

LIEN FORWARD OHIO
(A COMPONENT UNIT OF MAHONING COUNTY)

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2009



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of Lien Forward Ohio, Mahoning County, prepared by Cohen & Company, for the audit period January 1, 2009 through December 31, 2009. 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. Lien Forward Ohio is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 3, 2010

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LIEN FORWARD OHIO
(A COMPONENT UNIT OF MAHONING COUNTY)

DECEMBER 31, 2009

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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, 2009, 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, 2009, 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 25, 2010 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.

The management's discussion and analysis on pages 4 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lien Forward Ohio's basic financial statements. The schedule of expenditures – budget and actual is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cohen & Company Ltd.

June 25, 2010
Youngstown, Ohio

***Management's Discussion and Analysis
For the Year Ended December 31, 2009
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, 2009. 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 2009 which was the fourth year of operations are as follows:

- The assets of the Organization exceeded its liabilities at the close of the year ended December 31, 2009, by \$332,385 (net assets).
- At the end of the current fiscal year, the Organization's governmental funds reported an ending fund balance of \$340,418, 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 to fund operations related to city and county properties.
- Payroll and related payroll tax expenses represent 69% of total operating expenses.
- Lien Forward Ohio Community Foundation (the Foundation) was established in 2008, as a 501(c)(3) entity in order to receive grant funds to contribute to Lien Forward as support of operating expenses. Effective January 1, 2009, the Foundation was recorded as a blended component unit in the Organization's financial statements as a special revenue fund.
- The Foundation received \$45,000 in grants and contributions in 2009 of which 66% was received from the Wean Foundation.

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 2009?" 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 8 – 9 of this report.

***Management's Discussion and Analysis
For the Year Ended December 31, 2009
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 fund which are the general fund which encompasses all of the Organization's activities.

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 10 – 11 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 13 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 \$332,385 at December 31, 2009 and \$266,729 at December 31, 2008. Of total net assets \$282,776 and \$254,582 are unrestricted as of December 31, 2009 and 2008, respectively.

Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

Government-wide Financial Analysis

Table 1 provides a summary of the Organization's net assets for 2009 and 2008.

	2009	2008
	Governmental	Governmental
	Activities	Activities
Assets		
Cash and Cash Equivalents	\$ 412	\$ 324
Accounts Receivable	1	4
Prepaid Insurance	4	4
Capital Assets, Net	10	12
Other Assets	-	1
<i>Total Assets</i>	<u>427</u>	<u>345</u>
Liabilities		
Current Liabilities	95	78
Noncurrent Liabilities	-	-
<i>Total Liabilities</i>	<u>95</u>	<u>78</u>
Net Assets		
Invested in Capital	10	12
Restricted	40	-
Unrestricted	282	255
<i>Total Net Assets</i>	<u>\$ 332</u>	<u>\$ 267</u>

Table 2 below provides a summary of the changes in net assets for 2009 and 2008.

	2009	2008
	Governmental	Governmental
	Activities	Activities
Program revenues	\$ 56	\$ 43
General revenues	443	444
<i>Total Revenues</i>	499	487
Expenditures		
<i>General</i>	472	400
<i>Increase in Net Assets</i>	<u>\$ 27</u>	<u>\$ 87</u>

Wages and related benefits and taxes accounted for 69% of total expenses in 2009 and 72% in 2008.

Revenues from Mahoning County included operating funds of \$300,000 accounting for 60% of revenues in 2009. Revenues from the City of Youngstown included donated rent of \$7,675 and operating funds of \$90,000 accounting for 20% of revenues in 2009.

***Management's Discussion and Analysis
For the Year Ended December 31, 2009
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, 2009, the unreserved fund balance of the general fund was \$300,410. 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, 2009, unreserved fund balance represents approximately 72% of the total general fund expenditures.

The special revenue fund, representing operations of the Foundation was included as a blended component unit of the Organization in 2009. 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, 2009, the unreserved fund balance of the special revenue fund was \$40,008, which totaled approximately 94% of the fund's expenditures.

Capital Assets

The Organization's investment in capital assets for its governmental activities as of December 31, 2009, amounts to approximately \$10,000 (net of accumulated depreciation). This investment in capital assets includes software, computers, furniture and equipment. Note 6 provides capital asset activity during 2009.

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.

