

LIEN FORWARD OHIO
(A COMPONENT UNIT OF MAHONING COUNTY)

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2011



Dave Yost • Auditor of State

Governing Board
Lien Forward Ohio
20 W. Federal Place
Suite M - 5A
Youngstown, OH 44503

We have reviewed the *Independent Auditors' Report* of the Lien Forward Ohio, Mahoning County, prepared by Cohen & Company, Ltd., for the audit period January 1, 2011 through December 31, 2011. 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 Lien Forward Ohio is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

October 22, 2012

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LIEN FORWARD OHIO
(A COMPONENT UNIT OF MAHONING COUNTY)

DECEMBER 31, 2011

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GOVERNING BOARD OF LIEN FORWARD OHIO

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and each major fund (General and Special Revenue) of Lien Forward Ohio (a component unit of Mahoning County) as of and for the year ended December 31, 2011, which collectively comprise Lien Forward Ohio's (the Organization) basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Organization's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 Lien Forward Ohio as of December 31, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2012 on our consideration of Lien Forward Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lien Forward Ohio's financial statements as a whole. The schedule of general fund expenditures – budget and actual is presented for the purpose of additional analysis and is not a required part of the financial statements. The schedule of general fund expenditures – budget and actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The accompanying financial statements have been prepared assuming that Lien Forward Ohio will continue as a going concern. As discussed in Note 1 to the financial statements, the Organization is in discussions to transfer its operations including any assets and liabilities to a newly formed organization. The conditions raise substantial doubt about the Organization continuing as a going concern subsequent to 2012. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Cohen & Company Ltd.

June 27, 2012
Youngstown, Ohio

***Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited***

This discussion and analysis of Lien Forward Ohio's financial performance provides an overall review of the Organization's financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the Organization's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the Organization's financial performance.

Financial Highlights

Key financial highlights for 2011 which was the fifth year of operations are as follows:

- The assets of the Organization exceeded its liabilities at the close of the year ended December 31, 2011, by \$340,051 (net assets).
- At the end of the current fiscal year, the Organization's governmental funds reported an ending fund balance of \$361,121, all of which is available to fund future operations.
- The Organization received \$90,000 from the City of Youngstown, Ohio, and \$300,000 from Mahoning County Ohio to fund operations related to city and county properties.
- Payroll and related payroll tax expenses represent 64% of total operating expenses.
- Lien Forward Ohio Community Foundation (the Foundation), a blended component unit of the Organization, received \$34,750 in grants and contributions in 2011 from Dominion East Ohio, V&M Star, and US Bank.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Organization as a financial whole or as an entire operating entity.

The statements provide information about the activities of the whole Organization reconciled with adjusting entries to the Organization's fund financial statements.

Reporting Lien Forward Ohio as a Whole

While this document contains information about the funds used by the Organization to provide services, the view of the Organization as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

The government-wide statements can be found on pages 9 - 10 of this report.

***Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited***

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Organization, like other state and local government entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial reports provide detailed information about the Organization's major funds which are the general fund which encompasses all of the Organization's activities and the special revenue fund which includes the Foundation's operations.

Reporting the Organization's Funds

Governmental Funds: Governmental funds are used to account for essentially the same functions reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is different than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The statements provide a reconciliation to facilitate a comparison between governmental funds and governmental activities.

The governmental fund financial statements can be found on pages 11 – 12 of this report.

Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the basic financial statements begin on page 14 of this report.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Organization, assets exceeded liabilities by \$340,051 at December 31, 2011 and \$330,352 at December 31, 2010. Of total net assets, \$299,908 and \$291,448 are unrestricted as of December 31, 2011 and 2010, respectively.

Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Government-wide Financial Analysis

Table 1 provides a summary of the Organization's net assets for 2011 and 2010.

