



Rea & associates a *brighter* way

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio

Audited Financial Statements

For the Year Ended
December 31, 2014



Dave Yost • Auditor of State

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

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

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

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

Dave Yost
Auditor of State

May 26, 2015

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**MUSKINGUM WATERSHED CONSERVANCY DISTRICT
TUSCARAWAS COUNTY**

DECEMBER 31, 2014

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March 25, 2015

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

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the Muskingum Watershed Conservancy District, Tuscarawas County, Ohio, (the Conservancy District) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Conservancy District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Muskingum Watershed Conservancy District, Tuscarawas County, Ohio, as of December 31, 2014, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

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

Rea & Associates, Inc.

New Philadelphia, Ohio

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Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014

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, 2014. 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 2014 are as follows:

- Total assets increased \$107,027,800. This increase is due to a large increase in pooled cash, cash equivalents and investments, which was directly related to proceeds received from the lease of oil and gas rights and royalties received during 2014.
- Net position increased \$107,297,282 as a result of current year operations.
- Outstanding debt decreased from \$1,048,039 to \$988,762 through principal payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014

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 2014 and 2013 derived from the statement of net position and the statement of revenues, expenses, and changes in net position.

	<u>2014</u>	<u>2013</u>
Assets		
Current and Other Assets	\$ 188,405,388	\$ 87,994,781
Capital Assets, net	30,808,004	24,190,811
<i>Total Assets</i>	<u>219,213,392</u>	<u>112,185,592</u>
Liabilities		
Current Liabilities	1,899,050	2,097,497
Long-Term Liabilities	1,558,539	1,629,574
<i>Total Liabilities</i>	<u>3,457,589</u>	<u>3,727,071</u>
Net Position		
Net Investment in Capital Assets	29,228,384	22,054,155
Restricted	16,259,264	18,150,420
Unrestricted	170,268,155	68,253,946
<i>Total Net Position</i>	<u>\$ 215,755,803</u>	<u>\$ 108,458,521</u>

Net position increased \$107,297,282 which is mainly attributable to an increase in cash equivalents and investments, as well as an increase in capital assets. The increase in cash equivalents and investments is directly related to an additional lease of oil and gas rights during 2014. Capital assets increased due to a number of construction projects such as the completion of the Atwood Water Treatment Plant, Piedmont Marina site improvements, including a new seawall, boat ramp, and improved access to marina amenities and additional parking. In addition, there was completion of a service building at Seneca Marina, and a new dump station at Pleasant Hill Park. There were also a number of shoreline stabilization projects completed and the vehicle and equipment fleet was upgraded. Current liabilities decreased due to the timing of payments mostly related to the construction projects in progress at December 31, 2014. Long term liabilities decreased due to debt being reduced in 2014.

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014

Changes in Net Position – The following shows the changes in net assets for 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Timber Sales	\$ 398,276	\$ 339,832
Pine-Pulpwood Sales	139,656	85,599
Easements/Right of Ways	228,619	162,825
Mineral Rights and Royalties	109,566,548	46,310,947
Share Crop Lease	200,311	241,772
Cottage Sites	2,698,286	2,645,990
Marina Operations	1,305,279	1,191,820
Fishing Rights	62,648	62,647
Marina Camping	227,986	240,375
Water Sales	843,090	807,679
Beach Facilities	138,064	122,077
Water and Sewer Systems	136,569	60,838
Vacation Cabin	438,523	397,898
Park Camping	4,669,495	4,442,902
Admissions - park facilities	138,189	106,917
Special Events	135,712	131,711
Miscellaneous Income	56,917	60,536
<i>Total Operating Revenues</i>	<u>\$ 121,384,168</u>	<u>\$ 57,412,365</u>

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014

	2014	2013
Operating Expenses		
Water Sales	\$ 80,949	\$ 0
Water quality	126,636	87,331
Vehicles and equipment	380,317	619,059
Dam Safety/Upgrades	8,719,291	5,015,847
Boundary survey	57,914	50,606
Conservation	173,959	139,606
Reservoir Maintenance	17,516	20,749
Information Systems/Technology	341,328	490,671
Shoreline Protection	197,476	185,746
Share crop	310,145	292,266
Mineral operation	544,738	305,513
Watershed management	493,055	434,840
Beach facilities	241,248	281,146
Office building	281,407	165,973
Administrative and finance	1,913,227	1,641,995
Engineering	414,598	638,165
Planning and development	283,576	475,267
GIS and Parcel Development	241,517	248,316
Forestry maintenance	166,409	137,847
Park camping	2,668,278	2,649,714
Park Master Planning	88,693	0
Cottage sites and clubs	988,424	877,446
Cottage Road Maintenance	0	25,763
General park facilities	2,770,621	2,477,024
Vacation cabin	94,321	190,151
Marina operation	991,297	1,208,968
Water and sewer system	658,158	788,803
Lake patrol operation	351,958	312,797
Education and public information	329,210	451,109
Safety	150,136	126,982
Recreation maintenance	110,723	163,346
Parks - special events	124,865	81,471
Partners in Watershed Management	513,286	239,528
Sediment Removal	381,220	411,211
Special Clean up	0	60,906
Depreciation	1,675,492	1,236,424
<i>Total Operating Expenses</i>	<i>26,881,988</i>	<i>22,532,586</i>
<i>Operating Income/(Loss)</i>	<i>\$ 94,502,180</i>	<i>\$ 34,879,779</i>

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014

	<u>2014</u>	<u>2013</u>
Non-Operating Revenues (Expenses)		
Maintenance assessments	\$ 11,634,517	\$ 11,528,484
Grants	649,282	245,839
Interest on investments	607,946	84,853
Debt retirement - Interest	<u>(96,643)</u>	<u>(116,918)</u>
<i>Total Non-Operating Revenues (Expenses)</i>	<u>12,795,102</u>	<u>11,742,258</u>
<i>Change in Net Position</i>	<u>\$ 107,297,282</u>	<u>\$ 46,622,037</u>

The increase in operating revenue is the result of the additional lease of the deep mineral rights at Piedmont reservoir during 2014. The number of Utica shale wells the Conservancy District received royalties from increased from 2 in 2013 to 13 as of December 31, 2014. Timber and pine and pulpwood sales increased approximately 26% in 2014 due to a stronger market for hardwood and pine in 2014. Park camping and marina operations increased in 2014. Marina revenue increased due to a full year of operation of Seneca marina in a newly remodeled building. Park revenue increased in part to the first full year of the on-line reservation system.

