

CASTLO COMMUNITY IMPROVEMENT CORPORATION  
REPORT ON EXAMINATION OF FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2005 AND 2004





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Castlo Community Improvement Corporation  
100 South Bridge St.  
Struthers, OH 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, 2005 through December 31, 2005. 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.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

May 3, 2006

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330-758-8395  
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March 23, 2006

Board of Trustees  
CASTLO Community Improvement Corporation  
Struthers, Ohio

**Independent Auditor's Report**

We have audited the accompanying statement of financial position of CASTLO Community Improvement Corporation as of December 31, 2005 and 2004 and the related statements of activities 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 financial position of CASTLO Community Improvement Corporation as of December 31, 2005 and 2004 and its 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 March 23, 2006 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

CASTLO COMMUNITY IMPROVEMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

December 31,

ASSETS

	<u>2005</u>	<u>2004</u>
<b>CURRENT ASSETS</b>		
Operating cash	\$ 240,786	\$ 249,419
Tenant security deposits	<u>47,575</u>	<u>45,198</u>
Total current assets	288,361	294,617
<b>PROPERTY AND EQUIPMENT</b>		
Land	371,000	371,000
Land improvements	1,665,737	1,665,737
Buildings	490,072	490,072
Building improvements	4,789,502	4,664,003
Railway improvements	169,508	169,508
Furniture, fixtures and equipment	24,237	24,237
Machinery and equipment	112,120	112,120
Vehicles	65,333	65,333
Construction in progress	<u>0</u>	<u>65,233</u>
	7,687,509	7,627,243
Less accumulated depreciation	<u>5,187,337</u>	<u>4,975,593</u>
Total property and equipment	2,500,172	2,651,650
<b>TOTAL ASSETS</b>	<u><u>\$ 2,788,533</u></u>	<u><u>\$ 2,946,267</u></u>

LIABILITIES AND NET ASSETS

	<u>2005</u>	<u>2004</u>
CURRENT LIABILITIES		
Payroll taxes payable	\$ 1,106	\$ 1,069
Tenant security deposits	29,907	27,769
Accounts payable	5,067	0
Current Portion Long Term Debt (Note G)	<u>8,758</u>	<u>8,158</u>
Total Current Liabilities	44,838	36,996
LONG TERM DEBT (Note G)	<u>49,138</u>	<u>57,895</u>
Total Liabilities	93,976	94,891
Unrestricted Net Assets	2,694,557	2,851,376
Total Liabilities & Net Assets	<u><u>\$ 2,788,533</u></u>	<u><u>\$ 2,946,267</u></u>

See accompanying notes to financial statements

CASTLO COMMUNITY IMPROVEMENT CORPORATION

STATEMENT ACTIVITIES

YEARS ENDED DECEMBER 31,

	<u>2005</u>	<u>2004</u>
OPERATING REVENUE		
Tenant rental (Note C)	367,734	327,403
Scrap sales	30	352
Site maintenance	<u>5,220</u>	<u>2,890</u>
Total operating revenue	372,984	330,645
OPERATING EXPENSE	<u>318,944</u>	<u>307,696</u>
CHANGE IN NET ASSETS BEFORE OTHER REVENUES AND DEDUCTIONS	54,040	22,949
OTHER REVENUE		
Interest income	5,324	2,598
Sale of asset	0	0
Miscellaneous	<u>0</u>	<u>5,347</u>
Total other revenue	<u>5,324</u>	<u>7,945</u>
OTHER DEDUCTIONS		
Interest expense	4,439	4,978
Depreciation	<u>211,744</u>	<u>221,475</u>
Total other deductions	216,183	226,453
CHANGE I NET ASSETS	(156,819)	(195,559)
NET ASSETS - BEGINNING OF YEAR	<u>2,851,376</u>	<u>3,046,935</u>
NET ASSETS - END OF YEAR	<u><u>\$ 2,694,557</u></u>	<u><u>\$ 2,851,376</u></u>