Table 1
Net Assets
(In Thousands)

	2011	2010
	Governmental	Governmental
	Activities	Activities
Assets		
Cash and Cash Equivalents	\$ 359	\$ 382
Restricted Cash	26	13
Prepaid Insurance	5	5
Capital Assets, Net	3	5
<i>Total Assets</i>	<u>393</u>	<u>405</u>
Liabilities		
Current Liabilities	<u>53</u>	<u>75</u>
<i>Total Liabilities</i>	<u>53</u>	<u>75</u>
Net Assets		
Invested in Capital	3	5
Restricted	37	34
Unrestricted	300	291
<i>Total Net Assets</i>	<u>\$ 340</u>	<u>\$ 330</u>

Table 2 below provides a summary of the changes in net assets for 2011 and 2010.

Table 2
Changes in Net Assets
(In Thousands)

	2011	2010
	Governmental	Governmental
	Activities	Activities
Program revenues	\$ 119	\$ 145
General revenues	<u>400</u>	<u>401</u>
<i>Total Revenues</i>	519	546
Expenditures		
<i>General</i>	<u>509</u>	<u>548</u>
<i>Increase(Decrease) in Net Assets</i>	<u>\$ 10</u>	<u>\$ (2)</u>

Wages and related benefits and taxes accounted for 64% of total expenses in 2011 and 58% in 2010.

Revenues from Mahoning County included operating funds of \$300,000 accounting for 58% of revenues in 2011. Revenues from the City of Youngstown included donated rent of \$9,338 and operating funds of \$90,000 accounting for 19% of revenues in 2011.

***Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited***

Financial Analysis of the Organization's Funds

As noted earlier, the Organization uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The general fund is the chief operating fund of the Organization. At December 31, 2011, the unreserved fund balance of the general fund was \$350,192. As a measure of the general fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. At December 31, 2011, unreserved fund balance represents approximately 77% of the total general fund expenditures for 2011.

The special revenue fund includes operations of the Foundation, which is a blended component unit of the Organization. This fund's purpose is to receive grant funds that can be contributed to Lien Forward Ohio's general fund to cover operating expenses. At December 31, 2011, the unreserved fund balance of the special revenue fund was \$10,929, which totaled approximately 23% of the fund's expenditures for 2011.

Capital Assets

The Organization's investment in capital assets for its governmental activities as of December 31, 2011, amounts to approximately \$3,000 (net of accumulated depreciation). This investment in capital assets includes software, computers, furniture and equipment. Note 6 provides capital asset activity during 2011.

Current Issues

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. Lien Forward Ohio has been organized to provide services on a cost efficient basis to residents of Mahoning County.

In March 2010, the Ohio Legislature authorized creation of county-level land reutilization corporations, or land banks, in more than 40 eligible counties. The purpose of land banks is to facilitate reclamation, rehabilitation, and reutilization of vacant, abandoned, tax-foreclosed property. Distressed properties that require legal action are transferred to land banks in an accelerated process, compared to previous tax foreclosures. Land banks also can demolish or improve structures as needed, assemble land for future development, and assist local governments in the acquisition and maintenance of vacant properties. Land bank funding sources include penalties and interest collected by the County Treasurer on delinquent real estate, a 5 percent assessment charge on all real estate taxes collected, bonds and other financing as permitted by Ohio Revised Code.

Mahoning County Commissioners voted in February 2011 to create the Mahoning County Land Reutilization Corporation (MCLRC). MCLRC and Lien Forward Ohio signed a Memorandum of Understanding in October 2011 that authorized the latter to act as land bank administrator through Dec. 31, 2012. Lien Forward Ohio personnel began to process land bank applications in November 2011. This activity was in addition to commitments Lien Forward Ohio made with individuals and for-profit and not-for-profit entities to complete their tax lien foreclosure cases. The purpose of the MOU is to start land bank activities while County Land Bank leaders assemble resources to employ its own personnel and shift all activities from Lien Forward Ohio to the County Land Bank by the start of 2013.

***Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited***

Contacting Lien Forward Ohio's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Organization's finances and to reflect the Organization's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Mrs. Debora Flora, Executive Director, Lien Forward Ohio, 20 W Federal Place, Suite M-5A, Youngstown, Ohio 44503, 330-259-1040.