The operating expenditures increased during 2014; the following highlight some of the main changes. The MARCS radio system was purchased in 2013 and was a major expense to the Conservancy District, therefore vehicles and equipment decreased in 2014. The increase in dam/safety upgrades was the result of the cost share with the US Army Corp of Engineers. There was more activity on the project at Bolivar in addition to the Dover Dam project during 2014. Mineral operations expenses increased in 2014 due to an increase in the legal expenditures of the oil and gas program. Administration and Finance expenditures increased during 2014 as a result of increased health insurance costs. Engineering expenses decreased in large part due to an effort to align wage expenditures with the projects the staff was working on. The conceptual park master plan was completed in 2013 and therefore the planning and development expenditures decreased during 2014. In addition, Marina expenditures were down in 2014 due to a decrease in expenditures at Seneca marina with the completion of the remodel in 2013. The decrease in education and public information was the result of the implementation of the branding initiatives being essentially complete as of December 31, 2013. Partners in Watershed Management, a grant program run by the Conservancy District, increased during 2014 in large part to a \$350,000 grant to the City of Massillon for a modification to a levee in order to comply with the US Army Corp of Engineers standards. During 2014, the Conservancy District separated out the costs related to the sediment removal program. This program is going to be a multi-year program and having the costs segregated will allow for closer monitoring. In 2013 the expenses were included with Dam Safety/upgrades.

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014 the Conservancy District had \$30,808,004 of capital assets net of accumulated depreciation. The following table shows 2014 balances compared with 2013:

	<u>2014</u>	<u>2013</u>
Land	\$ 1,806,650	\$ 1,806,650
Capitalized Development Costs	1,189,495	1,189,495
Construction in Progress	1,426,462	5,034,402
Land Improvements	5,945,134	3,914,471
Buildings	5,654,498	5,074,209
Building Improvements	1,600,728	1,615,305
Furniture, Fixtures and Equipment	1,547,538	1,282,957
Vehicles	699,441	729,919
Infrastructure	10,938,058	3,543,403
<i>Totals</i>	<u>\$ 30,808,004</u>	<u>\$ 24,190,811</u>

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

Debt

The outstanding debt for the Conservancy District as of December 31, 2014 was \$988,762 with \$61,875 due within one year. The following table summarizes the Conservancy District's debt outstanding as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
OWDA #2162 - 5.56%	\$ 299,697	\$ 323,089
OWDA #5413 - 0%	141,664	151,108
OWDA #5575 - 3.25%	523,143	548,746
OWDA #5558 - 3.25%	24,258	25,496
OWDA #6104 - 3.99%	0	0
<i>Totals</i>	<u>\$ 988,762</u>	<u>\$ 1,048,439</u>

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

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014

CURRENT ISSUES

The recent surge in the Utica shale activity in Ohio has presented the Conservancy District with opportunities to utilize its natural resources. With approximately 7,000 acres available for lease, the Conservancy District is continuing to develop and implement its plan for the prudent use of the resources it has available. Currently the Conservancy District has leased acreage at Clendening Reservoir, Leesville Reservoir, Seneca Reservoir, and Piedmont Reservoir. The Conservancy District is evaluating options with regards to the remaining available acres.

In October 2013 the board of directors approved the park master plan. The park master plan will consist of major updates at all five parks and the two marinas operated by the Conservancy District. The estimated cost of the master plan is \$160 million with the projected completion in seven to ten years. During 2014, the Conservancy District hired a project management consultant to manage the implementation of the master plan. In addition, the Conservancy District will contract with individual consultants for each park that will manage the individual projects at each respective park. The hiring of the individual park consultants is anticipated to be complete by the second quarter of 2015. During the February 2015 board meeting the Board of Directors awarded the construction contract for the first major project of the park master plan, the Atwood welcome center which is anticipated to be complete in the fourth quarter of 2015.

The sediment removal program which was approved by the board of directors in 2012 was kicked off during 2013. The plan includes designing the program, developing goals, objectives, milestones, tasks, and the internal and external communication protocols. The dredging was anticipated to begin in 2014 at Tappan Lake, however, was delayed due to problems encountered in finding a location for the dredged material. The budget for 2015 includes \$3.5 million for the dredging program. The Tappan Lake dredge project is anticipated to start in the summer of 2015, this project will continue into 2016 budget year. The sediment removal program will protect and extend the useful life of the reservoirs for many years to come by allowing for proper flow storage capacity. This multi-year project will protect people and property within the reservoirs and is a component of the Amendment to the Official Plan.

In the second half of 2014, the Board of Directors approved a 50% reduction in the collection of the maintenance assessment effective for the 2015 collection year. The Board of Directors agreed to not diminish the established plan for the maintenance assessment fund. The difference in the amount not collected will be supplemented with moneys derived from the oil and gas activity.

In addition to the reduction of the maintenance assessment, the Board of Directors authorized the Conservancy District staff to establish a revolving loan fund with moneys collected from the oil and gas program. The moneys will be used to offer low interest loans, to local governments within the watershed, for waste water projects. The Conservancy District staff is working with Ohio Water Development Authority, who is going to manage the program, and anticipate having the program established during 2015.

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014

The Conservancy District continues to be the local cost share sponsor in the US Army Corp of Engineer projects. The current on-going projects are the Dover and Bolivar dam rehabilitations. The board of directors approved a \$3 million budget for 2015 for these projects.

In the fourth quarter of 2014, the Board of Directors approved the purchase of Clendening Marina. The marina operations had been leased to a private operator, who had a desire to retire from the business. The Conservancy District began operating Clendening Marina on January 1, 2015. Currently the Conservancy District operates three marinas, Piedmont, Seneca and Clendening.

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, 2014

Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Investments	\$ 185,300,724
Accrued Interest	668
Accounts Receivable	1,102,970
Assets held for resale	70,419
Prepays	335,163
Maintenance Assessments Receivable	<u>1,349,241</u>
<i>Total Current Assets</i>	<u>188,159,185</u>
<i>Non-Current Assets:</i>	
Capitalized Costs	246,203
Non-Depreciable Capital Assets	4,422,607
Depreciable Capital Assets, Net	<u>26,385,397</u>
<i>Total Non-Current Assets</i>	<u>31,054,207</u>
<i>Total Assets</i>	<u>219,213,392</u>
Liabilities	
<i>Current Liabilities:</i>	
Accounts Payable	377,416
Contracts Payable	551,836
Retainage Payable	59,859
Performance Bond Payable	38,550
Escrow Land Rentals	175
Escrow Funds Payable	2,140
Due to Other Governments	136,491
Accrued Wages and Benefits	202,018
Accrued Interest Payable	100
Accrued Life Insurance	6,621
Claims Payable	176,807
Advances	108,631
Compensated Absences	71,704
Capital Leases Payable	104,827
OWDA Loans Payable	<u>61,875</u>
<i>Total Current Liabilities</i>	<u>1,899,050</u>
<i>Long-Term Liabilities:</i>	
Compensated Absences - net of current portion	591,394
Capital Leases Payable - net of current portion	40,258
OWDA Loans Payable - net of current portion	<u>926,887</u>
<i>Total Long-Term Liabilities</i>	<u>1,558,539</u>
<i>Total Liabilities</i>	<u>3,457,589</u>
Net Position	
Net Investment in Capital Assets	29,228,384
Restricted for Maintenance Assessment	16,259,264
Unrestricted	<u>170,268,155</u>
<i>Total Net Position</i>	<u>\$ 215,755,803</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, 2014

Operating Revenues	
Water Sales	\$ 843,090
Water and sewer systems	136,569
Timber sales	398,276
Pine/pulpwood sales	139,656
Mineral rights and royalties	109,566,548
Share crop lease	200,311
Cottage sites	2,698,286
Marina operations	1,305,279
Marina camping	227,986
Fishing rights	62,648
Easements/Right of ways	228,619
Beach facilities	138,064
Vacation cabin	438,523
Park camping	4,669,495
Parks - Special events	135,712
Admissions - park facilities	138,189
Miscellaneous income	56,917
	121,384,168
<i>Total Operating Revenues</i>	
Operating Expenses	
Water Sales	80,949
Water Quality	126,636
Vehicles and equipment	380,317
Dam safety/upgrades	8,719,291
Boundary survey	57,914
Conservation	173,959
Reservoir Maintenance	17,516
Information Systems/Technology	341,328
Shoreline Protection	197,476
Share crop	310,145
Mineral operation	544,738
Watershed management	493,055
Beach facilities	241,248
Office building	281,407
Administrative and finance	1,913,227
Engineering	414,598
Planning and development	283,576
GIS and Parcel Development	241,517
Forestry maintenance	166,409
Park camping expense	2,668,278
Park Master Planning	88,693
Cottage sites and clubs	988,424
General park facilities	2,770,621
Vacation cabin	94,321
Marina operation	991,297

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended December 31, 2014

		(Continued)
Water and sewer system	\$	658,158
Lake patrol operation		351,958
Education and public information		329,210
Safety		150,136
Recreation maintenance		110,723
Parks - special events		124,865
PWM		513,286
Sediment Removal		381,220
Depreciation		<u>1,675,492</u>
<i>Total Operating Expenses</i>		<u>26,881,988</u>
<i>Operating Income</i>		94,502,180
<i>Non-Operating Revenues (Expenses)</i>		
Maintenance assessments		11,634,517
Grants		649,282
Interest on investments		607,946
Debt retirement - Interest		<u>(96,643)</u>
<i>Total Non-Operating Revenues (Expenses)</i>		<u>12,795,102</u>
<i>Change in Net Position</i>		107,297,282
Net Position - Beginning of Year		<u>108,458,521</u>
Net Position - End of Year		<u><u>\$ 215,755,803</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, 2014

Cash flows from Operating Activities:	
Cash Received from Customers	\$ 121,462,889
Cash Payments to Suppliers for Goods and Services	(16,834,892)
Cash Payments for Employees Services and Benefits	<u>(8,374,303)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>96,253,694</u>
Cash Flows from Noncapital Financing Activities:	
Proceeds from OWDA Loans	65,526
Principal Payments on OWDA Loans	(76,208)
Intergovernmental Grants	50,395
Maintenance Assessments	9,126,825
Interest Paid on Debt	<u>(46,803)</u>
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>9,119,735</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(8,605,925)
Maintenance Assessments	2,453,547
Intergovernmental Grants	569,037
Principal Payments on OWDA Loans	(48,995)
Principal Payments on Capital Leases	(164,947)
Interest Paid on Debt	<u>(49,840)</u>
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(5,847,123)</u>
Cash Flows from Investing Activities:	
Receipts of Interest	499,671
Payments for purchase of investments	(73,536,938)
Proceeds from Sale of Investments	<u>56,584,263</u>
<i>Net Cash used for Investing Activities</i>	<u>(16,453,004)</u>
<i>Net (Decrease) in Cash and Cash Equivalents</i>	83,073,302
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>31,467,845</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 114,541,147</u>
Reconciliation of Operating Income To Net	
Cash Provided by Operating Activities:	
Operating Income	\$ 94,502,180
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation	1,675,492
(Increase) Decrease in Assets	
Capitalized Costs	(74,407)
Accounts Receivable	78,721
Prepays	(222,540)
Accrued Interest	(90)
Increase (Decrease) in Liabilities:	
Accounts Payable	157,770
Performance Bond Payable	(4,200)
Escrow Funds Payable	2,138
Advances	19,427
Claims Payable	(28,567)
Accrued Wages and Benefits	55,039
Accrued Life Insurance	(6,512)
Compensated Absences	101,287
Due to Other Governments	<u>(2,044)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 96,253,694</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	\$ 185,300,724
Investments included in balances above that are not cash equivalents	<u>(70,759,577)</u>
Cash and Cash equivalents reported on Statement of Cash Flows	<u>\$ 114,541,147</u>

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, 2014*

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 2014 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.

2014 Board of Directors:

- | | |
|-----------------------------------|------------------------|
| • Richard J. Pryce – President | Term Expires June 2017 |
| • Harry Horstman – Vice President | Term Expires June 2015 |
| • William P. Boyle, Jr. - Member | Term Expired June 2014 |
| • Joanne Limbach - Member | Term Expires June 2018 |
| • David Parham – Member | Term Expires June 2016 |
| • Gordon Maupin – Member | Term Expires June 2019 |

2014 Officers:

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

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

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

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

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

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
*Notes to the Basic Financial Statements
For the Year Ended December 31, 2014*

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 subject to flooding 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 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. Black Fork Subdistrict is still in progress in the development of an official plan. 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. Work is beginning to create an official plan. Buffalo Creek Subdistrict and Duck Creek Subdistrict are inactive.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

B. Measurement Focus

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

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
*Notes to the Basic Financial Statements
For the Year Ended December 31, 2014*

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process

Budget:

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

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

Appropriations:

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

Encumbrances:

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

D. Property Assets/Depreciation

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

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

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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

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

G. Net Position

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

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Revenue & Expenses

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

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

I. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Directors and that are either unusual in nature or infrequent in occurrence. During 2014, the Conservancy District had no extraordinary or special items.

J. Implementation of New Accounting Policies

For the year ended December 31, 2014, the Conservancy District implemented Governmental Accounting Standards Board GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. Implementation of this GASB statement did not affect the presentation of the financial statements of the Conservancy District.

GASB Statement No. 70 improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. Implementation of this GASB statement did not affect the presentation of the financial statements of the Conservancy District.

K. Statement of Cash Flows

For the purposes of the statement of cash flows, cash and cash equivalents are defined as cash and any investment with an original maturity of 3 months or less. As of December 31, 2014 none of the Conservancy District's investments qualified as a cash equivalent.

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
*Notes to the Basic Financial Statements
For the Year Ended December 31, 2014*

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Capitalized Costs

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

M. Prepaids

The Conservancy District has a loan with the Ohio Water Development Authority (OWDA) to cover costs associated with preparing the Official Plan for the Black Fork Subdistrict. In 2013, the Conservancy District was required to start making principal and interest payments on the loan based on the total amount of the approved debt, even though the entire amount of the loan had not been drawn down. As of December 31, 2014, the Conservancy District had paid more on the principal of the debt than they had drawn down. This amount of \$335,163 is shown as a prepaid.

N. Advances

The Conservancy District records advances when it has received moneys prior to having earned the revenue, or before all grant requirements have been met (other than time). At December 31, 2014 advances consisted of \$108,631 of moneys received in advance for reservations in our parks and marinas for 2015.

O. Assets held for Resale

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

NOTE 3: DEPOSITS AND INVESTMENTS

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

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

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.

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
*Notes to the Basic Financial Statements
For the Year Ended December 31, 2014*

NOTE 3: DEPOSITS AND INVESTMENTS (continued)

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Bonds and other obligations of the State of Ohio;
4. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
5. The State Treasurer's investment pool (STAROhio).
6. Certain bankers' acceptances and commercial paper notes for a period not to exceed 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% is 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, 2014

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.

According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Conservancy District's name. During 2014, the Conservancy District and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

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

At fiscal year-end, the carrying amount of the Conservancy District's deposits was \$114,538,297. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31, 2014, \$113,917,368 of the Conservancy District's bank balance of \$114,701,868 was exposed to custodial risk as discussed above, while \$784,500 was covered by Federal Deposit Insurance Corporation.

Cash on Hand

As of December 31, 2014, the Conservancy District had \$2,850 of cash on hand.

Muskingum Watershed Conservancy District
 Tuscarawas County, Ohio
*Notes to the Basic Financial Statements
 For the Year Ended December 31, 2014*

NOTE 3: DEPOSITS AND INVESTMENTS (continued)

Investments

As of December 31, 2014, the Conservancy District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities			
		6 Months or Less	7 to 12 Months	13 to 24 Months	More than 24 Months
Federal Home Loan Mortgage Corporation	\$ 7,755,892	\$ -	\$ 721,506	\$ -	\$ 7,034,386
Federal National Mortgage Association	10,311,651	-	-	-	10,311,651
Federal Home Loan Bank	46,475,559	-	-	1,000,558	45,475,001
Bond Anticipation Notes	6,216,475	6,216,475	-	-	-
	<u>\$ 70,759,577</u>	<u>\$ 6,216,475</u>	<u>\$ 721,506</u>	<u>\$ 1,000,558</u>	<u>\$ 62,821,038</u>

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

Credit Risk: The FHLMC, FNMA and FHLB all have Aaa or Aa ratings from Moody's. Nearly all of the securities (99%) carry the Aaa rating, which is the highest on the respective scales from Moody's. The municipal bond anticipation notes are not rated by Moody's.

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

Concentration of Credit Risk: The Conservancy District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type as of December 31, 2014.

Muskingum Watershed Conservancy District
 Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 3: DEPOSITS AND INVESTMENTS (continued)

Investment Type	Fair Value	Percent of Total
Federal Home Loan Mortgage Corporatio	7,755,892	11%
Federal National Mortgage Association	10,311,651	15%
Federal Home Loan Bank	46,475,559	65%
Bond Anticipation Notes	6,216,475	9%
	<u>\$ 70,759,577</u>	<u>100%</u>

The following is the net increase in the fair value of investments during for year ending December 31, 2014.

Fair Value of Investments December 31, 2014	\$	70,759,577
Add: Proceeds of investments sold in 2014		56,584,263
Less: Cost of investments purchased in 2014		(73,536,938)
Less: Fair value at December 31, 2013		(53,698,627)
Change in fair value of investments	\$	108,275

NOTE 4: RECEIVABLES

Receivables at December 31, 2014 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, 2014*

NOTE 5: CAPITAL ASSETS

Proprietary capital assets – summary by category at December 31, 2014:

	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 1,806,650	\$ 0	\$ 0	\$ 1,806,650
Construction in Progress	5,034,402	6,481,212	(10,089,152)	1,426,462
Capitalized Development Costs	1,189,495	0	0	1,189,495
<i>Total Capital Assets Not Being Depreciated</i>	8,030,547	6,481,212	(10,089,152)	4,422,607
<i>Capital Assets Being Depreciated</i>				
Land Improvements	4,693,957	2,325,164	0	7,019,121
Buildings	10,440,473	779,777	(567,902)	10,652,348
Building Improvements	2,466,053	59,357	0	2,525,410
Furniture, Fixtures and Equipment	4,907,738	640,910	(28,799)	5,519,849
Vehicles	1,905,050	207,095	(23,990)	2,088,155
Infrastructure	5,291,421	7,888,322	(45,584)	13,134,159
<i>Total Capital Assets Being Depreciated</i>	29,704,692	11,900,625	(666,275)	40,939,042
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(779,486)	(294,501)	0	(1,073,987)
Buildings	(5,366,264)	(199,488)	567,902	(4,997,850)
Building Improvements	(850,748)	(73,934)	0	(924,682)
Furniture, Fixtures and Equipment	(3,624,781)	(376,329)	28,799	(3,972,311)
Vehicles	(1,175,131)	(237,573)	23,990	(1,388,714)
Infrastructure	(1,748,018)	(493,667)	45,584	(2,196,101)
<i>Total Accumulated Depreciation</i>	(13,544,428)	(1,675,492)	666,275	(14,553,645)
<i>Total Capital Assets Being Depreciated, Net</i>	16,160,264	10,225,133	0	26,385,397
<i>Capital Assets, Net</i>	\$ 24,190,811	\$ 16,706,345	\$ (10,089,152)	\$ 30,808,004

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
*Notes to the Basic Financial Statements
For the Year Ended December 31, 2014*

NOTE 6: RISK MANAGEMENT

A. Comprehensive Liability Insurance

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

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

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years and there has been no significant reduction in insurance coverage in the year 2014.

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 2013 plan year ran June 1, 2013 through May 31, 2014. The 2014 plan year runs June 1, 2014 through May 31, 2015.

The monthly premium for the 2013 plan year for a single employee is \$743.10, \$1,166.60 for an employee plus 1, and for the family of an employee is \$1,763.26. The monthly premium for the 2014 plan year for a single employee is \$769.10, \$1,207.44 for an employee plus 1, and for the family of an employee is \$1,824.96.

The overall stop loss for the plan year 2013 is \$1,048,106 and for plan year 2014 is \$1,246,088.

The specific stop loss per occurrence was \$55,000 for plan years 2013 and 2014. For plan year 2013, there were two instances with a special specific deductible, one of which was \$75,000 and the other \$580,000. For the plan year 2014 there was one special specific deductible, which was \$600,000. There were four claims exceeding the limit for plan year 2013. When the Conservancy District pays claims or reimburses employees for medical bills in excess of the limits they are reimbursed by Excess Re-insurance Underwriters Agency, Inc for the 2013 plan year, and Arch Insurance Group for the 2014 plan year.

Muskingum Watershed Conservancy District
 Tuscarawas County, Ohio
*Notes to the Basic Financial Statements
 For the Year Ended December 31, 2014*

NOTE 6: RISK MANAGEMENT (continued)

The claims liability of \$176,807 at December 31, 2014, 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 2014 and 2013 are as follows:

		<u>Balance</u> <u>Beginning of Year</u>		<u>Current</u> <u>Year Claims</u>		<u>Claims</u> <u>Payments</u>		<u>Balance</u> <u>End of Year</u>
2013	\$	167,576	\$	1,047,509	\$	1,009,711	\$	205,374
2014	\$	205,374	\$	1,452,538	\$	1,481,105	\$	176,807

NOTE 7: DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

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

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2014, member and employer contribution rates were consistent across all three plans. The 2014 members in State and local classifications contributed 10 percent of covered payroll. Law enforcement members contributed 13%.

The Conservancy District’s contribution rate for 2014 was 14.0 percent of covered payroll. The law enforcement contribution rate was 18.1% of covered payroll.

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
*Notes to the Basic Financial Statements
For the Year Ended December 31, 2014*

NOTE 7: DEFINED BENEFIT PENSION PLAN (continued)

The Conservancy District's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2014, 2013, and 2012 were \$899,728, \$774,477 and \$518,418, respectively; 93 percent has been contributed for 2013 and 100 percent for 2013 and 2012.

NOTE 8: POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2014, local government employers contributed 14 percent of covered payroll and law enforcement employers contributed at 18.1%. These are the maximum employer contributions rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB plan.

OPERS' post employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care and benefits. The portion of the employer contributions allocated to health care for members in the traditional plan was 2% during calendar year 2014. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving

Muskingum Watershed Conservancy District
 Tuscarawas County, Ohio
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 For the Year Ended December 31, 2014

NOTE 8: POSTEMPLOYMENT BENEFITS (continued)

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

The Conservancy District's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$128,533, \$59,551 and \$207,367, respectively; 93 percent has been contributed for 2014 and 100 percent for 2013 and 2012.

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

NOTE 9: LEGAL PROCEEDINGS

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

NOTE 10: LONG-TERM OBLIGATIONS

The changes in the Conservancy District's long-term obligations during the fiscal year 2014 were as follows:

	Principal Outstanding 12/31/2013	Additions	Reductions	Principal Outstanding 12/31/2014	Amount Due in One Year
OWDA Loan #2162 - 5.56%	\$ 323,089	\$ 0	\$ (23,392)	\$ 299,697	\$ 24,711
OWDA Loan #5413 - 0%	151,108	0	(9,444)	141,664	9,444
OWDA Loan #5575 - 3.25%	548,746	0	(25,603)	523,143	26,442
OWDA Loan #5558 - 3.25%	25,496	0	(1,238)	24,258	1,278
OWDA Loan #6104 - 3.99%	0	65,526	(65,526)	0	0
<i>Total</i>	<u>1,048,439</u>	<u>65,526</u>	<u>(125,203)</u>	<u>988,762</u>	<u>61,875</u>
Other Long-Term Obligations:					
Capital Leases	310,032	0	(164,947)	145,085	104,827
Compensated Absences	561,811	152,949	(51,662)	663,098	71,704
Total other long-term obligation	<u>871,843</u>	<u>152,949</u>	<u>(216,609)</u>	<u>808,183</u>	<u>176,531</u>
<i>Total Long-Term Liabilities</i>	<u>\$ 1,920,282</u>	<u>\$ 218,475</u>	<u>\$ (341,812)</u>	<u>\$ 1,796,945</u>	<u>\$ 238,406</u>

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
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For the Year Ended December 31, 2014*

NOTE 10: LONG-TERM OBLIGATIONS (continued)

Ohio Water Development Authority Loans

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

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

In 2010, the Conservancy District was awarded a loan from OWDA in the amount of \$637,001 for improvements to the Sites Lake Cottage Area wastewater treatment plant. The loan has an interest rate of 3.25 percent and matures on July 1, 2030.

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

In 2012 the Conservancy District was awarded a \$1,500,000 loan from OWDA for studies to develop the Black Fork Subdistrict official plan. As of December 31, 2014, only \$229,811 had been drawn down. This loan required repayment beginning in 2013 based upon the full amount of the loan. During 2014, the Conservancy District repaid more than it had drawn down. \$335,163 is shown as a prepaid which represents the amount in excess of the amount drawn down that has been paid to OWDA. Since the full amount was not drawn down, the amortization schedule is not complete, so it is not reflected in the table below.

Muskingum Watershed Conservancy District
 Tuscarawas County, Ohio
*Notes to the Basic Financial Statements
 For the Year Ended December 31, 2014*

NOTE 10: LONG-TERM OBLIGATIONS (continued)

The annual requirements to retire debt are as follows:

	Ohio Water Development Authority Loans	
	Principal	Interest
2015	\$ 61,875	\$ 33,891
2016	64,176	31,560
2017	66,586	29,181
2018	69,109	26,658
2019	71,753	24,015
2020-2024	382,493	73,419
2025-2029	251,500	22,503
2030-2034	21,270	346
	<u>\$ 988,762</u>	<u>\$ 241,573</u>

NOTE 11: CAPITAL LEASES – LESSEE DISCLOSURE

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

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

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2014:

		Capital Leases
Year Ending December 31:	2015	\$ 110,943
	2016	41,586
Minimum lease payments		152,529
Less: amount representing interest at the Conservancy District's incremental borrowing rate of interest		(7,444)
Present value of minimum lease payments		\$ 145,085

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
*Notes to the Basic Financial Statements
For the Year Ended December 31, 2014*

NOTE 12: OPERATING LEASE

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

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

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

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

Muskingum Watershed Conservancy District
 Tuscarawas County, Ohio
Notes to the Basic Financial Statements
 For the Year Ended December 31, 2014

NOTE 13: CONTRACTUAL COMMITMENTS

As of December 31, 2014, the Conservancy District had contractual commitments for the following projects:

	Contractual Commitment	Expended	Balance 12/31/2014
Bolivar Dam - Army Corps of Engineers	\$ 37,951,380	\$ 16,839,152	\$ 21,112,228
Dover Dam - Army Corps of Engineers	2,070,000	2,002,670	67,330
Atwood Wastewater Treatment Plant	4,897,307	4,344,727	552,580
Shoreline stabilization projects	946,715	-	946,715
Precast Restroom Facilities	505,138	482,638	22,500
Master Plan Implementation Program Mgt.	1,820,000	10,131	1,809,869
Stream Gages & Weather Stations - USGS	1,092,200	400,000	692,200
Reservoir Sediment Removal	624,307	159,307	465,000
Seneca Chestnut Grove WWTP	997,400	-	997,400

NOTE 14: SUBSEQUENT EVENTS

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

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

NOTE 15: BLENDED COMPONENT UNITS

Black Fork, Buffalo Creek, Chippewa and Duck Creek Subdivisions are blended component units under criteria of GASB Statement 61. The following represents combining financial statements for the year ended 2014.

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 15: 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	\$ 183,922,383	\$ 0	\$ 0	\$ 1,369,924	\$ 8,417	\$ 0	\$ 185,300,724
Accrued Interest	668	0	0	0	0	0	668
Accounts Receivable	1,124,841	0	0	0	0	(21,871)	1,102,970
Assets held for resale	70,419	0	0	0	0	0	70,419
Prepays	335,163	0	0	0	0	0	335,163
Maintenance Assessments Receivable	1,341,583	0	0	7,658	0	0	1,349,241
<i>Total Current Assets</i>	<u>186,795,057</u>	<u>0</u>	<u>0</u>	<u>1,377,582</u>	<u>8,417</u>	<u>(21,871)</u>	<u>188,159,185</u>
<i>Non-Current Assets:</i>							
Capitalized Costs	246,203	0	0	0	0	0	246,203
Non-Depreciable Capital Assets	3,233,112	1,822	27,593	1,154,680	5,400	0	4,422,607
Depreciable Capital Assets, Net	26,378,557	0	0	6,840	0	0	26,385,397
<i>Total Non-Current Assets</i>	<u>29,857,872</u>	<u>1,822</u>	<u>27,593</u>	<u>1,161,520</u>	<u>5,400</u>	<u>0</u>	<u>31,054,207</u>
<i>Total Assets</i>	<u>216,652,929</u>	<u>1,822</u>	<u>27,593</u>	<u>2,539,102</u>	<u>13,817</u>	<u>(21,871)</u>	<u>219,213,392</u>
Liabilities							
<i>Current Liabilities:</i>							
Accounts Payable	356,251	1,822	27,593	7,584	6,037	(21,871)	377,416
Contracts Payable	551,836	0	0	0	0	0	551,836
Retainage Payable	59,859	0	0	0	0	0	59,859
Performance Bond Payable	38,550	0	0	0	0	0	38,550
Escrow Land Rentals	175	0	0	0	0	0	175
Escrow Funds Payable	2,140	0	0	0	0	0	2,140
Due to Other Governments	136,491	0	0	0	0	0	136,491
Accrued Wages and Benefits	202,018	0	0	0	0	0	202,018
Accrued Interest Payable	100	0	0	0	0	0	100
Accrued Life Insurance	6,621	0	0	0	0	0	6,621
Claims Payable	176,807	0	0	0	0	0	176,807
Advances	108,631	0	0	0	0	0	108,631
Compensated Absences	71,704	0	0	0	0	0	71,704
Capital Leases Payable	104,827	0	0	0	0	0	104,827
OWDA Loans Payable	61,875	0	0	0	0	0	61,875
<i>Total Current Liabilities</i>	<u>1,877,885</u>	<u>1,822</u>	<u>27,593</u>	<u>7,584</u>	<u>6,037</u>	<u>(21,871)</u>	<u>1,899,050</u>
<i>Long-Term Liabilities:</i>							
Compensated Absences - net of current portion	591,394	0	0	0	0	0	591,394
Capital Leases Payable - net of current portion	40,258	0	0	0	0	0	40,258
OWDA Loans Payable - net of current portion	926,887	0	0	0	0	0	926,887
<i>Total Long-Term Liabilities</i>	<u>1,558,539</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,558,539</u>
<i>Total Liabilities</i>	<u>3,436,424</u>	<u>1,822</u>	<u>27,593</u>	<u>7,584</u>	<u>6,037</u>	<u>(21,871)</u>	<u>3,457,589</u>
Net Position							
Net Investment in Capital Assets	28,032,049	1,822	27,593	1,161,520	5,400	0	29,228,384
Restricted for Maintenance Assessment	16,259,264	0	0	0	0	0	16,259,264
Unrestricted	168,925,192	(1,822)	(27,593)	1,369,998	2,380	0	170,268,155
<i>Total Net Position</i>	<u>\$ 213,216,505</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,531,518</u>	<u>\$ 7,780</u>	<u>\$ 0</u>	<u>\$ 215,755,803</u>

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 15: 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	\$ 843,090	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 843,090
Water and sewer systems	136,569	0	0	0	0	0	136,569
Timber Sales	398,276	0	0	0	0	0	398,276
Pine/Pulpwood Sales	139,656	0	0	0	0	0	139,656
Mineral rights and royalties	109,566,548	0	0	0	0	0	109,566,548
Share Crop	200,311	0	0	0	0	0	200,311
Cottage Sites and Clubs	2,698,286	0	0	0	0	0	2,698,286
Marina operations	1,305,279	0	0	0	0	0	1,305,279
Marina camping	227,986	0	0	0	0	0	227,986
Fishing rights	62,648	0	0	0	0	0	62,648
Easements/Right of Ways	228,619	0	0	0	0	0	228,619
Beach facilities	138,064	0	0	0	0	0	138,064
Vacation cabin	438,523	0	0	0	0	0	438,523
Park camping	4,669,495	0	0	0	0	0	4,669,495
Parks - Special Events	135,712	0	0	0	0	0	135,712
Admissions - park facilities	138,189	0	0	0	0	0	138,189
Miscellaneous income	56,917	0	0	0	0	0	56,917
<i>Total Operating Revenues</i>	<u>121,384,168</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>121,384,168</u>
Operating Expenses							
Water Sales	80,949	0	0	0	0	0	80,949
Water Quality	126,636	0	0	0	0	0	126,636
Vehicles and equipment	380,317	0	0	0	0	0	380,317
Dam safety/upgrades	8,091,449	0	0	627,842	0	0	8,719,291
Boundary survey	57,914	0	0	0	0	0	57,914
Conservation	173,959	0	0	0	0	0	173,959
Reservoir Maintenance	17,516	0	0	0	0	0	17,516
Information Systems/Technology	341,328	0	0	0	0	0	341,328
Shoreline Protection	197,476	0	0	0	0	0	197,476
Share crop	310,145	0	0	0	0	0	310,145
Mineral operation	544,738	0	0	0	0	0	544,738
Watershed management	493,055	0	0	0	0	0	493,055
Beach facilities	241,248	0	0	0	0	0	241,248
Office building	281,407	0	0	0	0	0	281,407
Administrative and finance	1,913,227	0	0	0	0	0	1,913,227
Engineering	414,598	0	0	0	0	0	414,598
Planning and development	283,576	0	0	0	0	0	283,576
GIS and Parcel Development	241,517	0	0	0	0	0	241,517
Forestry maintenance	166,409	0	0	0	0	0	166,409
Park camping	2,668,278	0	0	0	0	0	2,668,278
Park Master Planning	88,693	0	0	0	0	0	88,693
Cottage sites and clubs	988,424	0	0	0	0	0	988,424
General park facilities	2,770,621	0	0	0	0	0	2,770,621
Vacation cabin	94,321	0	0	0	0	0	94,321
Marina operation	991,297	0	0	0	0	0	991,297

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 15: 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		
						(Continued)
Water and sewer system	\$ 658,158	\$ 0	\$ 0	\$ 0	\$ 0	\$ 658,158
Lake patrol operation	351,958	0	0	0	0	351,958
Education and public information	329,210	0	0	0	0	329,210
Safety expenses	150,136	0	0	0	0	150,136
Recreation maintenance	110,723	0	0	0	0	110,723
Parks - special events	124,865	0	0	0	0	124,865
PWM	513,286	0	0	0	0	513,286
Sediment Removal	381,220	0	0	0	0	381,220
Depreciation	1,674,732	0	0	760	0	1,675,492
<i>Total Operating Expenses</i>	<u>26,253,386</u>	<u>0</u>	<u>0</u>	<u>628,602</u>	<u>0</u>	<u>26,881,988</u>
<i>Operating Income</i>	95,130,782	0	0	(628,602)	0	94,502,180
Non-Operating Revenues (Expenses)						
Maintenance assessments	11,261,347	0	0	373,170	0	11,634,517
Grants	649,282	0	0	0	0	649,282
Interest on investments	607,367	0	0	572	7	607,946
Debt retirement - Interest	(96,643)	0	0	0	0	(96,643)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>12,421,353</u>	<u>0</u>	<u>0</u>	<u>373,742</u>	<u>7</u>	<u>12,795,102</u>
<i>Change in Net Position</i>	107,552,135	0	0	(254,860)	7	107,297,282
Net Position - Beginning of Year	<u>105,664,370</u>	<u>0</u>	<u>0</u>	<u>2,786,378</u>	<u>7,773</u>	<u>108,458,521</u>
Net Position - End of Year	<u>\$ 213,216,505</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,531,518</u>	<u>\$ 7,780</u>	<u>\$ 215,755,803</u>

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 15: BLENDED COMPONENT UNITS (continued)

COMBINING STATEMENT OF CASH FLOWS

	Muskingum Watershed Conservancy District	Subdistricts			Eliminating Entries	Total
		Black Fork	Buffalo Creek	Chippewa		
Cash flows from Operating Activities:						
Cash Received from Customers	\$ 121,462,889	\$ 0	\$ 0	\$ 0	\$ 0	\$ 121,462,889
Cash Payments to Suppliers for Goods and Services	(16,306,464)	0	0	(528,428)	0	(16,834,892)
Cash Payments for Employees Services and Benefits	(8,271,031)	0	0	(103,272)	0	(8,374,303)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>96,885,394</u>	<u>0</u>	<u>0</u>	<u>(631,700)</u>	<u>0</u>	<u>96,253,694</u>
Cash Flows from Noncapital Financing Activities:						
Proceeds from OWDA Loans	65,526	0	0	0	0	65,526
Principal Payments on OWDA Loans	(76,208)	0	0	0	0	(76,208)
Intergovernmental Grants	50,395	0	0	0	0	50,395
Maintenance Assessments	8,761,313	0	0	365,512	0	9,126,825
Interest Paid on Debt	(46,803)	0	0	0	0	(46,803)
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>8,754,223</u>	<u>0</u>	<u>0</u>	<u>365,512</u>	<u>0</u>	<u>9,119,735</u>
Cash Flows from Capital and Related Financing Activities:						
Acquisition of Capital Assets	(8,598,325)	0	0	(7,600)	0	(8,605,925)
Maintenance Assessments	2,453,547	0	0	0	0	2,453,547
Intergovernmental Grants	569,037	0	0	0	0	569,037
Principal Payments on OWDA Loans	(48,995)	0	0	0	0	(48,995)
Principal Payments on Capital Leases	(164,947)	0	0	0	0	(164,947)
Interest Paid on Debt	(49,840)	0	0	0	0	(49,840)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(5,839,523)</u>	<u>0</u>	<u>0</u>	<u>(7,600)</u>	<u>0</u>	<u>(5,847,123)</u>
Cash Flows from Investing Activities:						
Receipts of Interest	499,092	0	0	572	7	499,671
Payments for Purchase of Investments	(73,536,938)	0	0	0	0	(73,536,938)
Proceeds from Sale of Investments	56,584,263	0	0	0	0	56,584,263
<i>Net Cash Provided by (Used for) Investing Activities</i>	<u>(16,453,583)</u>	<u>0</u>	<u>0</u>	<u>572</u>	<u>7</u>	<u>(16,453,004)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>83,346,511</u>	<u>0</u>	<u>0</u>	<u>(273,216)</u>	<u>7</u>	<u>83,073,302</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>29,816,295</u>	<u>0</u>	<u>0</u>	<u>1,643,140</u>	<u>8,410</u>	<u>31,467,845</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 113,162,806</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,369,924</u>	<u>\$ 8,417</u>	<u>\$ 114,541,147</u>
Reconciliation of Operating Income To Net Cash Provided by Operating Activities:						
Operating Income	\$ 95,130,782	\$ 0	\$ 0	\$ (628,602)	\$ 0	\$ 94,502,180
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation	1,674,732	0	0	760	0	1,675,492
(Increase) Decrease in Assets:						
Capitalized Costs	(74,407)	0	0	0	0	(74,407)
Accounts Receivable	78,721	0	0	0	0	78,721
Prepays	(222,540)	0	0	0	0	(222,540)
Accrued Interest	(90)	0	0	0	0	(90)
Increase (Decrease) in Liabilities:						
Accounts Payable	161,628	0	0	(3,858)	0	157,770
Performance Bonds payable	(4,200)	0	0	0	0	(4,200)
Escrow Funds Payable	2,138	0	0	0	0	2,138
Advances	19,427	0	0	0	0	19,427
Claims Payable	(28,567)	0	0	0	0	(28,567)
Accrued Wages and Benefits	55,039	0	0	0	0	55,039
Accrued Life Insurance	(6,512)	0	0	0	0	(6,512)
Compensated Absences	101,287	0	0	0	0	101,287
Due to other governments	(2,044)	0	0	0	0	(2,044)
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 96,885,394</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (631,700)</u>	<u>\$ 0</u>	<u>\$ 96,253,694</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	\$ 183,922,383	\$ 0	\$ 0	\$ 1,369,924	\$ 8,417	\$ 185,300,724
Investments included in balances above that are not cash equivalents	(70,759,577)	0	0	0	0	(70,759,577)
Cash and Cash equivalents reported on Statement of Cash Flows	\$ 113,162,806	\$ 0	\$ 0	\$ 1,369,924	\$ 8,417	\$ 114,541,147

March 25, 2015

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Muskingum Watershed Conservancy District, Tuscarawas County, Ohio (the Conservancy District) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Conservancy District's basic financial statements, and have issued our report thereon dated March 25, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Rea & Associates, Inc.

New Philadelphia, Ohio



Dave Yost • Auditor of State

MUSKINGUM WATERSHED CONSERVANCY DISTRICT

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 9, 2015**