



Dave Yost • Auditor of State

MUSKINGUM COUNTY LAND REUTILIZATION CORPORATION
MUSKINGUM COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Muskingum County Land Reutilization Corporation
Muskingum County
401 Market Street
Zanesville, Ohio 43701

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Muskingum County Land Reutilization Corporation, Muskingum County, Ohio (the Corporation), a component unit of Muskingum County, Ohio, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Muskingum County Land Reutilization Corporation, Muskingum County, Ohio, as of December 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2014, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

June 16, 2014

**MUSKINGUM COUNTY LAND REUTILIZATION CORPORATION
MUSKINGUM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED**

The management's discussion and analysis of Muskingum County Land Reutilization Corporation's (the Corporation's) financial performance provides an overall review of the Corporation's financial activities for the year ended December 31, 2013. The Corporation began operations on June 27, 2012. The intent of this discussion and analysis is to look at the Corporation's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Corporation's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- The Corporation is focused on returning property to productive use, returning property to the tax duplicate and accelerating economic or housing activity in Muskingum County communities. The Corporation works cooperatively with cities, other units of government and individual property owners to acquire troubled real estate and return it to productive use.
- The Corporation acquired 14 properties.

Overview of the Financial Statements

This annual report consists of financial statements and notes to the financial statements. These statements are organized so the reader can understand the Corporation's financial activities. The statements then proceed to provide a detailed look at our specific financial conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole Corporation, presenting both an aggregate view of the Corporation's finances and a longer-term view of those assets. The Statement of Activities shows changes to net position related to each department of the Corporation. Fund financial statements tell how services were financed in the short-term as well as what dollars remain for future spending.

Reporting the Corporation's Financial Activities

Statement of Net Position and the Statement of Activities

The Statement of Net Position and Statement of Activities include all assets and liabilities using the *accrual basis of accounting* similar to the accounting method used by the private sector. The basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

These two statements report the Corporation's net position and changes in that position. This change in net position is important because it tells the reader whether, for the Corporation as a whole, the *financial position* of the Corporation has improved or diminished.

The Statement of Net Position and the Statement of Activities are divided into the following categories:

- Assets
- Deferred Outflows of Resources
- Liabilities
- Deferred Inflows of Resources
- Net Position (Assets/Deferred Outflows minus Liabilities/Deferred Inflows)
- Program Expenses and Revenues
- General Revenues
- Net Position Beginning and End of Year

**MUSKINGUM COUNTY LAND REUTILIZATION CORPORATION
MUSKINGUM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED**

Reporting on the Corporation's Funds

Governmental Funds

The presentation for the Corporation's funds focuses on how resources flow into and out and the balance that is left at year-end and available for spending in future periods. The governmental funds are reported using the modified accrual of accounting which measures cash and all other financial assets that are expected to be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Corporation's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to the Corporation's government constituents. The relationship (or difference) between governmental activities (reported on the Statement of Net Position and the Statement of Activities) and the General Fund is reconciled in the financial statements.

The table below provides a summary of Corporation's net position for 2013.

Net Position	<u>2013</u>
ASSETS	
Cash and Cash Equivalents	\$ 15,444
Grants Receivable	133,874
Inventory Held for Resale	<u>29,190</u>
Total Assets	<u>178,508</u>
LIABILITIES	
Due to Primary Government	<u>133,874</u>
Total Liabilities	<u>133,874</u>
Total Unrestricted Net Position	<u><u>\$ 44,634</u></u>

Over time, net position can serve as useful indicator of a government's financial position. At December 31, 2013, the Corporation's net position was \$44,634.

The table below shows the change in net position for the year ending December 31, 2013.

Change in Net Position	<u>2013</u>
REVENUES	
Program Revenue - Operating Grants and Contributions	\$ 141,844
<i>Total Governmental Revenues</i>	<u>141,844</u>
PROGRAM EXPENSES	
General Government	2,056
Public Works	<u>97,654</u>
<i>Total Program Expenses</i>	<u>99,710</u>
Change in Net Position	42,134
Net Position at Beginning of Period	<u>2,500</u>
Net Position at End of Year	<u><u>\$ 44,634</u></u>

**MUSKINGUM COUNTY LAND REUTILIZATION CORPORATION
MUSKINGUM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED**

Revenues for 2013 consist primarily of property dispositions to the Corporation for the purpose of land reutilization and grants. The Corporation acquired 14 properties in 2013.