STATEMENT OF NET ASSETS

DECEMBER 31, 2011

ASSETS

Cash and cash equivalents	\$ 385,373
Inventory	27
Prepaid insurance	4,709
Capital assets, net of accumulated depreciation	<u>2,840</u>
Total assets	<u>392,949</u>

LIABILITIES

Accounts payable	1,706
Accrued wages and benefits	38,200
Accrued payroll taxes	3,333
Other accrued liabilities	1,969
Client funds held in escrow	<u>7,690</u>
Total liabilities	<u>52,898</u>

COMMITMENT

NET ASSETS

Invested in capital assets	2,840
Restricted expendable - Special project	26,374
Restricted expendable - Outreach activities	10,929
Unrestricted	<u>299,908</u>

Total net assets \$ 340,051

The accompanying notes are an integral part of these statements.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011

EXPENSES:

General government:

Personnel expenses	\$ 327,494
Training expenses	2,086
Contractual services	31,226
Office expense	4,851
Occupancy	15,387
Advertising	137
Depreciation	3,098
Professional fees	16,010
Travel	1,126
Promotions	10
Loss on sale of assets	235
Other expenses	2,553
Cost of sales	286
Cost of lien transfers:	
Contractual - Legal	13,206
Fees and other charges	91,265
Total expenses	<u>508,970</u>

REVENUES:

Program revenues:

Operating grants and contributions	68,943
Charges for services	3,769
Sales	184
Client expense reimbursements	46,249
Total program revenues	<u>119,145</u>

Net program expense	<u>389,825</u>
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General revenues:

Intergovernmental revenue	390,000
Donated facilities	9,338
Interest income	186
Total general revenues	<u>399,524</u>

CHANGE IN NET ASSETS	9,699
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NET ASSETS - BEGINNING OF YEAR	<u>330,352</u>
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NET ASSETS - END OF YEAR	<u><u>\$ 340,051</u></u>
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The accompanying notes are an integral part of these statements.

BALANCE SHEET
GOVERNMENTAL FUNDS

DECEMBER 31, 2011

	General Fund	Special Revenue Fund	Total
ASSETS			
Cash and cash equivalents	\$ 372,656	\$ 12,717	\$ 385,373
Inventory		27	27
Prepaid insurance	4,709		4,709
Total assets	\$ 377,365	\$ 12,744	\$ 390,109
LIABILITIES			
Accounts payable	\$ 1,706		\$ 1,706
Accrued wages and benefits	13,058	\$ 1,232	14,290
Accrued payroll taxes	3,333		3,333
Other accrued liabilities	1,386	583	1,969
Client funds held in escrow	7,690		7,690
Total liabilities	27,173	1,815	28,988
FUND BALANCE			
Restricted	26,374		26,374
Assigned for awarded financial aid	56,747		56,747
Assigned for unawarded financial aid	210,577		210,577
Unassigned	56,494		56,494
Assigned in special revenue fund		10,929	10,929
Fund balance	350,192	10,929	361,121
Total liabilities and fund balance	\$ 377,365	\$ 12,744	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds	2,840
Compensated absence liabilities are not due and payable in the current period and therefore not reported in the funds	(23,910)
Net assets of governmental activities	\$ 340,051

The accompanying notes are an integral part of these statements.

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2011

	General Fund	Special Revenue Fund	Total
REVENUES:			
Intergovernmental revenue	\$ 390,000		\$ 390,000
Operating grants and contributions	30,710	\$ 38,233	68,943
Charges for services	3,769		3,769
Sales		184	184
Donated facilities	9,338		9,338
Client expense reimbursements	46,249		46,249
Interest income	147	39	186
Total revenues	480,213	38,456	518,669
EXPENDITURES:			
Current:			
General government			
Personnel expenses	307,720	17,313	325,033
Training expenses	2,066	20	2,086
Contractual services	2,227	28,999	31,226
Office expense	4,679	172	4,851
Occupancy	15,387		15,387
Advertising	137		137
Professional fees	16,010		16,010
Travel	563	563	1,126
Promotions	10		10
Capital outlay	956		956
Other expenses	2,002	551	2,553
Cost of sales		286	286
Cost of lien transfers:			
Contractual - Legal	13,206		13,206
Fees and other charges	91,265		91,265
Total expenditures	456,228	47,904	504,132
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES/ NET CHANGE IN FUND BALANCES			
	23,985	(9,448)	14,537
FUND BALANCES - BEGINNING OF YEAR	326,207	20,377	346,584
FUND BALANCES - END OF YEAR	\$ 350,192	\$ 10,929	\$ 361,121

The accompanying notes are an integral part of these statements.