See accompanying notes to financial statements



CASTLO COMMUNITY IMPROVEMENT CORPORATION

STATEMENT OF CASH FLOW

YEARS ENDED DECEMBER 31,

	<u>2005</u>	<u>2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 372,984	\$ 335,993
Interest received	5,325	2,598
Cash paid to suppliers & employees	(311,702)	(304,889)
Interest paid	<u>(4,439)</u>	<u>(4,978)</u>
Net cash provided from operating activities	62,168	28,724
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(60,267)</u>	<u>(133,163)</u>
Net cash (used in) investing activities	(60,267)	(133,163)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Additional borrowing of long-term debt	-	-
Principal payment of long-term debt	<u>(8,157)</u>	<u>(8,179)</u>
Net cash provided from (used in) financing activities	<u>(8,157)</u>	<u>(8,179)</u>
<b>INCREASE IN CASH</b>	(6,256)	(112,617)
<b>CASH - BEGINNING OF YEAR</b>	<u>294,617</u>	<u>407,234</u>
<b>CASH - END OF YEAR</b>	<u><u>\$ 288,361</u></u>	<u><u>\$ 294,617</u></u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED FROM OPERATING ACTIVITIES</b>		
	<u>2005</u>	<u>2004</u>
Change in net assets	(156,819)	(195,559)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities		
Depreciation	211,744	221,475
Increase (decrease) in accounts payable	<u>7,242</u>	<u>2,808</u>
Total adjustments	<u>218,986</u>	<u>224,282</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 62,167</u></u>	<u><u>\$ 28,724</u></u>

See accompanying notes to financial statements

CASTLO COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005 AND 2004

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 2004 financial statements to conform to the classifications used in the 2005 financial statements.

CASTLO COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005 AND 2004

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 \$8,700 and \$3,821 in 2005 and 2004, 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>2005</u>	<u>2004</u>
December 31, 2005	\$ -	\$ 372,984
December 31, 2006	323,088	323,088
December 31, 2007	248,906	248,906
December 31, 2008	221,664	221,664
December 31, 2009	146,104	146,104
Total minimum future rental	<u>\$ 939,762</u>	<u>\$ 1,312,746</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 \$129,402 and \$139,568 at December 31, 2005 and 2004, respectively.

NOTE E - Risk Management

Castlo has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions

Castlo also provides health insurance, dental and vision coverage to full-time employees through a private carrier.

CASTLO COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005 AND 2004

NOTE F - 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 G - Long-Term Debt

	<u>2005</u>	<u>2004</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 2010	57,896	66,053
Less current maturities	8,758	8,158
Total Long-Term Debt	<u>\$ 49,138</u>	<u>\$ 57,895</u>

Following is a summary of principal due on long term debt for each of the years following December 31, 2005:

2005	\$ -	\$ 8,157
2006	8,757	8,757
2007	9,401	9,401
2008	10,093	10,093
2009	10,835	10,835
2010	11,632	-
Thereafter	7,178	18,810

CASTLO COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005 AND 2004

NOTE H - Operating expenses

Operating expenses consisted of the following at December 31,

	<u>2005</u>	<u>2004</u>
Office salaries	\$ 132,126	\$ 128,952
Payroll taxes	10,632	10,679
Hospitalization	27,919	27,044
Utilities	17,363	18,354
Professional fees	18,052	12,939
Insurance	18,031	18,202
Office expense and supplies	10,566	14,866
Advertising	5,035	7,050
Repairs & maintenance	18,438	23,832
Pension	6,604	6,422
Real estate taxes	25,000	24,572
Auto & truck expense	3,402	4,328
Travel & meetings	2,088	1,883
Postage & freight	1,782	1,490
Equipment rental	4,327	3,084
Small equipment	732	1,679
Uniforms & floor mats	724	876
Miscellaneous	5,597	1,444
Architect fees	10,526	0
	<u>          </u>	<u>          </u>
Total operating expenses	<u>\$ 318,944</u>	<u>\$ 307,696</u>

CASTLO COMMUNITY IMPROVEMENT CORPORATION  
CONTACT INFORMATION PAGE

**Contact information**

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE OF INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

March 23, 2006

Board of Trustees  
CASTLO Community Improvements Corporation  
Struthers, Ohio

We have audited the accompanying financial statements of CASTLO Community Improvements Corporation as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated March 23, 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered CASTLO Community Improvement Corp's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weakness. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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.

**Compliance**

As a part of obtaining reasonable assurance about whether CASTLO Community Improvement Corporation's financial statements are free of material misstatement, we tested it's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

March 23, 2006





**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  
MAY 16, 2006**