



OHIO AUDITOR OF STATE
KEITH FABER



**MUSKINGUM WATERSHED CONSERVANCY DISTRICT
TUSCARAWAS COUNTY
DECEMBER 31, 2020**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Position Proprietary Fund	13
Statement of Revenues, Expenses and Changes in Net Position Proprietary Fund	14
Statement of Cash Flows Proprietary Fund	16
Notes to the Basic Financial Statements	17
Required Supplementary Information:	
Schedule of the Conservancy District's Proportionate Share of the Net Pension Liability	57
Schedule of the Conservancy District's Contributions - Pension	58
Schedule of the Conservancy District's Proportionate Share of the Net OPEB Liability	59
Schedule of the Conservancy District's Contributions - OPEB	60
Notes to Required Supplementary Information	61
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	63

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



PO Box 828
Athens, Ohio 45701
(740) 594-3300 or (800) 441-1389
SoutheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Muskingum Watershed Conservancy District
Tuscarawas County
1319 3rd Street NW
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, 2020, 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, Ohio, as of December 31, 2020, and the changes in 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 15 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Conservancy District. 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 20, 2021, 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 20, 2021

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

*Management's Discussion and Analysis
For the Year Ended December 31, 2020*

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, 2020. 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 2020 are as follows:

- Net position increased \$5,026,679 as a result of current year operations.
- Outstanding debt decreased from \$655,264 to \$580,745 through principal payments.
- Capital Assets increased \$30,697,597 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.

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

*Management's Discussion and Analysis
For the Year Ended December 31, 2020*

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 2020 and 2019 derived from the statement of net position and the statement of revenues, expenses, and changes in net position.

	2020	2019
Assets		
Current and Other Assets	\$ 75,848,891	\$ 102,883,037
Capital Assets, Net	184,149,609	153,452,012
<i>Total Assets</i>	259,998,500	256,335,049
Deferred Outflows of Resources		
OPEB	1,195,451	609,790
Pensions	1,658,426	4,567,033
<i>Total Deferred Outflows of Resources</i>	2,853,877	5,176,823
Liabilities		
Current Liabilities	3,165,887	5,805,030
Long-Term Liabilities	19,848,231	24,378,237
<i>Total Liabilities</i>	23,014,118	30,183,267
Deferred Inflows of Resources		
OPEB	1,231,635	82,993
Pensions	2,626,745	292,412
<i>Total Deferred Inflows of Resources</i>	3,858,380	375,405
Net Position		
Net Investment in Capital Assets	182,228,174	148,796,292
Restricted	11,557,807	12,309,677
Unrestricted	42,193,898	69,847,231
<i>Total Net Position</i>	\$235,979,879	\$230,953,200

The net pension liability (NPL) is the largest single liability reported by the Conservancy District at December 31, 2020 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. The net other postemployment

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio

Management's Discussion and Analysis
For the Year Ended December 31, 2020

benefits (OPEB) liability is reported pursuant to GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 OPEB 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.

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

*Management's Discussion and Analysis
For the Year Ended December 31, 2020*

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.

During 2020, net position increased \$5,026,679 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 and completed construction projects. Over 50 projects were complete during 2020, the largest of which were Seneca Marina Point Campground Phase I, Pleasant Hill Cabins, Charles Mill Campground Phase II, Piedmont Campground Phase II, and Tappan Campground Phase II. Park master planning projects continued at a similar pace to 2019, and as such construction in progress totaled approximately \$27.5 million as of December 31, 2020. Major projects are on-going at each major park.

Short term liabilities decreased as of December 31, 2020 as a direct relation to the timing of the payments on park master plan projects. Contracts payable decreased approximately \$2.4 million from the prior year.

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

*Management's Discussion and Analysis
For the Year Ended December 31, 2020*

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 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Timber Sales	\$ 301,058	\$ 363,081
Pine-Pulpwood Sales	104,765	35,859
Mineral Rights and Royalties	9,357,536	20,531,831
Share Crop Lease	164,483	77,692
Cottage Sites	3,081,380	2,997,224
Marina Operations	2,636,003	2,368,442
Fishing Rights	62,646	62,647
Marina Camping	476,289	380,662
Water Sales	288,074	31,427
Beach Facilities	172,433	153,775
Water and Sewer Systems	111,498	107,168
Vacation Cabin	629,099	472,730
Park Camping	6,412,511	5,576,922
Admissions - park facilities	275,180	189,110
Special Events	9,814	148,142
Miscellaneous Income	401,695	224,114
<i>Total Operating Revenues</i>	<u>\$ 24,484,464</u>	<u>\$ 33,720,826</u>

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

*Management's Discussion and Analysis
For the Year Ended December 31, 2020*

	<u>2020</u>	<u>2019</u>
Operating Expenses		
Water Sales	\$ 67,500	\$ 161,491
Water quality	581,772	698,199
Vehicles and equipment	361,898	508,840
Dam Safety/Upgrades	490,610	4,289,605
Boundary survey	93,196	91,141
Conservation	174,259	172,700
Reservoir Maintenance	43,830	90,014
Information Systems/Technology	703,375	685,541
Shoreline Protection	263,646	125,617
Share crop	42,556	41,508
Mineral operation	284,627	346,748
Watershed management	525,043	495,061
Beach facilities	127,688	235,639
Office building	253,557	284,385
Administrative and finance	2,762,078	2,578,618
Engineering	300,079	423,773
Planning and development	220,195	302,373
GIS and Parcel Development	240,954	258,982
Forestry maintenance	265,449	289,508
Park camping	2,904,894	2,992,654
Park Master Planning	2,177,095	2,301,419
Cottage sites and clubs	1,444,585	1,507,737
General park facilities	3,951,472	4,437,194
Vacation cabin	215,686	110,591
Marina operation	1,954,931	2,361,512
Water and sewer system	760,595	941,968
Lake patrol operation	716,404	663,629
Education and public information	109,942	187,748
Safety	181,558	221,097
Recreation maintenance	16,899	55,466
Parks - special events	53,354	179,651
Partners in Watershed Management	1,968,247	503,453
Sediment Removal	67,968	21,211
Depreciation	<u>7,480,891</u>	<u>5,706,944</u>
<i>Total Operating Expenses</i>	<u>31,806,833</u>	<u>34,272,017</u>
<i>Operating (Loss)</i>	<u>\$(7,322,369)</u>	<u>\$ (551,191)</u>

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

*Management's Discussion and Analysis
For the Year Ended December 31, 2020*

	2020	2019
Non-Operating Revenues (Expenses)		
Maintenance assessments	\$ 5,986,634	\$ 6,156,949
Grants	4,379,378	1,263,146
Interest on investments	2,029,896	3,572,264
Debt retirement - Interest	(46,860)	(50,391)
<i>Total Non-Operating Revenues (Expenses)</i>	12,349,048	10,941,968
 <i>Change in Net Position</i>	 \$ 5,026,679	 \$ 10,390,777

The decrease in operating revenue is mainly the result of decreases in oil and gas activity in 2020. The oil and gas activity decreased by approximately \$11.1 million or 54% in 2020. The decrease in oil and gas activity is a result of declining commodity prices due in part to COVID shutdowns and global economic conditions in the oil and gas market. Included in the oil and gas revenue in 2020 is the third of three payments for the undeveloped land at Seneca Reservoir totaling approximately \$2.3 million. While COVID affected oil and gas activity negatively, park and marina revenue were strong in 2020 and was led by park camping which increased 15% over the prior year. Once the parks and marinas were permitted to be open, we saw high demand for our services and all line items with the exception of special events surpassed prior year numbers. Due to COVID all of the firework shows were cancelled, as well as the Alive Music festival, which led to the special event revenue being significantly lower in 2020. Reservations for the 2021 season are strong; it is evident that there is continued demand for our renovated camp sites and amenities.