The Corporation's Funds

The Corporation's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$141,844 and expenditures of \$99,710.

Capital Assets

As of December 31, 2013, the Corporation does not have any capital assets.

Debt

As of December 31, 2013, the Corporation does not have any debt.

Current Financial Related Activities

The Corporation began operations on June 27, 2012. The Corporation is Muskingum County, Ohio's agent to reclaim, rehabilitate, and reutilize vacant, abandoned, tax foreclosed and other real property in Muskingum County. The purpose of the Corporation is to strengthen neighborhoods in Muskingum County by returning vacant and abandoned properties to productive use. By strategically acquiring properties, the Corporation works to reduce blight, promote economic development, increase property values, and thereby improve the quality of life of all Muskingum County residents. The principal operating revenues of the Corporation is revenue from property dispositions and grants.

Request for Information

This financial report is designed to provide users of the financial statements with a general overview of the Corporation's finances and show the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information contact Tim Smith, Director, Muskingum County Land Reutilization Corporation, 401 Market Street, Zanesville, Ohio 43701. E-mail tsmith@coz.org.

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MUSKINGUM COUNTY LAND REUTILIZATION CORPORATION

MUSKINGUM COUNTY

Statement of Net Position

December 31, 2013

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 15,444
Receivables:	
Grants Receivable	133,874
Inventory Held For Resale	29,190
Total Assets	<u>178,508</u>
Liabilities	
Due to Primary Government	<u>133,874</u>
Total Liabilities	<u>133,874</u>
Net Position	
Unrestricted	<u>44,634</u>
Total Net Position	<u><u>\$ 44,634</u></u>

See accompanying notes to the basic financial statements.

MUSKINGUM COUNTY LAND REUTILIZATION CORPORATION
MUSKINGUM COUNTY

Statement of Activities
For the Year Ended December 31, 2013

	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Governmental Activities
Governmental Activities			
Current:			
General Government	\$ 2,056	\$ 44,190	\$ 42,134
Public Works	97,654	97,654	0
Total Governmental Activities	\$ 99,710	\$ 141,844	\$ 42,134
Change in Net Position			42,134
Net Position Beginning of Year			2,500
Net Position End of Year			\$ 44,634

See accompanying notes to the basic financial statements.

MUSKINGUM COUNTY LAND REUTILIZATION CORPORATION
MUSKINGUM COUNTY
Balance Sheet
Governmental Funds
December 31, 2013

	General	Grant Fund	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 15,444	\$ 0	\$ 15,444
Receivables:			
Grants Receivable	0	133,874	133,874
Inventory Held For Resale	29,190	0	29,190
 Total Assets	 \$ 44,634	 \$ 133,874	 \$ 178,508
Liabilities			
Due To Primary Government	\$ 0	\$ 133,874	\$ 133,874
 Total Liabilities	 0	 133,874	 133,874
Fund Balances			
Nonspendable	29,190	0	29,190
Unassigned	15,444	0	15,444
 Total Fund Balances	 44,634	 0	 44,634
 Total Liabilities and Fund Balances	 \$ 44,634	 \$ 133,874	 \$ 178,508

See accompanying notes to the basic financial statements.

MUSKINGUM COUNTY LAND REUTILIZATION CORPORATION
MUSKINGUM COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2013

	General	Grant Fund	Total Governmental Funds
Revenues:			
Contributions and Donations	\$ 44,190	\$ 0	\$ 44,190
Intergovernmental Grants	0	97,654	97,654
Total Revenues	44,190	97,654	141,844
Expenditures:			
Current:			
General Government	2,056	0	2,056
Public Works	0	97,654	97,654
Total Expenditures	2,056	97,654	99,710
Net Change in Fund Balances	42,134	0	42,134
Fund Balance (Deficit) at Beginning of Year	2,500	0	2,500
Fund Balance (Deficit) at End of Year	\$ 44,634	\$ 0	\$ 44,634

See accompanying notes to the basic financial statements.

