MUSKINGUM WATERSHED CONSERVANCY DISTRICT
TUSCARAWAS COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2018

OHIO AUDITOR OF STATE
KEITH FABER

MUSKINGUM WATERSHED CONSERVANCY DISTRICT
TUSCARAWAS COUNTY
DECEMBER 31, 2018

TABLE OF CONTENTS

This page intentionally left blank.

OHIO AUDITOR OF STATE
KEITH FABER

53 Johnson Road
The Plains, Ohio 45780-1231
(740) 594-3300 or (800) 441-1389
SoutheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Muskingum Watershed Conservancy District
Tuscarawas County
P.O. Box 349
New Philadelphia, Ohio 44663

To the Board of Directors:

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, 2018, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Conservancy District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Conservancy District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

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, as of December 31, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2018, the Conservancy District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."* We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, and Schedules of Net Pension and Other Post-Employment Benefit Liabilities and Pension and Other Post-Employment Benefit Contributions listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2019, on our consideration of the Conservancy District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 the Conservancy District's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

May 30, 2019

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, 2018. 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 2018 are as follows:

- Net position increased $11,136,169 as a result of current year operations.
- Outstanding debt decreased from $796,125 to $727,017 through principal payments.
- Capital Assets increased $33,557,541 as a result of an increase in park master planning projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – required supplementary information, 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.

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 2018 and 2017 derived from the statement of net position and the statement of revenues, expenses, and changes in net position.

	2018	Restated 2017
Assets		
Current and Other Assets	$ 120,857,716	$ 140,230,054
Capital Assets, Net	121,305,946	87,748,405
Total Assets	242,163,662	227,978,459
Deferred Outflows of Resources		
OPEB	443,729	70,407
Pensions	2,200,598	5,336,134
Total Deferred Outflows of Resources	2,644,327	5,406,541
Liabilities		
Current Liabilities	4,942,233	3,406,260
Long-Term Liabilities	16,487,604	20,474,319
Total Liabilities	21,429,837	23,880,579
Deferred Inflows of Resources		
OPEB	570,220	0
Pensions	2,245,509	78,167
Total Deferred Inflows of Resources	2,815,729	78,167
Net Position		
Net Investment in Capital Assets	117,268,120	84,940,313
Restricted	13,112,543	11,605,186
Unrestricted	90,181,760	112,880,755
Total Net Position	220,562,423	209,426,254

The net pension liability (NPL) is the largest single liability reported by the Conservancy District at December 31, 2018 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. For fiscal year 2018, the Conservancy District adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Conservancy District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OBEP liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the Conservancy District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service

2 Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Conservancy District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the Conservancy District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the Conservancy District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation had the effect of restating net position at December 31, 2017, from \$215,143,140 to \$209,426,254.

During 2018, net position increased \$11,136,169 which is attributable to increases in the capital assets resulting from the park master plan implementation. The decrease in current and other assets is mainly attributable to a decrease in cash and investments due to capital asset projects and park master plan planning.

Capital assets increased due to a number of ongoing construction projects. Pleasant Hill Area 22 campground, Atwood Area 20 campground, and Tappan East campground were all substantially completed during 2018. Park master planning projects peaked during 2018, and as such construction in progress totaled approximately \$41 million as of December 31, 2018. Major projects are on-going at each major park.

Short term liabilities increased as of December 31, 2018 as a direct relation to all of the park master plan projects. Contracts and retainage payable increased approximately \$1.2 million from the prior year.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2018 and 2017.

	2018	2017
Operating Revenues		
Timber Sales	$ 241,404	$ 534,371
Pine-Pulpwood Sales	141,886	69,252
Easements/Right of Ways	6,340	265,000
Mineral Rights and Royalties	19,074,684	9,657,093
Share Crop Lease	118,871	221,071
Cottage Sites	2,943,997	2,822,871
Marina Operations	2,187,948	1,699,788
Fishing Rights	62,647	62,648
Marina Camping	415,734	425,621
Water Sales	34,098	463,498
Beach Facilities	171,985	170,375
Water and Sewer Systems	93,136	91,020
Vacation Cabin	488,401	460,433
Park Camping	5,290,941	5,146,684
Admissions - park facilities	168,954	185,718
Special Events	154,043	128,361
Miscellaneous Income	178,494	156,400
Total Operating Revenues	$ 31,773,563	$ 22,560,204

	2018	2017
Operating Expenses		
Water Sales	$ 183,148	$ 187,190
Water quality	778,256	601,553
Water Resources/Flood Control	1,660,711	73,581
Vehicles and equipment	475,504	401,998
Dam Safety/Upgrades	417,957	1,143,415
Boundary survey	58,114	71,396
Conservation	155,626	286,146
Reservior Maintenance	50,059	65,443
Information Systems/Technology	615,539	713,041
Shoreline Protection	164,989	185,423
Share crop	46,990	137,868
Mineral operation	348,610	436,685
Watershed management	459,583	475,181
Beach facilities	254,391	257,575
Office building	251,691	344,619
Administrative and finance	2,530,729	2,104,426
Engineering	431,007	358,723
Planning and development	386,899	305,501
GIS and Parcel Development	312,454	787,355
Forestry maintenance	224,205	228,705
Park camping	2,803,591	2,653,746
Park Master Planning	2,416,616	1,819,768
Cottage sites and clubs	1,157,039	1,332,484
General park facilities	3,981,212	4,263,787
Vacation cabin	134,654	162,969
Marina operation	1,944,832	1,620,447
Water and sewer system	735,422	778,551
Lake patrol operation	585,606	497,982
Education and public information	268,838	374,696
Safety	218,496	227,891
Recreation maintenance	42,764	34,185
Parks - special events	172,019	160,929
Partners in Watershed Management	352,977	146,688
Sediment Removal	38,837	27,714
Depreciation	4,541,885	3,232,903
Total Operating Expenses	29,201,250	26,500,564
Operating Income (Loss)	$ 2,572,313	$ (3,940,360)

	2018	2017
Non-Operating Revenues (Expenses)		
Maintenance assessments	$ 5,960,331	$ 6,067,371
Grants	518,688	937,622
Interest on investments	2,125,121	1,137,972
Debt retirement - Interest	(40,284)	(49,660)
Total Non-Operating Revenues (Expenses)	8,563,856	8,093,305
Income before Contributions	11,136,169	4,152,945
Capital Contributions	-	1,956,870
Change in Net Postion	$ 11,136,169	$ 6,109,815

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 operating expenses still include OPEB expense of $70,407 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of $439,392. Consequently, in order to compare 2018 total operating expenses to 2017, the following adjustments are needed:

Total 2018 Operating Expenses under GASB 75	$ 29,201,250
OPEB Expense under GASB 75	(439,392)
2018 Contractually Required Contributions	0
Adjusted 2018 Operating Expenses	28,761,858
Total 2017 Operating Expenses under GASB 45	26,500,564
Increase/(Decrease) in Operating Expenses not Related to OPEB	$ 2,261,294

The increase in operating revenue is mainly the result of increases in oil and gas activity in 2018. The oil and gas activity increased by approximately $9.4 million or 98% in 2018, and the number of wells drilled on private property paying royalties to the Conservancy District increased from 58 in 2017 to 75 as of December 31, 2018. In addition, during 2018 a portion of the undeveloped land at Seneca Reservoir was renewed which resulted in the first of three installment payments of approximately $2.3 million. Two other line items directly tied to oil and gas activity were easements, which had $6,340 of revenue in 2018 when it had a large easement totaling $265,000 in 2017, and water sales. Water sales decreased $429,400 or 93% and was the result of less demand from the oil and gas industry coupled with water availability from our reservoirs. The Conservancy District will continue placing safeguards on water sales agreements by requiring a minimum amount of water to be in each reservoir prior to withdrawal to maintain the primary focus of protecting reservoir levels and recreational activity. Park camping, and marina operations increased in 2018. Park revenue increased in part due to a good weather season and continued demand for our sites, amenities, and activities, and due to our first newly renovated campground at Atwood being available for a portion of the 2018 camping season. Marina revenue increased approximately $488,000 due, in large part, to the Conservancy District self-operating Tappan Marina for the first year during 2018.

