

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT**

**AUDIT REPORT**

**DECEMBER 31, 2004**





**Auditor of State  
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Muskingum Watershed Conservancy District, Tuscarawas County, prepared by S.R. Snodgrass, A.C., for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY  
Auditor of State

November 14, 2005

**This Page is Intentionally Left Blank.**

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT  
TABLE OF CONTENTS**

	<u>Page Number</u>
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-7
Statement of Net Assets – Modified Cash Basis – Main District and Sub-districts Combined	8-9
Statement of Activities – Modified Cash Basis – Main District and Sub-districts Combined	10-11
Statement of Cash Flows – Modified Cash Basis – Main District	12
Statement of Net Assets – Modified Cash Basis – Sub-districts	13
Statement of Activities – Modified Cash Basis – Sub-districts	14
Notes to the Financial Statement	15-26
Report on Compliance and Internal Control	27-28



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Muskingum Watershed Conservancy District  
New Philadelphia, OH 44663

We have audited the accompanying basic financial statements of Muskingum Watershed Conservancy District, (the District) and the aggregate discretely presented component units (sub-districts) as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the District 's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1.B, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2004, and the respective changes in net assets and cash flows for the year then ended in conformity with accounting basis Note 1.B describes.

As described in Note 1.B, the District has implemented a new financial reporting model, as required by the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus and Statement No. 38, Certain Financial Statement Note Disclosures, as amended and interpreted, as of January 1, 2004.



In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 4 through 8 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*S. R. Smodgrass, A.C.*

Steubenville, Ohio  
March 29, 2005

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT  
NEW PHILADELPHIA, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

The discussion and analysis of the Muskingum Watershed Conservancy District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended December 31, 2004. The intent of this discussion and analysis is to look at the 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 District's financial performance.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for 2004 are as follows:

- Total net assets increased 24%. This increase is up 20% versus 2003 due to decreased expenses.
- Total operating receipts increased a modest 2% versus 2003.
- Personnel costs decreased 20% versus 2003 due to one of the nation's top-ranked hotel companies assuming the day-to-day operations of the 104-room Atwood Lake Resort and Conference Center on June 1, 2004. Approximately 100 employees shifted from the District to that of Boyken Management.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts – management's discussion and analysis and the basic financial statements. These statements are organized so that the reader can understand the financial position of the District. The statement of net assets represents the basic statement of position for the District. The statement of receipts, disbursements and changes in net assets present increases (e.g. receipts) and decreases (e.g. disbursements) in net total assets. The statement of cash flows reflects how the District finances and meets its cash flow needs. Finally, the note 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  
NEW PHILADELPHIA, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

The District is not required to present government-wide financial statements as the 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 District's condensed financial information for 2004 and 2003 derived from the statement of net assets and the statement of receipts, disbursements, and changes in net assets.

	<u>2004</u>	<u>Restated 2003</u>
Current assets	\$2,738,308.46	\$1,781,126.27
Capital asset, net	<u>5,643,889.01</u>	<u>5,643,889.01</u>
Total assets	<u>8,382,197.47</u>	<u>7,425,015.28</u>
Current liabilities	1,347,031.47	1,031,292.68
Long-term debt outstanding	<u>2,880,475.31</u>	<u>3,052,019.94</u>
Total liabilities	<u>4,227,506.78</u>	<u>4,083,312.62</u>
Equity:		
Invested in capital assets net of related debt	2,589,806.23	2,423,952.01
Unrestricted	<u>1,564,884.46</u>	<u>917,750.65</u>
Total net assets	<u>\$4,154,690.69</u>	<u>\$3,341,702.66</u>

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT  
NEW PHILADELPHIA, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

Changes in Net Assets – The following shows the changes in net assets for 2004 and 2003.

