

CASTLO COMMUNITY IMPROVEMENT CORPORATION
REPORT ON EXAMINATION OF FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2003 AND 2002



**Auditor of State
Betty Montgomery**

Board of Trustees
Castlo Community Improvement Corporation
100 South Bridge Street
Struthers, Ohio 44471

We have reviewed the Independent Auditor's Report of the Castlo Community Improvement Corporation, Mahoning County, prepared by William D. Leicht, CPA, for the audit period January 1, 2003 to December 31, 2003. 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 Castlo Community Improvement Corporation is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

March 16, 2004

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**WILLIAM D. LEICHT, CPA
725 BOARDMAN CANFIELD RD M-2
YOUNGSTOWN, OHIO 44512
330-758-8395
FAX 330-758-7927**

February 13, 2004

Board of Trustees
CASTLO Community Improvement Corporation
Struthers, Ohio

Independent Auditor's Report

We have audited the accompanying balance sheet of CASTLO Community Improvement Corporation as of December 31, 2003 and 2002 and the related statements of revenue and expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion 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 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 statements are free of material misstatements. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the statements referred to above present fairly, in all material respects, the assets and liabilities of CASTLO Community Improvement Corporation as of December 31, 2003 and 2002 and its revenue collected and expenses paid and changes in net assets and cash flows during the years then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 13, 2004 on our consideration of the CASTLO Community Improvement Corporations internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results if an audit.

William D. Leicht CPA

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CASTLO COMMUNITY IMPROVEMENT CORPORATION

STATEMENT OF ASSETS AND LIABILITIES

December 31,

ASSETS

	<u>2003</u>	<u>2002</u>
CURRENT ASSETS		
Operating cash	\$ 364,406	\$ 427,506
Tenant security deposits	<u>42,828</u>	<u>45,891</u>
Total current assets	407,234	473,397
PROPERTY AND EQUIPMENT		
Land	371,000	371,000
Land improvements	1,665,737	1,665,737
Buildings	490,072	493,708
Building improvements	4,602,438	4,492,611
Railway improvements	157,608	157,608
Furniture, fixtures and equipment	22,943	20,566
Machinery and equipment	110,122	103,924
Vehicles	65,120	65,120
Construction in progress	<u>8,828</u>	<u>0</u>
	7,493,868	7,370,274
Less accumulated depreciation	<u>4,753,905</u>	<u>4,508,876</u>
Total property and equipment	2,739,963	2,861,398
TOTAL ASSETS	<u><u>\$ 3,147,197</u></u>	<u><u>\$ 3,334,795</u></u>

	LIABILITIES	
	<u>2003</u>	<u>2002</u>
CURRENT LIABILITIES		
Payroll taxes payable	\$ 1,011	\$ 2,401
Tenant security deposits	25,579	45,891
Current Portion Long Term Debt (Note F)	<u>7,598</u>	<u>7,083</u>
Total Current Liabilities	34,188	55,375
LONG TERM DEBT (Note F)	66,074	74,254
Net Assets	3,046,935	3,205,166
Total Liabilities & Net Assets	<u>\$ 3,147,197</u>	<u>\$ 3,334,795</u>

See accompanying notes to financial statements

CASTLO COMMUNITY IMPROVEMENT CORPORATION

STATEMENT OF REVENUE AND EXPENSES AND
CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31,

	<u>2003</u>	<u>2002</u>
OPERATING REVENUE		
Tenant rental (Note D)	403,900	409,702
Scrap sales	1	25
Site maintenance	<u>2,900</u>	<u>1,280</u>
Total operating revenue	406,801	411,007
OPERATING EXPENSE	<u>333,179</u>	<u>312,283</u>
EXCESS REVENUE OVER EXPENSES	73,622	98,724
OTHER REVENUE		
Interest income	16,617	6,636
Sale of asset	0	100
Miscellaneous	<u>1,490</u>	<u>13,294</u>
Total other revenue	<u>18,107</u>	<u>20,030</u>
OTHER DEDUCTIONS		
Interest expense	4,931	8,730
Depreciation	<u>245,029</u>	<u>284,795</u>
Total other deductions	249,960	293,525
EXCESS EXPENSES OVER REVENUE	(158,231)	(174,771)
NET ASSETS - BEGINNING OF YEAR	<u>3,205,166</u>	<u>3,379,937</u>
NET ASSETS - END OF YEAR	<u>\$ 3,046,935</u>	<u>\$ 3,205,166</u>

See accompanying notes to financial statements

CASTLO COMMUNITY IMPROVEMENT CORPORATION

STATEMENT OF CASH FLOW

YEARS ENDED DECEMBER 31,

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 408,291	\$ 424,400
Interest received	16,617	6,636
Cash paid to suppliers & employees	(354,367)	(310,134)
Interest paid	<u>(4,931)</u>	<u>(8,730)</u>
Net cash provided from operating activities	65,610	112,172
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(123,592)</u>	<u>(45,192)</u>
Net cash (used in) investing activities	(123,592)	(45,192)
CASH FLOWS FROM FINANCING ACTIVITIES		
Additional borrowing of long-term debt	-	-
Principal payment of long-term debt	<u>(8,180)</u>	<u>(5,435)</u>
Net cash provided from (used in) financing activities	<u>(8,180)</u>	<u>(5,435)</u>
INCREASE IN CASH	(66,162)	61,545
CASH - BEGINNING OF YEAR	<u>473,396</u>	<u>411,851</u>
CASH - END OF YEAR	<u><u>\$ 407,234</u></u>	<u><u>\$ 473,396</u></u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED FROM OPERATING ACTIVITIES		
	<u>2003</u>	<u>2002</u>
Net income (loss)	(158,231)	(174,771)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities		
Depreciation	245,029	284,795
Increase (decrease) in accounts payable	<u>(21,188)</u>	<u>2,148</u>
Total adjustments	<u>223,841</u>	<u>286,943</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 65,610</u></u>	<u><u>\$ 112,172</u></u>