Most operating expenses remained consistent in 2018; the following highlight some of the main changes:

- Water resources/flood control expenses increased significantly in 2018 due to the recognition of expenses related to the Blackfork Subdistrict. In previous years, the Conservancy District capitalized the costs incurred in anticipation of a future maintenance assessment reimbursing the Conservancy District. However, in 2018, the local officials in the Blackfork Subdistrict area decided not to move forward with the project so those costs that had previously been capitalized were expensed.
- Dam safety/upgrades decreased approximately $725,000 in 2018 due primarily to no expenses with the US Army Corps of Engineers in 2018.
- Share crop expenses decreased approximately 70% in 2018 which is due to the conversion of the leases to production-based leases, which is a change over from a share crop where the Conservancy District shared in the expenses.
- GIS/Parcel development decreased approximately 60% in 2018. In 2017, there was an initial contract for the creation of the billing file for the maintenance assessment. In 2018, the on-going contract for the preparation of the billing file was less.
- Park Master planning increased approximately $600,000. In 2018, there was a large order of fire rings and picnic tables that were not capitalized, due to being under the capitalization total which accounted for a large portion of the increase.
- Depreciation expense increased approximately $1.3 million in 2018 due to the completion of several large park master planning projects totaling almost $22 million.

Interest revenue increased approximately $1 million due to higher interest rates in 2018, particularly short term rates, which the Conservancy District took advantage of.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018 the Conservancy District had $121,305,946 of capital assets net of accumulated depreciation. The following table shows 2018 balances compared with 2017:

	2018	2017
Land	$ 3,406,679	$ 3,313,899
Capitalized Development Costs	1,189,495	1,189,495
Construction in Progress	41,180,600	25,217,166
Land Improvements	28,401,592	20,219,040
Buildings	17,939,994	16,759,721
Building Improvements	2,739,242	2,908,500
Furniture, Fixtures and Equipment	1,997,415	2,002,886
Vehicles	546,384	695,684
Infrastructure	23,904,545	15,442,014
Totals	$121,305,946	$ 87,748,405

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, 2018 was $727,017 with $71,752 due within one year. The following table summarizes the Conservancy District's debt outstanding as of December 31, 2018 and 2017:

	2018	2017
OWDA #2162 - 5.56%	$ 192,176	$ 221,306
OWDA #5413 - 0%	103,888	113,332
OWDA #5575 - 3.25%	412,064	441,190
OWDA #5558 - 3.25%	18,889	20,297
Totals	$ 727,017	$ 796,125

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

CURRENT ISSUES

The Utica shale activity in Ohio has presented the Conservancy District with opportunities to utilize its natural resources. As of December 31, 2018, the Conservancy District received royalties from seventy-five (75) producing Utica wells and further income in the form of delay rental payments for non-producing acreage. Oil and gas leases covering Leesville, Clendening, and Seneca reservoirs currently have producing wells and development around these reservoirs is expected to continue into 2019 and beyond. With over 10,000 additional acres available for lease in key areas of the Utica Shale, the Conservancy District will continue to evaluate and analyze future opportunities to participate in responsible development and recovery of its resources.

With the completion of the 2012 Strategic Plan, the Conservancy District embarked on a new strategic plan with the process of reviewing the initiatives that were completed in the 2012 plan and gathering input from staff members for development of the 2017 Strategic Plan. As a result, the 2017 plan identified a number of high-priority initiatives which include the following: Review of the annual budget process, specifically looking at the possibility of developing a two year capital budget; Develop and implement a long-term plan for the Conservation areas; Address funding options for Phase 2 of the Park Master Plan; Preparation of a Marina Master Plan since the Conservancy District has acquired three additional marinas since the 2012 plan; Develop a financially equitable and responsible subdistrict creation process. These are just a few of the initiatives outlined in the plan with the full plan being available for review. This again is being viewed as a five-year plan with a scorecard being prepared to track all the initiatives. During 2018, it was determined the Conservancy District could not develop a two-year capital budget due to restrictions in the Ohio Revised Code. A long-term plan for the Conservation area is included in the 2019 goals that were approved by the Board of Directors and will be completed in the fourth quarter of 2019. Phase 2 of the Master Plan which will include a Marina Master plan will be submitted to the Board of Directors for approval during the second quarter of 2019.

The Board of Directors have approved a finance goal for the 2019 year tasking the Conservancy District to capitalize on the Utica Shale revenue and look to secure the long-term financial viability of the Conservancy District. A potential outcome of this goal could be the creation of an endowment fund. Another part of this goal will be to set up appropriate funding guidelines for the various annual operational and capital funds while exploring other alternatives for the long-term well being of the Conservancy District. A plan will be presented to the Board of Directors by the end of the fourth quarter 2019.

Beginning in 2016 and continuing through 2019, the Board of Directors approved a Utica Shale Revenue Distribution plan which led to the creation of an operational reserve account, capital reserve account, and allowed for the transfer of moneys into the improvement fund for future land/building acquisitions. As of December 31, 2018, the operational reserve account had a balance of approximately $14 million, the capital reserve account had a balance of approximately $15.6 million, and $814,000 was transferred into the improvement fund, leaving a balance of approximately $2.6 million. During the budgeting process for 2019, the Board of Directors approved the Utica Shale Revenue Distribution for the 2019 Utica Shale revenue. The Board of Directors approved a slightly revised plan for 2019, with 20% allocated to the maintenance fund - operations, 10% allocated to the Conservation Fund, 25% allocated to the Recreation

Improvement Fund to fund the current year recreation improvement projects, and 45% allocated to the Park Master Plan account for Phase 2 of the Park Master Plan.

The park master plan, which will consist of major updates at all five parks and two marinas operated by the Conservancy District was in full swing during 2018. One hundred and thirty million dollars has been set-a-side for phase I of the plan. The Conservancy District had significant projects at all locations during 2018. Pleasant Hill Area 22 Campground and sanitary sewer improvements, Atwood Area 20 campground and Tappan East campground were completed during 2018. Significant projects at all locations will be complete during 2019 as Phase I of the Master Plan will be winding down. Phase 2 of the Master Plan will begin in 2019, so the transition should be seamless. As of December 31, 2018, the Conservancy District has spent approximately $76 million in park master plan expenditures.

Beginning with the 2015 collection year, the Board of Directors approved a 50% reduction in the maintenance assessment collections. This continued again for the 2019 collection year, however the Board of Directors recommended curtailing expenditures for the maintenance assessment, so that the expenditures were more in line with the revenues being generated. The approved maintenance assessment budget for 2019 is $10.3 million, which is slightly above the projected collections, however, the 2018 actual expenditures came in below the amount collected due to timing of several projects. The Conservancy District will outsource the billing file again for the 2019 collection year. Several of the other large initiatives in the maintenance assessment will be the ongoing shoreline protection work which will be largely supplemented by grant revenue, and continued work with sediment removal or dredging. Dredging at Seneca Lake will wrap up during 2019. The Partners in Watershed Management program will also be continued during 2019. The Conservancy District allocates $500,000 in grant awards per year to help with water quality initiatives throughout the Conservancy District. Due to timing of payment requests on the grants, the Conservancy District anticipates spending approximately $800,000 in 2019. The Conservancy District continues to be the local cost share sponsor in the US Army Corp of Engineer projects. The projects slated to begin during 2019 are the Zoar Levee and Mohawk Dam. The Board of Directors approved a $3 million budget in 2019 for these projects.

The reactivation of the Black Fork Subdistrict occurred in 2011 at the request from officials of the City of Shelby. Since then, numerous meetings have been held to discuss the findings of the studies that were performed to look at the potential solutions to the flooding issues in the Black Fork. In 2018, a solution was shown to meet Ohio Revised Code requirements for cost/benefit and significantly reduce the impacts of the 100-year flood to the City of Shelby and the surrounding region. In correspondence to the Conservancy District, the Mayor of Shelby and Richland County Commissioners requested that the project be halted in reaction to public input indicating a lack of support for the project. Shelby was notified that should they desire to reinstate the project in the future, any costs associated with moving the project forward will require financial support from Shelby. Project reinstatement will also require approval from the Conservancy District Board of Directors through a strong show of support from Shelby council and its mayor, township trustees, county commissioners and state representatives.