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2011

Net change in fund balances - Total governmental funds	\$ 14,537
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of the assets is allocated over their estimated useful lives and reported as depreciation expense	
Depreciation	(3,098)
Capital outlay	956
Loss on disposal of assets	(235)
Compensated absence expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds	<u>(2,461)</u>
Change in net assets of governmental activities	<u>\$ 9,699</u>

The accompanying notes are an integral part of these statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. DESCRIPTION OF THE ENTITY

Lien Forward Ohio (the Organization) is a regional council of governments formed in November 2005 pursuant to Chapter 167 of the Ohio Revised Code by a partnership between Mahoning County and the City of Youngstown. The Governing Board (the Board) includes representatives from those governments. The Organization is considered a component unit of Mahoning County. The purpose of the Organization is to return vacant, tax-delinquent land to productive use. All revenues are received from Mahoning County, the City of Youngstown, or the residents of Mahoning County.

During 2010, the Organization received grant funding for start-up costs for a land bank. In February 2011, approval was given by Mahoning County and a separate land bank entity was established named Mahoning County Land Reutilization Corporation (the Land Bank). Upon the formation of the Land Bank, the Organization ceased taking new applications for assistance to purchase tax-delinquent land with the expectation that the Land Bank will take over the tax-delinquent land transactions once in operation. The Organization has an agreement with the Land Bank to provide supportive services until ceasing operations which is anticipated in 2012 or 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Organization also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the Organization's accounting policies are described below.

Reporting Entity

The accompanying financial statements present the Organization and its component unit (Lien Forward Ohio Community Foundation), an entity for which the Organization is considered to be financially accountable. The blended component unit, although a legally separate entity, is, in substance, part of the Organization's operations.

The Lien Forward Ohio Community Foundation (the Foundation) receives grant funds which are contributed to Lien Forward Ohio for the purpose of covering certain expenses. The Board of the Foundation is substantially the same as the Organization's Board. The Foundation is reported as a special revenue fund.

NOTES TO THE BASIC FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the Organization and its blended component unit.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. The financial statements include adjustments with explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Net assets are reported as restricted when constraints placed on net asset use 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.

Fund Financial Statements

The accounts of the Organization are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The Organization has the following fund type:

Governmental funds are used to account for the Organization's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). The Organization considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

The major governmental funds are the general fund and special revenue fund. The general fund is the Organization's primary operating fund. It accounts for all financial resources of the Organization. The special revenue fund represents the activities of the blended component unit which accounts for grants and contributions received to support the Organization.

NOTES TO THE BASIC FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue – 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. Exchange transactions include fees received from clients for reimbursements of lien transfer expenses. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined, and “available” means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Organization, “available” means expected to be received within 60 days of the fiscal year end.

Non-exchange transactions, in which the Organization receives value without directly giving equal value in return, include intergovernmental revenue and certain grants. This revenue is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when use is first permitted. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Cash and Cash Equivalents

The Organization’s cash and cash equivalents are considered to be cash on hand, demand deposits, money market funds, and short-term investments with original maturities of three months or less from the date of acquisition.

Capital Assets

Capital assets include furniture, fixtures, and equipment owned by the Organization. These assets are reported in the government-wide financial statements. The Organization defines capital assets as assets with an initial, individual cost of \$500 or more. Capital assets are stated on the basis of historical cost, or, if contributed, at fair value on the dates received.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not capitalized. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Depreciation is computed using the straight-line method over the useful lives of 5 to 7 years.