	<u>2004</u>	<u>Restated 2003</u>
Receipts		
Charges for services	\$7,737,744.16	\$7,581,968.12
Other operating receipts	<u>740,993.03</u>	<u>728,248.83</u>
Total receipts	<u>8,478,737.19</u>	<u>8,310,216.95</u>
Disbursements		
Personnel costs	3,722,700.24	4,647,064.54
Contractual services	3,700,873.85	3,808,966.71
Depreciation	<u>251,945.75</u>	<u>212,655.92</u>
Total disbursements	<u>7,675,519.84</u>	<u>8,668,687.17</u>
Operating receipts over operating disbursements	<u>803,217.35</u>	<u>(358,470.22)</u>
Nonoperating Activities		
Investment earnings	<u>9,770.68</u>	<u>13,141.48</u>
Total change in net assets	812,988.03	(345,328.74)
Beginning net assets	<u>3,341,702.66</u>	<u>3,687,031.40</u>
Ending net assets	<u>\$4,154,690.69</u>	<u>\$3,341,702.66</u>

Net assets increased by \$812,988.03. This increase was primarily the result of the decrease in approximately 100 employees and the associated personnel costs as a result of Boyken Management taking over Atwood Lake Resort and Conference Center as of June 1, 2004.

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT  
NEW PHILADELPHIA, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2004 the District had \$8,772,668.41 net of accumulated depreciation invested in capital assets. The following table shows 2004 and 2003 balances:

	<u>2004</u>	<u>2003</u>	Increase (Decrease)
Land	\$ 2,171,278.93	\$ 2,171,278.93	\$ -
Capitalized development costs and land purchases	48,871.27	48,871.27	-
Buildings and improvements	20,342,354.88	20,342,354.88	-
Machinery and equipment	4,534,543.59	4,422,839.71	111,703.88
Office furnitures and fixtures	526,777.05	516,487.05	10,290.00
Autos and trucks	1,163,397.04	1,137,043.29	26,353.75
Less: accumulated depreciation	<u>(23,143,333.75)</u>	<u>(22,994,986.12)</u>	<u>(148,347.63)</u>
	<u>\$ 5,643,889.01</u>	<u>\$ 5,643,889.01</u>	<u>\$ -</u>

Additional information on the District's capital assets can be found in Note 3.

**DEBT**

The following table summarizes the District's debt outstanding as of December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Promissory notes payable	\$1,795,203.69	\$1,947,540.28
Revenue bonds payable	<u>1,258,879.09</u>	<u>1,272,396.72</u>
	<u>\$3,054,082.78</u>	<u>\$3,219,937.00</u>

Additional information on the District's long-term debt can be found in Note 8 and 9.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, investors and creditors with a general overview of the District's finances and to show the 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**  
**STATEMENT NET ASSETS – MODIFIED CASH BASIS -**  
**MAIN DISTRICT AND SUB-DISTRICTS COMBINED**  
**AS OF DECEMBER 31, 2004**

	<u>Main District</u>	<u>Sub-Districts</u>	<u>Total Memorandum Only</u>
<b>ASSETS:</b>			
<b>Current Assets</b>			
Pooled cash and cash equivalents	\$ 793,352.28	\$ -	\$ 793,352.28
Cash in bank	-	526,783.09	526,783.09
Accounts receivable	<u>1,944,956.18</u>	<u>-</u>	<u>1,944,956.18</u>
Total current assets	<u>2,738,308.46</u>	<u>526,783.09</u>	<u>3,265,091.55</u>
<b>Property Assets</b>			
Land	2,171,278.93	-	2,171,278.93
Capitalized development costs and land purchases	-	3,128,779.40	3,128,779.40
Easements and right of way	48,871.27	-	48,871.27
Buildings and improvements	20,342,354.88	-	20,342,354.88
Machinery and equipment	4,534,543.59	-	4,534,543.59
Office furniture and fixtures	526,777.05	-	526,777.05
Autos and trucks	<u>1,163,397.04</u>	<u>-</u>	<u>1,163,397.04</u>
Total property assets	28,787,222.76	3,128,779.40	31,916,002.16
Less: accumulated depreciation	<u>(23,143,333.75)</u>	<u>-</u>	<u>(23,143,333.75)</u>
Net property assets	<u>5,643,889.01</u>	<u>3,128,779.40</u>	<u>8,772,668.41</u>
<b>Total Assets</b>	<u>\$ 8,382,197.47</u>	<u>\$3,655,562.49</u>	<u>\$12,037,759.96</u>