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, 2018

Assets	
Current Assets:	
Equity in Pooled Cash and Investments	$ 118,309,972
Accrued Interest	843
Accounts Receivable	983,126
Maintenance Assessments Receivable	1,097,625
Total Current Assets	120,391,566
Non-Current Assets:	
Capitalized Costs	466,150
Non-Depreciable Capital Assets	45,776,774
Depreciable Capital Assets, Net	75,529,172
Total Non-Current Assets	121,772,096
Total Assets	242,163,662
Deferred Outflows of Resources	
OPEB	443,729
Pension	2,200,598
Total Deferred Outflows of Resources	2,644,327
Liabilities	
Current Liabilities:	
Accounts Payable	458,508
Contracts Payable	1,795,131
Retainage Payable	1,405,095
Performance Bond Payable	57,752
Due to Other Governments	180,649
Accrued Wages and Benefits	348,853
Accrued Interest Payable	100
Accrued Life Insurance	4,234
Claims Payable	232,000
Advances	226,661
Compensated Absences	98,552
Capital Leases Payable	62,946
OWDA Loans Payable	71,752
Total Current Liabilities	4,942,233
Long-Term Liabilities:	
Compensated Absences - net of current portion	832,296
Capital Leases Payable - net of current portion	170,415
OWDA Loans Payable - net of current portion	655,265
Net OPEB Liability	6,029,787
Net Pension Liability	8,799,841
Total Long-Term Liabilities	16,487,604
Total Liabilities	21,429,837
Deferred Inflows of Resources	
OPEB	570,220
Pension	2,245,509
Total Deferred Inflows of Resources	2,815,729
Net Position	
Net Investment in Capital Assets	117,268,120
Restricted for Maintenance Assessment	13,112,543
Unrestricted	90,181,760
Total Net Position	$ 220,562,423

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, 2018

Operating Revenues	
Water Sales	$ 34,098
Water and sewer systems	93,136
Timber sales	241,404
Pine/pulpwood sales	141,886
Mineral rights and royalties	19,074,684
Share crop lease	118,871
Cottage sites	2,943,997
Marina operations	2,187,948
Marina camping	415,734
Fishing rights	62,647
Easements/Right of ways	6,340
Beach facilities	171,985
Vacation cabin	488,401
Park camping	5,290,941
Parks - Special events	154,043
Admissions - park facilities	168,954
Miscellaneous income	178,494
Total Operating Revenues	31,773,563
Operating Expenses	
Water Sales	183,148
Water Quality	778,256
Water Resources/Flood Control	1,660,711
Vehicles and equipment	475,504
Dam safety/upgrades	417,957
Boundary survey	58,114
Conservation	155,626
Reservior Maintenance	50,059
Information Systems/Technology	615,539
Shoreline Protection	164,989
Share crop	46,990
Mineral operation	348,610
Watershed management	459,583
Beach facilities	254,391
Office building	251,691
Administrative and finance	2,530,729
Engineering	431,007
Planning and development	386,899
GIS and Parcel Development	312,454
Forestry maintenance	224,205
Park camping expense	2,803,591
Park Master Planning	2,416,616
Cottage sites and clubs	1,157,039
General park facilities	3,981,212
Vacation cabin	134,654
Marina operation	1,944,832

	(Continued)
Water and sewer system	$ 735,422
Lake patrol operation	585,606
Education and public information	268,838
Safety	218,496
Recreation maintenance	42,764
Parks - special events	172,019
Partners in Watershed Management (PWM)	352,977
Sediment Removal	38,837
Depreciation	4,541,885
Total Operating Expenses	29,201,250
Operating Gain	2,572,313
Non-Operating Revenues (Expenses)	
Maintenance assessments	5,960,331
Grants	518,688
Interest on investments	2,125,121
Debt retirement - Interest	(40,284)
Total Non-Operating Revenues (Expenses)	8,563,856
Change in Net Position	11,136,169
Net Position - Beginning of Year, Restated - Note 2	209,426,254
Net Position - End of Year	$ 220,562,423

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, 2018

Cash flows from Operating Activities:	
Cash Received from Customers	$ 31,813,411
Cash Payments to Suppliers for Goods and Services	(10,797,901)
Cash Payments for Employees Services and Benefits	(10,494,422)
Net Cash Provided (Used) For Operating Activities	10,521,088
Cash Flows from Noncapital Financing Activities:	
Principal Payments on OWDA Loans	(10,851)
Intergovernmental Grants	41,502
Maintenance Assessments	5,453,258
Interest Paid on Debt	(599)
Net Cash Provided by Noncapital Financing Activities	5,483,310
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(36,777,631)
Maintenance Assessments	627,930
Intergovernmental Grants	477,186
Principal Payments on OWDA Loans	(58,257)
Principal Payments on Capital Leases	(42,022)
Interest Paid on Debt	(39,686)
Net Cash Used for Capital and Related Financing Activities	(35,812,480)
Cash Flows from Investing Activities:	
Receipts of Interest	1,997,615
Payments for purchase of investments	(58,894,288)
Proceeds from Sale of Investments	78,180,137
Net Cash Provided (Used) for Investing Activities	21,283,464
Net Increase (Decrease) in Cash and Cash Equivalents	1,475,382
Cash and Cash Equivalents Beginning of Year	6,924,483
Cash and Cash Equivalents End of Year	$ 8,399,865
Reconciliation of Operating Gain To Net Cash Used by Operating Activities:	
Operating Income	$ 2,572,313
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	4,541,885
(Increase) Decrease in Assets	
Capitalized Costs	1,047,020
Accounts Receivable	39,849
Prepaids	480,365
Deferred Outflows	2,762,214
Increase (Decrease) in Liabilities:	
Accounts Payable	136,496
Performance Bond Payable	(6,248)
Escrow Funds Payable	(22)
Advances	44,855
Claims Payable	42,000
Accrued Wages and Benefits	51,996
Accrued Life Insurance	(3,882)
Compensated Absences	157,069
Due to Other Governments	9,547
Net OPEB Liability	242,494
Net Pension Liability	(4,334,425)
Deferred Inflows	2,737,562
Net Cash Provided (Used) for Operating Activities	$ 10,521,088

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	$ 118,309,972
Investments included in balances above that are not cash equivalents	(109,910,107)
Cash and Cash equivalents reported on Statement of Cash Flows	$ 8,399,865

Noncash Capital Financing Activities:
During 2018, $125,524 of capital assets were acquired on capital leases.
At December 31, 2018, the Conservancy District purchased $3,200,226 in capital assets on account.
At December 31, 2017, the Conservancy District purchased $1,995,736 in capital assets on account.

See accompanying notes to the basic financial statements

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 2018 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.

2018 Board of Directors:

• Robert Moorehead – President	Term Expires August 2021
• Joanne Limbach – Vice President	Term Expires June 2023
• Gordon Maupin – Member	Term Expires July 2019
• Clark Sprang – Member	Term Expires June 2020
• James Gresh – Member	Term Expires July 2022

2018 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 6101.04 of the Ohio Revised Code and include among other duties the following:

(A) Preventing Floods
(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 their waters

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

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

Subdistricts:

Chippewa Subdistrict, Black Fork Subdistrict, Buffalo Subdistrict, Duck Creek Subdistrict, and Clear Fork 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 within their areas. To date the only active subdistricts are the Chippewa Subdistrict, Black Fork Subdistrict, and the Clear 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 City 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. During 2018, a plan was developed that met the cost/benefit requirements contained in the ORC and significantly reduced the impacts of the 100-year flood, however, Shelby officials requested that the project be halted due to lack of public support and the project is currently suspended. In June of 2014, the Conservancy Court established the Clear Fork Subdistrict based on the request by several municipalities and stakeholders along the Clear Fork, in order to address localized frequent flooding. Work is beginning to create an official plan. 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 polices applicable to governmental enterprise funds.

B. Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, all liabilities, and deferred inflows of resources 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 position. The statement of cash flows provides information about how the Conservancy District finances and meets the cash flow needs of its enterprise activity.

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 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 orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of the calendar year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be 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 and land improvements 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Description	Estimated Lives
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/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB sytstems report investments at fair value.

G. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Conservancy District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. The Conservancy District has deferred outflows related to pension and OPEB. See notes 7 and 8 for additional information.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Conservancy District has deferred inflows related to pension and OPEB. See notes 7 and 8 for additional information.

J. 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 2018, the Conservancy District had no extraordinary or special items.

K. Implementation of New Accounting Policies and Restatement of Net Position

For the year ended December 31, 2018, the Conservancy District has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions,* GASB Statement No. 85, *Omnibus 2017* and GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period.*

GASB Statement No. 75 requires the recognition of the entire other post employment benefits (OPEB) liability and a more comprehensive measure of OPEB expense. The implementation of

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GASB 75 resulted in the inclusion of net OPEB liability and OPEB expense components in the financial statements. See below for the effect on net position as previously reported.

