

LIEN FORWARD OHIO  
(A COMPONENT UNIT OF MAHONING COUNTY)

INDEPENDENT AUDITORS' REPORT

JANUARY 31, 2013





# Dave Yost • Auditor of State

Governing Board  
Lien Forward Ohio  
Mahoning County Courthouse  
120 Market Street  
Youngstown, Ohio 44503

We have reviewed the *Independent Auditors' Report* of the Lien Forward Ohio, Mahoning County, prepared by Cohen & Company, for the audit period January 1, 2012 through January 31, 2013. 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 14, 2013

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LIEN FORWARD OHIO  
(A COMPONENT UNIT OF MAHONING COUNTY)

JANUARY 31, 2013

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT .....	2 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	5 - 8
STATEMENT OF NET POSITION	
January 31, 2013 .....	9
STATEMENT OF ACTIVITIES	
January 1, 2012 through January 31, 2013 .....	10
BALANCE SHEET GOVERNMENTAL FUNDS	
January 31, 2013 .....	11
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS	
January 1, 2012 through January 31, 2013 .....	12
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	
January 1, 2012 through January 31, 2013 .....	13
NOTES TO THE BASIC FINANCIAL STATEMENTS.....	14 - 22
SCHEDULE OF GENERAL FUND EXPENDITURES BUDGET AND ACTUAL	
January 1, 2012 through January 31, 2013 .....	23
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 .....	24 - 25

## GOVERNING BOARD OF LIEN FORWARD OHIO

### Independent Auditors' Report

#### **Report on the Financial Statements**

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 thirteen month period ended January 31, 2013, and the related notes to the financial statements, which collectively comprise Lien Forward Ohio's (the Organization) basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

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

## **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 January 31, 2013, and the respective changes in financial position thereof for the thirteen month period then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 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.

### *Other Information*

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 general fund expenditures – budget and actual is presented for the purpose of additional analysis and is not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2013 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* in considering Lien Forward Ohio's internal control over financial reporting and compliance.

### **Emphasis-of-Matter Regarding Going Concern**

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 the process of transferring its operations including certain assets and liabilities to a newly formed not-for-profit organization and will be dissolved in 2013, although the Lien Forward Ohio Foundation, a blended component unit will continue to operate. Our opinion is not modified with respect to this matter.

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

July 29, 2013  
Youngstown, Ohio

***Management's Discussion and Analysis  
For the Thirteen Months Ended January 31, 2013  
Unaudited***

This discussion and analysis of Lien Forward Ohio's financial performance provides an overall review of the Organization's financial activities for the thirteen month period ended January 31, 2013. 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 the thirteen months ended January 31, 2013 are as follows:

- The assets of the Organization exceeded its liabilities at the close of the period ended January 31, 2013, by \$10,934 (net position).
- At the end of the current fiscal period, the Organization's governmental funds reported no ending fund balance due to the transfer of operations to the Mahoning County Land Reutilization Corporation (the Land Bank).
- Mahoning County, Ohio provided \$187,000 to fund operations related to county properties.
- The Organization returned \$150,000 of funds to the City of Youngstown, Ohio.
- Payroll and related payroll tax expenses represent 62% of total operating expenses.
- Lien Forward Ohio Community Foundation (the Foundation), a blended component unit of the Organization, received no grants during the thirteen months ended January 31, 2013.

***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 2012?" The Statement of Net Position 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 Thirteen Months Ended January 31, 2013  
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 position may serve over time as a useful indicator of a government's financial position. In the case of the Organization, assets exceeded liabilities by \$10,934 at January 31, 2013 and \$340,051 at December 31, 2011. Of total net assets, \$7,104 and \$299,908 are unrestricted as of January 31, 2013 and December 31, 2011, respectively. The net assets at January 31, 2013 relate to the Foundation.

**Management's Discussion and Analysis**  
**For the Thirteen Months Ended January 31, 2013**  
**Unaudited**

**Government-wide Financial Analysis**

Table 1 provides a summary of the Organization's net position for January 31, 2013 and December 31, 2011.