NOTES TO THE BASIC FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Vacation time benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed to services already rendered and it is probable that the Organization will compensate the employees for the benefits through paid time off or some other means. The Organization records a liability for 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 sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is an estimate based on the Organization's expected likelihood of making termination payments.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid expenses in both government-wide and fund financial statements.

Accounting Estimates

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

Budgetary Information

Annual budgets are adopted for general fund expenditures. The budget is prepared by the Executive Director and approved by the Governing Board of Lien Forward Ohio. As this is not required by State statute, the budget is not considered to be legally adopted. The budget is prepared by fund and function. Budget amounts may be amended periodically by the Board.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Organization or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

The Organization applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTES TO THE BASIC FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

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

Restricted fund balance category includes amounts that can be spent only for specific purpose stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulation of other governments or is imposed by law through constitutional provisions.

Assigned fund balance classifications are intended to be used by the Organization for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Organization.

Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Organization 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.

3. CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year 2011, the Organization has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The fund balance descriptions have been changed to meet the definitions in GASB Statement No. 54 for 2011.

4. TRANSACTIONS WITH RELATED PARTIES

During 2011, Mahoning County (the County) appropriated \$300,000 to the Organization.

During 2011, the City of Youngstown appropriated \$90,000 to the Organization for program operations and to subsidize property acquisitions by qualified groups and individuals. The City of Youngstown also donated 2011 rent in the amount of \$9,338, which was classified as donated services.

NOTES TO THE BASIC FINANCIAL STATEMENTS

4. TRANSACTIONS WITH RELATED PARTIES (Continued)

During 2011, the Foundation received titles for properties located in an area designated for development for transfer to the City of Youngstown, once the related tax liens are resolved. As of December 31, 2011, the value of the titles was immaterial.

5. CASH AND CASH EQUIVALENTS

The investments and deposits of the Organization are governed by the provisions of the Ohio Revised Code. In accordance with these statutes, only financial institutions located in Ohio are eligible to hold public deposits. The statutes also permit the Organization to invest monies in certificates of deposit, savings accounts, money market accounts, the State Treasurer's investment pool (STAROhio), and obligations of the United States government or certain agencies thereof. The Organization may also enter into repurchase agreements with any eligible depository for a period not exceeding 30 days. Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities with a market value equal to 105% of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related purchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2% and be marked to market daily. State law does not require that securities maintained for public deposits and investments be held in the Organization's name.

Deposits

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

All deposits are held in checking and savings bank accounts at Huntington National Bank and First National Bank. At December 31, 2011, the book amount of the Organization's deposits in the bank accounts was \$385,373 and the cash balance per the bank statements was \$409,417. Of the bank balance, \$303,433 was covered by federal depository insurance and \$105,984 was collateralized by a pool of securities maintained by the financial institution but not in the Organization's name.

NOTES TO THE BASIC FINANCIAL STATEMENTS

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

	Balance <u>01/01/11</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>12/31/11</u>
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Office equipment	\$ 1,047			\$ 1,047
Computers	12,735	\$ 956	\$ (1,180)	12,511
Furniture and fixtures	2,057			2,057
Leasehold improvements	<u>6,375</u>			<u>6,375</u>
<i>Total capital assets being depreciated</i>	<u>22,214</u>	<u>956</u>	<u>(1,180)</u>	<u>21,990</u>
<i>Less accumulated depreciation for:</i>				
Office equipment	685	156		841
Computers	8,910	2,007	(944)	9,973
Furniture and fixtures	1,849	208		2,057
Leasehold improvements	<u>5,552</u>	<u>727</u>		<u>6,279</u>
<i>Total accumulated depreciation</i>	<u>16,996</u>	<u>3,098</u>	<u>(944)</u>	<u>19,150</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 5,218</u>	<u>\$ (2,142)</u>	<u>\$ (236)</u>	<u>\$ 2,840</u>

Depreciation expense charged to governmental activities totaled \$3,098 for 2011.