Net Position, December 31, 2017	$	215,143,140
Adjustments:		
Net OPEB Liability		(5,787,293)
Deferred Outflow-Payments		
Subsequent to Measurement Date		70,407
Restated Net Position, December 31, 2017	$	209,426,254

GASB Statement No. 85 improves the consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB statements. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the Conservancy District.

GASB Statement No. 89 enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplify accounting for interest cost incurred before the end of a construction period. The implementation of GASB 89 did not have an effect on the financial statements of the Conservancy District.

L. 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, 2018 none of the Conservancy District's investments qualified as a cash equivalent.

M. Capitalized Costs

The Conservancy District is covering the costs associated with preparing the Official Plan for the Clear Fork Subdistrict. The costs incurred with this project are accumulating until the plan is complete and the subdistrict has an assessment in place. Once the project is complete the charges will be amortized over the payback period from the assessment.

N. Advances

The Conservancy District records unearned revenue 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, 2018 unearned revenue consisted of $226,661 of moneys received in advance for reservations in our parks and marinas for 2019.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Reserve Account Balances

As part of the Conservancy District's strategic plan, there was an initiative to optimize fiscal balance. Therefore, in 2017, the Board of Directors approved a Deep Shale Royalty Revenue distribution plan which was renewed in 2018 and called for the creation of two reserve funds. One operational reserve fund which has a balance of approx. $14.0 million, and a capital reserve fund which has a balance of approx. $15.6 million as of December 31, 2018.

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.

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 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), or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial 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;

NOTE 3: DEPOSITS AND INVESTMENTS (continued)

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 and Star Plus).

6. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed two hundred and seventy days in an amount not to exceed 40 percent of the interim moneys available for investment at any time, provided no more than 5% of interest deposits available for investment are invested in any one issuer.

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.

Deposits with Financial Institutions

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Conservancy District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2018, $1,591,256 of the Conservancy District's total bank balance of $11,327,413 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name. The Conservancy District's financial institutions participate in the Ohio Pooled Collateral System (OPCS) and one institution was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

The Conservancy District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be insured or be protected by:

NOTE 3: DEPOSITS AND INVESTMENTS (continued)

Eligible securities specifically pledged to the Conservancy District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the local market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Cash on Hand

As of December 31, 2018, the Conservancy District had $5,550 of cash on hand.

Investments

As of December 31, 2018, the Conservancy District had the following investments and maturities:

		Investment Maturities			
Investment Type	Fair Value	6 Months or Less	7 to 12 Months	13 to 24 Months	More than 24 Months
Federal Home Loan Mortgage Corporation	$ 14,008,006	$ 520,005	$ 1,492,664	$ 6,222,425	$ 5,772,912
Federal National Mortgage Association	12,006,817	-	4,245,224	2,824,047	4,937,546
Federal Home Loan Bank	16,004,528	404,453	751,164	5,937,660	8,911,251
Federal Farm Credit Bank	5,923,538	-	-	979,949	4,943,589
Municipal Bonds	8,525,312	2,295,817	2,927,774	1,255,369	2,046,352
Money Market	1,745,358	1,745,358	-	-	-
Treasury Bonds	17,076,022	1,401,365	3,324,943	3,181,592	9,168,122
Negotiable CDs	10,578,662	3,629,693	2,213,770	3,077,590	1,657,609
Commercial Paper	24,041,864	20,125,790	3,916,074	-	-
	$ 109,910,107	$ 30,122,481	$ 18,871,613	$ 23,478,632	$ 37,437,381

The Conservancy District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the Conservancy District's recurring fair value measurements as of December 31, 2018. All investments of the Conservancy District are valued using quoted market prices (Level 1 inputs).

NOTE 3: DEPOSITS AND INVESTMENTS (continued)

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 FHLMC, FNMA, FHLB, FFCB and Treasuries all have Aaa or AA+ ratings from Moody's and S&P respectively. Nearly all of the securities carry the Aaa rating, which is the highest on the respective scales from Moody's. The Commercial paper is rated A-1, which is the highest rating on the scale for short term debt. Most of the municipal bond anticipation notes, and the money market funds are not rated by Moody's. The CDs are not rated by Moody's but are covered under the issuing bank FDIC.

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, 2018.

Investment Type	Fair Value	Percent of Total
Federal Home Loan Mortgage Corporation	14,008,006	13%
Federal National Mortgage Association	12,006,817	11%
Federal Home Loan Bank	16,004,528	14%
Federal Farm Credit Bank	5,923,538	5%
Municipal Bonds	8,525,312	8%
Money Market	1,745,358	2%
Treasury Bonds	17,076,022	16%
Negotiable CDs	10,578,662	10%
Commercial Paper	24,041,864	21%
	$ 109,910,107	100%

NOTE 3: DEPOSITS AND INVESTMENTS (continued)

The following is the net increase in the fair value of investments during for year ending December 31, 2018.

Fair Value of Investments December 31, 2018	$ 109,910,107
Add: Proceeds of investments sold in 2018	78,180,137
Less: Cost of investments purchased in 2018	(58,894,288)
Less: Fair value at December 31, 2017	(129,060,173)
Change in fair value of investments	$ 135,783

NOTE 4: RECEIVABLES

Receivables at December 31, 2018 consisted of accounts (billed user charged services) and delinquent maintenance assessments. All receivables are deemed collectible in full.

NOTE 5: CAPITAL ASSETS

Proprietary capital assets – summary by category at December 31, 2018:

	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
Capital Assets Not Being Depreciated				
Land	$ 3,313,899	$ 92,780	$ 0	$ 3,406,679
Construction in Progress	25,217,166	36,405,031	(20,441,597)	41,180,600
Capitalized Development Costs	1,189,495	0	0	1,189,495
Total Capital Assets Not Being Depreciated	29,720,560	36,497,811	(20,441,597)	45,776,774
Capital Assets Being Depreciated				
Land Improvements	22,884,846	9,540,688	0	32,425,534
Buildings	22,381,877	2,063,152	(452,780)	23,992,249
Building Improvements	4,147,147	0	(19,800)	4,127,347
Furniture, Fixtures and Equipment	7,587,542	727,508	(102,283)	8,212,767
Vehicles	2,536,450	125,524	(94,721)	2,567,253
Infrastructure	20,002,574	9,679,120	(48,780)	29,632,914
Total Capital Assets Being Depreciated	79,540,436	22,135,992	(718,364)	100,958,064
Less Accumulated Depreciation:				
Land Improvements	(2,665,806)	(1,358,136)	0	(4,023,942)
Buildings	(5,622,156)	(790,099)	360,000	(6,052,255)
Building Improvements	(1,238,647)	(169,258)	19,800	(1,388,105)
Furniture, Fixtures and Equipment	(5,584,656)	(732,979)	102,283	(6,215,352)
Vehicles	(1,840,766)	(274,824)	94,721	(2,020,869)
Infrastructure	(4,560,560)	(1,216,589)	48,780	(5,728,369)
Total Accumulated Depreciation	(21,512,591)	(4,541,885)	625,584	(25,428,892)
Total Capital Assets Being Depreciated, Net	58,027,845	17,594,107	(92,780)	75,529,172
Capital Assets, Net	$ 87,748,405	$ 54,091,918	$ (20,534,377)	$ 121,305,946

NOTE 6: RISK MANAGEMENT

A. Comprehensive Liability Insurance

The Conservancy District belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first $250,000 casualty treaty and 30% of the first $1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first $250,000 casualty treaty and 30% of the first $1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017 (the latest information available).

	2017
Assets	$14,853,620
Liabilities	(9,561,108)
Members’ Equity	$ 5,292,512

NOTE 6: RISK MANAGEMENT (continued)

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

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 2017 plan year ran June 1, 2017 through May 31, 2018. The 2018 plan year runs June 1, 2018 through May 31, 2019. For the 2017 plan year, the Conservancy District created a second plan with a higher deductible (Plan B).

The monthly premiums for 2017 and 2018 were unchanged, for the traditional plan (Plan A) for a single employee is $565.20, $1,177.80 for an employee plus 1, and for the family of an employee is $1,822.80. The monthly premium for Plan B for a single employee is $435.72, $904.56 for an employee plus one, and for the family of an employee is $1,398.80.