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

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT  
STATEMENT NET ASSETS – MODIFIED CASH BASIS -  
MAIN DISTRICT AND SUB-DISTRICTS COMBINED  
AS OF DECEMBER 31, 2004**

	<u>Main District</u>	<u>Sub-Districts</u>	<u>Total Memorandum Only</u>
<b>LIABILITIES:</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 392,540.37	\$ -	\$ 392,540.37
Bonds payable – portion due within one year	186,313.49	-	186,313.49
Accrued interest payable	100.00	-	100.00
Performance bond payable	5,700.00	-	5,700.00
Escrow land rentals	175.00	-	175.00
Accrued health insurance	484,116.71	-	484,116.71
Accrued medicare	6,749.33	-	6,749.33
Accrued life insurance	4,688.92	-	4,688.92
Accrued industrial insurance	246,070.58	-	246,070.58
Accrued disability income	5,628.14	-	5,628.14
Accrued retirement insurance	<u>14,948.93</u>	<u>-</u>	<u>14,948.93</u>
Total current liabilities	<u>1,347,031.47</u>	<u>-</u>	<u>1,347,031.47</u>
<b>Long-Term Liabilities</b>			
Accounts payable	-	14,451.69	14,451.69
Loan payable – local committee	-	15,000.00	15,000.00
Loan payable – Ohio water commission	-	6,000.00	6,000.00
Bonds payable – portion due after one year	2,867,769.29	-	2,867,769.29
Deferred revenue	<u>12,706.02</u>	<u>-</u>	<u>12,706.02</u>
Total long-term liabilities	<u>2,880,475.31</u>	<u>35,451.69</u>	<u>2,915,927.00</u>
<b>Total Liabilities</b>	4,227,506.78	35,451.69	4,262,958.47
<b>Net Assets</b>	<u>\$4,154,690.69</u>	<u>\$3,620,110.80</u>	<u>\$ 7,774,801.49</u>

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

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS -  
MAIN DISTRICT AND SUB-DISTRICTS COMBINED  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Main District	Sub-Districts	Total Memorandum Only
<b>OPERATING RECEIPTS:</b>			
Timber sales	\$ 441,967.91	\$ -	\$ 441,967.91
Pine/pulpwood sales	111,459.85	-	111,459.85
Land and building rentals	25,781.50	-	25,781.50
Collection of Assessments	-	361,781.28	361,781.28
Land rentals and miscellaneous	-	5,756.55	5,756.55
Mineral rights and royalties	257,340.62	-	257,340.62
Share crop leases	159,572.79	-	159,572.79
State of Ohio – operating funds	141,000.00	-	141,000.00
Watershed management	35,592.50	-	35,592.50
Road maintenance	79,019.29	-	79,019.29
Cottage sites	1,391,779.76	-	1,391,779.76
Private docks	376,680.00	-	376,680.00
Clubs	59,894.54	-	59,894.54
Water and sewage maintenance	82,816.56	-	82,816.56
Lake patrol operations	34,505.00	-	34,505.00
Easements/right of ways	27,471.23	-	27,471.23
Marina operations	571,509.28	-	571,509.28
Fishing rights	62,646.74	-	62,646.74
Marina camping	80,090.77	-	80,090.77
Sale of assets	345,038.20	-	345,038.20
Water resources/flood control	18,000.00	-	18,000.00
Cottage construction permits	6,600.00	-	6,600.00
Capital credit refunds	8,832.03	-	8,832.03
Chippewa subdistrict reimbursement	2,694.81	-	2,694.81
Miscellaneous income	47,647.75	-	47,647.75
Water and sewer system	942.26	-	942.26
Rental boats	14,510.50	-	14,510.50
Refreshment stand	1,327.03	-	1,327.03
Vacation cabins	341,713.72	-	341,713.72
Activity centers	65,665.41	-	65,665.41
Park camping	3,335,839.80	-	3,335,839.80
Firewood	19,601.00	-	19,601.00
Trailer storage	163,356.28	-	163,356.28
Trailer pump out	23,260.00	-	23,260.00
Admissions – park facilities	116,923.84	-	116,923.84
Public information	2,200.00	-	2,200.00
Safety	12,100.00	-	12,100.00
Special events	13,356.22	-	13,356.22
Total operating receipts	<u>\$8,478,737.19</u>	<u>\$367,537.83</u>	<u>\$8,846,275.02</u>