Most operating expenses trended down in 2020. Management response to the COVID pandemic was to put cost control measures in place including a hiring freeze, a freeze on capital spending and travel along with other operational considerations; the following highlight some of the main changes:

- Dam safety/upgrades decreased approximately \$3.8 million in 2020 which was due to no payment request on the two active projects with the U.S. Army Corps of Engineers, those projects are the Zoar Levy and Mohawk Dam. Payments were made on these projects in 2019.
- Partners in Watershed Management (PWM) increased approximately \$1.4 million or 291% during 2020 and is a result of the timing of requests for reimbursement through this program. PWM grants are awarded approximately \$500,000 per year, however, payment requests are not always received along the same schedule.
- Depreciation expense increased approximately \$1.7 million in 2020 due to the completion of several large park master planning projects totaling almost \$35 million.

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

*Management's Discussion and Analysis
For the Year Ended December 31, 2020*

Grant Revenue increased \$3.1 million which was the result of a large Clean Ohio grant in the amount of \$4,000,000 for the purchase of land at Wills Creek reservoir. Interest revenue decreased approximately \$1.5 million due to declining interest rates and declining cash balance throughout 2020.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020 the Conservancy District had \$184,149,609 of capital assets net of accumulated depreciation. The following table shows 2020 balances compared with 2019:

	2020	2019
Land	\$ 8,797,691	\$ 3,952,538
Capitalized Development Costs	1,189,495	1,189,495
Construction in Progress	27,540,660	28,597,918
Land Improvements	60,532,284	49,499,533
Buildings	29,643,262	21,596,515
Building Improvements	2,983,201	3,148,478
Furniture, Fixtures and Equipment	2,797,752	2,730,343
Vehicles	293,234	421,933
Infrastructure	50,372,030	42,315,259
<i>Totals</i>	\$ 184,149,609	\$ 153,452,012

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, 2020 was \$580,745 with \$77,419 due within one year. The following table summarizes the Conservancy District's debt outstanding as of December 31, 2020 and 2019:

	2020	2019
OWDA #2162 - 5.56%	\$ 128,898	\$ 161,404
OWDA #5413 - 0%	85,000	94,444
OWDA #5575 - 3.25%	350,914	381,981
OWDA #5558 - 3.25%	15,933	17,435
<i>Totals</i>	\$ 580,745	\$ 655,264

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

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

*Management's Discussion and Analysis
For the Year Ended December 31, 2020*

CURRENT ISSUES

COVID19 was the potential game changer in 2020. With the pandemic hitting in the first quarter of the year and the governor of the State of Ohio ordering a temporary shutdown of the state, the Muskingum Watershed Conservancy District (MWCD) was forced to temporarily shut down most of its operations, including the parks and marinas. The potential financial and operational impacts of this shut down was reviewed to determine the appropriate actions that may be necessary for the organization to take. The initial action was to determine the potential revenue impact based off various scenarios of when facilities may be able to open. More importantly, the MWCD was able to implement some cost control measures to reduce spending such as: a hiring freeze, equipment and vehicle acquisitions, travel, and other operational and capital expenses. The initial loss revenue projections for park and marina operations were nearly \$2 million. In addition, the impact of the Oil and Gas – Utica Shale royalty revenue was nearly \$3 million. As things began to open back up in the State in early May, MWCD was able to begin opening its park campgrounds and marina facilities. As the year wrapped up, the potential loss revenue that was projected early on did not materialize, however, the impact of the Utica shale was approximately \$2.3 million. So, overall, financially, the MWCD fared well in its recreational revenue stream for 2020 while being able to control and maintain expenses.

The Utica shale activity in Ohio has presented the Conservancy District with opportunities to utilize its natural resources. As of December 31, 2020, the Conservancy District received royalties from ninety-two (92) 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 2021 and beyond. With over 15,000 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.

Phase 1 of the \$130 million parks and marinas master plan continued in 2020 with over \$32 million spent as it neared completion. The significant projects that were included in 2020 which touched each of the major parks and marinas included Atwood Main Campground – Phase 2, area 9; Charles Mill Main Campground Redevelopment – Phase 3, Area C, Pleasant Hill – Vacation Cabins, Seneca Park, Marina Point Campground Redevelopment Phase 2, and Piedmont Marina – Wastewater treatment Plant, just to name a few.

Phase 2 of the Master Plan, with an allocation of \$65 million, is kicking off with a scaled back \$13.5 million budget for 2021. Projects included are continued campground improvements, infrastructure improvements, and a considerable emphasis being placed on park amenities. One of those amenities is a contract with Empire Recreation Management, LLC to provide Aqua Parks at Atwood and Pleasant Hill parks. Phase 2 will continue at a similar annual allocation of funds over the next 4+ years.

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

*Management's Discussion and Analysis
For the Year Ended December 31, 2020*

Also of significance in 2020 was the partnership with the Western Reserve Land Conservancy to acquire 1,827 contiguous acres of land at Wills Creek reservoir. This acquisition was accomplished as Western Reserve applied on behalf of MWCD for Clean Ohio Funding Green Space Conservation Program administered through the Ohio Public Works Commission. This land will continue to be used for numerous conservation, recreation and public use benefits.

Beginning with the 2015 collection year, the Board of Directors approved a 50% reduction in the maintenance assessment collections. This continued again for the 2020 collection year and into 2021. This assessment generates nearly \$6 million to be reinvested into projects and initiatives outlined in the Amendment to the Official Plan. Projects of significance in 2020 were the MWCD's continued local sponsorship to the United States Army Corp of Engineers for projects at Mohawk Dam and Zoar Levee. In addition, the dredge project at Seneca Reservoir continued and nearly \$1.9 million was spent in the Partners in Watershed Management program administered and funded by the MWCD to support local community projects. For fiscal year 2021, \$7.1 million has been allocated in the budget in the Maintenance Assessment fund.

Looking into 2021, specifically the first quarter, the MWCD has entered into an agreement with the Ohio Water Development Authority (OWDA) to provide financial assistance in the form of interest payments (Interest Subsidy Program) on a OWDA Fresh Water Loan for construction of wastewater projects to OWDA borrowers located within the jurisdictional boundary of the MWCD. In addition, there are some financial goals for 2021 including the process to develop a five-year financial forecast for the financial sustainability of the Conservancy District while a review of all current revenue streams and the potential for new revenue sources are evaluated. There will also be an overall review of cost efficiencies with an emphasis on centralized and coordinated purchasing, while reviewing all operational costs.

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, 2020

Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Investments	\$ 73,241,463
Accrued Interest	2,428
Accounts Receivable	881,768
Prepays	40,100
Maintenance Assessments Receivable	<u>1,095,847</u>
<i>Total Current Assets</i>	<u>75,261,606</u>
<i>Non-Current Assets:</i>	
Capitalized Costs	587,285
Non-Depreciable Capital Assets	37,527,846
Depreciable Capital Assets, Net	<u>146,621,763</u>
<i>Total Non-Current Assets</i>	<u>184,736,894</u>
<i>Total Assets</i>	<u>259,998,500</u>
Deferred Outflows of Resources	
OPEB	1,195,451
Pension	<u>1,658,426</u>
<i>Total Deferred Outflows of Resources</i>	<u>2,853,877</u>
Liabilities	
<i>Current Liabilities:</i>	
Accounts Payable	481,441
Contracts Payable	221,678
Retainage Payable	1,015,288
Performance Bond Payable	115,163
Due to Other Governments	81,144
Accrued Wages and Benefits	133,582
Accrued Interest Payable	100
Accrued Life Insurance	4,258
Claims Payable	236,000
Advances	598,866
Compensated Absences	111,616
Capital Leases Payable	89,332
OWDA Loans Payable	<u>77,419</u>
<i>Total Current Liabilities</i>	<u>3,165,887</u>
<i>Long-Term Liabilities:</i>	
Compensated Absences - net of current portion	1,016,150
Capital Leases Payable - net of current portion	115,324
OWDA Loans Payable - net of current portion	503,326
Net OPEB Liability	7,432,835
Net Pension Liability	<u>10,780,596</u>
<i>Total Long-Term Liabilities</i>	<u>19,848,231</u>
<i>Total Liabilities</i>	<u>23,014,118</u>
Deferred Inflows of Resources	
OPEB	1,231,635
Pension	<u>2,626,745</u>
<i>Total Deferred Inflows of Resources</i>	<u>3,858,380</u>
Net Position	
Net Investment in Capital Assets	182,228,174
Restricted for Maintenance Assessment	11,557,807
Unrestricted	<u>42,193,898</u>
<i>Total Net Position</i>	<u>\$ 235,979,879</u>