**Table 1**  
**Net Position**  
**(In Thousands)**

	January 31, 2013 Governmental Activities	December 31, 2011 Governmental Activities
<b>Assets</b>		
Cash and Cash Equivalents	\$ 101	\$ 359
Restricted Cash		26
Prepaid Insurance		5
Capital Assets, Net	<u>4</u>	<u>3</u>
<i>Total Assets</i>	<u>105</u>	<u>393</u>
<b>Liabilities</b>		
Current Liabilities	<u>94</u>	<u>53</u>
<i>Total Liabilities</i>	<u>94</u>	<u>53</u>
<b>Net Position</b>		
Net investment in Capital Assets	4	3
Restricted		37
Unrestricted	<u>7</u>	<u>300</u>
<i>Total Net Position</i>	<u>\$ 11</u>	<u>\$ 340</u>

Table 2 below provides a summary of the changes in net position for the thirteen months ended January 31, 2013 and year ended December 31, 2011.

**Table 2**  
**Changes in Net Position**  
**(In Thousands)**

	January 31, 2013 Governmental Activities	December 31, 2011 Governmental Activities
<b>Program revenues</b>	\$ 3	\$ 119
<b>General revenues</b>	<u>192</u>	<u>400</u>
<i>Total Revenues</i>	<u>195</u>	<u>519</u>
<b>Expenditures</b>		
<i>General</i>	304	509
<i>Funds returned to City of Youngstown</i>	150	
<i>Funds to be transferred upon final dissolution</i>	<u>70</u>	
	<u>524</u>	<u>509</u>
<i>Increase(Decrease) in Net Position</i>	<u>\$ (329)</u>	<u>\$ 10</u>

***Management's Discussion and Analysis  
For the Thirteen Months Ended January 31, 2013  
Unaudited***

Wages and related benefits and taxes accounted for 62% of total expenses in the thirteen months ended January 31, 2013 and 67% for 2011.

Revenues from Mahoning County included operating funds of \$187,000 accounting for 96% of revenues in the thirteen months ended January 31, 2013.

***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 January 31, 2013, there was no remaining fund balance of the general fund as a result of the ceasing of operations and the recording of a liability for funds required to be transferred upon final closing.

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 January 31, 2013, the unreserved fund balance of the special revenue fund was \$7,104, which totaled approximately 150% of the fund's expenditures for the thirteen months ended January 31, 2013. The Foundation is expected to continue as a separate legal entity benefiting the Land Bank.

***Capital Assets***

The Organization's investment in capital assets for its governmental activities as of January 31, 2013, amounts to approximately \$3,800 (net of accumulated depreciation), all of which belong to the Foundation. This investment in capital assets includes software, computers, furniture and equipment. Note 6 provides capital asset activity during the thirteen months ended January 31, 2013.

***Current Issues***

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. The Organization had an agreement with the Land Bank to provide supportive services until ceasing operations in 2013. The Organization will keep its bank accounts open until all liabilities are paid. The remaining assets will either be transferred to the Land Bank or the governments which provided the original funding. The liability for this transfer has been recorded effective January 31, 2013, based on the authorization of the Governing Board.

***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 Daniel Yemma, Mahoning County Courthouse, 120 Market Street, Youngstown, Ohio 44503.

## STATEMENT OF NET POSITION

JANUARY 31, 2013

## ASSETS

Cash and cash equivalents	\$ 101,332
Capital assets, net of accumulated depreciation	3,830
Total assets	<u>105,162</u>

## LIABILITIES

Accounts payable	24,226
Due to others upon dissolution	70,002
Total liabilities	<u>94,228</u>

## COMMITMENT

## NET POSITION

Net investment in capital assets	3,830
Restricted expendable - Outreach activities	<u>7,104</u>

Total net position	<u>\$ 10,934</u>
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*The accompanying notes are an integral part of these statements.*

## STATEMENT OF ACTIVITIES

JANUARY 1, 2012 THROUGH JANUARY 31, 2013

## EXPENSES:

## General government:

Personnel expenses	\$ 187,168
Training expenses	804
Contractual services	5,162
Consulting and computer support	12,984
Office expense	2,425
Occupancy	11,728
Advertising	6,977
Depreciation	1,681
Professional fees	31,758
Travel	1,261
Promotions	44
Contributions to Land Bank	9,670
Cost of sales	27
Cost of lien transfers:	
Contractual - Legal	16,662
Fees and other charges	16,321
Total expenses	<u>304,672</u>

## REVENUES:

## Program revenues:

Operating grants and contributions	1,635
Charges for services	1,301
Sales	9
Client expense reimbursements	449
Total program revenues	<u>3,394</u>

Net program expense	<u>301,278</u>
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## General revenues:

Intergovernmental revenue	187,000
Donated facilities	5,117
Interest income	46
Total general revenues	<u>192,163</u>

## SPECIAL ITEMS:

Funds returned to the City of Youngstown	(150,000)
Funds to be transferred upon final dissolution	(70,002)
	<u>(220,002)</u>