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

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS -  
MAIN DISTRICT AND SUB-DISTRICTS COMBINED  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Main District</u>	<u>Sub-Districts</u>	<u>Total Memorandum Only</u>
<b>OPERATING DISBURSEMENTS:</b>			
Water resources/flood control expense	\$ 5,205.12	\$ -	\$ 5,205.12
Easements/right of ways	34,036.15	-	34,036.15
Improvements to district properties	44,048.07	-	44,048.07
Office remodeling and equipment	56,639.36	-	56,639.36
Lake access improvements	37,805.66	-	37,805.66
Land and building rentals	11,887.97	-	11,887.97
Share crop expenses	110,218.29	-	110,218.29
Atwood lodge – net loss	698,316.94	-	698,316.94
Mineral operation expenses	27,053.14	-	27,053.14
Watershed management	82,142.16	-	82,146.16
Assessment	26,256.99	-	26,256.99
Auto and truck	129,775.05	-	129,775.05
Office building	78,465.78	-	78,465.78
Administrative and finance	1,135,945.40	-	1,135,945.40
Engineering	220,754.09	-	220,754.09
Forestry maintenance expense	155,746.59	-	155,746.59
Purchase of recreation equipment/vehicles	111,931.71	-	111,931.71
Debt retirement	146,415.33	-	146,415.33
Park camping expense	1,641,743.97	-	1,641,743.97
General park facilities expense	1,165,406.65	-	1,165,406.65
Cottage site expenses	-	-	-
Marina operation expenses	80,578.62	-	80,578.62
Water and sewer system expenses	481,608.78	-	481,608.78
Lake patrol operation expenses	120,797.71	-	120,797.71
Public information expense	123,641.76	-	123,641.76
Safety	70,303.85	-	70,303.85
Other recreation maintenance expense	399,046.38	-	399,046.38
Cost of lake dredging	421,282.40	-	421,282.40
Expense of public launching facilities	43,312.65	-	43,312.65
Vacation cabin expense	15,153.27	-	15,153.27
Cost of water and sewer systems	-	-	-
Total operating disbursements	<u>7,675,519.84</u>	<u>-</u>	<u>7,675,519.84</u>
Excess of operating receipts			
Over operating disbursements	803,217.35	367,537.83	1,170,755.18
<b>Non-Operating Receipts (Disbursements)</b>			
Interest on investments	9,770.68	4,698.67	14,469.35
<b>Net Assets – January 1, 2004</b>	<u>3,341,702.66</u>	<u>3,247,874.30</u>	<u>6,589,576.96</u>
<b>Net Assets – December 31, 2004</b>	<u>\$4,154,690.69</u>	<u>\$3,620,110.80</u>	<u>\$7,774,801.49</u>

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

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT  
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS -  
MAIN DISTRICT  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**Cash Flows from Operating Activities**

Cash received from customers	\$7,594,227.61
Cash payments to suppliers for goods and services	(3,494,423.59)
Cash payments to employees	<u>(3,722,700.24)</u>
Net cash provided by operating activities	<u>377,103.78</u>

**Cash Flows from Capital and Related Financing Activities**

Acquisitions and construction of assets	(148,347.63)
Principal payment on revenue and note payable	<u>(165,854.22)</u>
Net cash used in capital and related financing activities	<u>(314,201.85)</u>

**Cash Flows form Investing Activities**

Receipts of interest earnings	<u>9,770.68</u>
Net cash provided by investing activities	<u>9,770.68</u>

Net increase in cash and cash equivalents 72,672.61

Cash and cash equivalents at beginning of year 720,679.67

Cash and cash equivalents at end of year \$ 793,352.28

**Reconciliation of Operating Income to Net Cash  
Provided by Operating Activities**

Excess of operating receipts over operating disbursements \$ 803,217.35

Adjustments to reconcile excess of operating receipts over  
Operating disbursements to net cash provided by operating activities:  
Depreciation 148,347.63