See accompanying notes to the basic financial statements

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended December 31, 2020

Operating Revenues	
Water Sales	\$ 288,074
Water and sewer systems	111,498
Timber sales	301,058
Pine/pulpwood sales	104,765
Mineral rights and royalties	9,357,536
Share crop lease	164,483
Cottage sites	3,081,380
Marina operations	2,636,003
Marina camping	476,289
Fishing rights	62,646
Beach facilities	172,433
Vacation cabin	629,099
Park camping	6,412,511
Parks - Special events	9,814
Admissions - park facilities	275,180
Miscellaneous income	401,695
<i>Total Operating Revenues</i>	<u>24,484,464</u>
Operating Expenses	
Water Sales	67,500
Water Quality	581,772
Vehicles and equipment	361,898
Dam safety/upgrades	490,610
Boundary survey	93,196
Conservation	174,259
Reservoir Maintenance	43,830
Information Systems/Technology	703,375
Shoreline Protection	263,646
Share crop	42,556
Mineral operation	284,627
Watershed management	525,043
Beach facilities	127,688
Office building	253,557
Administrative and finance	2,762,078
Engineering	300,079
Planning and development	220,195
GIS and Parcel Development	240,954
Forestry maintenance	265,449
Park camping expense	2,904,894
Park Master Planning	2,177,095
Cottage sites and clubs	1,444,585
General park facilities	3,951,472
Vacation cabin	215,686
Marina operation	1,954,931

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended December 31, 2020

		(Continued)
Water and sewer system	\$	760,595
Lake patrol operation		716,404
Education and public information		109,942
Safety		181,558
Recreation maintenance		16,899
Parks - special events		53,354
Partners in Watershed Management (PWM)		1,968,247
Sediment Removal		67,968
Depreciation		<u>7,480,891</u>
<i>Total Operating Expenses</i>		<u>31,806,833</u>
<i>Operating (Loss)</i>		(7,322,369)
Non-Operating Revenues (Expenses)		
Maintenance assessments		5,986,634
Grants		4,379,378
Interest on investments		2,029,896
Debt retirement - Interest		<u>(46,860)</u>
<i>Total Non-Operating Revenues (Expenses)</i>		<u>12,349,048</u>
<i>Change in Net Position</i>		5,026,679
Net Position - Beginning of Year		<u>230,953,200</u>
Net Position - End of Year	\$	<u><u>235,979,879</u></u>

See accompanying notes to the basic financial statements

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2020

Cash flows from Operating Activities:	
Cash Received from Customers	\$ 24,504,116
Cash Payments to Suppliers for Goods and Services	(11,760,921)
Cash Payments for Employees Services and Benefits	<u>(11,275,212)</u>
<i>Net Cash Provided (Used) For Operating Activities</i>	<u>1,467,983</u>
Cash Flows from Noncapital Financing Activities:	
Principal Payments on OWDA Loans	(10,945)
Intergovernmental Grants	8,921
Maintenance Assessments	3,587,008
Interest Paid on Debt	<u>(513)</u>
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>3,584,471</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(40,720,380)
Maintenance Assessments	2,429,743
Intergovernmental Grants	4,370,454
Principal Payments on OWDA Loans	(63,574)
Principal Payments on Capital Leases	(128,816)
Interest Paid on Debt	<u>(46,347)</u>
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(34,158,920)</u>
Cash Flows from Investing Activities:	
Receipts of Interest	1,591,536
Payments for purchase of investments	(43,827,868)
Proceeds from Sale of Investments	<u>69,087,134</u>
<i>Net Cash Provided (Used) for Investing Activities</i>	<u>26,850,802</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(2,255,664)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>9,224,781</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 6,969,117</u>
Reconciliation of Operating Gain To Net Cash Used by Operating Activities:	
Operating Income	\$ (7,322,369)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	7,480,891
(Increase) Decrease in Assets and Deferred Outflows:	
Capitalized Costs	(80,998)
Accounts Receivable	19,652
Prepays	(40,100)
Deferred Outflows	2,322,946
Increase (Decrease) in Liabilities and Deferred Inflows:	
Accounts Payable	(158,653)
Performance Bond Payable	65,062
Advances	287,943
Claims Payable	41,198
Accrued Wages and Benefits	(254,943)
Accrued Life Insurance	214
Compensated Absences	190,280
Due to Other Governments	(7,082)
Net OPEB Liability	127,455
Net Pension Liability	(4,686,488)
Deferred Inflows	<u>3,482,975</u>
<i>Net Cash Provided (Used) for Operating Activities</i>	<u>\$ 1,467,983</u>
Reconciliation of cash and investments reported on the Statement of Net Position to cash and cash equivalents reported on the Statement of Cash Flows:	
Statement of Net Position cash and cash equivalents and investments	\$ 73,241,463
Investments included in balances above that are not cash equivalents	<u>(66,272,346)</u>
Cash and Cash equivalents reported on Statement of Cash Flows	<u>\$ 6,969,117</u>

Noncash Capital Financing Activities:

During 2020, \$71,328 of capital assets were acquired on capital leases.
At December 31, 2020, the Conservancy District purchased \$1,236,966 in capital assets on account.
At December 31, 2019, the Conservancy District purchased \$3,850,187 in capital assets on account.

See accompanying notes to the basic financial statements

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

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 2020 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.

2020 Board of Directors:

- | | |
|----------------------------------|--------------------------|
| • James Gresh – President | Term Expires July 2022 |
| • Gordon Maupin – Vice President | Term Expires July 2024 |
| • Joanne Limbach – Member | Term Expires June 2023 |
| • Robert Moorehead – Member | Term Expires August 2021 |
| • Gordon Maupin – Member | Term Expires July 2024 |
| • Clark Sprang – Member | Term Expires June 2025 |

2020 Officers:

- Craig Butler – 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

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

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 continuing 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 policies applicable to governmental enterprise funds.

B. Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets, 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 revenues, expenses and 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.

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

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.

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

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:

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

E. Compensated Absences

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

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

F. Pensions/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 systems 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.

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

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 2020, the Conservancy District had no extraordinary or special items.

K. Implementation of New Accounting Policies

For the year ending December 31, 2020 the Conservancy District did not implement any new accounting policies.

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2020 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, 2020 unearned revenue consisted of \$598,866 of moneys received in advance for reservations in our parks and marinas for 2021.

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 2020 and called for the creation of two reserve funds. One operational reserve fund which has a balance of approx. \$15.7 million, and a capital reserve fund which has a balance of approx. \$18.1 million as of December 31, 2020.

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

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

NOTE 3: DEPOSITS AND INVESTMENTS (continued)

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;
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 interim 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.

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

NOTE 3: DEPOSITS AND INVESTMENTS (continued)

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, 2020, \$963,143 of the Conservancy District's total bank balance of \$8,640,049 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: 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, 2020, the Conservancy District had \$6,150 of cash on hand.