CHANGE IN NET POSITION	(329,117)
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NET POSITION - BEGINNING OF PERIOD	<u>340,051</u>
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NET POSITION - END OF PERIOD	<u>\$ 10,934</u>
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*The accompanying notes are an integral part of these statements.*

BALANCE SHEET  
GOVERNMENTAL FUNDS

JANUARY 31, 2013

	<u>General Fund</u>	<u>Special Revenue Fund (Foundation)</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 94,228	\$ 7,104	\$ 101,332
Total assets	<u>\$ 94,228</u>	<u>\$ 7,104</u>	<u>\$ 101,332</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 24,226		\$ 24,226
Due to others upon dissolution	<u>70,002</u>		<u>70,002</u>
Total liabilities	<u>94,228</u>		<u>94,228</u>
<b>FUND BALANCE</b>			
Assigned in special revenue fund		<u>7,104</u>	<u>7,104</u>
Fund balance		<u>7,104</u>	<u>7,104</u>
Total liabilities and fund balance	<u>\$ 94,228</u>	<u>\$ 7,104</u>	

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

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds

3,830

Net position of governmental activities

\$ 10,934

*The accompanying notes are an integral part of these statements.*

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

JANUARY 1, 2012 THROUGH JANUARY 31, 2013

	General Fund	Special Revenue Fund (Foundation)	Total
	<u>          </u>	<u>          </u>	<u>          </u>
REVENUES:			
Intergovernmental revenue	\$ 187,000		\$ 187,000
Operating grants and contributions		\$ 1,635	1,635
Charges for services	1,301		1,301
Sales		9	9
Donated facilities	5,117		5,117
Client expense reimbursements	449		449
Interest income	43	3	46
Total revenues	<u>193,910</u>	<u>1,647</u>	<u>195,557</u>
EXPENDITURES:			
Current:			
General government:			
Personnel expenses	209,610	1,468	211,078
Training expenses	804		804
Contractual services	2,819	2,343	5,162
Consulting and computer support	12,984		12,984
Office expense	4,501	1,634	6,135
Occupancy	11,728		11,728
Advertising	6,977		6,977
Professional fees	31,758		31,758
Travel	1,261		1,261
Promotions	44		44
Contributions	8,631		8,631
Cost of sales		27	27
Cost of lien transfers:			
Contractual - Legal	16,662		16,662
Fees and other charges	16,321		16,321
Total expenditures	<u>324,100</u>	<u>5,472</u>	<u>329,572</u>
SPECIAL ITEMS:			
Funds returned to the City of Youngstown	(150,000)		(150,000)
Funds to be transferred upon final dissolution	(70,002)		(70,002)
	<u>(220,002)</u>		<u>(220,002)</u>
EXCESS OF REVENUES UNDER EXPENDITURES/ NET CHANGE IN FUND BALANCES	(350,192)	(3,825)	(354,017)
FUND BALANCES - BEGINNING OF PERIOD	<u>350,192</u>	<u>10,929</u>	<u>361,121</u>
FUND BALANCES - END OF PERIOD	<u>\$ -</u>	<u>\$ 7,104</u>	<u>\$ 7,104</u>

*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

JANUARY 1, 2012 THROUGH JANUARY 31, 2013

Net change in fund balances - Total governmental funds \$ (354,017)

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	(1,681)
Donated assets	4,210
Contribution of assets to Land Bank	(1,539)

Adjustment to compensated absence expenses reported in the  
statement of activities not reported as a benefit in the funds23,910

Change in net position of governmental activities

\$ (329,117)*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. The Organization has an agreement with the Land Bank to provide supportive services until ceasing operations in 2013. The Organization will keep its bank accounts open until all liabilities are paid. The remaining assets will either be transferred to the Land Bank or the governments which provided the original funding. The liability for this transfer has been recorded effective January 31, 2013, based on the authorization of the Board.

## 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 the Organization for the purpose of covering certain expenses. The Board of the Foundation was substantially the same as the Organization's Board. The Foundation is reported as a special revenue fund. The Foundation is expected to continue as a separate organization benefiting the Land Bank.

## 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 Position 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 position is 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 types:

*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 Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed 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 position is 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 a 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

Effective January 1, 2012, the Organization adopted GASB No. 63 relating to the reporting of deferred outflows and inflows of resources and net position. The financial statement captions have been changed to meet the requirements in GASB No. 63.