Changes in assets and liabilities:

Increase in accounts receivable	(884,509.58)
Increase in accounts payable	160,923.95
Increase in performance bond payables	2,500.00
Increase in accrued health insurance	139,155.73
Decrease in accrued life insurance	(1,363.48)
Increase in accrued industrial insurance	16,980.66
Increase in accrued disability income	5,536.65
Decrease in accrued retirement insurance	(16,574.69)
Increase in deferred revenue	<u>2,889.56</u>
Total adjustments	<u>(426,113.57)</u>
Net cash provided by operating activities	<u>\$ 377,103.78</u>

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



**MUSKINGUM WATERSHED CONSERVANCY DISTRICT  
STATEMENT OF NET ASSETS -  
MODIFIED CASH BASIS – SUB-DISTRICTS  
AS OF DECEMBER 31, 2004**

	<u>Chippewa</u>	<u>Duck Creek</u>	<u>Blackfork</u>	<u>Buffalo Creek</u>	<u>Total</u>
<b>ASSETS:</b>					
<b>Current Assets</b>					
Cash in bank	\$ 518,678.12	\$ 8,104.97	\$ -	\$ -	\$ 526,783.09
<b>Non-Current Assets</b>					
Capitalized development costs and land costs	<u>3,093,963.94</u>	<u>5,400.32</u>	<u>1,822.26</u>	<u>27,592.88</u>	<u>3,128,779.40</u>
<b>Total Assets</b>	<u>\$3,612,642.06</u>	<u>\$13,505.29</u>	<u>\$1,822.26</u>	<u>\$27,592.88</u>	<u>\$3,655,562.49</u>
<b>LIABILITIES AND NET ASSETS:</b>					
<b>Long-Term Liabilities</b>					
Accounts payable	\$ -	\$ 36.55	\$1,822.26	\$12,464.98	\$ 14,323.79
Receipts and advances	-	-	-	127.90	127.90
Loan from local committee	-	-	-	15,000.00	15,000.00
Ohio water commission	-	<u>6,000.00</u>	-	-	<u>6,000.00</u>
Total long-term liabilities	<u>-</u>	<u>6,036.55</u>	<u>1,822.26</u>	<u>27,592.88</u>	<u>35,451.69</u>
<b>Total Net Assets</b>	<u>\$3,612,642.06</u>	<u>\$ 7,468.74</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,620,110.80</u>

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT  
STATEMENT OF ACTIVITIES -  
MODIFIED CASH BASIS – SUB-DISTRICTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Chippewa</u>	<u>Duck Creek</u>	<u>Blackfork</u>	<u>Buffalo Creek</u>	<u>Total</u>
<b>Operating Receipts:</b>					
Collection of assessments	\$ 361,781.28	\$ -	\$ -	\$ -	\$ 361,781.28
Interest on deposits	4,673.27	25.40	-	-	4,698.67
Land rental and miscellaneous	<u>5,756.55</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,756.55</u>
Total operating receipts	<u>372,211.10</u>	<u>25.40</u>	<u>-</u>	<u>-</u>	<u>372,236.50</u>
<b>Operating Disbursements:</b>					
Repairs and maintenance (\$60,352.34 capitalized)	-	-	-	-	-
Contract services (\$43,245.78 capitalized)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of operating receipts over operating disbursements	372,211.10	25.40	-	-	372,236.50
<b>NET ASSETS JANUARY 1, 2004</b>	<u>3,240,430.96</u>	<u>7,443.34</u>	<u>-</u>	<u>-</u>	<u>3,247,874.30</u>
<b>NET ASSETS DECEMBER 31, 2004</b>	<u>\$3,612,642.06</u>	<u>\$7,468.74</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,620,110.80</u>

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**1. Summary of Significant Accounting Policies:**

**A. Type of Reporting Entity:**

The Muskingum Watershed Conservancy District was created as a separate political subdivision by the Ohio Legislature in 1933. The Muskingum Watershed Conservancy District was created in accordance with Section 101 of the Ohio Revised Code which is concerned with the formation and governing of conservancy districts. The district operates under an elected conservancy court consisting of eighteen court of common pleas judges, with one judge serving on the court from each county. Muskingum Watershed Conservancy District had a five member board of directors in 2004 appointed by the court. All other officers and employees are hired in accordance with the provisions of Section 6101 of the Ohio Revised Code. The district is a separate governmental entity within the eighteen county area served by the district.