Investments

As of December 31, 2020, the Conservancy District had the following investments and maturities:

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

NOTE 3: DEPOSITS AND INVESTMENTS (continued)

Investment Type	Fair Value	Investment Maturities			
		6 Months or Less	7 to 12 Months	13 to 24 Months	More than 24 Months
Federal Home Loan Mortgage Corporation	\$ 4,182,006	\$ -	\$ -	\$ 3,102,610	\$ 1,079,396
Federal National Mortgage Association	3,937,897	2,924,557	1,013,340	-	-
Federal Home Loan Bank	8,428,424	4,343,512	1,017,627	3,067,285	-
Federal Farm Credit Bank	5,594,600	3,034,221	-	2,027,268	533,111
Farmer Mac	2,071,566	-	-	2,071,566	-
Municipal Bonds	12,546,424	4,016,132	1,517,172	649,751	6,363,369
Money Market	1,108,600	1,108,600	-	-	-
Treasury Bonds	11,120,462	2,304,162	2,149,004	4,594,290	2,073,006
Negotiable CDs	11,134,350	1,493,262	1,903,646	3,514,856	4,222,586
Commercial Paper	6,148,017	6,148,017	-	-	-
	<u>\$ 66,272,346</u>	<u>\$ 25,372,463</u>	<u>\$ 7,600,789</u>	<u>\$ 19,027,626</u>	<u>\$ 14,271,468</u>

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, 2020. All investments of the Conservancy District are valued using quoted market prices (Level 1 inputs).

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, Farmer Mac 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.

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

NOTE 3: DEPOSITS AND INVESTMENTS (continued)

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, 2020.

Investment Type	Fair Value	Percent of Total
Federal Home Loan Mortgage Corporation	4,182,006	6%
Federal National Mortgage Association	3,937,897	6%
Federal Home Loan Bank	8,428,424	13%
Federal Farm Credit Bank	5,594,600	8%
Farmer Mac	2,071,566	3%
Municipal Bonds	12,546,424	19%
Money Market	1,108,600	2%
Treasury Bonds	11,120,462	17%
Negotiable CDs	11,134,350	17%
Commercial Paper	6,148,017	9%
	<u>\$ 66,272,346</u>	<u>100%</u>

The following is the net increase in the fair value of investments during for year ending December 31, 2020.

Fair Value of Investments December 31, 2020	\$ 66,272,346
Add: Proceeds of investments sold in 2020	69,087,134
Less: Cost of investments purchased in 2020	(43,827,868)
Less: Fair value at December 31, 2019	<u>(91,059,450)</u>
Change in fair value of investments	<u>\$ 472,162</u>

NOTE 4: RECEIVABLES

Receivables at December 31, 2020 consisted of accounts (billed user charged services) and delinquent maintenance assessments. All receivables are deemed collectible in full.

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

NOTE 5: CAPITAL ASSETS

Proprietary capital assets – summary by category at December 31, 2020:

	Balance 12/31/2019	Additions	Deletions	Balance 12/31/2020
Capital Assets Not Being Depreciated				
Land	\$ 3,952,538	\$ 4,845,153	\$ 0	\$ 8,797,691
Construction in Progress	28,597,918	30,258,332	(31,315,590)	27,540,660
Capitalized Development Costs	1,189,495	0	0	1,189,495
	<u>33,739,951</u>	<u>35,103,485</u>	<u>(31,315,590)</u>	<u>37,527,846</u>
Capital Assets Being Depreciated				
Land Improvements	55,531,116	13,855,253	0	69,386,369
Buildings	28,161,982	8,700,433	(150,000)	36,712,415
Building Improvements	4,701,773	14,126	0	4,715,899
Furniture, Fixtures and Equipment	9,646,760	1,077,072	(358,943)	10,364,889
Vehicles	2,581,513	71,328	(123,634)	2,529,207
Infrastructure	49,947,945	10,717,981	0	60,665,926
	<u>150,571,089</u>	<u>34,436,193</u>	<u>(632,577)</u>	<u>184,374,705</u>
Less Accumulated Depreciation:				
Land Improvements	(6,031,583)	(2,822,502)	0	(8,854,085)
Buildings	(6,565,467)	(653,686)	150,000	(7,069,153)
Building Improvements	(1,553,295)	(179,403)	0	(1,732,698)
Furniture, Fixtures and Equipment	(6,916,417)	(964,063)	313,343	(7,567,137)
Vehicles	(2,159,580)	(200,027)	123,634	(2,235,973)
Infrastructure	(7,632,686)	(2,661,210)	0	(10,293,896)
	<u>(30,859,028)</u>	<u>(7,480,891)</u>	<u>586,977</u>	<u>(37,752,942)</u>
Total Capital Assets Being Depreciated, Net	<u>119,712,061</u>	<u>26,955,302</u>	<u>(45,600)</u>	<u>146,621,763</u>
Capital Assets, Net	<u>\$153,452,012</u>	<u>\$62,058,787</u>	<u>\$(31,361,190)</u>	<u>\$184,149,609</u>

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

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, 2017, the OPRM retained 47% of the premium losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participating in a property primary excess of loss treaty. This treaty reimburses the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM's property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 776 members as of December 31, 2019.

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, 2019 (the latest information available).

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

NOTE 6: RISK MANAGEMENT (continued)

	<u>2019</u>
Assets	\$15,920,504
Liabilities	<u>(11,329,011)</u>
Members' Equity	<u>\$ 4,591,493</u>

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 2019 plan year ran June 1, 2019 through May 31, 2020. The 2020 plan year runs June 1, 2020 through May 31, 2021. The Conservancy District has two plan options, the traditional (Plan A) and one with a higher deductible (Plan B).

The monthly premiums for 2019 for the traditional plan (Plan A) for a single employee is \$593.45, \$1,236.69 for an employee plus 1, and for the family of an employee is \$1,913.93. The monthly premium for Plan B for a single employee is \$457.71, \$949.78 for an employee plus one, and for the family of an employee is \$1,468.74. The monthly premium for 2020 for Plan A for a single employee is \$599.39, \$1,249.06 for employee plus 1, and for the family of an employee is \$1,933.08. The monthly premium for Plan B for a single employee is \$462.09, \$959.29 for an employee plus one, and for the family of an employee is \$1,483.43.

The overall stop loss for the plan year 2019 is \$1,818,569 and for plan year 2020 is \$1,851,405.

The specific stop loss per occurrence was \$65,000 for plan years 2019 and 2020. For plan year 2019 there was one instance with a special specific deductible in the amount of \$575,000, while in plan year 2020 there were two instances with a specific deductible. The specific deductibles were \$555,000 and \$80,000. There were four claims exceeding the limit for plan year 2019. 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 2019 and 2020 plan years.

The claims liability of \$236,000 at December 31, 2020, 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 2020 and 2019 are as follows:

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

NOTE 6: RISK MANAGEMENT (continued)

		<u>Balance Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance End of Year</u>
2019	\$	232,000	\$ 1,505,398	\$ 1,542,596	\$ 194,802
2020	\$	194,802	\$ 1,817,019	\$ 1,775,821	\$ 236,000

Note 7 - Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability

Pensions and OPEB are components of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions and 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 net pension liability and the net OPEB liability represent the Conservancy District's proportionate share of each pension/OPEB 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/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 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/OPEB are financed; however, the Conservancy District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 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). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

Note 7 - Defined Benefit Pension Plans (continued)

effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients.

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

The remainder of this note includes the pension disclosures. See Note 8 for the OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Conservancy District employees participate 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 defined contribution plan, and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. 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):

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 7 - Defined Benefit Pension Plans (continued)

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	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 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
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	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	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
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	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	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

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. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

Note 7 - Defined Benefit Pension Plans (continued)

When a benefit recipient has received benefits for 12 months, current law provides for an annual cost-of-living adjustment (COLA). 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 cost of living adjustment is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

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

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
Statutory Maximum Contribution Rates			
Employer	14.00 %	18.10 %	18.10 %
Employee	10.00 %	*	**
Actual Contribution Rates			
Employer:			
Pension	14.00 %	18.10 %	18.10 %
Post-Employment Health Care Benefits	<u>0.00 %</u>	<u>0.00 %</u>	<u>0.00 %</u>
Total Employer	<u>14.00 %</u>	<u>18.10 %</u>	<u>18.10 %</u>
Employee	<u>10.00 %</u>	<u>12.00 %</u>	<u>13.00 %</u>

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also 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 \$1,062,024 for 2020. Of this amount, \$80,935 is reported as due to other governments.