MUSKINGUM COUNTY LAND REUTILIZATION CORPORATION
MUSKINGUM COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY

The Muskingum County Land Reutilization Corporation (the Corporation) is a county land reutilization corporation that was formed on June 27, 2012 when the Muskingum County Board of Commissioners authorized the incorporation of the Corporation under Chapter 1724 of the Ohio Revised Code through resolution number 10-713 as a not-for-profit corporation under the laws of the State of Ohio. The purpose of the Corporation is to strengthen neighborhoods in Muskingum County (the County) by returning vacant and abandoned properties to productive use. The Corporation has been designated as the County's agent to further its mission to reclaim, rehabilitate, and reutilize vacant, abandoned, tax foreclosed and other real property in the County by exercising the powers of the County under Chapter 5722 of the Ohio Revised Code.

Pursuant to Section 1724.03(B) of the Ohio Revised Code, the Board of Directors of the Corporation shall be composed of no less than five and no more than nine members, including, (1) the County Treasurer, (2) at least two members of the County Board of Commissioners, (3) one member who is a representative of the largest municipal corporation, based on the population according to the most recent federal decennial census, that is located in the County, (4) one member who is a representative of a township with a population of at least ten thousand in the unincorporated area of the township according to the most recent federal decennial census, and (5) any remaining members selected by the County Treasurer and the County Commissioners who are members of the Corporation board. The term of office of each ex officio director runs concurrently with the term of office of that elected official. The term of office of each appointed director is two years.

The Corporation is a legally separate entity and is reported by the County as a discretely presented component unit in the County's basic financial statements. The Corporation does not have any component units and does not include any organizations in its presentation. The Corporation's management believes these basic financial statements present all activities for which the Corporation is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Corporation's significant accounting policies are described below.

A. Basis of Presentation

The Corporation's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements The statement of net position and the statement of activities display information about the Corporation as a whole. These statements usually distinguish between those activities of the Corporation that are governmental and those that are business-type. The Corporation, however, does not have any business-type activities.

The statement of net position presents the financial condition of the governmental activities of the Corporation at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Corporation's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function.

MUSKINGUM COUNTY LAND REUTILIZATION CORPORATION
MUSKINGUM COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Corporation, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Corporation.

Fund Financial Statements Fund financial statements are designed to present financial information of the Corporation at this more detailed level. The Corporation's general and grant funds are its only governmental funds.

B. Fund Accounting

The Corporation uses fund accounting to segregate cash and investments that are restricted as to use. A fund is a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and attaining certain objectives in accordance with special regulations, restrictions or limitations.

For financial statement presentation purposes, the Corporation's funds are classified as governmental.

Governmental Funds Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be repaid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the Corporation's governmental funds:

General Fund The general fund accounts for all financial resources that are not required to be separately accounted for. The general fund balance is available to the Corporation for any purpose provided it is expended or transferred according to the general laws of Ohio.

Grant Fund The grant fund accounts for grant activity for the demolition and improvements to distressed properties.

C. Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using a *flow of economic resources* measurement focus. All assets and all liabilities associated with the operation of the Corporation are included on the Statement of Net Position. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Fund Financial Statements The general fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared.

MUSKINGUM COUNTY LAND REUTILIZATION CORPORATION
MUSKINGUM COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded on the financial records and reported on the financial statements. Government-wide statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Corporation, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the Corporation receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Corporation must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Corporation on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, contributions and donations and grants revenue sources are considered to be both measurable and available at year-end.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses.

Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

D. Federal Income Tax

The Corporation is exempt from federal income tax under Section 115(1) of the Internal Revenue Code.

E. Cash and Cash Equivalents

All monies received by the Corporation are deposited in a demand deposit account. The Corporation had no investments during the year or at the end of the year.

MUSKINGUM COUNTY LAND REUTILIZATION CORPORATION
MUSKINGUM COUNTY

Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Net Position

Net position represents the difference between assets/deferred outflow of resources and liabilities/deferred inflows of resources. The Corporation did not have any deferred outflow of resources and deferred inflow of resources as of December 31, 2013. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Board of Directors or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Corporation had no restricted net assets at December 31, 2013. The Corporation applies restricted resources first when an expense is incurred for which both restricted and unrestricted net positions are available.

G. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

H. 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 Corporation and that are either unusual in nature or infrequent in occurrence. The Corporation had no extraordinary or special items during 2013.

I. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Corporation is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

1. Non-spendable

The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

2. Restricted

The restricted classification is used when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

3. Committed

The committed fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Corporation's Board of Directors.

4. Assigned

Assigned fund balance includes amounts that are constrained by the Corporation's intent to be used for specific purposes, but are neither restricted nor committed.

**MUSKINGUM COUNTY LAND REUTILIZATION CORPORATION
MUSKINGUM COUNTY**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2013*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Fund Balance (Continued)

5. Unassigned

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Corporation applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

J. Inventory Held for Resale

Inventory held for resale represents properties held by the Corporation that the Corporation intends to sell to a third party. These assets are valued at cost, or in the case of donated or forfeited properties, estimated fair market value based upon a sales contract entered into by the Corporation with a buyer.

NOTE 3 - DEPOSITS

At December 31, 2013, the carrying amount of the Corporation's deposits was \$15,444. Based on the criteria described in GASB Statement Number 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2013, the Corporation's bank balance of \$15,444 was covered by Federal Deposit Insurance Corporation (FDIC). Custodial credit risk is the risk that in the event of bank failure that the Corporation's deposits may not be returned to it. Protection of The Corporation's cash and deposits is provided by the FDIC or collateralized by the financial institution.

NOTE 4 – RISK MANAGEMENT

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Corporation has obtained commercial insurance from private carriers for the following risks:

- Commercial General Liability
- Directors/Officers Liability

NOTE 5 – GRANT RECEIVABLE

Grant receivables at December 31, 2013, consisted of the Moving Ohio Forward Grant.

NOTE 6 – RELATED PARTY TRANSACTIONS

The Corporation, a discretely presented component unit of Muskingum County, acts as the lead agency on the Move Ohio Forward Grant. A portion of which is sub-granted to Muskingum County. As of December 31, 2013, Muskingum County has incurred \$133,874 in eligible expenses for which reimbursement has not yet been received from the Corporation. This amount is reflected as Due to Primary Government on the financial statements.

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Dave Yost • Auditor of State

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

Muskingum County Land Reutilization Corporation
Muskingum County
401 Market Street
Zanesville, Ohio 43701

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities and each major fund of the Muskingum County Land Reutilization Corporation, Muskingum County, Ohio (the Corporation), a component unit of Muskingum County, Ohio, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated June 16, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Corporation's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying Schedule of Findings to be a material weakness.

Compliance and Other Matters

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

Entity's Response to Finding

The Corporation's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Corporation's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

June 16, 2014

**MUSKINGUM COUNTY LAND REUTILIZATION CORPORATION
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Material Weakness

All local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. In addition, the Corporation should maintain an organized and up-to-date property ledger to track all properties that are acquired, sold, and being held for resale.

The Corporation's property ledger was not timely posted regarding the acquisition and sale of properties. In addition, for certain properties, we could not easily determine the date the property was acquired and the date it was sold. Additionally, we noted the Corporation omitted a property valued at \$11,000 from its calculation of inventory at fiscal year-end. We also noted certain properties that subsequently sold for amounts different than the previous offer as of December 31, 2013. The net result of these differences resulted in an understatement of \$3,690. These issues resulted in Inventory Held for Resale and Contributions and Donations being understated by a total of \$14,690 on the Corporation's financial statements. This adjustment, which was agreed to by management, was posted to the accompanying financial statements.

We recommend the Corporation develop an organized process for recording in detail all property information and activity on the property ledger. The ledger should be continually updated to reflect all property acquisitions and sales. Documentation should include the date the property was transferred into the Corporation's name, parcel number, date sale was approved by the Board, buyer information, date property was transferred to the buyer, amount offered, amount paid and any other information that would help identify the transfer of the property. Also, we recommend the Corporation reconcile this ledger to its year-end financial statements each year to ensure all applicable properties are included.

Officials' Response: We are initiating the changes necessary to correct our deficiencies. We will work with our closing agency, and we will establish and maintain better records of acquisition and transfer dates. We will also keep track of, through receipts, when we actually receive payment from the Title Agency and make sure those payments are promptly deposited.

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Dave Yost • Auditor of State

MUSKINGUM COUNTY LAND REUTILIZATION CORPORATION

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 1, 2014