**2004 Board of Directors:**

David E. Brightbill - Member	Term Expires July 18, 2007
Steve Kokovich - Member	Term Expires June 3, 2008
Thomas L. Tribbie - Member	Term Expires July 18, 2009
Harry Horstman – Vice President	Term Expires June 3, 2005
Joanne Limbach - President	Term Expires June 8, 2006

**2004 Officers:**

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

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

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

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

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

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

**Sub-districts:**

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

**B. Basis of Accounting:**

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

**New Accounting Pronouncements:**

The District has implemented a new financial reporting model, as required by the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus and Statement No. 38, Certain Financial Statement Note Disclosures, as amended and interpreted, as of January 1, 2004. These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. These statements change the District's presentation of net assets and require the inclusion of management's discussion and analysis.

The Authority will continue applying all applicable pronouncements issued by the GASB.

**Receipts/Receivables:**

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

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

Other items of operating receipts are recorded as received.

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**Disbursements/Payables:**

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

- Employee health insurance premiums
- Industrial insurance

Insurance is recorded as paid and prepaid insurance is not recorded.  
Accumulated unpaid vacation and sick pay is not accrued (see Note G)

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

Other disbursements are not accrued.

**Enterprise Funds:**

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

**C. Cash and Investments:**

Investments are reported as assets. Accordingly, purchases of investments are not reported as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively. The district had no investments during 2004 and 2003.

**D. Fund Accounting:**

**Main District:**

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

The district had four separate activities included in its enterprise fund during 2004:

- (1) Improvement activity
- (2) Maintenance activity
- (3) Recreation Improvement activity
- (4) Bond activity

The transactions of each activity are reflected in a self-balancing group of accounts.

**Fund Accounting:**

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

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**E. Budgetary Process:**

**Budget:**

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

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

**Appropriations:**

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

**Encumbrances:**

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

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

**F. Property Assets/Depreciation:**

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

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

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

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**2. Pooled Cash and Cash Equivalents:**

**A. Classification:**

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

**B. Legal Requirements:**

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

**Category 1:**

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

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

**Category 2:**

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

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

**Category 3:**

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

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

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

**Main District:**

**12/31/2004 Pooled Cash and Cash Equivalents:**

**Category 1:**

1. Petty cash and change funds	\$ 2,600.00
Category 1 Total	<u>\$ 2,600.00</u>

**Category 2:**

1. Cash in Bank (General checking, credit card accounts)	\$ 62,495.24
2. Bank Certificates of Deposit and Construction Accounts	728,157.04
3. Bond coupons with State Treasurer	<u>100.00</u>
Category 2 Total	<u>\$790,752.28</u>

Main District – 12/31/04 Totaled Pooled cash and Cash Equivalents	<u>\$793,352.28</u>
---	---------------------

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**12/31/04 Pooled Cash and Cash Equivalents:**