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, 2009

ASSETS

Cash and cash equivalents	\$ 411,559
Accounts receivable	1,289
Inventory	407
Prepaid insurance	3,885
Capital assets, net of accumulated depreciation	9,601
Other assets	470
Total assets	<u>427,211</u>

LIABILITIES

Accounts payable	1,786
Accrued wages and benefits	30,406
Accrued payroll taxes	4,015
Accrued other liabilities	131
Client funds held in escrow	58,488
Total liabilities	<u>94,826</u>

COMMITMENT

NET ASSETS

Invested in capital assets	9,601
Restricted expendable - Outreach activities	40,008
Unrestricted	<u>282,776</u>

Total net assets \$ 332,385

The accompanying notes are an integral part of these statements.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2009

EXPENSES:

General government:

Personnel expenses	\$ 325,201
Contractual services	1,929
Office expense	9,071
Occupancy	13,575
Advertising	251
Depreciation	4,384
Professional fees	10,333
Travel	3,933
Meals and entertainment	107
Promotions	233
Program expense	582
Other expenses	2,029
Cost of sales	406
Cost of lien transfers:	
Contractual - Legal	13,180
Fees and other charges	86,937
Total expenses	<u>472,151</u>

REVENUES:

Program revenues:

Charges for services	2,840
Sales	647
Client expense reimbursements	52,532
Total program revenues	<u>56,019</u>

Net program expense	<u>416,132</u>
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General revenues:

Intergovernmental revenue	390,000
Operating grants and contributions	45,000
Donated facilities	7,675
Interest income	775
Total general revenues	<u>443,450</u>

CHANGE IN NET ASSETS	27,318
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NET ASSETS - BEGINNING OF YEAR (AS RESTATED)	<u>305,067</u>
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NET ASSETS - END OF YEAR	<u><u>\$ 332,385</u></u>
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The accompanying notes are an integral part of these statements.

BALANCE SHEET
GOVERNMENTAL FUNDS

DECEMBER 31, 2009

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 370,179	\$ 41,380	\$ 411,559
Accounts receivable	1,289		1,289
Interfund receivable	557		557
Inventory		407	407
Prepaid insurance	3,885		3,885
Other assets	470		470
	<u>470</u>		<u>470</u>
Total assets	<u>\$ 376,380</u>	<u>\$ 41,787</u>	<u>\$ 418,167</u>
LIABILITIES			
Accounts payable	\$ 1,786		\$ 1,786
Interfund payable		\$ 557	557
Accrued wages and benefits	11,567	1,205	12,772
Accrued payroll taxes	4,015		4,015
Other accrued liabilities	114	17	131
Client funds held in escrow	58,488		58,488
Total liabilities	<u>75,970</u>	<u>1,779</u>	<u>77,749</u>
FUND BALANCES			
Unreserved:			
Designated for awarded financial aid	141,691		141,691
Designated for unawarded financial aid	102,583		102,583
Undesignated	56,136		56,136
Reported in special revenue fund		40,008	40,008
	<u>300,410</u>	<u>40,008</u>	<u>340,418</u>
Fund balance - Unreserved	<u>300,410</u>	<u>40,008</u>	<u>340,418</u>
Total liabilities and fund balance	<u>\$ 376,380</u>	<u>\$ 41,787</u>	

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	9,601
Compensated absence liabilities are not due and payable in the current period and therefore not reported in the funds	<u>(17,634)</u>
Net assets of governmental activities	<u>\$ 332,385</u>

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, 2009

	General Fund	Special Revenue Fund	Total
REVENUES:			
Intergovernmental revenue	\$ 390,000		\$ 390,000
Operating grants and contributions		\$ 45,000	45,000
Charges for services	2,840		2,840
Sales		647	647
Donated facilities	7,675		7,675
Client expense reimbursements	52,532		52,532
Interest income	702	73	775
Total revenues	453,749	45,720	499,469
EXPENDITURES:			
Current:			
General government			
Personnel expenses	279,673	40,414	320,087
Contractual services	1,929		1,929
Office expense	9,071		9,071
Occupancy	13,374	201	13,575
Advertising	251		251
Professional fees	10,333		10,333
Travel	3,419	514	3,933
Meals and entertainment	107		107
Promotions	167	66	233
Program expense		582	582
Other expenses	2,000	29	2,029
Cost of sales		406	406
Cost of lien transfers:			
Contractual - Legal	13,180		13,180
Fees and other charges	86,937		86,937
Total expenditures	420,441	42,212	462,653
EXCESS OF REVENUES OVER EXPENDITURES/ NET CHANGE IN FUND BALANCES	33,308	3,508	36,816
FUND BALANCES - BEGINNING OF YEAR (AS RESTATED)	267,102	36,500	303,602
FUND BALANCES - END OF YEAR	\$ 300,410	\$ 40,008	\$ 340,418

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, 2009

Net change in fund balances - Total governmental funds	\$ 36,816
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	(4,384)
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>(5,114)</u>
Change in net assets of governmental activities	<u><u>\$ 27,318</u></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.

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.

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (continued)

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.

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. 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS

4. TRANSACTIONS WITH RELATED PARTIES

During 2009, Mahoning County (the County) appropriated \$300,000 to the Organization.

During 2009, 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 2009 rent in the amount of \$7,675, which was classified as donated services.

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, 2009, the book amount of the Organization's deposits in the bank accounts was \$411,559 and the cash balance per the bank statements was \$254,468. Of the bank balance, \$254,468 was covered by federal depository insurance.

NOTES TO THE BASIC FINANCIAL STATEMENTS

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 was as follows:

	Balance 01/01/09 (as restated)	<u>Increases</u>	<u>Decreases</u>	Balance 12/31/09
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Office equipment	\$ 1,047			\$ 1,047
Computers	12,735			12,735
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>22,214</u>
<i>Less accumulated depreciation for:</i>				
Office equipment	386	\$ 150		536
Computers	3,814	2,548		6,362
Furniture and fixtures	1,027	411		1,438
Leasehold improvements	<u>3,002</u>	<u>1,275</u>		<u>4,277</u>
<i>Total accumulated depreciation</i>	<u>8,229</u>	<u>4,384</u>		<u>12,613</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 13,985</u>	<u>\$ (4,384)</u>	<u>\$ _____</u>	<u>\$ 9,601</u>

Depreciation expense charged to governmental activities totaled \$4,384 for 2009.

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 2009, member and employer contribution rates were consistent across all three plans. The 2009 member contribution rate was 10%. The 2009 employer contribution rate was 14% of covered payroll, 7% was the portion used to fund pension obligations for January 1 through March 31, 2009 and 8.5% was the portion used to fund pension obligations from April 1 through December 31, 2009. The Organization's required contributions for pension obligations to OPERS for the years ended December 31, 2009, 2008 and 2007 were \$29,009, \$21,107, and \$14,344 respectively. At December 31, 2009, 83% had been contributed for 2009. The 2008 and 2007 contributions were paid in full.

Other Post-Employment Benefits

The Ohio Public Employees Retirement System also provides 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 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. 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. In 2009, the employer rate was 14% of covered payroll, 7% was the portion used to fund healthcare from January 1 through March 31, 2009 and 5.5% was the portion used to fund healthcare from April 1 through December 31, 2009. The portion of the Organization's 2009, 2008, and 2007 contributions actually used to fund postretirement benefits was \$23,394, \$21,107, and \$9,448 respectively.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Other Post-Employment Benefits (continued)

The OPEB is advanced-funded on an actuarially determined basis using the individual entry-age actuarial cost method of valuation to determine the present value of the OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

Significant assumptions from the last actuarial review, performed as of December 31, 2008 (latest information available), also include: a rate of return on investments of 6.5%; annual salary increases of 4.00% compounded annually and 0.50% to 6.30% for pay increases above and beyond the 4.00%. The increase in salary assumes no change in the number of active employees. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.50% to 3.00% for the next six years. In subsequent years (7 and beyond), health care costs were assumed to increase at 4.00% (the projected wage inflation rate).

The Traditional Pension and Combined Plans had 357,584 active contributing participants as of December 31, 2009. The number of active contributing participants for both plans used in the December 31, 2008 actuarial valuation was 356,388. The net assets available for OPEB at December 31, 2008 (the latest information available) was \$10.7 billion and the actuarial accrued liability, based on the actuarial cost method used, was \$29.6 billion, leaving an unfunded actuarial liability of \$18.9 billion.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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 2011. The lease calls for an annual rent payment of \$1 plus an allocation of expenses not to exceed \$3,250 per year. The fair value of the rent for 2009 of \$7,675 was recorded as donated services.

NOTES TO THE BASIC FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Beginning in 2007, 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 represents the difference between assets and liabilities. Net assets invested in capital assets, consists 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 when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Equity

Designations of fund balance represent tentative management plans that are subject to change.

3. CHANGE IN REPORTING ENTITY

As of January 1, 2009, the Organization determined that the Foundation, which was formed in 2008, qualifies as a blended component unit of the Organization.

In accordance with GAAP, this is accounted for as a change in reporting entity. Therefore the January 1, 2009 net assets and fund balances have been restated as follows:

	Fund balances	Net assets
January 1, 2009 as originally reported	\$ 267,102	\$ 266,729
Adjustment	<u>36,500</u>	<u>38,338</u>
January 1, 2009 as restated	<u>\$ 303,602</u>	<u>\$ 305,067</u>

SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2009

	General Fund		Variance Positive (Negative)
	Revised Budget	Actual	
EXPENDITURES:			
Current			
Operations:			
Personnel expenses	\$ 298,302	\$ 279,673	\$ 18,629
Contractual services	2,050	1,929	121
Office expense	12,991	9,071	3,920
Occupancy	5,927	13,374	(7,447)
Advertising	1,000	251	749
Professional fees	12,000	10,333	1,667
Travel	2,926	3,419	(493)
Promotions	500	167	333
Other expenses	10,871	2,107	8,764
Cost of lien transfers:			
Contractual - Legal	13,125	13,180	(55)
Fees and other charges		86,937	(86,937)
Total expenditures	<u>\$ 359,692</u>	<u>\$ 420,441</u>	<u>\$ (60,749)</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, 2009, which collectively comprise the Organization's basic financial statements and have issued our report thereon dated June 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 25, 2010.

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.

Cohen & Company Ltd.

June 25, 2010
Youngstown, Ohio



Mary Taylor, CPA
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
AUGUST 17, 2010**