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

Note 7 - Defined Benefit Pension Plans (continued)

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, 2019, 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:

	<u>OPERS</u>
Proportion of the Net Pension Liability:	
Current Measurement Period	0.054542%
Prior Measurement Period	0.056474%
Change in Proportion	<u>-0.001932%</u>
Proportionate Share of the Net	
Pension Liability	\$ 10,780,596
Pension Expense	\$ 1,618,476

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, 2020, the Conservancy District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

Note 7 - Defined Benefit Pension Plans (continued)

	OPERS
Deferred Outflows of Resources	
Changes of Assumptions	\$ 575,810
Changes in Proportionate Share	20,592
Conservancy District Contributions Subsequent to the Measurement Date	1,062,024
Total Deferred Outflows of Resources	\$ 1,658,426
Deferred Inflows of Resources	
Differences between Expected and Actual Experience	\$ 136,305
Net Difference between Projected and Actual Earnings on Pension Plan Investments	2,150,487
Changes in Proportionate Share	339,953
Total Deferred Inflows of Resources	\$ 2,626,745

\$1,062,024 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, 2021. 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
2021	\$ (480,084)
2022	(785,425)
2023	89,050
2024	(853,884)
	\$ (2,030,343)

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.

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

Note 7 - Defined Benefit Pension Plans (continued)

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, 2019, 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, 2019 are presented below.

<u>Actuarial Information</u>	<u>Traditional Pension Plan</u>
Wage Inflation	3.25 percent
Future Salary Increases, including wage inflation	3.25 percent to 10.75 percent (including wage inflation)
Investment Rate of Return	
Current Measurement Date	7.20 percent
Prior Measurement Date	7.20 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 2020, then 2.15 percent Simple

In October 2019, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from three percent simple through 2018 then 2.15 simple to 1.4 percent simple through 2020 then 2.15 percent simple.

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.

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

Note 7 - Defined Benefit Pension Plans (continued)

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

During 2019, 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 17.2 percent for 2019.

The allocation of investment assets with 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 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. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other Investments	13.00	4.98
Total	<u>100.00 %</u>	<u>5.61 %</u>

Discount Rate The discount rate used to measure the total pension liability was 7.20 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,

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

Note 7 - Defined Benefit Pension Plans (continued)

as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit 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 7.20 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 (6.20 percent) or one-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Conservancy District’s Proportionate Share of the Net Pension Liability	\$ 17,780,692	\$ 10,780,596	\$ 4,487,716

Note 8 - Defined Benefit OPEB Plans

See Note 7 for a description of the net OPEB liability.

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.

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 separation, 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 with a minimum age of 60, or generally 30 years of qualifying service at any age. 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

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

Note 8 - Defined Benefit OPEB Plans (continued)

Benefit (OPEB) as described in GASB Statement 75. See OPERS Comprehensive Annual Financial Report 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 allowing 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. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, 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. For 2020, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. 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 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 2020 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 2020.

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

Note 8 - Defined Benefit OPEB Plans (continued)

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, 2018, rolled forward to the measurement date of December 31, 2019, 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	0.053812%
Prior Measurement Period	0.056033%
Change in Proportion	-0.002221%
Proportionate Share of the Net	
OPEB Liability	\$ 7,432,835
OPEB Expense	\$ 690,436

At December 31, 2020, the Conservancy District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

Note 8 - Defined Benefit OPEB Plans (continued)

	OPERS
Deferred Outflows of Resources	
Differences between Expected and Actual Experience	\$ 200
Changes of Assumptions	1,176,538
Changes in Proportionate Share	18,713
Total Deferred Outflows of Resources	\$ 1,195,451
Deferred Inflows of Resources	
Differences between Expected and Actual Experience	\$ 679,767
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	378,479
Changes in Proportionate Share	173,389
Total Deferred Inflows of Resources	\$ 1,231,635

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
2021	\$ 103,946
2022	21,299
2023	300
2024	(161,729)
	\$ (36,184)

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, 2018, rolled forward to the measurement date of

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

Note 8 - Defined Benefit OPEB Plans (continued)

December 31, 2019. 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:

Wage Inflation	3.25 percent
Projected Salary Increases, Including Inflation	3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent)
Single Discount Rate:	
Current Measurement Date	3.16 percent
Prior Measurement Date	3.96 percent
Investment Rate of Return	
Current Measurement Date	6.00 percent
Prior Measurement Date	6.00 percent
Municipal Bond Rate	
Current Measurement Date	2.75 percent
Prior Measurement Date	3.71 percent
Health Care Cost Trend Rate	
Current Measurement Date	10.50 percent, initial, 3.50 percent ultimate in 2030
Prior Measurement Date	10.00 percent, initial, 3.25 percent ultimate in 2029
Actuarial Cost Method	Individual Entry Age Normal

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.

During 2019, 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, if any

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

Note 8 - Defined Benefit OPEB Plans (continued)

contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. 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 investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.7 percent for 2019.

The allocation of investment assets within 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 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. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
Real Estate Investment Trusts	6.00	5.69
International Equities	23.00	7.66
Other Investments	14.00	4.90
Total	100.00 %	4.55 %

Discount Rate A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. 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

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

Note 8 - Defined Benefit OPEB Plans (continued)

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 6.00 percent and a municipal bond rate of 2.75 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.

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 3.16 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 (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Conservancy District's Proportionate Share of the Net OPEB Liability	\$ 9,727,057	\$ 7,432,835	\$ 5,595,910

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 2020 is 10.50 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 3.50 percent in the most recent valuation.

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 8 - Defined Benefit OPEB Plans (continued)

	1% Decrease	Current Trend Rate	1% Increase
Conservancy District's Proportionate Share of the Net OPEB Liability	\$ 7,213,499	\$ 7,432,835	\$ 7,649,376

Changes between Measurement Date and Reporting Date

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

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.

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

NOTE 10: LONG-TERM OBLIGATIONS

The changes in the Conservancy District's long-term obligations during the fiscal year 2020 were as follows:

Long Term Obligations:	Principal Outstanding 1/1/2020	Additions	Reductions	Principal Outstanding 12/31/2020	Amount Due in One Year
Direct Placement:					
OWDA #2162 - 5.56%	\$ 161,404	\$ 0	\$ (32,506)	\$ 128,898	\$ 34,339
OWDA #5413 - 0%	94,444	0	(9,444)	85,000	9,444
OWDA #5575 - 3.25%	381,981	0	(31,067)	350,914	32,085
OWDA #5558 - 3.25%	17,435	0	(1,502)	15,933	1,551
<i>Total</i>	655,264	-	(74,519)	580,745	77,419
Other Long Term Obligations:					
Capital Leases	262,144	71,328	(128,816)	204,656	89,332
Net OPEB Liability - See note 8	7,305,380	127,455	0	7,432,835	0
Net Pension Liability - See note 7	15,467,084	0	(4,686,488)	10,780,596	0
Compensated Absences	937,486	375,830	(185,550)	1,127,766	111,616
Total other long-term obligations	23,972,094	574,613	(5,000,854)	19,545,853	200,948

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.

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

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
2021	77,419	18,347
2022	80,457	15,310
2023	83,640	12,126
2024	66,458	8,791
2025	47,709	7,022
2026-2030	225,062	15,479
	<u>\$ 580,745</u>	<u>\$ 77,075</u>

In the event of default, as defined by each OWDA loan agreement, the lender may declare the full amount of the unpaid Project Participation Principal amount immediately due and payable and require the Conservancy District to pay any fines or penalties with accrued interest. The Conservancy District loans with OWDA are not collateralized.