**Chippewa Sub-district:**

**Category 2:**

1. Cash in Bank – general checking and Certificates of Deposit	<u>\$518,678.12</u>
Category 2 Total	<u>\$518,678.12</u>

Chippewa sub-district 12/31/04 Total Cash and Cash Equivalents \$518,678.12

**Duck Creek Sub-district:**

**Category 2:**

1. Cash in Bank – general checking and Certificates of Deposit	<u>\$ 8,104.97</u>
Category 2 Total	<u>\$ 8,104.97</u>

Duck Creek sub-district – 12/31/04 Total Cash and Cash Equivalents \$ 8,104.97

Sub-districts – 12/31/04 Total Pooled Cash and Cash Equivalents \$526,783.09

**3. Capital Assets**

Proprietary capital assets – summary by category at December 31, 2004

**Historical Cost:**

Class	December 31, 2003	Additions	Deletions	December 31, 2004
Capital assets not being depreciated:				
Land	\$ 2,171,278.93	\$ -	\$ -	\$ 2,171,278.93
Development costs and land Purchases	<u>3,074,052.55</u>	<u>103,598.12</u>	-	<u>3,177,650.67</u>
Subtotal	<u>5,245,331.48</u>	<u>103,598.12</u>	-	<u>5,348,929.60</u>
Capital assets being depreciated:				
Building and improvements	20,342,354.88	-	-	20,342,354.88
Machinery and equipment	4,422,839.71	111,703.88	-	4,534,543.59
Office furniture and fixtures	516,487.05	10,290.00	-	526,777.05
Autos and trucks	<u>1,137,043.29</u>	<u>26,353.75</u>	-	<u>1,163,397.04</u>
Subtotal	<u>26,418,724.93</u>	<u>148,347.63</u>	-	<u>26,567,072.56</u>
Total cost	<u>\$31,664,056.41</u>	<u>\$251,945.75</u>	<u>\$ -</u>	<u>\$31,916,002.16</u>



**MUSKINGUM WATERSHED CONSERVANCY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**Accumulated Depreciation**

<u>Class</u>	<u>December 31,</u> <u>2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31,</u> <u>2004</u>
Capital assets being depreciated:				
Building and improvements	\$16,907,158.55	\$ -	\$ -	\$16,907,158.55
Machinery and equipment	4,659,182.48	111,703.88	-	4,770,886.36
Office furniture and fixtures	536,360.05	10,290.00	-	546,650.05
Autos and trucks	<u>892,285.04</u>	<u>26,353.75</u>	-	<u>918,638.79</u>
Total depreciation	<u>22,994,986.12</u>	<u>148,347.63</u>	-	<u>23,143,333.75</u>
Net value	<u>\$ 8,669,070.29</u>			<u>\$ 8,772,668.41</u>

**4. Risk Management**

**4A. Comprehensive Liability Insurance:**

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

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

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

**4B. Self-insurance:**

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

The monthly premium in 2004 for a single employee is \$347.30, and for the family of an employee is \$824.14.

The overall stop loss for the plan is \$844,698 at 12/31/2004.

The limit per occurrence was \$40,000 in 2004 with no exceptions on individual employees for either year.

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

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**5. Retirement System:**

**1. Pension Benefit Obligation**

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% for employees other than law enforcement and public safety. The law enforcement classification consists of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.0%. Public safety division members contribute at 9%. The 2004 employer contribution rate for local government employer units the rate was 13.55% of covered payroll. The 2004 employer contribution rate for both the law enforcement and public safety divisions was 19.50% of covered payroll. The District's contributions to the PERS of Ohio for the year ending 2002, 2003 and 2004 was \$482,463, \$525,082, and \$499,385 respectively.

**2. Other Postemployment Benefits**

Ohio Public Employees Retirement System (OPERS) provides postemployment health care benefits to age 65 service retirants with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2004 employer contribution rate for state employers was 13.55 % of covered payroll of which 4% was the portion used to fund health care for the year. For both the public safety and law enforcement divisions the 2004 employer rate was 19.50% and 7.75% was used to fund health care.

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

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

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

**6. Ohio Public Employees' Deferred Compensation Program:**

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

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

**7. Legal Proceedings:**

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

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**8. Bonds Payable:**

Muskingum Watershed Conservancy District has three bonds payable outstanding at December 2004, as follows:

**8A.** This is a \$1,300,000.00, 4.75%, fifteen year Revenue Bond dated February 24, 1998, and maturing February 24, 2013. This bond was purchased by Key Bank of Cleveland, Ohio. Funds were borrowed for the renovation, construction and improvement to the Muskingum Watershed Conservancy District administration building in New Philadelphia, Ohio. Principal and interest is due the 24<sup>th</sup> day of each month starting March 24, 1998.