The overall stop loss for the plan year 2017 is $1,604,414 and for plan year 2018 is $1,589,399.

The specific stop loss per occurrence was $65,000 for plan years 2017 and 2018. For both plan years 2017 and 2018, there was one instance with a special specific deductible in the amount of $575,000 each year. There were two claims exceeding the limit for plan year 2017. When the Conservancy District pays claims or reimburses employees for medical bills in excess of the limits they are reimbursed by Aultcare Insurance Company for both the 2017 and 2018 plan years.

The claims liability of $232,000 at December 31, 2018, 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 2018 and 2017 are as follows:

	Balance Beginning of Year	Current Year Claims	Claims Payments	Balance End of Year
2017	$ 170,000	$ 1,533,912	$ 1,513,912	$ 190,000
2018	$ 190,000	$ 1,757,497	$ 1,715,497	$ 232,000

Note 7 - Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions are provided to an employee - on a deferred-payment basis - as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Conservancy District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Conservancy District's obligation for this liability to annually required payments. The Conservancy District cannot control benefit terms or the manner in which pensions are financed; however, the Conservancy District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability*. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in due to other governments.

Plan Description – Ohio Public Employees Retirement System (OPERS)

The Conservancy District participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a

Note 7 - Defined Benefit Pension Plans (continued)

defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Conservancy District employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Note 7 - Defined Benefit Pension Plans (continued)

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements:	**Age and Service Requirements:**	**Age and Service Requirements:**
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula:	**Formula:**	**Formula:**
2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Law Enforcement	**Law Enforcement**	**Law Enforcement**
Age and Service Requirements:	**Age and Service Requirements:**	**Age and Service Requirements:**
Age 52 with 15 years of service credit	Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Formula:	**Formula:**	**Formula:**
2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost-of-living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those who retired prior to January 7, 2013, the COLA will continue to be a three percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index (CPI), capped at three percent.

Note 7 - Defined Benefit Pension Plans (continued)

Funding Policy - Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	Law Enforcement
2018 Statutory Maximum Contribution Rates		
Employer	14.00 %	18.10 %
Employee	10.00 %	*
2018 Actual Contribution Rates		
Employer:		
Pension	14.00 %	18.10 %
Post-Employment Health Care Benefits	0.00 %	0.00 %
Total Employer	14.00 %	18.10 %
Employee	10.00 %	13.00 %

* This rate is determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Conservancy District’s contractually required contribution was $1,067,396 for 2018. Of this amount, $81,354 is reported as due to other governments.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Conservancy District's proportion of the net pension liability was based on the Conservancy District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

Note 7 - Defined Benefit Pension Plans (continued)

		OPERS
Proportion of the Net Pension Liability:		
Current Measurement Period		0.05609260%
Prior Measurement Period		0.05783906%
Change in Proportion		-0.00174646%
Proportionate Share of the Net Pension Liability	$	8,799,841
Pension Expense	$	2,035,849

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period. At December 31, 2018, the Conservancy District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		OPERS
Deferred Outflows of Resources		
Differences between Expected and Actual Experience	$	8,987
Changes of Assumptions		1,051,636
Changes in Proportionate Share		72,579
Conservancy District Contributions Subsequent to the Measurement Date		1,067,396
Total Deferred Outflows of Resources	$	2,200,598
Deferred Inflows of Resources		
Differences between Expected and Actual Experience	$	173,416
Net Difference between Projected and Actual Earnings on Pension Plan Investments		1,889,208
Changes in Proportionate Share		182,885
Total Deferred Inflows of Resources	$	2,245,509

Note 7 - Defined Benefit Pension Plans (continued)

$1,067,396 reported as deferred outflows of resources related to pension resulting from Conservancy District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS
2019	$ 764,247
2020	(268,343)
2021	(831,907)
2022	(776,304)
	$ (1,112,307)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017 are presented below.

Valuation Date	December 31, 2017
Wage Inflation	3.25 percent
Projected Salary Increases, including wage inflation	3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent)
Investment Rate of Return	7.50 percent
Actuarial Cost Method	Individual Entry Age
Cost-of-Living Adjustments	Pre-1/7/2013 Retirees: 3.00 percent Simple Post-1/7/2013 Retirees: 3.00 percent Simple through 2018, then 2.15 percent Simple

Note 7 - Defined Benefit Pension Plans (continued)

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described table.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82 percent for 2017.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Note 7 - Defined Benefit Pension Plans (continued)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other Investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Conservancy District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Conservancy District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.50 percent, as well as what the Conservancy District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.50 percent) or one-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Conservancy District's Proportionate Share of the Net Pension Liability	$ 15,626,275	$ 8,799,841	$ 3,108,652

Note 8 - Defined Benefit OPEB Plans

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the Conservancy District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the Conservancy District's obligation for this liability to annually required payments. The Conservancy District cannot control benefit terms or the manner in which OPEB are financed; however, the Conservancy District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability*. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in due to other governments.

Plan Description – Ohio Public Employees Retirement System (OPERS)

OPERS administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

Note 8 - Defined Benefit OPEB Plans (continued)

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit 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 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.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 postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered

Note 8 - Defined Benefit OPEB Plans (continued)

dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Conservancy District's contractually required contribution was $0 for 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Conservancy District's proportion of the net OPEB liability was based on the Conservancy District's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS
Proportion of the Net OPEB Liability:	
Current Measurement Period	0.05552667%
Prior Measurement Period	0.05729800%
Change in Proportion	-0.00177133%
Proportionate Share of the Net OPEB Liability	$ 6,029,787
OPEB Expense	$ 439,392

At December 31, 2018, the Conservancy District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Note 8 - Defined Benefit OPEB Plans (continued)

		OPERS
Deferred Outflows of Resources		
Differences between Expected and Actual Experience	$	4,697
Changes of Assumptions		439,032
Total Deferred Outflows of Resources	$	443,729
Deferred Inflows of Resources		
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	$	449,179
Changes in Proportionate Share		121,041
Total Deferred Inflows of Resources	$	570,220

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:		OPERS
2019	$	41,984
2020		41,984
2021		(98,165)
2022		(112,294)
	$	(126,491)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Note 8 - Defined Benefit OPEB Plans (continued)

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing

Note 8 - Defined Benefit OPEB Plans (continued)

investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Note 8 - Defined Benefit OPEB Plans (continued)

Sensitivity of the Conservancy District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the Conservancy District's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the Conservancy District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
Conservancy District's Proportionate Share of the Net OPEB Liability	$ 8,010,833	$ 6,029,787	$ 4,427,141

Sensitivity of the Conservancy District's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries' project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Trend Rate	1% Increase
Conservancy District's Proportionate Share of the Net OPEB Liability	$ 5,769,221	$ 6,029,787	$ 6,298,945

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 2018 were as follows:

Long Term Obligations:	Principal Outstanding 1/1/2018	Additions	Reductions	Principal Outstanding 12/31/2018	Amount Due in One Year
OWDA #2162 - 5.56%	$ 221,306	$ 0	$ (29,130)	$ 192,176	$ 30,772
OWDA #5413 - 0%	113,332	0	(9,444)	103,888	9,444
OWDA #5575 - 3.25%	441,190	0	(29,126)	412,064	30,082
OWDA #5558 - 3.25%	20,297	0	(1,408)	18,889	1,454
Total	796,125	-	(69,108)	727,017	71,752
Other Long Term Obligations:					
Capital Leases	149,859	125,524	(42,022)	233,361	62,946
Net OPEB Liability - See note 8	5,787,293	242,494	-	6,029,787	-
Net Pension Liability - See note 7	13,134,266	-	(4,334,425)	8,799,841	0
Compensated Absences	773,778	248,958	(91,888)	930,848	98,552
Total other long-term obligations	19,845,196	616,976	(4,468,335)	15,993,837	161,498

Ohio Water Development Authority Loans

In 1999, the Conservancy District was awarded a loan (#2162) 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 (#5413) 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 (#5575) 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.

NOTE 10: LONG-TERM OBLIGATIONS (continued)

The Conservancy District was awarded a $30,065 loan from OWDA (#5558) 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.