## 4. TRANSACTIONS WITH RELATED PARTIES

During the thirteen months ended January 31, 2013, Mahoning County (the County) appropriated \$187,000 to the Organization.

During the thirteen months ended January 31, 2013, the City of Youngstown donated 2013 rent in the amount of \$5,117, which was classified as donated services. Also during this period, the Organization returned \$150,000 of unspent appropriations to the City of Youngstown.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

## 4. TRANSACTIONS WITH RELATED PARTIES (Continued)

During the thirteen months ended January 31, 2013, 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 January 31, 2013, 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 January 31, 2013, the book amount of the Organization's deposits in the bank accounts was \$101,332 and the cash balance per the bank statements was \$107,274. Of the bank balance, all cash balances were covered by federal depository insurance.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

## 6. CAPITAL ASSETS

Capital asset activity for the thirteen months ended January 31, 2013, was as follows:

	Balance <u>01/01/12</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>01/31/13</u>
<b>Governmental Activities:</b>				
<i>Capital assets being depreciated:</i>				
Office equipment	\$ 1,047		\$ (1,047)	
Computers	12,511		(10,431)	\$ 2,080
Furniture and fixtures	2,057	\$ 500	(2,057)	500
Land		3,710	(500)	3,210
Leasehold improvements	<u>6,375</u>		<u>(6,375)</u>	
<i>Total capital assets being depreciated</i>	<u>21,990</u>	<u>4,210</u>	<u>(20,410)</u>	<u>5,790</u>
<i>Less accumulated depreciation for:</i>				
Office equipment	841	169	(1,010)	
Computers	9,973	1,362	(9,429)	1,906
Furniture and fixtures	2,057	54	(2,057)	54
Leasehold improvements	<u>6,279</u>	<u>96</u>	<u>(6,375)</u>	
<i>Total accumulated depreciation</i>	<u>19,150</u>	<u>1,681</u>	<u>(18,871)</u>	<u>1,906</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 2,840</u>	<u>\$ 2,529</u>	<u>\$ (1,539)</u>	<u>\$ 3,830</u>

Depreciation expense charged to governmental activities totaled \$1,681 for the thirteen months ended January 31, 2013.

## 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 2012 and January 2013, member and employer contribution rates were consistent across all three plans. The 2012 and 2013 member contribution rate was 10%. The 2012 and 2013 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 thirteen months ended January 31, 2013 and the years ended December 31, 2011 and December 31, 2010, were \$24,358, \$33,404, and \$31,837, respectively. At January 31, 2013, 100% had been contributed for the thirteen months ended January 31, 2013. The 2012 and 2011 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 2012 and January 2013, 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 the year ended December 31, 2012 and 1% for the month of January 2013. The portion of the Organization's 2012, 2011, and 2010 contributions actually used to fund postretirement benefits was \$9,743, \$13,362, and \$19,102 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 rented office space under an operating lease with the City of Youngstown, which expired in 2012. The lease called 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 rent for the thirteen months ended January 31, 2013, amounted to \$6,823, of which \$5,117 was recorded as donated services. In October 2012, the Land Bank assumed the office space and the lease was transferred from the Organization.

SCHEDULE OF GENERAL FUND EXPENDITURES  
BUDGET AND ACTUAL

JANUARY 1, 2012 THROUGH JANUARY 31, 2013

	General Fund		Variance Positive (Negative)
	Revised Budget	Actual	
EXPENDITURES:			
Current			
Operations:			
Personnel expenses	\$ 253,783	\$ 209,610	\$ 44,173
Training expenses		804	(804)
Contractual services	1,819	2,819	(1,000)
Consulting and computer support		12,984	(12,984)
Office expense	6,354	4,501	1,853
Occupancy	7,974	11,728	(3,754)
Advertising		6,977	(6,977)
Professional fees	13,200	31,758	(18,558)
Travel	2,314	1,261	1,053
Promotions	928	44	884
Contributions	1,128	8,631	(7,503)
Cost of lien transfers:			
Contractual - Legal	12,500	16,662	(4,162)
Fees and other charges		16,321	(16,321)
Total expenditures	<u>\$ 300,000</u>	<u>\$ 324,100</u>	<u>\$ (24,100)</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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each of the major funds of Lien Forward Ohio (the Organization) as of and for the thirteen month period ended January 31, 2013, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements and have issued our report thereon dated July 29, 2013.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 July 29, 2013.

## **Purpose of this Report**

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

*Cohen & Company Ltd.*

July 29, 2013  
Youngstown, Ohio

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# 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 7, 2013**