Bond principal is due as follows:

2005	\$ 84,207.17
2006	88,295.27
2007	92,581.79
2008	97,076.46
2009	101,789.30
2010	106,730.97
Thereafter	<u>249,363.62</u>
Total	<u>\$820,044.58</u>

**8B.** This is a \$1,300,000.00, 5.31%, fifteen year Revenue Bond dated December 17, 1999 and maturing December 13, 2014. This bond was purchased by Key Bank of Cleveland, Ohio. Funds were borrowed for the purpose of paying all or a portion of the costs of renovating, construction, acquiring and installing improvements to cabins and other facilities at Tappan and Atwood Parks and all necessary appurtenances thereto. Principal and interest is due the 13<sup>th</sup> day of each month starting January 13, 2000.

Bond principal is due as follows:

2005	\$ 75,947.37
2006	80,079.81
2007	84,437.06
2008	89,031.41
2009	93,875.77
2010	98,983.69
Thereafter	<u>452,804.00</u>
Total	<u>\$975,159.11</u>

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**8C.** This is a \$550,692.22, 5.56% Cooperative Agreement with Ohio Water Development Authority for construction of a 75,000 and a 10,000 gallon water tank and 3,807 linear feet of 6" water line and 3,676 linear feet of 4" water line at Tappan Lake Park. The agreement date is April 15, 1999 with a contract term of twenty-five years with the first semi-annual payment due January 1, 2000 and the final payment due July 1, 2024. Principal and interest is due January 1 and July 1 with the first payment due January 1, 2000.

Bond principal is due as follows:

2005	\$ 14,279.65
2006	15,084.64
2007	15,935.00
2008	16,833.31
2009	17,782.25
2010	18,784.69
Thereafter	<u>386,039.52</u>
Total	<u>\$484,739.06</u>

**8D.** This is a \$795,000 agreement with Consumers Ohio Water Company for improved and upgraded water system at Charles Mill Sites Lake cottages. The agreement is dated December, 2002 with a contract term of twenty five years with monthly payments due March 1, 2003.

Bond principal is due as follows:

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

**9. Long-Term Debt**

Long-term debt obligations of the District at December 31, 2004 were as follows:

		<u>December 31,</u> <u>2003</u>	<u>Deletions</u>	<u>December 31,</u> <u>2004</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
Long-term debt					
4.75% Revenue Bond	1998	\$ 900,352.95	\$ (80,308.37)	\$ 820,044.58	\$ 84,207.17
5.31% Revenue Bond	1999	1,047,187.33	(72,028.22)	975,159.11	75,947.37
5.56% OH Water Dev. Auth.	1999	498,256.69	(13,517.63)	484,739.06	14,279.65
7.50% Con OH Water Co.	2002	<u>774,140.03</u>	-	<u>774,140.03</u>	<u>11,879.30</u>
Total long-term debt		<u>3,219,937.00</u>	<u>(165,854.22)</u>	<u>3,054,082.78</u>	<u>186,313.49</u>

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of December 3, 2004 follows:

<u>Years</u>	<u>Revenue Bonds</u>		<u>Promissory Notes</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 160,154.54	\$ 87,084.82	\$ 26,158.95	\$ 82,676.59
2006	168,375.08	78,864.28	28,801.93	80,883.41
2007	177,018.85	70,220.51	30,717.22	78,968.12
2008	186,107.87	61,131.49	32,763.11	76,922.23
2009	195,665.07	51,574.29	34,948.72	74,736.62
Thereafter	<u>907,882.28</u>	<u>105,855.52</u>	<u>1,105,489.16</u>	<u>748,846.17</u>
	<u>\$1,795,203.69</u>	<u>\$454,730.91</u>	<u>\$1,258,879.09</u>	<u>\$1,143,033.14</u>



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

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

We have audited the financial statements of Muskingum Watershed Conservancy District (the District) and the aggregate discretely presented component units (sub-districts) as of and for the year ended December 31, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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



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

**Compliance and Other Matters**

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

This report is intended solely for the information and use of the audit committee, management, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*S. R. Smolgrass, A.C.*

Steubenville, Ohio  
March 29, 2005





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**MUSKINGUM WATERSHED CONSERVANCY DISTRICT**

**TUSCARAWAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 22, 2005**