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 \$501,168, which is equal to the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation was \$261,540 as of December 31, 2020, leaving a current book value of \$239,628. 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, 2020:

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

NOTE 11: CAPITAL LEASES – LESSEE DISCLOSURE (continued)

		Capital Leases
Fiscal Year Ending December 31:	2021	\$ 112,696
	2022	64,778
	2023	34,850
	2024	19,046
	2025	4,158
Less: amount representing interest at the Conservancy District's incremental borrowing rate of interest		<u>(30,872)</u>
Present Value of minimum lease payments		<u>\$ 204,656</u>

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) has taken over as operator for Chesapeake Exploration through an acquisition of the entire Chesapeake Energy portfolio in Ohio that took effect in the second quarter of 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 had an expiration date of October 28, 2019. This lease has expired and there are no active negotiations concerning entering into another lease on this property, at this time. There were no wells drilled under this lease.

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

NOTE 12: OPERATING LEASE (continued)

On February 21, 2014, the Conservancy District (the “Lessor”) entered into a lease with Antero Resources (the “Lessee”) for an initial term of 5 years covering approximately 2,900 acres. Several producing wells were drilled under this lease and paying monthly royalties at a rate of twenty percent. Lands outside of producing wells drilled under this lease are no longer held by it.

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 covering 6,300 acres of land at Piedmont Reservoir. One well has been drilled to date under the terms of this lease agreement that is currently “not producing” and “shut in.” This well will continue to hold 933 gross acres of the lease under the terms of the lease for the near term and go into production or be released. On July 29, 2019, Antero Resources filed a “Partial Release of Oil & Gas Lease” that effectively released more than 5,000 net mineral acres back into the Conservancy District unleased acreage portfolio.

On October 19, 2012, the Conservancy District (the “Lessor”) entered into a lease agreement with Gulfport Energy (the “Lessee”) for an initial term of 5 years covering 1.3 acres of land at the north end of the Piedmont Reservoir. Two wells have been drilled to date under the terms of this lease agreement that are currently producing. Royalties are paid monthly at a royalty rate of eighteen and one-half percent. The Conservancy District has a very small proportionate share of this unit and monthly royalties have a minimal if not zero impact on monthly revenue in terms of markets, lease terms or commodity prices.

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

NOTE 13: CONTRACTUAL COMMITMENTS

As of December 31, 2020, the Conservancy District had contractual commitments for the following projects:

<u>Project</u>	<u>Contractual Commitments</u>	<u>Expended</u>	<u>Balance 12/31/2020</u>
Mohawk Dam USACE	\$ 2,124,663	\$ 1,676,761	\$ 447,902
Zoar Levee USACE	3,051,532	2,265,004	786,528
Seneca Lake Dredging	2,717,051	2,536,704	180,347
Atwood Main Campground Phase 2	4,607,784	4,368,986	238,798
Charles Mill Main Campground Phase 3	2,920,537	2,695,478	225,059
Piedmont Marina Water Treatment Plant	543,934	446,311	97,623
Pleasant Hill Campground Area G Seneca Parkside/Woodlands Campground	2,667,087	2,526,156	140,931
Seneca Marina Point Campground Phase 2 Design	12,508,626	12,458,626	50,000
Seneca Marina Point Campground Phase 2	514,899	414,236	100,663
Tappan Marina Renovation Design	7,125,390	6,279,718	845,672
Tappan Marina Renovation	619,925	537,148	82,777
Tappan Marina WWTP Improvements	4,421,027	888,300	3,532,727
	1,073,866	922,239	151,627

NOTE 14: SUBSEQUENT EVENTS

At the January 2021 board meeting, the Board authorized entering into a partnership with the Ohio Water Development Authority Interest Subsidy Program. This program will buy down interest for communities within the jurisdictional boundary of the Conservancy District and will contribute to improved water quality throughout the region and promote economic development. The Conservancy District funded this during March 2021 with \$5,000,000.

At the February 2021 board meeting, the Board documented that the Atwood Lake Cemetery Bay Connector Trail project was awarded for \$652,878 after bids were opened on February 11, 2021.

On April 23, 2021; The Board of Directors approved a one (1) year extension of an Oil & Gas Lease with Antero Resources ("Antero") at Seneca Lake. The lease covers approximately 1772 net mineral acres and had a primary term that ended on April 1, 2021. For and in consideration of a one-time lump sum payment of Seven Hundred Fifty Thousand and no/100 dollars (\$750,000) to be paid by Antero, the lease will have a new expiration date of April 1, 2022.

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

NOTE 15: COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Conservancy District. The Conservancy District's investment portfolio and the investments of the pension and other employee benefit plan in which the Conservancy District participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Conservancy District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 16: 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 2020.

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 16: BLENDED COMPONENT UNITS (continued)

COMBINING STATEMENT OF NET POSITION

	Muskingum Watershed Conservancy District	Subdistricts				Eliminating Entries	Total
		Black Fork	Buffalo Creek	Chippewa	Duck Creek		
Assets							
<i>Current Assets:</i>							
Equity in Pooled Cash and Investments	\$ 72,558,142	\$ 0	\$ 0	\$ 674,944	\$ 8,377	\$ 0	\$ 73,241,463
Accrued Interest	2,428	0	0	0	0	0	2,428
Accounts Receivable	933,396	0	0	0	0	(51,628)	881,768
Prepays	40,100	0	0	0	0	0	40,100
Maintenance Assessments Receivable	1,084,581	0	0	11,266	0	0	1,095,847
Total Current Assets	74,618,647	0	0	686,210	8,377	(51,628)	75,261,606
<i>Non-Current Assets:</i>							
Capitalized Costs	587,285	0	0	0	0	0	587,285
Non-Depreciable Capital Assets	36,338,350	1,822	27,593	1,154,681	5,400	0	37,527,846
Depreciable Capital Assets, Net	146,531,971	0	0	89,792	0	0	146,621,763
Total Non-Current Assets	183,457,606	1,822	27,593	1,244,473	5,400	0	184,736,894
Total Assets	258,076,253	1,822	27,593	1,930,683	13,777	(51,628)	259,998,500
Deferred Outflows of Resources							
OPEB	1,195,451	0	0	0	0	0	1,195,451
Pension	1,658,426	0	0	0	0	0	1,658,426
Total Deferred Outflows of Resources	2,853,877	0	0	0	0	0	2,853,877
Liabilities							
<i>Current Liabilities:</i>							
Accounts Payable	459,726	1,822	27,593	37,891	6,037	(51,628)	481,441
Contracts Payable	221,678	0	0	0	0	0	221,678
Retainage Payable	1,015,288	0	0	0	0	0	1,015,288
Performance Bond Payable	115,163	0	0	0	0	0	115,163
Due to Other Governments	81,144	0	0	0	0	0	81,144
Accrued Wages and Benefits	133,582	0	0	0	0	0	133,582
Accrued Interest Payable	100	0	0	0	0	0	100
Accrued Life Insurance	4,258	0	0	0	0	0	4,258
Claims Payable	236,000	0	0	0	0	0	236,000
Advances	598,866	0	0	0	0	0	598,866
Compensated Absences	111,616	0	0	0	0	0	111,616
Capital Leases Payable	89,332	0	0	0	0	0	89,332
OWDA Loans Payable	77,419	0	0	0	0	0	77,419
Total Current Liabilities	3,144,172	1,822	27,593	37,891	6,037	(51,628)	3,165,887
<i>Long-Term Liabilities:</i>							
Compensated Absences - net of current portion	1,016,150	0	0	0	0	0	1,016,150
Capital Leases Payable - net of current portion	115,324	0	0	0	0	0	115,324
OWDA Loans Payable - net of current portion	503,326	0	0	0	0	0	503,326
Net OPEB Liability	7,432,835	0	0	0	0	0	7,432,835
Net Pension Liability	10,780,596	0	0	0	0	0	10,780,596
Total Long-Term Liabilities	19,848,231	0	0	0	0	0	19,848,231
Total Liabilities	22,992,403	1,822	27,593	37,891	6,037	(51,628)	23,014,118
Deferred Inflows of Resources							
OPEB	1,231,635	0	0	0	0	0	1,231,635
Pension	2,626,745	0	0	0	0	0	2,626,745
Total Deferred Inflows of Resources	3,858,380	0	0	0	0	0	3,858,380
Net Position							
Net Investment in Capital Assets	180,948,886	1,822	27,593	1,244,473	5,400	0	182,228,174
Restricted for Maintenance Assessment	10,909,488	0	0	648,319	0	0	11,557,807
Unrestricted	42,220,973	(1,822)	(27,593)	0	2,340	0	42,193,898
Total Net Position	\$ 234,079,347	\$ 0	\$ 0	\$ 1,892,792	\$ 7,740	\$ 0	\$ 235,979,879