The annual requirements to retire debt are as follows:

	Ohio Water Development Authority Loans	
	Principal	Interest
2019	71,752	24,015
2020	74,519	21,247
2021	77,419	18,347
2022	80,457	15,310
2023	83,640	12,126
2024-2028	264,983	29,191
2029-2030	74,247	2,101
	$ 727,017	$ 122,337

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 $313,737, which is equal to the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation was $94,582 as of December 31, 2018, leaving a current book value of $219,155. 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, 2018:

NOTE 11: CAPITAL LEASES – LESSEE DISCLOSURE (continued)

		Capital Leases
Fiscal Year Ending December 31:	2019	$ 85,091
	2020	85,091
	2021	75,292
	2022	29,263
	2023	5,192
Less: amount representing interest at the Conservancy District's incremental borrowing rate of interest		(46,568)
Present Value of minimum lease payments		$ 233,361

NOTE 12: OPERATING LEASE

On June 17, 2011, the Conservancy District (the "Lessor") entered into a lease agreement with Gulfport Energy Corporation (the "Lessee") containing approximately 6468 acres of land at Clendening Lake. A few months later on February 24, 2012 another lease was signed covering an additional forty-two acres of unleased "mineral" rights that were discovered through title. The total leasehold currently includes several producing wells paying royalties at rates of sixteen percent and eighteen percent with additional yearly delay rental payments for non-producing acreage.

On May 7, 2012, the Conservancy District (the "Lessor") entered into a lease agreement with Chesapeake Exploration, L.L.C. (the "Lessee") containing 3,700 acres at Leesville Lake. By assignment, Encino Energy Partners (EAP Ohio, LLC) will take over as operator for Chesapeake Exploration after a sale completed by both companies in 2018 with the final closing of the agreement set for late 2019. This leasehold currently includes several producing wells paying royalties at a rate of twenty percent with additional yearly delay rental payments for non-producing acreage.

On August 4, 2016, the Conservancy District (the "Grantee") acquired additional mineral rights at Atwood lake that included the Resort and Conference Center covering 421 acres. An Oil and Gas lease was already in place and in year two of its five year primary term with Chesapeake Exploration (the "Lessee") that has an expiration date of October 28, 2019, if no option to extend is exercised. By assignment, Encino Energy Partners (EAP Ohio, LLC) will take over as operator for Chesapeake Exploration after a sale completed by both companies in 2018 with final closing of the agreement set for late 2019. There are currently no producing wells under this leasehold or yearly rental payments being paid per the terms of the lease that was acquired.

NOTE 12: OPERATING LEASE (continued)

On April 1, 2018, the Conservancy District (the "Lessor") entered into a lease with Antero Resources (the "Lessee") for an initial term of 3 years with the option to extend an additional one year term thereafter. This leasehold covers approximately 1,700 acres of land at Seneca Lake. Several wells have been drilled under this lease with production from current and future wells to be paid at a royalty rate of twenty percent.

On April 22, 2014, the Conservancy District (the "Lessor") entered into a lease with Antero Resources (the "Lessee") for an initial term of 5 years with the option to extend. The Conservancy District leased approximately 6,300 acres of land at Piedmont Reservoir. The Lessee will pay the Conservancy District royalty payments of 20%. One well has been drilled to date under the terms of this lease agreement.

NOTE 13: CONTRACTUAL COMMITMENTS

As of December 31, 2018, the Conservancy District had contractual commitments for the following projects:

	Contractual Commitment	Expended	Balance 12/31/2018
Bolivar Dam - USACE	$ 37,951,380	$ 21,576,746	$ 16,374,634
Dover Dam - USACE	$ 2,070,000	$ 2,051,887	$ 18,113
Nimishillen Basin Flood Warning	$ 500,000	$ 400,000	$ 100,000
Seneca Parkside Sanitary Sewer	$ 1,037,612	$ 933,215	$ 104,397
Atwood Main Campground Improvements - Phase 1	$ 5,939,580	$ 5,091,264	$ 848,316
Charles Mill Water & Wastewater Utility Improvements	$ 2,936,524	$ 2,617,262	$ 319,262
Charles Mill Campground Redevelopment Phase 1	$ 2,630,290	$ 1,817,360	$ 812,930
Piedmont Marina Campground Redevelopment Phase 1	$ 2,166,436	$ 2,023,251	$ 143,185
Pleasant Hill Campground Redevelopment Phase 1	$ 2,596,382	$ 2,417,008	$ 179,374
Seneca Parkside and Woodlands Campground	$ 12,229,338	$ 9,156,950	$ 3,072,388
Seneca Marina Point Campground Phase 1 Design	$ 524,484	$ 474,373	$ 50,111
Tappan East Campground	$ 4,244,484	$ 4,214,408	$ 30,076
Tappan Campground Redevelopment Phase 1	$ 3,146,505	$ 2,425,166	$ 721,339
Master Plan Program Management	$ 3,140,000	$ 1,881,592	$ 1,258,408
Master Plan Construction Admin (Omnipro)	$ 2,827,402	$ 1,683,040	$ 1,144,362
Master Plan Construction Admin (Michael Baker Internati	$ 1,984,022	$ 943,052	$ 1,040,970
Seneca Lake Dredging	$ 1,698,979	$ 1,345,104	$ 353,875
Charles Mill Campground Redevelopment Phase 2	$ 2,980,844	$ -	$ 2,980,844
Piedmont Marina Master Water Distribution & Storage Sy	$ 537,312	$ 198,225	$ 339,087
Pleasant Hill Park Cabin Roadway and Infrastructure	$ 1,141,096	$ 984,780	$ 156,316
Pleasant Hill Park Cabins Phase 1	$ 4,254,866	$ -	$ 4,254,866
Pleasant Hill Campground Redevelopment Phase 2	$ 2,067,044	$ -	$ 2,067,044
Seneca Marina Point Campground Phase 1	$ 6,302,347	$ -	$ 6,302,347
Tappan Park WWTP Improvements	$ 2,239,770	$ -	$ 2,239,770
Tappan Campground Redevelopment Phase 2	$ 4,733,734	$ -	$ 4,733,734
CXT Restroom Construction (CM,PI,PH,TA)	$ 843,240	$ 393,300	$ 449,940
Master Plan Construction Program Management	$ 620,316	$ 337,801	$ 282,515
Atwood Peninsula Shoreline Stabilization	$ 1,409,131	$ -	$ 1,409,131

NOTE 14: SUBSEQUENT EVENTS

At the January 2019 board meeting, the Board authorized entering into contract totaling $853,000 for purchase of pre-fabricated restrooms at three park locations.

At the January 2019, revised at the March 2019 board meeting, the Board authorized staff to advertise for bid and award a contract for Piedmont Campground Renovation Phase 2 and Waste Water Treatment Plant Improvements. The engineer estimate for this project is $1,950,000.

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 2018.

NOTE 15: BLENDED COMPONENT UNITS (continued)