7. PENSION OBLIGATIONS AND OTHER POST-EMPLOYMENT BENEFITS

OPERS

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

1. **The Traditional Pension Plan** – A cost sharing, multiple-employer defined benefit pension plan.
2. **The Member-Directed Plan** – A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, and investment earnings.
3. **The Combined Plan** – A cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investments of which are self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

NOTES TO THE BASIC FINANCIAL STATEMENTS

7. PENSION OBLIGATIONS AND OTHER POST-EMPLOYMENT BENEFITS (Continued)

OPERS (continued)

All full-time employees participate in the Traditional Pension Plan. OPERS provides retirement, disability, survivor, and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-6701 or 800-222-7377.

The Ohio Revised Code provides statutory authority for members and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans. The 2011 member contribution rate was 10%. The 2011 employer contribution rate was 14% of covered payroll; 10% was the portion used to fund pension obligations. The Organization's required contributions for pension obligations to OPERS for the years ended December 31, 2011, 2010, and 2009, were \$33,404, \$31,837, and \$29,009, respectively. At December 31, 2011, 82% had been contributed for 2011. The 2010 and 2009 contributions were paid in full.

Other Post-Employment Benefits

The Ohio Public Employees Retirement System maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of the Traditional Pension and the Combined Plans. In order to qualify for postretirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling 614-222-5601 or 800-222-7377. The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care benefits. Employer contributions are expressed as a percentage of the covered payroll of active members. In 2011, the employer rate was 14% of covered payroll. The Ohio revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

NOTES TO THE BASIC FINANCIAL STATEMENTS

7. PENSION OBLIGATIONS AND OTHER POST-EMPLOYMENT BENEFITS (Continued)

Other Post-Employment Benefits (continued)

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4% during 2011. The portion of the Organization's 2011, 2010, and 2009 contributions actually used to fund postretirement benefits was \$13,362, \$19,102, and \$23,394 respectively. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, for the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

8. RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts and general liability; theft of, damage to, and destruction of assets, natural disasters; errors and omissions; and injuries to employees. The Organization maintains insurance to cover these risks. There have been no claims or settlements since the inception of the Organization.

9. COMMITMENT

Lease

The Organization rents office space under an operating lease with the City of Youngstown, expiring through 2012. The lease calls for monthly common area maintenance payments of \$190, beginning October 1, 2011, plus an allocation of expenses not to exceed \$2,274 per year. The fair value of the rent for 2011 amounted to \$9,907, of which \$9,338 was recorded as donated services.

SCHEDULE OF GENERAL FUND EXPENDITURES
BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2011

	General Fund		Variance Positive (Negative)
	Revised Budget	Actual	
EXPENDITURES:			
Current			
Operations:			
Personnel expenses	\$ 292,042	\$ 307,720	\$ (15,678)
Training expenses		2,066	(2,066)
Contractual services	2,500	2,227	273
Office expense	9,976	4,679	5,297
Occupancy	5,667	15,387	(9,720)
Advertising		137	(137)
Professional fees	13,000	16,010	(3,010)
Travel	2,865	563	2,302
Promotions	250	10	240
Capital outlay		956	(956)
Other expenses	1,615	2,002	(387)
Cost of lien transfers:			
Contractual - Legal	12,875	13,206	(331)
Fees and other charges		91,265	(91,265)
Total expenditures	<u>\$ 340,790</u>	<u>\$ 456,228</u>	<u>\$ (115,438)</u>

GOVERNING BOARD OF LIEN FORWARD OHIO

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities and each of the major funds of Lien Forward Ohio (the Organization) as of and for the year ended December 31, 2011, which collectively comprise the Organization's basic financial statements and have issued our report thereon dated June 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Organization in a separate letter dated June 27, 2012.

This report is intended solely for the information and use of the Governing Board and the State of Ohio, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Cohen & Company Ltd." The signature is written in a cursive, slightly slanted style.

June 27, 2012
Youngstown, Ohio



Dave Yost • Auditor of State

LIEN FORWARD OHIO

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 8, 2012**