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 16: BLENDED COMPONENT UNITS (continued)

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Muskingum Watershed Conservancy District	Subdistricts				Eliminating Entries	Total
		Black Fork	Buffalo Creek	Chippewa	Duck Creek		
Operating Revenues							
Water Sales	\$ 288,074	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 288,074
Water and sewer systems	111,498	0	0	0	0	0	111,498
Timber Sales	301,058	0	0	0	0	0	301,058
Pine/Pulpwood Sales	104,765	0	0	0	0	0	104,765
Mineral rights and royalties	9,357,536	0	0	0	0	0	9,357,536
Share Crop	164,483	0	0	0	0	0	164,483
Cottage Sites and Clubs	3,081,380	0	0	0	0	0	3,081,380
Marina operations	2,636,003	0	0	0	0	0	2,636,003
Marina camping	476,289	0	0	0	0	0	476,289
Fishing rights	62,646	0	0	0	0	0	62,646
Beach facilities	172,433	0	0	0	0	0	172,433
Vacation cabin	629,099	0	0	0	0	0	629,099
Park camping	6,412,511	0	0	0	0	0	6,412,511
Parks - Special Events	9,814	0	0	0	0	0	9,814
Admissions - park facilities	275,180	0	0	0	0	0	275,180
Miscellaneous income	401,695	0	0	0	0	0	401,695
<i>Total Operating Revenues</i>	<u>24,484,464</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>24,484,464</u>
Operating Expenses							
Water Sales	67,500	0	0	0	0	0	67,500
Water Quality	581,772	0	0	0	0	0	581,772
Vehicles and equipment	361,898	0	0	0	0	0	361,898
Dam safety/upgrades	172,323	0	0	318,287	0	0	490,610
Boundary survey	93,196	0	0	0	0	0	93,196
Conservation	174,259	0	0	0	0	0	174,259
Reservoir Maintenance	43,830	0	0	0	0	0	43,830
Information Systems/Technology	703,375	0	0	0	0	0	703,375
Shoreline Protection	263,646	0	0	0	0	0	263,646
Share crop	42,556	0	0	0	0	0	42,556
Mineral operation	284,627	0	0	0	0	0	284,627
Watershed management	525,043	0	0	0	0	0	525,043
Beach facilities	127,688	0	0	0	0	0	127,688
Office building	253,557	0	0	0	0	0	253,557
Administrative and finance	2,762,078	0	0	0	0	0	2,762,078
Engineering	300,079	0	0	0	0	0	300,079
Planning and development	220,195	0	0	0	0	0	220,195
GIS and Parcel Development	240,954	0	0	0	0	0	240,954
Forestry maintenance	265,449	0	0	0	0	0	265,449
Park camping	2,904,894	0	0	0	0	0	2,904,894
Park Master Planning	2,177,095	0	0	0	0	0	2,177,095
Cottage sites and clubs	1,444,585	0	0	0	0	0	1,444,585
General park facilities	3,951,472	0	0	0	0	0	3,951,472
Vacation cabin	215,686	0	0	0	0	0	215,686
Marina operation	1,954,931	0	0	0	0	0	1,954,931

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 16: BLENDED COMPONENT UNITS (continued)

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Muskingum Watershed Conservancy District	Subdistricts				Eliminating Entries	Total
		Black Fork	Buffalo Creek	Chippewa	Duck Creek		
							(Continued)
Water and sewer system	\$ 760,595	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 760,595
Lake patrol operation	716,404	0	0	0	0	0	716,404
Education and public information	109,942	0	0	0	0	0	109,942
Safety expenses	181,558	0	0	0	0	0	181,558
Recreation maintenance	16,899	0	0	0	0	0	16,899
Parks - special events	53,354	0	0	0	0	0	53,354
Partners in Watershed Management (PWM)	1,968,247	0	0	0	0	0	1,968,247
Sediment Removal	67,968	0	0	0	0	0	67,968
Depreciation	7,439,974	0	0	40,917	0	0	7,480,891
<i>Total Operating Expenses</i>	<u>31,447,629</u>	<u>0</u>	<u>0</u>	<u>359,204</u>	<u>0</u>	<u>0</u>	<u>31,806,833</u>
<i>Operating (Loss)</i>	(6,963,165)	0	0	(359,204)	0	0	(7,322,369)
Non-Operating Revenues (Expenses)							
Maintenance assessments	5,653,692	0	0	332,942	0	0	5,986,634
Grants	4,379,378	0	0	0	0	0	4,379,378
Interest on investments	2,027,828	0	0	2,104	(36)	0	2,029,896
Debt retirement - Interest	(46,860)	0	0	0	0	0	(46,860)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>12,014,038</u>	<u>0</u>	<u>0</u>	<u>335,046</u>	<u>(36)</u>	<u>0</u>	<u>12,349,048</u>
<i>Change in Net Position</i>	5,050,873	0	0	(24,158)	(36)	0	5,026,679
Net Position - Beginning of Year	<u>229,028,474</u>	<u>0</u>	<u>0</u>	<u>1,916,950</u>	<u>7,776</u>	<u>0</u>	<u>230,953,200</u>
Net Position - End of Year	<u>\$ 234,079,347</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,892,792</u>	<u>\$ 7,740</u>	<u>\$ 0</u>	<u>\$ 235,979,879</u>

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 16: BLENDED COMPONENT UNITS (continued)