See accompanying notes to financial statements

CASTLO COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003 AND 2002

NOTE A - Summary of Significant Accounting Policies

1. Description of the Entity - CASTLO Community Improvement Corporation (CASTLO) was created April 5, 1978 by its three charter members: City of Campbell, Village of Lowellville and City of Struthers, as a non-designated Community Improvement Corporation under the laws of the State of Ohio.
2. The purpose of CASTLO is to advance, encourage and promote the industrial, economic, commercial and civic development of Campbell, Lowellville, Struthers, Coitsville and Poland, Ohio areas.
3. The financial statements are prepared under the accrual basis of accounting.
4. Cash equivalents - The company considers highly liquid debt investments with maturity dates of three months or less to be cash equivalents.
5. Property and Equipment - Property and equipment are stated at cost. Depreciation is computed on the straight-line method.
6. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
7. Reclassifications - Certain reclassifications have been made in the 2002 financial statements to conform to the classifications used in the 2003 financial statements.

CASTLO COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003 AND 2002

NOTE B - Related party Transactions

One person who is a member of the Board of Trustees is also legal counsel to the Corporation. Legal fees paid to this Board Member's law firm amounted to \$2,970 and \$3,611 in 2003 and 2002, respectively.

NOTE C - Leases where Company is the Lessor

CASTLO leases commercial real estate space in Struthers, Ohio. Leases are granted for month to month, yearly and long-term occupancy. All leases are considered to be operating leases.

The following is a schedule by years of minimum future rentals on noncancelable operating leases as of December 31,:

	<u>2003</u>	<u>2002</u>
December 31, 2003	\$ -	\$ 391,886
December 31, 2004	276,966	-
Later years	<u>1,094,921</u>	<u>1,232,095</u>
Total minimum future rental	<u><u>\$ 1,371,887</u></u>	<u><u>\$ 1,623,981</u></u>

NOTE D - Concentration of Credit Risk

The company maintains cash balances and certificates of deposits at two financial institutions, located in Youngstown, Ohio. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation up to \$100,000. Uninsured balances aggregate to \$134,498 and \$124,380 at December 31, 2003 and 2002, respectively.

CASTLO COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003 AND 2002

NOTE E - Federal Income Tax

CASTLO has received a determination letter from the Internal Revenue Service stating that it is a qualified community improvements Corporation under existing regulation Section 501 (c) (4). Accordingly, CASTLO is exempt from income and other taxes.

NOTE F - Long-Term Debt

	<u>2003</u>	<u>2002</u>
Long-term debt consists of the following:		
Note payable - Home savings & Loan Company collateralized by "spec" building, 7% interest, due in monthly installments of \$1049.71 including interest with final payment due in 2002	73,672	81,337
Less current maturities	<u>7,598</u>	<u>7,083</u>
Total Long-Term Debt	<u>\$ 66,074</u>	<u>\$ 74,254</u>

Following is a summary of principal due on long term debt for each of the years following December 31, 2003:

	2003	\$	-	\$	7,083
	2004		7,595		7,595
	2005		8,144		8,144
	2006		8,739		8,739
	2007		9,367		9,367
	2008		10,045		-
	Thereafter		29,782		40,409

CASTLO COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003 AND 2002

NOTE G - Operating expenses

Operating expenses consisted of the following at December 31,

	<u>2003</u>	<u>2002</u>
Office salaries	\$ 124,692	\$ 120,736
Payroll taxes	8,722	10,089
Hospitalization	25,412	22,337
Utilities	26,394	28,481
Professional fees	11,557	8,674
Insurance	17,470	17,225
Office expense and supplies	32,206	28,008
Advertising	5,311	8,117
Repairs & maintenance	33,539	27,348
Pension	6,240	6,022
Real estate taxes	26,162	23,923
Auto & truck expense	1,289	1,676
Travel & meetings	2,800	1,525
Postage & freight	1,630	1,807
Equipment rental	7,338	4,492
Miscellaneous	<u>2,417</u>	<u>1,823</u>
Total operating expenses	<u>\$ 333,179</u>	<u>\$ 312,283</u>

CASTLO COMMUNITY IMPROVEMENT CORPORATION
CONTACT INFORMATION PAGE

Contact information

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE OF INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Board of Trustees
CASTLO Community Improvements Corporation
Struthers, Ohio

We have audited the accompanying financial statements of CASTLO Community Improvements Corporation as of the years ended December 31, 2003 and 2002, and have issued our report thereon dated February 13, 2004. 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.

Compliance

As a part of obtaining reasonable assurance about whether CASTLO Community Improvement Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered CASTLO Community Improvement Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting of the internal control over financial reporting would not necessarily disclose all matters that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than these specialized parties.

William D. Leicht CPA

February 13, 2004



**Auditor of State
Betty Montgomery**

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CASTLO COMMUNITY IMPROVEMENT CORPORATION

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
APRIL 6, 2004**