted for Maintenance Assessment           | 18,150,420  | 0             | 0                | 0                   | 0               | 0                      | 18,150,420            |
| Unrestricted                                    | 66,649,290  | (1,822)       | (27,593)         | 1,631,698           | 2,373           | 0                      | 68,253,946            |
| <i>Total Net Position</i>                       | <u>\$ 105,664,370</u>                             | <u>\$ 0</u>   | <u>\$ 0</u>      | <u>\$ 2,786,378</u> | <u>\$ 7,773</u> | <u>\$ 0</u>            | <u>\$ 108,458,521</u> |

Muskingum Watershed Conservancy District  
Tuscarawas County, Ohio  
Notes to the Basic Financial Statements  
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NOTE 15: BLENDED COMPONENT UNITS (continued)

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

|                                 | Muskingum<br>Watershed<br>Conservancy<br>District | Subdistricts  |                  |            | Eliminating<br>Entries | Total             |
|---------------------------------|---|---------------|------------------|------------|------------------------|-------------------|
|                                 |   | Black<br>Fork | Buffalo<br>Creek | Chippewa   |                        |                   |
| Operating Revenues              |   |               |                  |            |                        |                   |
| Water Sales                     | \$ 807,679  | \$ 0          | \$ 0             | \$ 0       | \$ 0                   | \$ 807,679        |
| Water and sewer systems         | 60,838  | 0             | 0                | 0          | 0                      | 60,838            |
| Timber Sales                    | 339,832   | 0             | 0                | 0          | 0                      | 339,832           |
| Pine/Pulpwood Sales             | 85,599  | 0             | 0                | 0          | 0                      | 85,599            |
| Mineral rights and royalties    | 46,310,947  | 0             | 0                | 0          | 0                      | 46,310,947        |
| Share Crop                      | 241,772   | 0             | 0                | 0          | 0                      | 241,772           |
| Cottage Sites and Clubs         | 2,645,990   | 0             | 0                | 0          | 0                      | 2,645,990         |
| Marina operations               | 1,191,820   | 0             | 0                | 0          | 0                      | 1,191,820         |
| Marina camping                  | 240,375   | 0             | 0                | 0          | 0                      | 240,375           |
| Fishing rights                  | 62,647  | 0             | 0                | 0          | 0                      | 62,647            |
| Easements/Right of Ways         | 162,825   | 0             | 0                | 0          | 0                      | 162,825           |
| Beach facilities                | 122,077   | 0             | 0                | 0          | 0                      | 122,077           |
| Vacation cabin                  | 397,898   | 0             | 0                | 0          | 0                      | 397,898           |
| Park camping                    | 4,442,902   | 0             | 0                | 0          | 0                      | 4,442,902         |
| Parks - Special Events          | 131,711   | 0             | 0                | 0          | 0                      | 131,711           |
| Admissions - park facilities    | 106,917   | 0             | 0                | 0          | 0                      | 106,917           |
| Miscellaneous income            | 60,161  | 0             | 0                | 375        | 0                      | 60,536            |
| <i>Total Operating Revenues</i> | <i>57,411,990</i>                                 | <i>0</i>      | <i>0</i>         | <i>375</i> | <i>0</i>               | <i>57,412,365</i> |
| Operating Expenses              |   |               |                  |            |                        |                   |
| Water Quality                   | 87,331  | 0             | 0                | 0          | 0                      | 87,331            |
| Vehicles and equipment          | 619,059   | 0             | 0                | 0          | 0                      | 619,059           |
| Dam safety/upgrades             | 5,160,536   | 0             | 0                | 266,522    | 0                      | 5,427,058         |
| Boundary survey                 | 50,606  | 0             | 0                | 0          | 0                      | 50,606            |
| Conservation                    | 139,606   | 0             | 0                | 0          | 0                      | 139,606           |
| Reservoir Maintenance           | 20,749  | 0             | 0                | 0          | 0                      | 20,749            |
| Information Systems/Technology  | 479,288   | 0             | 0                | 11,383     | 0                      | 490,671           |
| Shoreline Protection            | 185,746   | 0             | 0                | 0          | 0                      | 185,746           |
| Share crop                      | 292,266   | 0             | 0                | 0          | 0                      | 292,266           |
| Mineral operation               | 305,513   | 0             | 0                | 0          | 0                      | 305,513           |
| Watershed management            | 434,840   | 0             | 0                | 0          | 0                      | 434,840           |
| Beach facilities                | 281,146   | 0             | 0                | 0          | 0                      | 281,146           |
| Office building                 | 165,973   | 0             | 0                | 0          | 0                      | 165,973           |
| Administrative and finance      | 1,641,995   | 0             | 0                | 0          | 0                      | 1,641,995         |
| Engineering                     | 638,165   | 0             | 0                | 0          | 0                      | 638,165           |
| Planning and development        | 475,267   | 0             | 0                | 0          | 0                      | 475,267           |
| GIS and Parcel Development      | 248,316   | 0             | 0                | 0          | 0                      | 248,316           |
| Forestry maintenance            | 137,847   | 0             | 0                | 0          | 0                      | 137,847           |
| Park camping                    | 2,649,714   | 0             | 0                | 0          | 0                      | 2,649,714         |
| Cottage sites and clubs         | 877,446   | 0             | 0                | 0          | 0                      | 877,446           |
| Cottage Road Maintenance        | 25,763  | 0             | 0                | 0          | 0                      | 25,763            |
| General park facilities         | 2,477,024   | 0             | 0                | 0          | 0                      | 2,477,024         |
| Vacation cabin                  | 190,151   | 0             | 0                | 0          | 0                      | 190,151           |
| Marina operation                | 1,208,968   | 0             | 0                | 0          | 0                      | 1,208,968         |

Muskingum Watershed Conservancy District  
Tuscarawas County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013

NOTE 15: BLENDED COMPONENT UNITS (continued)

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

|  | Muskingum<br>Watershed<br>Conservancy<br>District | Subdistricts  |                  |                     | Eliminating<br>Entries | Total                 |
|--|---|---------------|------------------|---------------------|------------------------|-----------------------|
|  |   | Black<br>Fork | Buffalo<br>Creek | Chippewa            |                        |                       |
|  |   |               |                  |                     |                        | (Continued)           |
| Water and sewer system                         | \$ 788,803  | \$ 0          | \$ 0             | \$ 0                | \$ 0                   | \$ 788,803            |
| Lake patrol operation                          | 312,797   | 0             | 0                | 0                   | 0                      | 312,797               |
| Education and public information               | 451,109   | 0             | 0                | 0                   | 0                      | 451,109               |
| Safety expenses                                | 126,982   | 0             | 0                | 0                   | 0                      | 126,982               |
| Recreation maintenance                         | 163,346   | 0             | 0                | 0                   | 0                      | 163,346               |
| Parks - special events                         | 81,471  | 0             | 0                | 0                   | 0                      | 81,471                |
| PWM  | 239,528   | 0             | 0                | 0                   | 0                      | 239,528               |
| Special Clean up                               | 60,906  | 0             | 0                | 0                   | 0                      | 60,906                |
| Depreciation                                   | 1,236,424   | 0             | 0                | 0                   | 0                      | 1,236,424             |
| <i>Total Operating Expenses</i>                | <u>22,254,681</u>                                 | <u>0</u>      | <u>0</u>         | <u>277,905</u>      | <u>0</u>               | <u>22,532,586</u>     |
| <i>Operating Income</i>                        | 35,157,309  | 0             | 0                | (277,530)           | 0                      | 34,879,779            |
| Non-Operating Revenues (Expenses)              |   |               |                  |                     |                        |                       |
| Maintenance assessments                        | 11,169,281  | 0             | 0                | 359,203             | 0                      | 11,528,484            |
| Grants   | 245,839   | 0             | 0                | 0                   | 0                      | 245,839               |
| Interest on investments                        | 84,002  | 0             | 0                | 849                 | 2                      | 84,853                |
| Debt retirement - Interest                     | (116,918)   | 0             | 0                | 0                   | 0                      | (116,918)             |
| <i>Total Non-Operating Revenues (Expenses)</i> | <u>11,382,204</u>                                 | <u>0</u>      | <u>0</u>         | <u>360,052</u>      | <u>2</u>               | <u>11,742,258</u>     |
| <i>Change in Net Position</i>                  | 46,539,513  | 0             | 0                | 82,522              | 2                      | 46,622,037            |
| Net Position - Beginning of Year               | <u>59,124,857</u>                                 | <u>0</u>      | <u>0</u>         | <u>2,703,856</u>    | <u>7,771</u>           | <u>61,836,484</u>     |
| Net Position - End of Year                     | <u>\$ 105,664,370</u>                             | <u>\$ 0</u>   | <u>\$ 0</u>      | <u>\$ 2,786,378</u> | <u>\$ 7,773</u>        | <u>\$ 108,458,521</u> |

Muskingum Watershed Conservancy District  
Tuscarawas County, Ohio  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013

NOTE 15: BLENDED COMPONENT UNITS (continued)

COMBINING STATEMENT OF CASH FLOWS

|   | Muskingum<br>Watershed<br>Conservancy<br>District | Subdistricts  |                  |                     |                 | Eliminating<br>Entries | Total                |
|---|---|---------------|------------------|---------------------|-----------------|------------------------|----------------------|
|   |   | Black<br>Fork | Buffalo<br>Creek | Chippewa            | Duck<br>Creek   |                        |                      |
| <b>Cash flows from Operating Activities:</b>  |   |               |                  |                     |                 |                        |                      |
| Cash Received from Customers  | \$ 57,519,878                                     | \$ 0          | \$ 0             | \$ 375              | \$ 0            | \$ 0                   | \$ 57,520,253        |
| Cash Payments to Suppliers for Goods and Services   | (13,686,801)                                      | 0             | 0                | (181,278)           | 0               | 0                      | (13,868,079)         |
| Cash Payments for Employees Services and Benefits   | (7,454,643)                                       | 0             | 0                | (92,310)            | 0               | 0                      | (7,546,953)          |
| <i>Net Cash Provided by (Used for) Operating Activities</i>   | <u>36,378,434</u>                                 | <u>0</u>      | <u>0</u>         | <u>(273,213)</u>    | <u>0</u>        | <u>0</u>               | <u>36,105,221</u>    |
| <b>Cash Flows from Noncapital Financing Activities:</b>   |   |               |                  |                     |                 |                        |                      |
| Proceeds from OWDA Loans  | 84,945  | 0             | 0                | 0                   | 0               | 0                      | 84,945               |
| Principal Payments on OWDA Loans  | (174,927)   | 0             | 0                | 0                   | 0               | 0                      | (174,927)            |
| Intergovernmental Grants  | 140,729   | 0             | 0                | 0                   | 0               | 0                      | 140,729              |
| Maintenance Assessments   | 10,346,411  | 0             | 0                | 359,203             | 0               | 0                      | 10,705,614           |
| Interest Paid on Debt   | (58,002)  | 0             | 0                | 0                   | 0               | 0                      | (58,002)             |
| <i>Net Cash Provided by Noncapital Financing Activities</i>   | <u>10,339,156</u>                                 | <u>0</u>      | <u>0</u>         | <u>359,203</u>      | <u>0</u>        | <u>0</u>               | <u>10,698,359</u>    |
| <b>Cash Flows from Capital and Related Financing Activities:</b>  |   |               |                  |                     |                 |                        |                      |
| Acquisition of Capital Assets   | (8,687,038)                                       | 0             | 0                | 0                   | 0               | 0                      | (8,687,038)          |
| Maintenance Assessments   | 822,870   | 0             | 0                | 0                   | 0               | 0                      | 822,870              |
| Intergovernmental Grants  | 105,110   | 0             | 0                | 0                   | 0               | 0                      | 105,110              |
| Principal Payments on OWDA Loans  | (46,483)  | 0             | 0                | 0                   | 0               | 0                      | (46,483)             |
| Principal Payments on Capital Leases  | (164,986)   | 0             | 0                | 0                   | 0               | 0                      | (164,986)            |
| Interest Paid on Debt   | (58,916)  | 0             | 0                | 0                   | 0               | 0                      | (58,916)             |
| <i>Net Cash Used for Capital and Related Financing Activities</i>   | <u>(8,029,443)</u>                                | <u>0</u>      | <u>0</u>         | <u>0</u>            | <u>0</u>        | <u>0</u>               | <u>(8,029,443)</u>   |
| <b>Cash Flows from Investing Activities:</b>  |   |               |                  |                     |                 |                        |                      |
| Receipts of Interest  | 281,636   | 0             | 0                | 849                 | 2               | 0                      | 282,487              |
| Payments for Purchase of Investments  | (68,810,453)                                      | 0             | 0                | 0                   | 0               | 0                      | (68,810,453)         |
| Proceeds from Sale of Investments   | 45,865,884  | 0             | 0                | 0                   | 0               | 0                      | 45,865,884           |
| <i>Net Cash Provided by (Used for) Investing Activities</i>   | <u>(22,662,933)</u>                               | <u>0</u>      | <u>0</u>         | <u>849</u>          | <u>2</u>        | <u>0</u>               | <u>(22,662,082)</u>  |
| <i>Net Increase (Decrease) in Cash and Cash Equivalents</i>   | 16,025,214  | 0             | 0                | 86,839              | 2               | 0                      | 16,112,055           |
| <i>Cash and Cash Equivalents Beginning of Year</i>  | 13,791,081  | 0             | 0                | 1,556,301           | 8,408           | 0                      | 15,355,790           |
| <i>Cash and Cash Equivalents End of Year</i>  | <u>\$ 29,816,295</u>                              | <u>\$ 0</u>   | <u>\$ 0</u>      | <u>\$ 1,643,140</u> | <u>\$ 8,410</u> | <u>\$ 0</u>            | <u>\$ 31,467,845</u> |
| <b>Reconciliation of Operating Income To Net Cash Provided by Operating Activities:</b>   |   |               |                  |                     |                 |                        |                      |
| Operating Income  | \$ 35,157,309                                     | \$ 0          | \$ 0             | \$ (277,530)        | \$ 0            | \$ 0                   | \$ 34,879,779        |
| <b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>  |   |               |                  |                     |                 |                        |                      |
| Depreciation  | 1,236,424   | 0             | 0                | 0                   | 0               | 0                      | 1,236,424            |
| <b>(Increase) Decrease in Assets:</b>   |   |               |                  |                     |                 |                        |                      |
| Capitalized Costs   | (92,456)  | 0             | 0                | 0                   | 0               | 0                      | (92,456)             |
| Accounts Receivable   | 102,996   | 0             | 0                | 0                   | 0               | 0                      | 102,996              |
| Prepays   | (112,623)   | 0             | 0                | 0                   | 0               | 0                      | (112,623)            |
| Assets held for Resale  | (70,419)  | 0             | 0                | 0                   | 0               | 0                      | (70,419)             |
| Accrued Interest  | 4,892   | 0             | 0                | 0                   | 0               | 0                      | 4,892                |
| <b>Increase (Decrease) in Liabilities:</b>  |   |               |                  |                     |                 |                        |                      |
| Accounts Payable  | (50,176)  | 0             | 0                | 4,317               | 0               | 0                      | (45,859)             |
| Performance Bonds payable   | 22,275  | 0             | 0                | 0                   | 0               | 0                      | 22,275               |
| Escrow Funds Payable  | (28,664)  | 0             | 0                | 0                   | 0               | 0                      | (28,664)             |
| Advances  | 89,204  | 0             | 0                | 0                   | 0               | 0                      | 89,204               |
| Claims Payable  | 37,798  | 0             | 0                | 0                   | 0               | 0                      | 37,798               |
| Accrued Wages and Benefits  | 25,310  | 0             | 0                | 0                   | 0               | 0                      | 25,310               |
| Accrued Life Insurance  | (942)   | 0             | 0                | 0                   | 0               | 0                      | (942)                |
| Compensated Absences  | 34,579  | 0             | 0                | 0                   | 0               | 0                      | 34,579               |
| Due to other governments  | 22,927  | 0             | 0                | 0                   | 0               | 0                      | 22,927               |
| <i>Net Cash Provided by (Used for) Operating Activities</i>   | <u>\$ 36,378,434</u>                              | <u>\$ 0</u>   | <u>\$ 0</u>      | <u>\$ (273,213)</u> | <u>\$ 0</u>     | <u>\$ 0</u>            | <u>\$ 36,105,221</u> |
| <b>Reconciliation of cash and investments reported on the Statement of Net Position to cash and cash equivalents reported on the Statement of Cash Flows:</b> |   |               |                  |                     |                 |                        |                      |
| Statement of Net Position cash and cash equivalents and investments   | \$ 83,514,922                                     | \$ 0          | \$ 0             | \$ 1,643,140        | \$ 8,410        | \$ 0                   | \$ 85,166,472        |
| Investments included in balances above that are not cash equivalents  | (53,698,627)                                      | 0             | 0                | 0                   | 0               | 0                      | (53,698,627)         |
| Cash and Cash equivalents reported on Statement of Cash Flows   | \$ 29,816,295                                     | \$ 0          | \$ 0             | \$ 1,643,140        | \$ 8,410        | \$ 0                   | \$ 31,467,845        |

Noncash Capital Financing Activities:  
During 2013, capital assets were acquired through capital leases in the amount of \$103,685.

March 25, 2015

To the Board of Directors  
Muskingum Watershed Conservancy District  
Tuscarawas County, Ohio  
P.O. Box 349  
New Philadelphia, Ohio 44663

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

We have audited, in accordance with the 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, the financial statements of the Muskingum Watershed Conservancy District, Tuscarawas County, Ohio (the Conservancy District) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Conservancy District's basic financial statements, and have issued our report thereon dated March 25, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Conservancy District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Conservancy District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Conservancy District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Conservancy District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rea & Associates, Inc.*

New Philadelphia, Ohio



# Dave Yost • Auditor of State

**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  
JUNE 9, 2015**