COMBINING STATEMENT OF NET POSITION

	Muskingum Watershed Convservancy District	Subdistricts Black Fork	Buffalo Creek	Chippewa	Duck Creek	Eliminating Entries	Total
Assets							
Current Assets:							
Equity in Pooled Cash and Investments	$ 117,676,920	$ 0	$ 0	$ 624,617	$ 8,435	$ 0	$ 118,309,972
Accrued Interest	843	0	0	0	0	0	843
Accounts Receivable	1,005,447	0	0	0	0	(22,321)	983,126
Maintenance Assessments Receivable	1,073,740	0	0	23,885	0	0	1,097,625
Total Current Assets	119,756,950	0	0	648,502	8,435	(22,321)	120,391,566
Non-Current Assets:							
Capitalized Costs	466,150	0	0	0	0	0	466,150
Non-Depreciable Capital Assets	44,587,279	1,822	27,593	1,154,680	5,400	0	45,776,774
Depreciable Capital Assets, Net	75,372,882	0	0	156,290	0	0	75,529,172
Total Non-Current Assets	120,426,311	1,822	27,593	1,310,970	5,400	0	121,772,096
Total Assets	240,183,261	1,822	27,593	1,959,472	13,835	(22,321)	242,163,662
Deferred Outflows of Resources							
OPEB	443,729	0	0	0	0	0	443,729
Pension	2,200,598	0	0	0	0	0	2,200,598
Total Deferred Outflows of Resources	2,644,327	0	0	0	0	0	2,644,327
Liabilities							
Current Liabilities:							
Accounts Payable	433,760	1,822	27,593	11,617	6,037	(22,321)	458,508
Contracts Payable	1,795,131	0	0	0	0	0	1,795,131
Retainage Payable	1,405,095	0	0	0	0	0	1,405,095
Performance Bond Payable	57,752	0	0	0	0	0	57,752
Due to Other Governments	180,649	0	0	0	0	0	180,649
Accrued Wages and Benefits	348,853	0	0	0	0	0	348,853
Accrued Interest Payable	100	0	0	0	0	0	100
Accrued Life Insurance	4,234	0	0	0	0	0	4,234
Claims Payable	232,000	0	0	0	0	0	232,000
Advances	226,661	0	0	0	0	0	226,661
Compensated Absences	98,552	0	0	0	0	0	98,552
Capital Leases Payable	62,946	0	0	0	0	0	62,946
OWDA Loans Payable	71,752	0	0	0	0	0	71,752
Total Current Liabilities	4,917,485	1,822	27,593	11,617	6,037	(22,321)	4,942,233
Long-Term Liabilities:							
Compensated Absences - net of current portion	832,296	0	0	0	0	0	832,296
Capital Leases Payable - net of current portion	170,415	0	0	0	0	0	170,415
OWDA Loans Payable - net of current portion	655,265	0	0	0	0	0	655,265
Net OPEB Liability	6,029,787	0	0	0	0	0	6,029,787
Net Pension Liability	8,799,841	0	0	0	0	0	8,799,841
Total Long-Term Liabilities	16,487,604	0	0	0	0	0	16,487,604
Total Liabilities	21,405,089	1,822	27,593	11,617	6,037	(22,321)	21,429,837
Deferred Inflows of Resources							
OPEB	570,220	0	0	0	0	0	570,220
Pension	2,245,509	0	0	0	0	0	2,245,509
Total Deferred Inflows of Resources	2,815,729	0	0	0	0	0	2,815,729
Net Position							
Net Investment in Capital Assets	115,922,336	1,822	27,593	1,310,969	5,400	0	117,268,120
Restricted for Maintenance Assessment	12,475,657	0	0	636,886	0	0	13,112,543
Unrestricted	90,208,777	(1,822)	(27,593)	0	2,398	0	90,181,760
Total Net Position	$ 218,606,770	$ 0	$ 0	$ 1,947,855	$ 7,798	$ 0	$ 220,562,423

NOTE 15: BLENDED COMPONENT UNITS (continued)

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Muskingum Watershed Convservancy District	Subdistricts Black Fork	Buffalo Creek	Chippewa	Duck Creek	Eliminating Entries	Total
Operating Revenues							
Water Sales	$ 34,098	$ 0	$ 0	$ 0	$ 0	$ 0	$ 34,098
Water and sewer systems	93,136	0	0	0	0	0	93,136
Timber Sales	241,404	0	0	0	0	0	241,404
Pine/Pulpwood Sales	141,886	0	0	0	0	0	141,886
Mineral rights and royalties	19,074,684	0	0	0	0	0	19,074,684
Share Crop	118,871	0	0	0	0	0	118,871
Cottage Sites and Clubs	2,943,997	0	0	0	0	0	2,943,997
Marina operations	2,187,948	0	0	0	0	0	2,187,948
Marina camping	415,734	0	0	0	0	0	415,734
Fishing rights	62,647	0	0	0	0	0	62,647
Easements/Right of Ways	6,340	0	0	0	0	0	6,340
Beach facilities	171,985	0	0	0	0	0	171,985
Vacation cabin	488,401	0	0	0	0	0	488,401
Park camping	5,290,941	0	0	0	0	0	5,290,941
Parks - Special Events	154,043	0	0	0	0	0	154,043
Admissions - park facilities	168,954	0	0	0	0	0	168,954
Miscellaneous income	178,494	0	0	0	0	0	178,494
Total Operating Revenues	31,773,563	0	0	0	0	0	31,773,563
Operating Expenses							
Water Sales	183,148	0	0	0	0	0	183,148
Water Quality	778,256	0	0	0	0	0	778,256
Water Resources/Flood Control	1,660,711	0	0	0	0	0	1,660,711
Vehicles and equipment	475,504	0	0	0	0	0	475,504
Dam safety/upgrades	59,077	0	0	358,880	0	0	417,957
Boundary survey	58,114	0	0	0	0	0	58,114
Conservation	155,626	0	0	0	0	0	155,626
Reservior Maintenance	50,059	0	0	0	0	0	50,059
Information Systems/Technology	615,539	0	0	0	0	0	615,539
Shoreline Protection	164,989	0	0	0	0	0	164,989
Share crop	46,990	0	0	0	0	0	46,990
Mineral operation	348,610	0	0	0	0	0	348,610
Watershed management	459,583	0	0	0	0	0	459,583
Beach facilities	254,391	0	0	0	0	0	254,391
Office building	251,691	0	0	0	0	0	251,691
Administrative and finance	2,530,729	0	0	0	0	0	2,530,729
Engineering	431,007	0	0	0	0	0	431,007
Planning and development	386,899	0	0	0	0	0	386,899
GIS and Parcel Development	312,454	0	0	0	0	0	312,454
Forestry maintenance	224,205	0	0	0	0	0	224,205
Park camping	2,803,591	0	0	0	0	0	2,803,591
Park Master Planning	2,416,616	0	0	0	0	0	2,416,616
Cottage sites and clubs	1,157,039	0	0	0	0	0	1,157,039
General park facilities	3,981,212	0	0	0	0	0	3,981,212
Vacation cabin	134,654	0	0	0	0	0	134,654
Marina operation	1,944,832	0	0	0	0	0	1,944,832

NOTE 15: BLENDED COMPONENT UNITS (continued)

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Muskingum Watershed Convservancy District	Subdistricts				Eliminating Entries	Total
		Black Fork	Buffalo Creek	Chippewa	Duck Creek		
							(Continued)
Water and sewer system	$ 735,422	$ 0	$ 0	$ 0	$ 0	$ 0	$ 735,422
Lake patrol operation	585,606	0	0	0	0	0	585,606
Education and public information	268,838	0	0	0	0	0	268,838
Safety expenses	218,496	0	0	0	0	0	218,496
Recreation maintenance	42,764	0	0	0	0	0	42,764
Parks - special events	172,019	0	0	0	0	0	172,019
Partners in Watershed Management (PWM)	352,977	0	0	0	0	0	352,977
Sediment Removal	38,837	0	0	0	0	0	38,837
Depreciation	4,516,096	0	0	25,789	0	0	4,541,885
Total Operating Expenses	28,816,581	0	0	384,669	0	0	29,201,250
Operating Gain (Loss)	2,956,982	0	0	(384,669)	0	0	2,572,313
Non-Operating Revenues (Expenses)							
Maintenance assessments	5,618,440	0	0	341,891	0	0	5,960,331
Grants	518,688	0	0	0	0	0	518,688
Interest on investments	2,114,696	0	0	10,420	5	0	2,125,121
Debt retirement - Interest	(40,284)	0	0	0	0	0	(40,284)
Total Non-Operating Revenues (Expenses)	8,211,540	0	0	352,311	5	0	8,563,856
Change in Net Positon	11,168,522	0	0	(32,358)	5	0	11,136,169
Net Position - Beginning of Year, Restated	207,438,248	0	0	1,980,213	7,793	0	209,426,254
Net Position - End of Year	$ 218,606,770	$ 0	$ 0	$ 1,947,855	$ 7,798	$ 0	$ 220,562,423

NOTE 15: BLENDED COMPONENT UNITS (continued)