COMBINING STATEMENT OF CASH FLOWS

	Muskingum Watershed Conservancy District	Subdistricts				Eliminating Entries	Total
		Black Fork	Buffalo Creek	Chippewa	Duck Creek		
Cash flows from Operating Activities:							
Cash Received from Customers	\$ 24,504,116	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,504,116
Cash Payments to Suppliers for Goods and Services	(11,631,535)	0	0	(129,386)	0	0	(11,760,921)
Cash Payments for Employees Services and Benefits	(11,115,558)	0	0	(159,654)	0	0	(11,275,212)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>1,757,023</u>	<u>0</u>	<u>0</u>	<u>(289,040)</u>	<u>0</u>	<u>0</u>	<u>1,467,983</u>
Cash Flows from Noncapital Financing Activities:							
Principal Payments on OWDA Loans	(10,945)	0	0	0	0	0	(10,945)
Intergovernmental Grants	8,921	0	0	0	0	0	8,921
Maintenance Assessments	3,258,783	0	0	328,225	0	0	3,587,008
Interest Paid on Debt	(513)	0	0	0	0	0	(513)
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>3,256,246</u>	<u>0</u>	<u>0</u>	<u>328,225</u>	<u>0</u>	<u>0</u>	<u>3,584,471</u>
Cash Flows from Capital and Related Financing Activities:							
Acquisition of Capital Assets	(40,720,380)	0	0	0	0	0	(40,720,380)
Maintenance Assessments	2,429,743	0	0	0	0	0	2,429,743
Intergovernmental Grants	4,370,454	0	0	0	0	0	4,370,454
Principal Payments on OWDA Loans	(63,574)	0	0	0	0	0	(63,574)
Principal Payments on Capital Leases	(128,816)	0	0	0	0	0	(128,816)
Interest Paid on Debt	(46,347)	0	0	0	0	0	(46,347)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(34,158,920)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(34,158,920)</u>
Cash Flows from Investing Activities:							
Receipts of Interest	1,589,468	0	0	2,104	(36)	0	1,591,536
Payments for Purchase of Investments	(43,827,868)	0	0	0	0	0	(43,827,868)
Proceeds from Sale of Investments	68,461,486	0	0	625,648	0	0	69,087,134
<i>Net Cash Provided by (Used for) Investing Activities</i>	<u>26,223,086</u>	<u>0</u>	<u>0</u>	<u>627,752</u>	<u>(36)</u>	<u>0</u>	<u>26,850,802</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>(2,922,565)</u>	<u>0</u>	<u>0</u>	<u>666,937</u>	<u>(36)</u>	<u>0</u>	<u>(2,255,664)</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>9,208,361</u>	<u>0</u>	<u>0</u>	<u>8,007</u>	<u>8,413</u>	<u>0</u>	<u>9,224,781</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 6,285,796</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 674,944</u>	<u>\$ 8,377</u>	<u>\$ 0</u>	<u>\$ 6,969,117</u>
Reconciliation of Operating Gain (Loss) To Net Cash Used by Operating Activities:							
Operating Gain (Loss)	\$ (6,963,165)	\$ 0	\$ 0	\$ (359,204)	\$ 0	\$ 0	\$ (7,322,369)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:							
Depreciation	7,439,974	0	0	40,917	0	0	7,480,891
(Increase) Decrease in Assets and Deferred Outflows:							
Capitalized Costs	(80,998)	0	0	0	0	0	(80,998)
Accounts Receivable	19,652	0	0	0	0	0	19,652
Prepays	(40,100)	0	0	0	0	0	(40,100)
Deferred Outflows	2,322,946	0	0	0	0	0	2,322,946
Increase (Decrease) in Liabilities and Deferred Inflows:							
Accounts Payable	(187,900)	0	0	29,247	0	0	(158,653)
Performance Bonds payable	65,062	0	0	0	0	0	65,062
Advances	287,943	0	0	0	0	0	287,943
Claims Payable	41,198	0	0	0	0	0	41,198
Accrued Wages and Benefits	(254,943)	0	0	0	0	0	(254,943)
Accrued Life Insurance	214	0	0	0	0	0	214
Compensated Absences	190,280	0	0	0	0	0	190,280
Due to other governments	(7,082)	0	0	0	0	0	(7,082)
Net OPEB Liability	127,455	0	0	0	0	0	127,455
Net Pension Liability	(4,686,488)	0	0	0	0	0	(4,686,488)
Deferred Inflows	3,482,975	0	0	0	0	0	3,482,975
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$ 1,757,023</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (289,040)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,467,983</u>
Reconciliation of cash and investments reported on the Statement of Net Position to cash and cash equivalents reported on the Statement of Cash Flows:							
Statement of Net Position cash and cash equivalents and investments	\$ 72,558,142	\$ 0	\$ 0	\$ 674,944	\$ 8,377	\$ 0	\$ 73,241,463
Investments included in balances above that are not cash equivalents	(66,272,346)	0	0	0	0	0	(66,272,346)
Cash and Cash equivalents reported on Statement of Cash Flows	<u>\$ 6,285,796</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 674,944</u>	<u>\$ 8,377</u>	<u>\$ 0</u>	<u>\$ 6,969,117</u>

Noncash Capital Financing Activities:

During 2020, \$71,328 of capital assets were acquired on capital leases.
At December 31, 2020, the Conservancy District purchased \$1,236,966 in capital assets on account.
At December 31, 2019, the Conservancy District purchased \$3,850,187 in capital assets on account.

This page intentionally left blank.

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

	2020	2019	2018	2017	2016	2015	2014
Ohio Public Employees' Retirement System (OPERS)							
Conservancy District's Proportion of the Net Pension Liability	0.054542%	0.0564740%	0.0560926%	0.0578391%	0.0569800%	0.0513470%	0.0513470%
Conservancy District's Proportionate Share of the Net Pension Liability	\$ 10,780,596	\$ 15,467,084	\$ 8,799,841	\$ 13,134,266	\$ 9,869,654	\$ 6,193,022	\$ 6,053,142
Conservancy District's Covered Payroll	\$ 7,382,564	\$ 7,281,401	\$ 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	146.03%	212.42%	124.99%	205.26%	146.01%	102.83%	112.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	74.70%	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.

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

	2020	2019	2018	2017	2016	2015	2014	2013
Ohio Public Employees' Retirement System (OPERS)								
Contractually Required Contribution	\$ 1,062,024	\$ 1,073,949	\$ 1,067,396	\$ 964,697	\$ 811,542	\$ 857,447	\$ 763,117	\$ 736,558
Contributions in Relation to the Contractually Required Contribution	<u>(1,062,024)</u>	<u>(1,073,949)</u>	<u>(1,067,396)</u>	<u>(964,697)</u>	<u>(811,542)</u>	<u>(857,447)</u>	<u>(763,117)</u>	<u>(736,558)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Conservancy District's Covered Payroll	\$ 7,310,197	\$ 7,382,564	\$ 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	14.53%	14.55%	14.66%	13.70%	12.68%	12.68%	12.67%	13.69%

(1) Information prior to 2013 is not available.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Ohio Public Employees' Retirement System (OPERS)				
Conservancy District's Proportion of the Net OPEB Liability	0.053812%	0.0560330%	0.0555267%	0.0572980%
Conservancy District's Proportionate Share of the Net OPEB Liability	\$ 7,432,835	\$ 7,305,380	\$ 6,029,787	\$ 5,787,293
Conservancy District's Covered Payroll	\$ 7,382,564	\$ 7,281,401	\$ 7,040,696	\$ 6,398,882
Conservancy District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	100.68%	100.33%	85.64%	90.44%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.80%	46.33%	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.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Ohio Public Employees' Retirement System (OPERS)					
Contractually Required Contribution	\$ 0	\$ 0	\$ 0	\$ 70,407	\$ 131,851
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>(70,407)</u>	<u>(131,851)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Conservancy District's Covered Payroll (2)	\$ 7,310,197	\$ 7,382,564	\$ 7,281,401	\$ 7,040,696	\$ 6,398,882
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	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.

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2020

Note 1 - Net Pension Liability

Changes in Assumptions – OPERS

For fiscal year 2019, the single discount rate changed from 7.50 percent to 7.20 percent.

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

Changes in Benefit Terms – OPERS

In October 2019, the OPERS Board adopted a change in COLA for post-January 7, 2013 retirees, changing it from three percent simple through 2018 then 2.15 simple to 1.4 percent simple through 2020 then 2.15 percent simple.

Note 2 - Net OPEB Liability

Changes in Assumptions - OPERS

For calendar year 2020, the following changes were made to the actuarial assumptions:

- Discount rate from 3.96 percent to 3.16 percent
- Municipal bond rate from 3.71 percent to 2.75 percent
- Health Care Cost Trend Rate from 10.00 percent to 10.50 percent

For calendar year 2019, the following changes were made to the actuarial assumptions:

- Discount rate from 3.85 percent to 3.96 percent
- Investment rate of return from 6.50 percent to 6.00 percent
- Municipal bond rate from 3.31 percent to 3.71 percent
- Health Care Cost Trend Rate from 7.50 percent to 10.00 percent

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

Changes in Benefit Terms – OPERS

No significant changes in benefit terms.

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



PO Box 828
Athens, Ohio 45701
(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
1319 3rd Street NW
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, 2020, 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 20, 2021, wherein we noted the financial impact of COVID-19 and continuing emergency measures may impact subsequent periods of the Conservancy District.

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) as a basis for designing 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 financial statements. 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 20, 2021

OHIO AUDITOR OF STATE KEITH FABER



MUSKINGUM WATERSHED CONSERVANCY DISTRICT

TUSCARAWAS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 6/3/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov