

MUSKINGUM WATERSHED
CONSERVANCY DISTRICT
TUSCARAWAS COUNTY, OHIO

REGULAR AUDIT

FOR THE YEAR ENDED
DECEMBER 31, 2022



Rea & associates

www.reacpa.com

OHIO AUDITOR OF STATE
KEITH FABER



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Board Members
Muskingum Watershed Conservancy District
1319 3rd Street NW
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, 2022 through December 31, 2022. 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 'Keith Faber'.

Keith Faber
Auditor of State
Columbus, Ohio

August 18, 2023

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Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
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Independent Auditor's Report

Muskingum Watershed Conservancy District
Tuscarawas County
1319 3rd Street NW
New Philadelphia, OH 44663

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Muskingum Watershed Conservancy District (the Conservancy District), Tuscarawas County, Ohio, as of and for the year ended December 31, 2022, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Muskingum Watershed Conservancy District, Tuscarawas County, Ohio, as of December 31, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (Government Auditing Standards). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Conservancy District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Conservancy District adopted Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Conservancy District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Conservancy District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Conservancy District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other post-employment benefit schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 June 29, 2023 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 solely 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 effectiveness of the Conservancy District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Conservancy District's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
New Philadelphia, Ohio
June 29, 2023

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

*Management's Discussion and Analysis
For the Year Ended December 31, 2022*

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, 2022. 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 2022 are as follows:

- Net position increased \$71,549,860 as a result of current year operations.
- Outstanding debt decreased from \$503,326 to \$422,869 through principal payments.
- Capital Assets decreased \$1,730,398 as a result of depreciation and amortization exceeding current year additions.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

*Management's Discussion and Analysis
For the Year Ended December 31, 2022*

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 2022 and 2021, as restated, derived from the statement of net position and the statement of revenues, expenses, and changes in net position.

	<u>2022</u>	<u>Restated 2021</u>
Assets		
Current and Other Assets	225,551,001	158,567,984
Capital Assets, Net	188,038,998	189,769,396
<i>Total Assets</i>	<u>413,589,999</u>	<u>348,337,380</u>
Deferred Outflows of Resources		
OPEB	-	469,894
Pensions	1,963,794	1,059,038
<i>Total Deferred Outflows of Resources</i>	<u>1,963,794</u>	<u>1,528,932</u>
Liabilities		
Current Liabilities	2,878,819	2,988,466
Long-Term Liabilities	6,086,021	9,610,667
	<u>8,964,840</u>	<u>12,599,133</u>
Deferred Inflows of Resources		
OPEB	1,721,981	3,004,508
Pensions	5,744,100	3,625,569
Leases	77,142,369	80,206,459
<i>Total Deferred Inflows of Resources</i>	<u>84,608,450</u>	<u>86,836,536</u>
Net Position		
Net Investment in Capital Assets	187,439,733	188,328,636
Restricted	15,460,936	14,608,605
Unrestricted	119,079,834	47,493,402
<i>Total Net Position</i>	<u>321,980,503</u>	<u>250,430,643</u>

The net pension liability (NPL) is the largest single liability reported by the Conservancy District at December 31, 2022 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. The net other postemployment benefits (OPEB) asset is reported pursuant to GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Conservancy

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

*Management's Discussion and Analysis
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District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB asset to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

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

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

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside

**Muskingum Watershed Conservancy District
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*Management's Discussion and Analysis
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the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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

During 2022, net position increased \$71,549,860 which is attributable to an increase in oil & gas activity from the Utica Shale during 2022, which caused an increase in the cash and investment balances as well as the accounts receivable. The Conservancy District has recorded an accounts receivable for the bonus payment for the 2022 mineral exploration agreement for land at the Tappan Lake reservoir which is payable over a five-year period.

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*Management's Discussion and Analysis
For the Year Ended December 31, 2022*

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Timber Sales	\$ 286,279	\$ 302,842
Pine-Pulpwood Sales	56,186	71,949
Mineral Rights and Royalties	76,872,625	11,829,151
Share Crop Lease	265,072	148,227
Cottage Sites	3,209,797	3,152,455
Marina Operations	2,726,075	2,651,088
Fishing Rights	62,647	62,647
Marina Camping	572,020	552,421
Water Sales	685,334	200,519
Beach Facilities	215,698	198,886
Water and Sewer Systems	82,562	107,476
Vacation Cabin	865,510	860,779
Park Camping	9,240,771	8,710,757
Admissions - park facilities	225,764	233,085
Special Events	218,803	204,610
Miscellaneous Income	249,938	220,809
<i>Total Operating Revenues</i>	<u>\$ 95,835,081</u>	<u>\$ 29,507,701</u>

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Tuscarawas County, Ohio**

*Management's Discussion and Analysis
For the Year Ended December 31, 2022*

	<u>2022</u>	<u>2021</u>
Operating Expenses		
Water quality	\$ 702,204	\$ 631,539
Water Resources/Flood Control	-	586,894
Vehicles and equipment	665,982	597,504
Dam Safety/Upgrades	428,427	524,900
Boundary survey	115,690	25,838
Conservation	155,778	96,449
Reservoir Maintenance	53,826	51,001
Information Systems/Technology	646,186	493,796
Shoreline Protection	42,399	33,300
Share crop	37,398	38,680
Mineral operation	189,962	86,733
Watershed management	612,525	568,394
Beach facilities	137,725	110,087
Office building	248,859	213,953
Administrative and finance	2,105,561	1,527,159
Engineering	516,486	336,478
Planning and development	244,888	83,142
GIS and Parcel Development	13,253	9,934
Forestry maintenance	150,655	114,520
Park camping	2,598,402	2,009,319
Park Master Planning	632,871	1,448,908
Cottage sites and clubs	1,088,272	780,204
General park facilities	2,958,221	1,945,441
Vacation cabin	286,109	344,171
Marina operation	1,881,288	1,397,430
Water and sewer system	765,319	395,250
Lake patrol operation	815,577	456,870
Education and public information	302,298	195,190
Safety	159,587	121,950
Recreation maintenance	186,778	36,696
Parks - special events	172,825	148,388
Partners in Watershed Management	743,798	511,243
Sediment Removal	107,621	-
Depreciation	9,736,375	8,761,900
<i>Total Operating Expenses</i>	<u>29,503,145</u>	<u>24,683,261</u>
<i>Operating Income (Loss)</i>	<u>\$ 66,331,936</u>	<u>\$ 4,824,440</u>

**Muskingum Watershed Conservancy District
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*Management's Discussion and Analysis
For the Year Ended December 31, 2022*

	<u>2022</u>	<u>2021</u>
Non-Operating Revenues (Expenses)		
Capital Contributions	\$ -	\$ 936,000
Maintenance assessments	6,083,033	6,184,214
Grants	144,125	2,835,368
Interest on investments	(2,360,885)	(292,117)
Lease Interest Income	1,385,304	-
Debt retirement - Interest	(33,653)	(37,141)
	<u>5,217,924</u>	<u>9,626,324</u>
<i>Total Net Non-Operating Revenues (Expenses)</i>		
	<u>\$ 71,549,860</u>	<u>\$ 14,450,764</u>
<i>Change in Net Position</i>		

The overall increase in operating revenues was largely driven by mineral rights and royalties. During 2022, the Conservancy District entered the largest mineral exploration agreement in Ohio at the Tappan Lake reservoir, and realized a bonus payment in excess of \$40 million, of which \$35 million is in accounts receivable since it is payable over a five-year period. Mineral royalties are largely dependent on commodity prices which were elevated in 2022. The price per barrel of oil was over \$100 for a portion of 2022, and natural gas prices peaked around \$10/mcf during 2022. The number of producing wells also increased from 92 at December of 2021, to 108 at December of 2022. The combination of new wells being put into production and existing wells experiencing the benefits of higher commodity prices both contributed to the increase in revenue.

Demand for the Conservancy District's parks and marinas remained strong during 2022, with estimates of park attendance exceeding 4 million visitors again. Almost every revenue line item in the parks and marinas increased in 2022, with park camping exceeding \$9.2 million, or an increase of approximately 6%.

Most operating expenses increased in 2022:

- Many accounts increased due to the significant fluctuation in the OPEB accruals. The variance in the fluctuation to operational expenses between 2021 and 2022 was approximately \$4.4 million.
- Depreciation expense increased approximately \$975,000 in 2022 due to the completion of several park master planning projects and the full year's depreciation of the 2021 additions to capital assets.

Grant revenue decreased \$2.6 million due to the receipt of \$2,000,000 from a Clean Ohio grant for the purchase of land at Wills Creek in 2021, the decrease in capital contributions was also attributable to the Wills Creek acquisition. Interest on investments fluctuated due to a fair market value adjustment to properly reflect market conditions. Lease interest income increased due to the implementation of GASB 87.

The prior year information was not updated to reflect the implementation of GASB 87.

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

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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022 the Conservancy District had \$188,038,998 of capital assets net of accumulated depreciation/amortization. The following table shows 2022 balances compared with 2021:

	<u>2022</u>	<u>Restated 2021</u>
Land	\$ 12,273,475	\$ 12,273,475
Capitalized Development Costs	1,189,495	1,189,495
Construction in Progress	2,915,106	7,075,336
Land Improvements	73,651,847	69,529,705
Buildings	38,540,723	38,547,725
Building Improvements	3,776,937	2,943,617
Furniture, Fixtures and Equipment	2,307,997	2,728,563
Intangible Right-to Use FFE	28,694	36,892
Vehicles	70,027	10,089
Intangible Right-to Use Vehicles	198,662	247,498
Infrastructure	53,086,035	55,187,000
<i>Totals</i>	<u>\$ 188,038,998</u>	<u>\$ 189,769,395</u>

Additional information on the Conservancy District's capital assets can be found in Note 6.

Debt

The outstanding debt for the Conservancy District as of December 31, 2021 was \$422,869 with \$83,640 due within one year. The following table summarizes the Conservancy District's debt outstanding as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
OWDA #2162 - 5.56%	\$ 58,284	\$ 94,559
OWDA #5413 - 0%	66,112	75,556
OWDA #5575 - 3.25%	285,693	318,829
OWDA #5558 - 3.25%	12,780	14,382
<i>Totals</i>	<u>\$ 422,869</u>	<u>\$ 503,326</u>

Additional information on the Conservancy District's long-term debt can be found in Note 11.

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CURRENT ISSUES

The Utica shale activity in Ohio has presented the Conservancy District with opportunities to utilize its natural resources. As of December 31, 2022, the Conservancy District received royalties from one hundred and eight (108) producing Utica wells and further income in the form of delay rental payments for non-producing acreage. Oil and gas leases covering Leesville, Clendening, and Seneca reservoirs currently have producing wells and development around these reservoirs is expected to continue into 2023 and beyond. The Conservancy District entered the largest land lease, over 7,000 acres, at the Tappan reservoir during 2022. The lease contains drilling commitments through the five-year period of the lease with drilling beginning in 2023. The Conservancy District still has a considerable amount of additional acres available for lease in the Utica Shale, the Conservancy District will continue to evaluate and analyze future opportunities to participate in responsible development and recovery of its resources.

The Utica shale activity has allowed the Conservancy District to fund significant upgrades to the parks and marinas it owns and operates. Phase 1 of the park master plan was completed in 2021, which featured major upgrades to its campgrounds and related infrastructure. Phase II of the park master plan is underway which had an allocation of an additional \$65 million. Phase II of the master plan will include additional marina and campground improvements with an emphasis on amenities within our facilities. Phase II of the master plan will continue for the next several years. Planning is beginning on the next phase of the master plan with an emphasis on reimagining recreation. This phase will be prepared and presented to the board during 2023, and work is likely to begin in 2024 and will last several years. The master plan budget for 2023 is over \$15 million.

In 2022, work was completed on two separate strategic plans, one focused on the Conservancy District's conservation plan and one covering the entire Conservancy District. The five-year vision statement is: By 2028, MWCD will become a leader in providing state-of-the-art, accessible, and diverse outdoor recreation; conservation; and flood mitigation that measurably improves quality of life and the ecosystems in the watershed, while continuing toward long-term organizational financial sustainability with an exceptional workforce. Work on the strategic plan will begin in 2023.

In alignment with the newly established strategic plan, in January of 2023, the Conservancy District partnered with the Foundation for Appalachian Ohio by donating \$5 million to establish the Muskingum Watershed Conservancy District Environmental Stewardship Fund for Appalachian Ohio. The fund will join the Environmental Stewardship Pillar of Prosperity in support of the region's most pressing needs and exciting opportunities as it relates to issues of Environmental Stewardship, and as identified as priorities within the Conservancy District Conservation Strategic Plan.

To combat rising utility costs and to further the conservation mission, the Conservancy District is a member of Southeast Ohio Public Energy Council (SOPEC), which provides energy aggregation for member communities through 100% renewable sources. The Conservancy District entered into agreements covering all of its AEP and Ohio Edison accounts which run from June 1, 2023 for a three-year period at a rate of around .07/kwh, which represents a significant savings over the standard service offer. In addition, the Conservancy District will implement solar power at select sites throughout the District. At their December 2022 meeting, the Board of Directors

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approved a Development Agreement with IMC Solar. IMC Solar will assist the Conservancy District during the construction phase (EPC bid process) as well as assist with the negotiations of a Purchase Power agreement (PPA), including providing financial modeling of the potential projects. It is anticipated the projects will begin in 2023.

Beginning with the 2015 collection year, the Board of Directors approved a 50% reduction in the maintenance assessment collections. This continued again for the 2021 collection year and into 2022. This assessment generates nearly \$6 million to be reinvested into projects and initiatives outlined in the Amendment to the Official Plan. For fiscal year 2023, \$7.4 million has been allocated in the budget in the Maintenance Assessment fund. At their Board meeting in April of 2023, the Board approved the reduction in the Maintenance Assessment to the statutory minimum of \$2 per residential unit for the collection year beginning in 2024. This will generate approximately \$2 million annually. The projects and priorities of the Maintenance Assessment will remain in place and the funding will be supplemented through the transfer of Utica Shale royalties.

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 Crandall of the Muskingum Watershed Conservancy District.

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Statement of Net Position
Proprietary Fund
December 31, 2022

Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Investments	\$ 103,391,301
Cash with Fiscal Agent	5,067,370
Accrued Interest	686,934
Accounts Receivable	7,359,624
Lease Receivable	1,489,423
Prepays	43,138
Maintenance Assessments Receivable	<u>982,958</u>
<i>Total Current Assets</i>	<u>119,020,748</u>
<i>Non-Current Assets:</i>	
Lease Receivable - Long Term	76,569,631
Accounts Receivable - Long Term	28,321,598
Net OPEB Asset	1,639,024
Non-Depreciable Capital Assets	16,378,076
Depreciable Capital Assets, Net	<u>171,660,922</u>
<i>Total Non-Current Assets</i>	<u>294,569,251</u>
<i>Total Assets</i>	<u>413,589,999</u>
Deferred Outflows of Resources	
Pension	<u>1,963,794</u>
<i>Total Deferred Outflows of Resources</i>	<u>1,963,794</u>
Liabilities	
<i>Current Liabilities:</i>	
Accounts Payable	719,891
Contracts Payable	8,938
Retainage Payable	36,266
Performance Bond Payable	77,671
Due to Other Governments	131,884
Accrued Wages and Benefits	186,893
Accrued Interest Payable	100
Accrued Life Insurance	15,239
Claims Payable	280,000
Advances	1,143,356
Compensated Absences	127,882
Leases Payable	67,059
OWDA Loans Payable	<u>83,640</u>
<i>Total Current Liabilities</i>	<u>2,878,819</u>
<i>Long-Term Liabilities:</i>	
Compensated Absences - net of current portion	1,116,118
Leases Payable - net of current portion	107,247
OWDA Loans Payable - net of current portion	339,229
Net Pension Liability	<u>4,523,427</u>
<i>Total Long-Term Liabilities</i>	<u>6,086,021</u>
<i>Total Liabilities</i>	<u>8,964,840</u>
Deferred Inflows of Resources	
OPEB	1,721,981
Pension	5,744,100
Leases	<u>77,142,369</u>
<i>Total Deferred Inflows of Resources</i>	<u>84,608,450</u>
Net Position	
Net Investment in Capital Assets	187,439,733
Restricted for Maintenance Assessment	15,460,936
Unrestricted	<u>119,079,834</u>
<i>Total Net Position</i>	<u>\$ 321,980,503</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, 2022

Operating Revenues

Water Sales	\$ 685,334
Water and sewer systems	82,562
Timber sales	286,279
Pine/pulpwood sales	56,186
Mineral rights and royalties	76,872,625
Share crop lease	265,072
Cottage sites (Lease Revenue)	3,209,797
Marina operations	2,726,075
Marina camping	572,020
Fishing rights	62,647
Beach facilities	215,698
Vacation cabin	865,510
Park camping	9,240,771
Parks - Special events	218,803
Admissions - park facilities	225,764
Miscellaneous income	<u>249,938</u>
<i>Total Operating Revenues</i>	<u>95,835,081</u>

Operating Expenses

Water Quality	702,204
Vehicles and equipment	665,982
Dam safety/upgrades	428,427
Boundary survey	115,690
Conservation	155,778
Reservoir Maintenance	53,826
Information Systems/Technology	646,186
Shoreline Protection	42,399
Share crop	37,398
Mineral operation	189,962
Watershed management	612,525
Beach facilities	137,725
Office building	248,859
Administrative and finance	2,105,561
Engineering	516,486
Planning and development	244,888
GIS and Parcel Development	13,253
Forestry maintenance	150,655
Park camping expense	2,598,402
Park Master Planning	632,871
Cottage sites and clubs	1,088,272
General park facilities	2,958,221
Vacation cabin	286,109
Marina operation	1,881,288

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended December 31, 2022

		(Continued)
Water and sewer system	\$	765,319
Lake patrol operation		815,577
Education and public information		302,298
Safety		159,587
Recreation maintenance		186,778
Parks - special events		172,825
Partners in Watershed Management (PWM)		743,798
Sediment Removal		107,621
Depreciation/Amortization		<u>9,736,375</u>
<i>Total Operating Expenses</i>		<u>29,503,145</u>
<i>Operating Income</i>		66,331,936
Non-Operating Revenues (Expenses)		
Maintenance assessments		6,083,033
Grants		144,125
Interest on investments		(2,360,885)
Lease Interest Income		1,385,304
Debt retirement - Interest		<u>(33,653)</u>
<i>Total Net Non-Operating Revenues (Expenses)</i>		<u>5,217,924</u>
<i>Change in Net Position</i>		71,549,860
Net Position - Beginning of Year		<u>250,430,643</u>
Net Position - End of Year	\$	<u>321,980,503</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, 2022

Cash flows from Operating Activities:	
Cash Received from Customers	\$ 63,196,564
Cash Payments to Suppliers for Goods and Services	(13,915,144)
Cash Payments for Employees Services and Benefits	<u>(12,078,706)</u>
<i>Net Cash Provided (Used) For Operating Activities</i>	<u>37,202,714</u>
Cash Flows from Noncapital Financing Activities:	
Principal Payments on OWDA Loans	(11,046)
Intergovernmental Grants	9,125
Maintenance Assessments	4,618,971
Lease Interest Income	737,763
Interest Paid on Debt	<u>(420)</u>
<i>Net Cash Provided (Used) by Noncapital Financing Activities</i>	<u>5,354,393</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(8,727,627)
Maintenance Assessments	1,576,497
Intergovernmental Grants	135,000
Principal Payments on OWDA Loans	(69,411)
Principal Payments on Leases	(84,294)
Interest Paid on Debt	<u>(33,274)</u>
<i>Net Cash Provided (Used) for Capital and Related Financing Activities</i>	<u>(7,203,109)</u>
Cash Flows from Investing Activities:	
Receipts of Interest	850,626
Payments for purchase of investments	(68,512,192)
Proceeds from Sale of Investments	<u>32,611,985</u>
<i>Net Cash Provided (Used) for Investing Activities</i>	<u>(35,049,581)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	304,417
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>7,241,159</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 7,545,576</u>
Reconciliation of Operating Gain To Net Cash Used by Operating Activities:	
Operating Income	\$ 66,331,936
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation/Amortization	9,736,375
Gain on Sale of Capital Assets	(15,528)
(Increase) Decrease in Assets and Deferred Outflows:	
Accounts Receivable	(34,903,533)
Lease Receivable	2,147,405
Prepays	(12,717)
Net OPEB Asset	(684,329)
Deferred Outflows	(434,862)
Increase (Decrease) in Liabilities and Deferred Inflows:	
Accounts Payable	448,949
Performance Bond Payable	(29,027)
Advances	133,139
Claims Payable	71,001
Accrued Wages and Benefits	16,924
Accrued Life Insurance	(3,663)
Compensated Absences	35,675
Due to Other Governments	48,082
Net Pension Liability	(3,455,027)
Deferred Inflows	<u>(2,228,086)</u>
<i>Net Cash Provided (Used) for Operating Activities</i>	<u>\$ 37,202,714</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	\$ 108,458,671
Investments included in balances above that are not cash equivalents	(100,913,095)
Cash and Cash equivalents reported on Statement of Cash Flows	<u>\$ 7,545,576</u>

Noncash Capital Financing Activities:

During 2022, \$41,455 of capital assets were acquired on leases.
At December 31, 2022, the Conservancy District purchased \$45,204 in capital assets on account.
At December 31, 2021, the Conservancy District purchased \$808,309 in capital assets on account.

See accompanying notes to the basic financial statements

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

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 2022 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.

2022 Board of Directors:

- | | |
|--------------------------------|--------------------------|
| • Robert Moorehead – President | Term Expires August 2026 |
| • James Gresh – Vice President | Term Expires July 2027 |
| • Ronald Dziedzicki – Member | Term Expires June 2025 |
| • Gordon Maupin – Member | Term Expires July 2024 |
| • Joanne Limbach – Member | Term Expires June 2023 |

2022 Officers:

- Craig Butler – Executive Director/Secretary
- James L. Crandall – Chief Financial Officer/Treasurer

Services provided by the Conservancy District are defined in detail in the Ohio Conservancy District Act and Chapter 6101.04 of the Ohio Revised Code and include among other duties the following:

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

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

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

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

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

Subdistricts:

Chippewa Subdistrict, Black Fork Subdistrict, Buffalo Subdistrict, and Duck Creek Subdistrict are blended component units of Muskingum Watershed Conservancy District. Each subdistrict was formed in accordance with Chapter 6101.71 of the Ohio Revised Code; Organization of subdistricts. They were put into action as a result of petitions of the owners of real property within their areas. To date the only active subdistricts are the Chippewa Subdistrict, Black Fork Subdistrict, and the Clear Fork Subdistrict. The current status of the Chippewa Subdistrict is to maintain and upgrade the dams and channels. In May of 2011, with work beginning in 2012, the Conservancy District Board of Directors, at the request of Shelby City officials, re-activated the Black Fork Subdistrict for the purpose of preparing an Official Plan, as required by the Ohio Revised Code, to address flooding within the Black Fork watershed. During 2018, a plan was developed that met the cost/benefit requirements contained in the ORC and significantly reduced the impacts of the 100-year flood, however, Shelby officials requested that the project be halted due to lack of public support and the project is currently suspended. In June of 2014, the Conservancy Court established the Clear Fork Subdistrict based on the request by several municipalities and stakeholders along the Clear Fork, in order to address localized frequent flooding. Based on the analysis and work performed the cost of the strategies exceeded the benefits and the Subdistrict will not move forward. Buffalo Creek Subdistrict, Clear Fork Subdistrict, and Duck Creek Subdistrict are inactive.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

B. Measurement Focus

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

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process

Budget:

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

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

Appropriations:

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

Encumbrances:

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

D. Property Assets/Depreciation

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

Property, plant and equipment acquired by the Conservancy District are stated at cost (or estimated historical cost), including architectural and engineering fees where applicable. Donated capital assets are recorded at their acquisition value as of the date received.

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

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

The Conservancy District is also reporting intangible right-to-use assets related to leased equipment and vehicles. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, these intangible assets are being amortized in a systematic manner over the useful life of the underlying asset.

E. Compensated Absences

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

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

F. Pensions/Other Postemployment Benefits (OPEB)

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

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation/amortization, 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.

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

H. Revenue & Expenses

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

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

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense) until then. The Conservancy District has deferred outflows related to pension and OPEB. See notes 8 and 9 for additional information.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Conservancy District has deferred inflows related to leases, pension, and OPEB. See notes 5, 8, and 9 for additional information.

J. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Directors and that are either unusual in nature or infrequent in occurrence. During 2022, the Conservancy District had no extraordinary or special items.

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio

Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Implementation of New Accounting Policies

For the year ended December 31, 2022, the Conservancy District has implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, GASB Statement No. 91, *Conduit Debt Obligations*, GASB Statement No. 92, *Omnibus 2020*, a certain provision of GASB Statement No. 93, *Replacement of Interbank Offered Rates*, certain provisions of GASB Statement No. 97, *Component Unit Criteria and Deferred Compensation Plans*, and certain provisions of GASB Statement No. 99, *Omnibus 2022*.

GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. These changes were incorporated in the Conservancy District's 2022 financial statements. Lease receivable was restated in the amount of \$80,206,459 with an offset to deferred inflows of resources for the same amount resulting in no impact on beginning net position. See Note 5 for additional details.

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the Conservancy District.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the Conservancy District.

GASB Statement No. 93 addresses accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The implementation of paragraph 11b of GASB Statement No. 93 did not have an effect on the financial statements of the Conservancy District.

GASB Statement No. 97 results in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The implementation of certain provisions of GASB Statement No. 97 (all except paragraphs 4 and 5) did not have an effect on the financial statements of the Conservancy District.

GASB Statement No. 99 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2)

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Implementation of New Accounting Policies

accounting and financial reporting for financial guarantees. The implementation of certain provisions of GASB Statement No. 99 that relate to extension of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, and pledges of future revenues by pledging governments, did not have an effect on the financial statements of the Conservancy District.

L. Cash and Investments

To improve cash management, all cash received by the district is pooled except for funds received in the maintenance assessment fund. Individual fund integrity is maintained through the Conservancy District records. For financial statement purposes, this is presented as Equity in Pooled Cash and Investments.

The Conservancy District established a partnership with the Ohio Water Development Authority by establishing an Interest Subsidy Program. This program will buy down interest for communities within the jurisdictional boundary of the Conservancy District and will contribute to improved water quality throughout the region and promote economic development. The monies are held separate from the Conservancy District's central bank account and are reflected in the financial statements as Cash with Fiscal Agent.

During 2022, the Conservancy District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The Conservancy District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice for deposits and withdrawals of \$100 million or more is encouraged. STAR Ohio reserves the right to limit the transaction to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

M. 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, 2022, 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, 2022*

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Advances

The Conservancy District records unearned revenue when it has received moneys prior to having earned the revenue, or before all grant requirements have been met (other than time). At December 31, 2022 unearned revenue consisted of \$1,143,356 of moneys received in advance for reservations in our parks and marinas for 2023.

O. Reserve Account Balances

As part of the Conservancy District's strategic plan, there was an initiative to optimize fiscal balance. Therefore, in 2017, the Board of Directors approved a Deep Shale Royalty Revenue distribution plan which was renewed in 2022 and called for the creation of two reserve funds. One operational reserve fund which has a balance of approx. \$16.9 million, and a capital reserve fund which has a balance of approx. \$19.3 million as of December 31, 2022.

NOTE 3: DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of the Conservancy District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

NOTE 3: DEPOSITS AND INVESTMENTS (continued)

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Bonds and other obligations of the State of Ohio;
4. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
5. The State Treasurer's investment pool (STAROhio and Star Plus).
6. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed two hundred and seventy days in an amount not to exceed 40 percent of the interim moneys available for investment at any time, provided no more than 5% of interim deposits available for investment are invested in any one issuer.

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

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

Deposits with Financial Institutions

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Conservancy District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2022, \$2,398,803 of the Conservancy District's total bank balance of \$5,339,745 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized with securities held by the pledging financial institution's trust department or

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

NOTE 3: DEPOSITS AND INVESTMENTS (continued)

agent but not in the government's name. The Conservancy District's financial institutions participate in the Ohio Pooled Collateral System (OPCS) and two institutions were approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

The Conservancy District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be insured or be protected by: Eligible securities specifically pledged to the Conservancy District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of deposits being secured; or

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

Cash on Hand

As of December 31, 2022, the Conservancy District had \$12,900 of cash on hand.

Investments

As of December 31, 2022, the Conservancy District had the following investments and maturities:

Investment Type	Measurement Value	Investment Maturities			
		6 Months or Less	7 to 12 Months	13 to 24 Months	More than 24 Months
Federal Home Loan Mortgage Corporation	\$ 9,101,246	\$ 970,695	\$ 970,695	\$ 1,550,823	\$ 5,609,033
Federal National Mortgage Association	3,885,897	-	-	460,567	3,425,330
Federal Home Loan Bank	23,122,133	644,741	2,447,232	8,085,162	11,944,998
Federal Farm Credit Bank	10,833,666	-	2,237,225	3,203,397	5,393,044
Municipal Bonds	13,097,238	2,419,215	5,036,199	2,995,058	2,646,766
Money Market	397,743	397,743	-	-	-
Treasury Bonds	21,972,509	3,355,745	4,476,580	7,856,011	6,284,173
Negotiable CDs	8,095,015	831,908	1,299,620	2,614,869	3,348,618
STAR Ohio	6,083,780	6,083,780			
Commercial Paper	4,323,868	1,893,998	2,429,870	-	-
	<u>\$ 100,913,095</u>	<u>\$ 16,597,825</u>	<u>\$ 18,897,421</u>	<u>\$ 26,765,887</u>	<u>\$ 38,651,962</u>

The Conservancy District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the Conservancy District's

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

NOTE 3: DEPOSITS AND INVESTMENTS (continued)

recurring fair value measurements as of December 31, 2022. All investments of the Conservancy District are valued using quoted market prices (Level 2 inputs).

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

Credit Risk: The FHLMC, FNMA, FHLB, FFCB, and Treasuries all have Aaa or AA+ ratings from Moody's and S&P respectively. Nearly all of the securities carry the Aaa rating, which is the highest on the respective scales from Moody's. The Commercial paper is rated A-1, which is the highest rating on the scale for short term debt. Most of the municipal bond, and the money market funds are not rated by Moody's. The CDs are not rated by Moody's but are covered under the issuing bank FDIC. The weighted average of maturity of the portfolio held by STAR Ohio as of December 31, 2022, is 32 days and carries a rating of AAAM by S&P Global ratings.

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, 2022.

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

NOTE 3: DEPOSITS AND INVESTMENTS (continued)

Investment Type	Measurement Value	Percent of Total
Federal Home Loan Mortgage Corporation	9,101,246	9%
Federal National Mortgage Association	3,885,897	4%
Federal Home Loan Bank	23,122,133	23%
Federal Farm Credit Bank	10,833,666	11%
Municipal Bonds	13,097,238	13%
Money Market	397,743	0%
Treasury Bonds	21,972,509	22%
Negotiable CDs	8,095,015	8%
STAR Ohio	6,083,780	6%
Commercial Paper	4,323,868	4%
	<u>\$ 100,913,095</u>	<u>100%</u>

The following is the net increase in the fair value of investments during for year ending December 31, 2022.

Fair Value of Investments December 31, 2022	\$ 100,913,095
Add: Proceeds of investments sold in 2022	32,611,985
Less: Cost of investments purchased in 2022	(68,512,192)
Less: Fair value at December 31, 2021	<u>(68,261,616)</u>
Change in fair value of investments	<u>\$ (3,248,728)</u>

NOTE 4: RECEIVABLES

Receivables at December 31, 2022 consisted of accounts (billed user charged services), leases and delinquent maintenance assessments.

During 2022, the Conservancy District entered into an agreement with Encino energy which included a bonus payment which will be paid over five years. The amount due during 2023 is included as a current receivable, while the remainder is included as a long-term receivable.

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, 2022*

NOTE 5: LEASE RECEIVABLE

The Conservancy District entered into over a thousand lease agreements as the lessor providing the right-to-use land for residents to build homes within the boundaries of the Conservancy District, including Atwood Lake, Leesville Lake, Piedmont Reservoir, Pleasant Hill Lake, Charles Mill Lake, and Seneca Lake. These leases typically range from 15 to 30 years like a fixed mortgage. The incremental borrowing rate ranged from 0.4% to 4.5%. An initial lease receivable was recorded in the amount of \$80,206,459. As of December 31, 2022, the value of the lease receivable is \$78,059,054. The lessees are required to make monthly fixed payments. The Conservancy District recognized lease revenue of \$3,209,797.

The future minimum expected revenues until maturity are as follows:

Year Ending December 31,	Principal	Interest	Total
2023	\$ 1,489,423	\$ 1,502,155	\$ 2,991,578
2024	1,569,191	1,479,409	3,048,600
2025	1,672,861	1,454,841	3,127,702
2026	1,773,577	1,428,279	3,201,856
2027	1,889,634	1,399,730	3,289,364
2028 - 2032	11,024,859	6,494,154	17,519,013
2033 - 2037	11,454,428	5,508,025	16,962,453
2038 - 2042	11,678,236	4,444,804	16,123,040
2043 - 2047	12,887,079	3,243,606	16,130,685
2048 - 2052	11,505,021	1,915,666	13,420,687
2053 - 2057	8,078,856	875,590	8,954,446
2058 - 2062	3,035,889	170,295	3,206,184
Total	<u>\$ 78,059,054</u>	<u>\$ 29,916,554</u>	<u>\$ 107,975,608</u>

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

NOTE 6: CAPITAL ASSETS

Proprietary capital assets – summary by category at December 31, 2022:

	Restated 12/31/2021	Adds	Deletions	12/31/2022
Capital Assets Not Being Depreciated/Amortized				
Land	\$ 12,273,475	\$ -	\$ -	\$ 12,273,475
CIP	7,075,336	7,378,015	(11,538,245)	2,915,106
Capitalized Development Costs	1,189,495	-	-	1,189,495
	<u>20,538,306</u>	<u>7,378,015</u>	<u>(11,538,245)</u>	<u>16,378,076</u>
Capital Assets Being Depreciated/Amortized				
Land Improvements	81,857,459	8,101,626	-	89,959,085
Buildings	46,491,277	1,019,351	-	47,510,628
Building Improvements	4,862,923	1,054,568	-	5,917,491
FFE	11,173,289	639,405	(77,514)	11,735,180
Intangible Right-to-Use FFE	40,992	-	-	40,992
Vehicle	2,114,672	80,621	(175,711)	2,019,582
Intangible Right-to-Use Vehicles	445,075	41,455	-	486,530
Infrastructure	68,601,698	1,234,161	-	69,835,859
	<u>215,587,385</u>	<u>12,171,187</u>	<u>(253,225)</u>	<u>227,505,347</u>
Less Accumulated Depreciation/Amortization				
Land Improvements	(12,327,754)	(3,979,484)	-	(16,307,238)
Buildings	(7,943,552)	(1,026,353)	-	(8,969,905)
Building Improvements	(1,919,306)	(221,248)	-	(2,140,554)
FFE	(8,444,724)	(1,054,995)	72,536	(9,427,183)
Intangible Right-to-Use FFE	(4,100)	(8,198)	-	(12,298)
Vehicle	(2,104,583)	(20,680)	175,708	(1,949,555)
Intangible Right-to-Use Vehicle	(197,577)	(90,291)	-	(287,868)
Infrastructure	(13,414,698)	(3,335,126)	-	(16,749,824)
	<u>(46,356,294)</u>	<u>(9,736,375)</u>	<u>248,244</u>	<u>(55,844,425)</u>
Total Capital Assets being depreciated/amortized, net	<u>169,231,091</u>	<u>2,434,812</u>	<u>(4,981)</u>	<u>171,660,922</u>
Capital Assets, net	<u>\$ 189,769,397</u>	<u>\$ 9,812,827</u>	<u>\$ (11,543,226)</u>	<u>\$ 188,038,998</u>

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

NOTE 7: RISK MANAGEMENT

A. Comprehensive Liability Insurance

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. OPRM has developed specific forms and endorsements of property and casualty coverage and substantially reinsures these coverages. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 769 members as of December 31, 2021.

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

Settlement amounts did not exceed insurance coverage for the past three fiscal years. There has been no significant reductions in coverage from the prior year.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2021 (the latest information available).

	<u>2021</u>
Assets	\$21,777,439
Liabilities	<u>(15,037,383)</u>
Members' Equity	<u>\$ 6,740,056</u>

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

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

NOTE 7: RISK MANAGEMENT (continued)

B. Self-insurance

Muskingum Watershed Conservancy District has a self-funded health insurance plan administered by third party administrator Aultcare. The plan year runs January 1, 2022 through December 31, 2022. The Conservancy District has two plan options, the traditional (Plan A) and a High Deductible HSA (Plan B).

The monthly premiums for 2022 for the traditional plan (Plan A) for a single employee are \$709.49, \$1,489.94 for an employee plus 1, and for the family of an employee is \$2,035.86. The monthly premium for Plan B for a single employee is \$618.18, \$1,298.16 for an employee plus one, and for the family of an employee is \$2,009.06. For employees who chose Plan B, the Conservancy District also makes a contribution to the employee's HSA account, paid out quarterly, totaling \$1,020 for a single employee, \$1,200 for an employee plus one, and \$2,000 for the family of an employee.

The overall stop loss for the plan year 2022 is \$1,803,089.

The specific stop loss per occurrence was \$65,000 for plan year 2022. There were two instances with a special specific deductible in the amount of \$550,000 and \$80,000. There were four claims exceeding the limit for plan year 2022. When the Conservancy District pays claims or reimburses employees for medical bills in excess of the limits they are reimbursed by Aultcare Insurance Company.

The claims liability of \$280,000 at December 31, 2022, 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 2022 and 2021 are as follows:

	<u>Balance</u>		<u>Current</u>		<u>Claims</u>		<u>Balance</u>
	<u>Beginning of Year</u>		<u>Year Claims</u>		<u>Payments</u>		<u>End of Year</u>
2021	\$ 236,000	\$	1,799,212	\$	1,826,212	\$	209,000
2022	\$ 209,000	\$	2,032,086	\$	1,961,086	\$	280,000

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

NOTE 8- DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions – between an employer and its employees — of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

NOTE 8- DEFINED BENEFIT PENSION PLANS (continued)

The remainder of this note includes the pension disclosures. See Note 9 for the OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – Conservancy District employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer public employee retirement system which administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan, and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Effective January 1, 2022, the Combined Plan is no longer available for member selection. Substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 8- DEFINED BENEFIT PENSION PLANS (continued)

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

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member's pension benefit vests upon receipt of the initial benefit payment.

When a benefit recipient has received benefits for 12 months, the member is eligible for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those who retired prior to January 7, 2013, the cost-of-living adjustment is 3 percent. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2022 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2022 Actual Contribution Rates			
Employer:			
Pension	14.0 %	18.1 %	18.1 %
Post-employment Health Care Benefits	0.0	0.0	0.0
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Conservancy District's contractually required contribution was \$1,167,546 for 2022. Of this amount, \$131,884 is reported as a due to other governments.

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

The net pension liability for OPERS was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Conservancy District's proportion of the net pension liability was based on the Conservancy District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>
Proportion of the Net Pension Liability:	
Current Measurement Period	0.051991%
Prior Measurement Period	0.053880%
Change in Proportion	<u>-0.001889%</u>
Proportionate Share of the Net	
Pension Liability	\$ 4,523,427
Pension Expense	\$ (1,073,707)

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

NOTE 8- DEFINED BENEFIT PENSION PLANS (continued)

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period. At December 31, 2022, the Conservancy District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS
Deferred Outflows of Resources	
Differences between Expected and Actual Experience	\$ 230,598
Changes of Assumptions	565,650
Conservancy District Contributions Subsequent to the Measurement Date	1,167,546
Total Deferred Outflows of Resources	\$ 1,963,794
Deferred Inflows of Resources	
Differences between Expected and Actual Experience	\$ 99,210
Net Difference between Projected and Actual Earnings on Pension Plan Investments	5,380,452
Changes in Proportionate Share and Differences in Contributions	264,438
Total Deferred Inflows of Resources	\$ 5,744,100

\$1,167,546 reported as deferred outflows of resources related to pension resulting from Conservancy District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS
2023	\$ (909,020)
2024	(1,917,765)
2025	(1,265,162)
2026	(855,905)
Total	\$ (4,947,852)

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

NOTE 8- DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2021, using the following key actuarial assumptions and methods applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.2 percent down to 6.9 percent, for the defined benefit investments. Key actuarial assumptions and methods used in the latest actuarial valuation, prepared as of December 31, 2021, reflecting experience study results, are presented below:

	<u>OPERS Traditional Plan</u>
Wage Inflation	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3.00 percent, simple
Post-January 7, 2013 Retirees	3.00 percent, simple through 2022, then 2.05 percent, simple
Investment Rate of Return	6.90 percent
Actuarial Cost Method	Individual Entry Age

Key actuarial assumptions and methods used in the prior actuarial valuation, prepared as of December 31, 2020, are presented below:

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

NOTE 8- DEFINED BENEFIT PENSION PLANS (continued)

	<u>OPERS Traditional Plan</u>
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3.00 percent, simple
Post-January 7, 2013 Retirees	0.50 percent, simple through 2021, then 2.15 percent, simple
Investment Rate of Return	7.20 percent
Actuarial Cost Method	Individual Entry Age

For 2021, pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females). Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females). For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

For 2020, pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan.

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

NOTE 8- DEFINED BENEFIT PENSION PLANS (continued)

Within the Defined Benefit portfolio contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 15.3 percent for 2021.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized below:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	24.00%	1.03%
Domestic Equities	21.00	3.78
Real Estate	11.00	3.66
Private Equity	12.00	7.43
International Equities	23.00	4.88
Risk Parity	5.00	2.92
Other investments	4.00	2.85
Total	<u>100.00%</u>	<u>4.21%</u>

Discount Rate The discount rate used to measure the total pension liability for the current year was 6.9 percent. The discount rate for the prior year was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

NOTE 8- DEFINED BENEFIT PENSION PLANS (continued)

Sensitivity of the Conservancy District’s Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate The following table presents the Conservancy District’s proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 6.9 percent, as well as what the Conservancy District’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Conservancy District’s Proportionate Share of the Net Pension Liability (Asset)	\$ 11,926,215	\$ 4,523,427	\$ (1,636,677)

NOTE 9 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability (Asset)

See Note 8 for a description of the net OPEB liability (asset).

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement (HRA) to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA.

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

NOTE 9 - DEFINED BENEFIT OPEB PLANS (continued)

For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS. For those retiring on or after January 1, 2015, the allowance has been determined by applying a percentage to the base allowance. The percentage applied is based on years of qualifying service credit and age when the retiree first enrolled in OPERS health care. Monthly allowances range between 51 percent and 90 percent of the base allowance. Those who retired prior to January 1, 2015, will have an allowance of at least 75 percent of the base allowance.

The health care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension must have twenty or more years of qualifying Ohio service credit with a minimum age of 60. Members in Group A are eligible for coverage at any age with 30 or more years of qualifying service. Members in Group B are eligible at any age with 32 years of qualifying service, or at age 52 with 31 years of qualifying service. Members in Group C are eligible for coverage with 32 years of qualifying service and a minimum age of 55. Current retirees eligible (or who became eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

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

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

NOTE 9 - DEFINED BENEFIT OPEB PLANS (continued)

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

Funding Policy - The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2022, OPERS did not allocate any employer contribution to health care for members. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2022 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Conservancy District had no contractually required contribution for 2022.

Net OPEB Liability (Asset), OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Conservancy District's proportion of the net OPEB liability (asset) was based on the Conservancy District's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

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Tuscarawas County, Ohio**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

NOTE 9 - DEFINED BENEFIT OPEB PLANS (continued)

	OPERS
Proportion of the Net OPEB Liability (Asset):	
Current Measurement Period	0.052329%
Prior Measurement Period	0.053587%
Change in Proportion	-0.001258%
Proportionate Share of the Net	
OPEB Liability (Asset)	\$ (1,639,024)
OPEB Expense	\$ (1,496,962)

At December 31, 2022, the Conservancy District reported no deferred outflows of resources and reported deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred Inflows of Resources	
Differences between Expected and Actual Experience	\$ 248,614
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	781,370
Changes of Assumptions	663,459
Changes in Proportionate Share and Differences in Contributions	28,538
Total Deferred Inflows of Resources	\$ 1,721,981

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

Year Ending December 31:	OPERS
2023	\$ (1,068,557)
2024	(370,483)
2025	(170,724)
2026	(112,217)
Total	\$ (1,721,981)

Actuarial Assumptions – OPERS

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

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

NOTE 9 - DEFINED BENEFIT OPEB PLANS (continued)

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing historical assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions. The actuarial valuation used for 2021 compared to those used for 2020 are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Wage Inflation	2.75 percent	3.25 percent
Projected Salary Increases,	2.75 to 10.75 percent	3.25 to 10.75 percent
	including wage inflation	including wage inflation
Single Discount Rate	6.00 percent	6.00 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate	1.84 percent	2.00 percent
Health Care Cost Trend Rate	5.50 percent, initial	8.50 percent, initial
	3.50 percent, ultimate in 2034	3.50 percent, ultimate in 2035
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For 2021, pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females). Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females). For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

For 2020, pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then

**Muskingum Watershed Conservancy District
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*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

NOTE 9 - DEFINED BENEFIT OPEB PLANS (continued)

established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above-described tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contributions are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 14.3 percent for 2021.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

NOTE 9 - DEFINED BENEFIT OPEB PLANS (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Geometric)</u>
Fixed Income	34.00%	0.91%
Domestic Equities	25.00	3.78
Real Estate Investment Trust	7.00	3.71
International Equities	25.00	4.88
Risk Parity	2.00	2.92
Other investments	7.00	1.93
Total	<u>100.00%</u>	<u>3.45%</u>

Discount Rate A single discount rate of 6.0 percent was used to measure the total OPEB liability on the measurement date of December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 1.84 percent (Fidelity Index's "20-Year Municipal GO AA Index"). The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the Conservancy District's Proportionate Share of the Net OPEB (Asset) to Changes in the Discount Rate The following table presents the Conservancy District's proportionate share of the net OPEB (asset) calculated using the single discount rate of 6.00 percent, as well as what the Conservancy District's proportionate share of the net OPEB (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Conservancy District's Proportionate Share of the Net OPEB (Asset)	\$ (963,900)	\$ (1,639,024)	\$ (2,199,388)

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

NOTE 9 - DEFINED BENEFIT OPEB PLANS (continued)

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2022 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Trend Rate	1% Increase
Conservancy District’s Proportionate Share of the Net OPEB (Asset)	\$ (1,656,736)	\$ (1,639,024)	\$ (1,618,013)

NOTE 10: LEGAL PROCEEDINGS

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

**Muskingum Watershed Conservancy District
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*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

NOTE 11: LONG-TERM OBLIGATIONS

The changes in the Conservancy District's long-term obligations during the fiscal year 2022 were as follows:

	Principal Outstanding			Principal Outstanding	Amount Due in One Year
	12/31/2021	Additions	Reductions		
Long Term Obligations:					
Direct Placement:					
OWDA #2162 - 5.56%	\$ 94,559	\$ 0	\$ (36,275)	\$ 58,284	\$ 38,320
OWDA #5413 - 0%	75,556	0	(9,444)	66,112	9,444
OWDA #5575 - 3.25%	318,829	0	(33,136)	285,693	34,222
OWDA #5558 - 3.25%	14,382	0	(1,602)	12,780	1,654
OWDA #9478	-	50,000	(50,000)	-	-
OWDA #9477	-	50,000	(50,000)	-	-
<i>Total</i>	<u>503,326</u>	<u>100,000</u>	<u>(180,457)</u>	<u>422,869</u>	<u>83,640</u>
Other Long Term Obligations:					
Leases	232,714	41,455	(99,863)	174,306	67,059
Net Pension Liability - See note 8	7,978,455	0	(3,455,028)	4,523,427	0
Compensated Absences	1,208,326	230,937	(195,263)	1,244,000	127,882
Total other long-term obligations	<u>9,419,495</u>	<u>272,392</u>	<u>(3,750,154)</u>	<u>5,941,733</u>	<u>194,941</u>
<i>Total Long-Term Liabilities:</i>	<u>\$ 9,922,821</u>	<u>\$ 372,392</u>	<u>\$ (3,930,611)</u>	<u>\$ 6,364,602</u>	<u>\$ 278,581</u>

Ohio Water Development Authority Loans

In 1999, the Conservancy District was awarded a loan (#2162) from the Ohio Water Development Authority (OWDA) in the amount of \$550,692. The proceeds of this loan are for the construction of a 75,000 and 10,000 gallon water tank. Also, a 3,807 linear feet of 6" water line and 3,676 linear feet of 4" water line are being constructed with these proceeds. All construction is at Tappan Lake Park. This loan agreement has a interest rate of 5.56 percent and matures July 1, 2024. Principal and interest payments are due January 1 and July 1, annually.

In 2009 the Conservancy District was awarded a loan (#5413) from OWDA in the amount of \$188,884. The proceeds of this loan were used for painting of a water tower. The loan is interest-free and matures on January 1, 2030.

In 2010, the Conservancy District was awarded a loan (#5575) from OWDA in the amount of \$637,001 for improvements to the Sites Lake Cottage Area wastewater treatment plant. The loan has an interest rate of 3.25 percent and matures on July 1, 2030.

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

NOTE 11: LONG-TERM OBLIGATIONS (continued)

The Conservancy District was awarded a \$30,065 loan from OWDA (#5558) in 2010 for an abandoned water well capping project. The loan has an interest rate of 3.25 percent and matures on January 1, 2030.

The Conservancy District was awarded two loans in 2022 from OWDA (#9477 and #9478). Loan 9477 was for a back up generator at our Tappan Lake East Campground Lift Station and 9478 was for a back up generator at Tappan Lake Marina Wastewater Treatment Plant. The full amount awarded for both loans had principal forgiveness in 2022.

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

The Conservancy District has outstanding agreements to lease vehicles and equipment. Due to the implementation of GASB Statement 87, these leases plus existing prior year capital leases have met the criteria of leases thus requiring them to be recorded by the Conservancy District. The future lease payments were discounted based on the interest rate implicit in the lease or using the Conservancy District's incremental borrowing rate, which ranged from 0.03% to 2.5%. This discount is being amortized using the interest rate method over the life of the lease.

A summary of the principal and interest amounts for the remaining debt and leases is as follows:

Year Ending December 31,	OWDA		Leases	
	Principal	Interest	Principal	Interest
2023	\$ 83,640	\$ 10,641	\$ 67,059	\$ 13,860
2024	66,458	8,027	53,940	7,865
2025	47,709	6,495	32,153	3,538
2026	48,963	5,325	16,279	518
2027	50,258	4,101	4,875	42
2028-2032	125,841	4,834	-	-
Total	<u>\$ 422,869</u>	<u>\$ 39,423</u>	<u>\$ 174,306</u>	<u>\$ 25,823</u>

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

NOTE 12: MINERAL RIGHTS AND ROYALTIES

On June 17, 2011, the Conservancy District entered into an agreement with Gulfport Energy Corporation containing approximately 6,468 acres of land at Clendening Lake. A few months later on February 24, 2012 another agreement was signed covering an additional forty-two acres (42.00 acres) of “mineral” rights that were discovered through title. The total agreement currently includes several producing wells paying royalties at rates of sixteen percent (16%) and eighteen percent (18%) with additional yearly delay payments for non-producing acreage.

On May 7, 2012, the Conservancy District entered into an agreement with Chesapeake Exploration, L.L.C. containing 3,700 acres at Leesville Lake. This agreement currently includes several producing wells paying royalties at a rate of twenty percent (20%).

On October 19, 2012, the Conservancy District entered into an agreement with Gulfport Energy for an initial term of 5 years covering 1.3 acres of land at the north end of the Piedmont Reservoir. Two wells have been drilled to date under the terms of this agreement that are currently paying monthly royalties at a rate of twenty percent (20%).

On February 21, 2013, the Conservancy District entered into an agreement with Antero Resources for an initial term of 5 years covering approximately 2,900 acres. Several producing wells were drilled under this agreement and are currently paying monthly royalties at a rate of twenty percent (20%).

On April 22, 2014, the Conservancy District entered into an agreement with Antero Resources for an initial term of 5 years covering 6,300 acres of land at Piedmont Reservoir. One well has been drilled under this agreement and has since been plugged and abandoned. 933 acres of the original agreement will be held until released by Antero.

On April 1, 2018, the Conservancy District entered into an agreement with Antero Resources at Seneca Lake for an initial term of 3 years with the option to extend an additional one-year term thereafter. On May 1, 2021, Antero exercised its option to extend this agreement one additional year. This agreement covers approximately 1,700 acres of land at Seneca Lake.

On June 10, 2022, the Conservancy District entered into an agreement with Encino Energy covering 7,400 acres of land at Tappan Lake. This agreement has an initial term of five years with an option to extend an additional three years. Future royalties will be paid at a rate of twenty percent (20%).

**Muskingum Watershed Conservancy District
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*Notes to the Basic Financial Statements
For the Year Ended December 31, 2022*

NOTE 13: CONTRACTUAL COMMITMENTS

As of December 31, 2022, the Conservancy District had contractual commitments for the following projects:

Project	Contractual Commitments	Expended	Balance 12/31/2022
Mohawk Dam USACE	\$ 2,124,663	\$ 1,676,761	\$ 447,902
Zoar Levee USACE	\$ 3,051,532	\$ 2,265,004	\$ 786,528
Piedmont Reynolds Rd. Launch Ramp Parking Lot	\$ 754,072	\$ 664,748	\$ 89,324
Seneca Marina Point and Parkside Beach Splashpads	\$ 802,517	\$ 280,881	\$ 521,636

NOTE 14: SUBSEQUENT EVENTS

At the January 27, 2023, meeting, the Board of Directors approved the establishment of the Muskingum Watershed Conservancy District Environmental Stewardship fund at the Foundation of Appalachian Ohio (FAO) in the amount of \$5,000,000. This fund will join the Environmental Stewardship Pillar of Prosperity in support of the region’s most pressing needs and opportunities as it relates to Environmental Stewardship.

At the April 21, 2023, meeting the Board of Directors approved an adjustment to the Maintenance Assessment to the minimum assessment of \$2 per equivalent residential unit effective for the 2024 collection year.

At the April 21, 2023, meeting the Board of directors authorized the rebid and award of Seneca Lake Beach Amenity and Activity area project. The engineers estimate for this project is \$1,655,000.

At the May 19, 2023, meeting, the Board of Directors authorized the bid and award of the Leesville North Fork Wastewater System Improvements. The engineer’s estimate for this project is \$2,720,000.

At the May 19, 2023, meeting, the Board of Directors authorized the bid and award of the Clendening Lake Marina Water Treatment Facility project. The engineer’s estimate for this project is \$950,000.

At the May 19, 2023, meeting, the Board of Directors authorized the purchase of additional land and youth camp at Leesville Lake, the former Camp Roosevelt-Firebird. The purchase price of \$1,150,000 is contingent upon approval of the appraisal by the Board of Appraisers and final document review by legal counsel.

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 2022.

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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	\$ 102,748,368	\$ 0	\$ 0	\$ 634,556	\$ 8,377	\$ 0	\$ 103,391,301
Cash with Fiscal Agent	5,067,370	0	0	0	0	0	5,067,370
Accrued Interest	686,934	0	0	0	0	0	686,934
Accounts Receivable	7,414,065	0	0	0	0	(54,441)	7,359,624
Lease Receivable	1,489,423	0	0	0	0	0	1,489,423
Prepays	43,138	0	0	0	0	0	43,138
Maintenance Assessments Receivable	969,165	0	0	13,793	0	0	982,958
<i>Total Current Assets</i>	<u>118,418,463</u>	<u>0</u>	<u>0</u>	<u>648,349</u>	<u>8,377</u>	<u>(54,441)</u>	<u>119,020,748</u>
<i>Non-Current Assets:</i>							
Lease Receivable - Long Term	76,569,631	0	0	0	0	0	76,569,631
Accounts Receivable - Long Term	28,321,598	0	0	0	0	0	28,321,598
Net OPEB Asset	1,639,024	0	0	0	0	0	1,639,024
Non-Depreciable Capital Assets	15,188,580	1,822	27,593	1,154,681	5,400	0	16,378,076
Depreciable Capital Assets, Net	171,604,053	0	0	56,869	0	0	171,660,922
<i>Total Non-Current Assets</i>	<u>293,322,886</u>	<u>1,822</u>	<u>27,593</u>	<u>1,211,550</u>	<u>5,400</u>	<u>0</u>	<u>294,569,251</u>
<i>Total Assets</i>	<u>411,741,349</u>	<u>1,822</u>	<u>27,593</u>	<u>1,859,899</u>	<u>13,777</u>	<u>(54,441)</u>	<u>413,589,999</u>
Deferred Outflows of Resources							
OPEB	0	0	0	0	0	0	0
Pension	1,963,794	0	0	0	0	0	1,963,794
<i>Total Deferred Outflows of Resources</i>	<u>1,963,794</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,963,794</u>
Liabilities							
<i>Current Liabilities:</i>							
Accounts Payable	698,640	1,822	27,593	40,240	6,037	(54,441)	719,891
Contracts Payable	8,938	0	0	0	0	0	8,938
Retainage Payable	36,266	0	0	0	0	0	36,266
Performance Bond Payable	77,671	0	0	0	0	0	77,671
Due to Other Governments	131,884	0	0	0	0	0	131,884
Accrued Wages and Benefits	186,893	0	0	0	0	0	186,893
Accrued Interest Payable	100	0	0	0	0	0	100
Accrued Life Insurance	15,239	0	0	0	0	0	15,239
Claims Payable	280,000	0	0	0	0	0	280,000
Advances	1,143,356	0	0	0	0	0	1,143,356
Compensated Absences	127,882	0	0	0	0	0	127,882
Leases Payable	67,059	0	0	0	0	0	67,059
OWDA Loans Payable	83,640	0	0	0	0	0	83,640
<i>Total Current Liabilities</i>	<u>2,857,568</u>	<u>1,822</u>	<u>27,593</u>	<u>40,240</u>	<u>6,037</u>	<u>(54,441)</u>	<u>2,878,819</u>
<i>Long-Term Liabilities:</i>							
Compensated Absences - net of current portion	1,116,118	0	0	0	0	0	1,116,118
Leases Payable - net of current portion	107,247	0	0	0	0	0	107,247
OWDA Loans Payable - net of current portion	339,229	0	0	0	0	0	339,229
Net Pension Liability	4,523,427	0	0	0	0	0	4,523,427
<i>Total Long-Term Liabilities</i>	<u>6,086,021</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,086,021</u>
<i>Total Liabilities</i>	<u>8,943,589</u>	<u>1,822</u>	<u>27,593</u>	<u>40,240</u>	<u>6,037</u>	<u>(54,441)</u>	<u>8,964,840</u>
Deferred Inflows of Resources							
OPEB	1,721,981	0	0	0	0	0	1,721,981
Pension	5,744,100	0	0	0	0	0	5,744,100
Leases	77,142,369	0	0	0	0	0	77,142,369
<i>Total Deferred Inflows of Resources</i>	<u>84,608,450</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>84,608,450</u>
Net Position							
Net Investment in Capital Assets	186,193,368	1,822	27,593	1,211,550	5,400	0	187,439,733
Restricted for Maintenance Assessment	14,852,827	0	0	608,109	0	0	15,460,936
Unrestricted	119,106,909	(1,822)	(27,593)	0	2,340	0	119,079,834
<i>Total Net Position</i>	<u>\$ 320,153,104</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,819,659</u>	<u>\$ 7,740</u>	<u>\$ 0</u>	<u>\$ 321,980,503</u>

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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		
Operating Revenues						
Water Sales	\$ 685,334	\$ 0	\$ 0	\$ 0	\$ 0	\$ 685,334
Water and sewer systems	82,562	0	0	0	0	82,562
Timber Sales	286,279	0	0	0	0	286,279
Pine/Pulpwood Sales	56,186	0	0	0	0	56,186
Mineral rights and royalties	76,872,625	0	0	0	0	76,872,625
Share Crop	265,072	0	0	0	0	265,072
Cottage Sites and Clubs	3,209,797	0	0	0	0	3,209,797
Marina operations	2,726,075	0	0	0	0	2,726,075
Marina camping	572,020	0	0	0	0	572,020
Fishing rights	62,647	0	0	0	0	62,647
Beach facilities	215,698	0	0	0	0	215,698
Vacation cabin	865,510	0	0	0	0	865,510
Park camping	9,240,771	0	0	0	0	9,240,771
Parks - Special Events	218,803	0	0	0	0	218,803
Admissions - park facilities	225,764	0	0	0	0	225,764
Miscellaneous income	249,938	0	0	0	0	249,938
<i>Total Operating Revenues</i>	<u>95,835,081</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>95,835,081</u>
Operating Expenses						
Water Quality	702,204	0	0	0	0	702,204
Vehicles and equipment	665,982	0	0	0	0	665,982
Dam safety/upgrades	105,051	0	0	323,376	0	428,427
Boundary survey	115,690	0	0	0	0	115,690
Conservation	155,778	0	0	0	0	155,778
Reservoir Maintenance	53,826	0	0	0	0	53,826
Information Systems/Technology	646,186	0	0	0	0	646,186
Shoreline Protection	42,399	0	0	0	0	42,399
Share crop	37,398	0	0	0	0	37,398
Mineral operation	189,962	0	0	0	0	189,962
Watershed management	612,525	0	0	0	0	612,525
Beach facilities	137,725	0	0	0	0	137,725
Office building	248,859	0	0	0	0	248,859
Administrative and finance	2,105,561	0	0	0	0	2,105,561
Engineering	516,486	0	0	0	0	516,486
Planning and development	244,888	0	0	0	0	244,888
GIS and Parcel Development	13,253	0	0	0	0	13,253
Forestry maintenance	150,655	0	0	0	0	150,655
Park camping	2,598,402	0	0	0	0	2,598,402
Park Master Planning	632,871	0	0	0	0	632,871
Cottage sites and clubs	1,088,272	0	0	0	0	1,088,272
General park facilities	2,958,221	0	0	0	0	2,958,221
Vacation cabin	286,109	0	0	0	0	286,109
Marina operation	1,881,288	0	0	0	0	1,881,288

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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	\$ 765,319	\$ 0	\$ 0	\$ 0	\$ 0	\$ 765,319
Lake patrol operation	815,577	0	0	0	0	815,577
Education and public information	302,298	0	0	0	0	302,298
Safety expenses	159,587	0	0	0	0	159,587
Recreation maintenance	186,778	0	0	0	0	186,778
Parks - special events	172,825	0	0	0	0	172,825
Partners in Watershed Management (PWM)	743,798	0	0	0	0	743,798
Sediment Removal	107,621	0	0	0	0	107,621
Depreciation	9,695,604	0	0	40,771	0	9,736,375
<i>Total Operating Expenses</i>	<u>29,138,998</u>	<u>0</u>	<u>0</u>	<u>364,147</u>	<u>0</u>	<u>29,503,145</u>
<i>Operating Gain (Loss)</i>	66,696,083	0	0	(364,147)	0	66,331,936
Non-Operating Revenues (Expenses)						
Maintenance assessments	5,740,132	0	0	342,901	0	6,083,033
Grants	144,125	0	0	0	0	144,125
Interest on investments	(2,360,885)	0	0	0	0	(2,360,885)
Lease Interest Income	1,385,304					1,385,304
Debt retirement - Interest	(33,653)	0	0	0	0	(33,653)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>4,875,023</u>	<u>0</u>	<u>0</u>	<u>342,901</u>	<u>0</u>	<u>5,217,924</u>
<i>Change in Net Position</i>	71,571,106	0	0	(21,246)	0	71,549,860
Net Position - Beginning of Year	<u>248,581,998</u>	<u>0</u>	<u>0</u>	<u>1,840,905</u>	<u>7,740</u>	<u>250,430,643</u>
Net Position - End of Year	<u>\$ 320,153,104</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,819,659</u>	<u>\$ 7,740</u>	<u>\$ 321,980,503</u>

Muskingum Watershed Conservancy District
Tuscarawas County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 15: BLENDED COMPONENT UNITS (continued)

COMBINING STATEMENT OF CASH FLOWS

	Muskingum Watershed Conservancy District	Subdistricts				Eliminating Entries	Total
		Black Fork	Buffalo Creek	Chippewa	Duck Creek		
Cash flows from Operating Activities:							
Cash Received from Customers	\$ 63,196,564	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 63,196,564
Cash Payments to Suppliers for Goods and Services	(13,750,466)	0	0	(164,678)	0	0	(13,915,144)
Cash Payments for Employees Services and Benefits	(11,918,422)	0	0	(160,284)	0	0	(12,078,706)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>37,527,676</u>	<u>0</u>	<u>0</u>	<u>(324,962)</u>	<u>0</u>	<u>0</u>	<u>37,202,714</u>
Cash Flows from Noncapital Financing Activities:							
Principal Payments on OWDA Loans	(11,046)	0	0	0	0	0	(11,046)
Intergovernmental Grants	9,125	0	0	0	0	0	9,125
Maintenance Assessments	4,297,346	0	0	321,625	0	0	4,618,971
Lease Interest Income	737,763	0	0	0	0	0	737,763
Interest Paid on Debt	(420)	0	0	0	0	0	(420)
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>5,032,768</u>	<u>0</u>	<u>0</u>	<u>321,625</u>	<u>0</u>	<u>0</u>	<u>5,354,393</u>
Cash Flows from Capital and Related Financing Activities:							
Acquisition of Capital Assets	(8,706,127)	0	0	(21,500)	0	0	(8,727,627)
Maintenance Assessments	1,554,997	0	0	21,500	0	0	1,576,497
Intergovernmental Grants	135,000	0	0	0	0	0	135,000
Principal Payments on OWDA Loans	(69,411)	0	0	0	0	0	(69,411)
Principal Payments on Leases	(84,294)	0	0	0	0	0	(84,294)
Interest Paid on Debt	(33,274)	0	0	0	0	0	(33,274)
<i>Net Cash Provided by (Used) for Capital and Related Financing Activities</i>	<u>(7,203,109)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(7,203,109)</u>
Cash Flows from Investing Activities:							
Receipts of Interest	850,626	0	0	0	0	0	850,626
Payments for Purchase of Investments	(68,512,192)	0	0	0	0	0	(68,512,192)
Proceeds from Sale of Investments	32,611,985	0	0	0	0	0	32,611,985
<i>Net Cash Provided by (Used for) Investing Activities</i>	<u>(35,049,581)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(35,049,581)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>307,754</u>	<u>0</u>	<u>0</u>	<u>(3,337)</u>	<u>0</u>	<u>0</u>	<u>304,417</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>6,594,889</u>	<u>0</u>	<u>0</u>	<u>637,893</u>	<u>8,377</u>	<u>0</u>	<u>7,241,159</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 6,902,643</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 634,556</u>	<u>\$ 8,377</u>	<u>\$ 0</u>	<u>\$ 7,545,576</u>
Reconciliation of Operating Gain (Loss) To Net Cash Used by Operating Activities:							
Operating Gain (Loss)	\$ 66,696,083	\$ 0	\$ 0	\$ (364,147)	\$ 0	\$ 0	\$ 66,331,936
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:							
Depreciation	9,695,604	0	0	40,771	0	0	9,736,375
Gain on Disposal of Capital Assets	(15,528)	0	0	0	0	0	(15,528)
(Increase) Decrease in Assets and Deferred Outflows:							
Accounts Receivable	(34,903,533)	0	0	0	0	0	(34,903,533)
Lease Receivable	2,147,405						2,147,405
Prepays	(12,717)	0	0	0	0	0	(12,717)
Net OPEB Asset	(684,329)	0	0	0	0	0	(684,329)
Deferred Outflows	(434,862)	0	0	0	0	0	(434,862)
Increase (Decrease) in Liabilities and Deferred Inflows:							
Accounts Payable	450,535	0	0	(1,586)	0	0	448,949
Performance Bonds payable	(29,027)	0	0	0	0	0	(29,027)
Advances	133,139	0	0	0	0	0	133,139
Claims Payable	71,001	0	0	0	0	0	71,001
Accrued Wages and Benefits	16,924	0	0	0	0	0	16,924
Accrued Life Insurance	(3,663)	0	0	0	0	0	(3,663)
Compensated Absences	35,675	0	0	0	0	0	35,675
Due to other governments	48,082	0	0	0	0	0	48,082
Net Pension Liability	(3,455,027)	0	0	0	0	0	(3,455,027)
Deferred Inflows	(2,228,086)	0	0	0	0	0	(2,228,086)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$ 37,527,676</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (324,962)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 37,202,714</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	\$ 107,815,738	\$ 0	\$ 0	\$ 634,556	\$ 8,377	\$ 0	\$ 108,458,671
Investments included in balances above that are not cash equivalents	(100,913,095)	0	0	0	0	0	(100,913,095)
Cash and Cash equivalents reported on Statement of Cash Flows	<u>\$ 6,902,643</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 634,556</u>	<u>\$ 8,377</u>	<u>\$ 0</u>	<u>\$ 7,545,576</u>

Noncash Capital Financing Activities:

During 2022, \$41,455 of capital assets were acquired on leases.
At December 31, 2022, the Conservancy District purchased \$45,204 in capital assets on account.
At December 31, 2021, the Conservancy District purchased \$808,309 in capital assets on account.

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Ohio Public Employees' Retirement System (OPERS)									
Conservancy District's Proportion of the Net Pension Liabilit	0.0519910%	0.0538800%	0.0545420%	0.0564740%	0.0560926%	0.0578391%	0.0569800%	0.0513470%	0.0513470%
Conservancy District's Proportionate Share of the Net Pension Liabilit	\$ 4,523,427	\$ 7,978,455	\$ 10,780,596	\$ 15,467,084	\$ 8,799,841	\$ 13,134,266	\$ 9,869,654	\$ 6,193,022	\$ 6,053,142
Conservancy District's Covered Payrol	\$ 7,278,365	\$ 7,310,197	\$ 7,382,564	\$ 7,281,401	\$ 7,040,696	\$ 6,398,882	\$ 6,759,620	\$ 6,022,398	\$ 5,379,079
Conservancy District's Proportionate Share of the Net Pension Liabilit as a Percentage of its Covered Payroll	62.15%	109.14%	146.03%	212.42%	124.99%	205.26%	146.01%	102.83%	112.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.62%	86.88%	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

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

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

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Ohio Public Employees' Retirement System (OPERS)										
Contractually Required Contribution	\$ 1,167,546	\$ 1,059,038	\$ 1,062,024	\$ 1,073,949	\$ 1,067,396	\$ 964,697	\$ 811,542	\$ 857,447	\$ 763,117	\$ 736,558
Contributions in Relation to the Contractually Required Contribution	(1,167,546)	(1,059,038)	(1,062,024)	(1,073,949)	(1,067,396)	(964,697)	(811,542)	(857,447)	(763,117)	(736,558)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Conservancy District's Covered Payrol	\$ 8,022,044	\$ 7,278,365	\$ 7,310,197	\$ 7,382,564	\$ 7,281,401	\$ 7,040,696	\$ 6,398,882	\$ 6,759,620	\$ 6,022,398	\$ 5,379,079
Contributions as a Percentage of Covered Payrc	14.55%	14.55%	14.53%	14.55%	14.66%	13.70%	12.68%	12.68%	12.67%	13.69%

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

	2022	2021	2020	2019	2018	2017
Ohio Public Employees' Retirement System (OPERS)						
Conservancy District's Proportion of the Net OPEB Liability (Asset)	0.0523290%	0.0535870%	0.0538120%	0.0560330%	0.0555267%	0.0572980%
Conservancy District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (1,639,024)	\$ (954,695)	\$ 7,432,835	\$ 7,305,380	\$ 6,029,787	\$ 5,787,293
Conservancy District's Covered Payroll	\$ 7,278,365	\$ 7,310,197	\$ 7,382,564	\$ 7,281,401	\$ 7,040,696	\$ 6,398,882
Conservancy District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-22.52%	-13.06%	100.68%	100.33%	85.64%	90.44%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	128.23%	115.57%	47.80%	46.33%	77.25%	54.14%

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

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

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

	2022	2021	2020	2019	2018	2017	2016
Ohio Public Employees' Retirement System (OPERS)							
Contractually Required Contribution	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 70,407	\$ 131,851
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(70,407)</u>	<u>(131,851)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Conservancy District's Covered Payroll (2)	\$ 8,022,044	\$ 7,278,365	\$ 7,310,197	\$ 7,382,564	\$ 7,281,401	\$ 7,040,696	\$ 6,398,882
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	2.06%

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

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

Muskingum Watershed Conservatory District
Notes to the Required Supplementary Information
For the Year Ended December 31, 2022

NOTE 1 - NET PENSION LIABILITY

Changes in Assumptions – OPERS

Discount Rate:

Calendar year 2021	6.90 percent
Calendar year 2020	7.20 percent
Calendar year 2019	7.20 percent
Calendar year 2018	7.50 percent
Calendar year 2017	8.00 percent

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

- Wage inflation rate from 3.25 percent to 2.75 percent

Changes in Benefit Terms – OPERS

In October 2020, the OPERS Board adopted a change in COLA for post-January 7, 2013 retirees, changing it from 1.4 percent simple through 2020 then 2.15 simple to 0.5 percent simple through 2021 then 2.15 percent simple.

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

NOTE 2 - NET OPEB LIABILITY (ASSET)

Changes in Assumptions - OPERS

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

Discount Rate:

Calendar year 2022	6.00 percent
Calendar year 2021	6.00 percent
Calendar year 2020	3.16 percent
Calendar year 2019	3.96 percent
Calendar year 2018	3.85 percent
Calendar year 2017	4.23 percent

Municipal Bond Rate:

Calendar year 2022	1.84 percent
Calendar year 2021	2.00 percent
Calendar year 2020	2.75 percent
Calendar year 2019	3.71 percent
Calendar year 2018	3.31 percent

Muskingum Watershed Conservatory District
Notes to the Required Supplementary Information
For the Year Ended December 31, 2022

Health Care Cost Trend Rate:

Calendar year 2022	5.5 percent
Calendar year 2021	8.50 percent
Calendar year 2020	10.50 percent
Calendar year 2019	10.00 percent
Calendar year 2018	7.50 percent

For calendar year 2019, the investment rate of return decreased from 6.50 percent to 6.00 percent.

Changes in Benefit Terms – OPERS

For calendar year 2022, the cost of living adjustments decreased from 2.20 percent simple to 2.05 percent simple.

For calendar year 2021, the cost of living adjustments decreased from 3.00 percent simple to 2.20 percent simple.

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

Muskingum Watershed Conservancy District
Tuscarawas County
1319 3rd Street NW
New Philadelphia, OH 44663

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 (*Government Auditing Standards*), the financial statements of the Muskingum Watershed Conservancy District (the Conservancy District), Tuscarawas County, Ohio as of and for the year ended December 31, 2022 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 June 29, 2023, wherein we noted the Conservancy District adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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.

Rea & Associates, Inc.
New Philadelphia, Ohio
June 29, 2023

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OHIO AUDITOR OF STATE KEITH FABER



MUSKINGUM WATERSHED CONSERVANCY DISTRICT

TUSCARAWAS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 8/31/2023

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

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