COMBINING STATEMENT OF CASH FLOWS

	Muskingum Watershed Convservancy District	Subdistricts Black Fork	Subdistricts Buffalo Creek	Subdistricts Chippewa	Subdistricts Duck Creek	Eliminating Entries	Total
Cash flows from Operating Activities:							
Cash Received from Customers	$ 31,813,411	$ 0	$ 0	$ 0	$ 0	$ 0	$ 31,813,411
Cash Payments to Suppliers for Goods and Services	(10,567,747)	0	0	(230,154)	0	0	(10,797,901)
Cash Payments for Employees Services and Benefits	(10,370,560)	0	0	(123,862)	0	0	(10,494,422)
Net Cash Provided by (Used for) Operating Activities	10,875,104	0	0	(354,016)	0	0	10,521,088
Cash Flows from Noncapital Financing Activities:							
Principal Payments on OWDA Loans	(10,851)	0	0	0	0	0	(10,851)
Intergovernmental Grants	41,502	0	0	0	0	0	41,502
Maintenance Assessments	5,151,334	0	0	301,924	0	0	5,453,258
Interest Paid on Debt	(599)	0	0	0	0	0	(599)
Net Cash Provided by (Used for) Noncapital Financing Activities	5,181,386	0	0	301,924	0	0	5,483,310
Cash Flows from Capital and Related Financing Activities:							
Acquisition of Capital Assets	(36,751,750)	0	0	(25,881)	0	0	(36,777,631)
Maintenance Assessments	602,049	0	0	25,881	0	0	627,930
Intergovernmental Grants	477,186	0	0	0	0	0	477,186
Principal Payments on OWDA Loans	(58,257)	0	0	0	0	0	(58,257)
Principal Payments on Capital Leases	(42,022)	0	0	0	0	0	(42,022)
Interest Paid on Debt	(39,686)	0	0	0	0	0	(39,686)
Net Cash Used for Capital and Related Financing Activities	(35,812,480)	0	0	0	0	0	(35,812,480)
Cash Flows from Investing Activities:							
Receipts of Interest	1,987,190	0	0	10,420	5	0	1,997,615
Payments for Purchase of Investments	(58,894,288)	0	0	0	0	0	(58,894,288)
Proceeds from Sale of Investments	78,134,556	0	0	45,581	0	0	78,180,137
Net Cash Provided by (Used for) Investing Activities	21,227,458	0	0	56,001	5	0	21,283,464
Net Increase (Decrease) in Cash and Cash Equivalents	1,471,468	0	0	3,909	5	0	1,475,382
Cash and Cash Equivalents Beginning of Year	6,911,004	0	0	5,049	8,430	0	6,924,483
Cash and Cash Equivalents End of Year	$ 8,382,472	$ 0	$ 0	$ 8,958	$ 8,435	$ 0	$ 8,399,865
Reconciliation of Operating Gain (Loss) To Net Cash Used by Operating Activities:							
Operating Gain (Loss)	$ 2,956,982	$ 0	$ 0	$ (384,669)	$ 0	$ 0	$ 2,572,313
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:							
Depreciation	4,516,096	0	0	25,789	0	0	4,541,885
(Increase) Decrease in Assets:							
Capitalized Costs	1,047,020	0	0	0	0	0	1,047,020
Accounts Receivable	39,849	0	0	0	0	0	39,849
Prepaids	480,365	0	0	0	0	0	480,365
Deferred Outflows	2,762,214	0	0	0	0	0	2,762,214
Increase (Decrease) in Liabilities:							
Accounts Payable	131,632	0	0	4,864	0	0	136,496
Performance Bonds payable	(6,248)	0	0	0	0	0	(6,248)
Escrow Funds Payable	(22)	0	0	0	0	0	(22)
Advances	44,855	0	0	0	0	0	44,855
Claims Payable	42,000	0	0	0	0	0	42,000
Accrued Wages and Benefits	51,996	0	0	0	0	0	51,996
Accrued Life Insurance	(3,882)	0	0	0	0	0	(3,882)
Compensated Absences	157,069	0	0	0	0	0	157,069
Due to other governments	9,547	0	0	0	0	0	9,547
Net OPEB Liability	242,494	0	0	0	0	0	242,494
Net Pension Liability	(4,334,425)	0	0	0	0	0	(4,334,425)
Deferred Inflows	2,737,562	0	0	0	0	0	2,737,562
Net Cash Provided by (Used for) Operating Activities	$ 10,875,104	$ 0	$ 0	$ (354,016)	$ 0	$ 0	$ 10,521,088
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	$ 117,676,920	$ 0	$ 0	$ 624,617	$ 8,435	$ 0	$ 118,309,972
Investments included in balances above that are not cash equivalents	(109,294,448)	0	0	(615,659)	0	0	(109,910,107)
Cash and Cash equivalents reported on Statement of Cash Flows	$ 8,382,472	$ 0	$ 0	$ 8,958	$ 8,435	$ 0	$ 8,399,865

Noncash Capital Financing Activities:
During 2018, $125,524 of capital assets were acquired on capital leases.
At December 31, 2018, the Conservancy District purchased $3,200,226 in capital assets on account.
At December 31, 2017, the Conservancy District purchased $1,995,736 in capital assets on account.

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Required Supplementary Information
Schedule of the Conservancy District's Proportionate Share of the Net Pension Liability
Last Five Years (1)

	2018	2017	2016	2015	2014
Ohio Public Employees' Retirement System (OPERS)					
Conservancy District's Proportion of the Net Pension Liability	0.0560926%	0.0578391%	0.0569800%	0.0513470%	0.0513470%
Conservancy District's Proportionate Share of the Net Pension Liability	$ 8,799,841	$ 13,134,266	$ 9,869,654	$ 6,193,022	$ 6,053,142
Conservancy District's Covered Payroll	$ 7,040,696	$ 6,398,882	$ 6,759,620	$ 6,022,398	$ 5,379,079
Conservancy District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	124.99%	205.26%	146.01%	102.83%	112.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Required Supplementary Information
Schedule of the Conservancy District's Contributions - Pension
Last Six Years (1)

	2018	2017	2016	2015	2014	2013
Ohio Public Employees' Retirement System (OPERS)						
Contractually Required Contribution	$ 1,067,396	$ 964,697	$ 811,542	$ 857,447	$ 763,117	$ 736,558
Contributions in Relation to the Contractually Required Contribution	(1,067,396)	(964,697)	(811,542)	(857,447)	(763,117)	(736,558)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Conservancy District's Covered Payroll	$ 7,281,401	$ 7,040,696	$ 6,398,882	$ 6,759,620	$ 6,022,398	$ 5,379,079
Contributions as a Percentage of Covered Payroll	14.66%	13.70%	12.68%	12.68%	12.67%	13.69%

(1) Information prior to 2013 is not available.

See accompanying notes to the required supplementary information.

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Required Supplementary Information
Schedule of the Conservancy District's Proportionate Share of the Net OPEB Liability
Last Two Years (1)

	2018	2017
Ohio Public Employees' Retirement System (OPERS)		
Conservancy District's Proportion of the Net OPEB Liability	0.0555267%	0.0572980%
Conservancy District's Proportionate Share of the Net OPEB Liability	$ 6,029,787	$ 5,787,293
Conservancy District's Covered Payroll	$ 7,040,696	$ 6,398,882
Conservancy District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	85.64%	90.44%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Required Supplementary Information
Schedule of the Conservancy District's Contributions - OPEB
Last Three Years (1)

	2018	2017	2016
Ohio Public Employees' Retirement System (OPERS)			
Contractually Required Contribution	$ 0	$ 70,407	$ 131,851
Contributions in Relation to the Contractually Required Contribution	0	(70,407)	(131,851)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0
Conservancy District's Covered Payroll (2)	$ 7,281,401	$ 7,040,696	$ 6,398,882
Contributions as a Percentage of Covered Payroll	0.00%	1.00%	2.06%

(1) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.

(2) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan.

See accompanying notes to the required supplementary information.

Note 1 - Net Pension Liability

Changes in Assumptions – OPERS

Amounts reported in calendar year 2017 reflect an adjustment of the rates of withdrawal, disability, retirement and mortality to more closely reflect actual experience. The expectation of retired life mortality was based on RP-2014 Healthy Annuitant mortality table and RP-2014 Disabled mortality table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 8.00 percent to 7.50 percent
- Wage inflation rate from 3.75 percent to 3.25 percent
- Price inflation from 3.00 percent to 2.50 percent

Note 2 - Net OPEB Liability

Changes in Assumptions - OPERS

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

This page intentionally left blank.

OHIO AUDITOR OF STATE
KEITH FABER

53 Johnson Road
The Plains, Ohio 45780-1231
(740) 594-3300 or (800) 441-1389
SoutheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Muskingum Watershed Conservancy District
Tuscarawas County
P.O. Box 349
New Philadelphia, Ohio 44663

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Muskingum Watershed Conservancy District, Tuscarawas County, Ohio (the Conservancy District), as of and for the year ended December 31, 2018, 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 May 30, 2019.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Conservancy District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Conservancy District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Conservancy District's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Conservancy District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Conservancy District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Conservancy District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

May 30, 2019

OHIO AUDITOR OF STATE
KEITH FABER

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 11, 2019