

**CASTLO COMMUNITY IMPROVEMENT CORPORATION**

Financial Condition

As of

December 31, 2010

Together with Auditors' Report





# Dave Yost • Auditor of State

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 Kevin L. Penn, Inc., for the audit period January 1, 2010 through December 31, 2010. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

June 24, 2011

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**CASTLO COMMUNITY IMPROVEMENT CORPORATION  
STRUTHERS, OHIO**

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## **Independent Auditor's Report**

Board of Trustees  
CASTLO Community Improvement Corporation  
Struthers, Ohio

I have audited the accompanying financial statements of the CASTLO Community Improvement Corporation, as of December 31, 2010 and for the year then ended, listed in the foregoing table of contents. These financial statements are the responsibility of the CASTLO Community Improvement Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards 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 I 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis in my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CASTLO Community Improvement Corporation, as of December 31, 2010, and the changes in net assets and revenues, expenditures and other changes, and the cash flows for the year ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated April 22, 2011 on my consideration of the CASTLO Community Improvement Corporation's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 read in conjunction with this report in considering the result of my audit.

Kevin L. Penn, Inc.

April 22, 2011

CASTLO Community Improvement Corporation  
Statement of Financial Position

December 31, 2010

ASSETS

**Current Assets:**

Cash and Cash Equivalents (Note 1)	\$208,373
Tenant Security Deposits	18,863
Prepaid Expenses	<u>4,562</u>
Total Current Assets	231,798

**Property and Equipment:**

Land	371,000
Land Improvements	1,703,762
Buildings	490,072
Building Improvements	4,885,753
Railway Improvements	181,408
Furniture, Fixtures and Equipment	25,660
Machinery and Equipment	105,121
Vehicles	<u>65,333</u>
	7,828,109
Less Accumulated Depreciation	<u>6,160,460</u>
	<u>1,667,649</u>
TOTAL ASSETS	<u><u>\$1,899,447</u></u>

LIABILITIES AND NET ASSETS

**Current Liabilities:**

Accounts Payable	\$1,937
Accrued Payroll	5,852
Accrued Payroll Taxes	579
Accrued Real Estate Taxes	32,165
Tenant Security Deposits	<u>18,863</u>
Total Current Liabilities	<u>59,396</u>
Total Liabilities	59,396

**Net Assets:**

Unrestricted	<u>1,840,051</u>
Total Net Assets	<u>1,840,051</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$1,899,447</u></u>

The accompanying notes are an integral part of the financial statements.



CASTLO Community Improvement Corporation  
Statement of Activities

For the Year Ended December 31, 2010

**Operating Revenue:**

Tenant Rental	\$238,678
Scrap Sales	3,144
Site Maintenance	<u>1,860</u>
Total Operating Revenue	243,682

**Operating Expenses (Note 9)**

317,401

Change in Net Assets Before Other  
Revenues and Deductions

(73,719)

Other Revenue:

Interest Income	1,531
Miscellaneous	<u>2,335</u>
Total Other Revenue	3,866

Other Deductions:

Depreciation Expense	<u>197,520</u>
Total Other Deductions	197,520

Change in Net Assets

(267,373)

Net Assets - Beginning of Year as Previously Reported

2,105,166

Prior Period Adjustments (Note 8)

2,258

Net Assets - Beginning of Year as Restated

2,107,424

Net Assets - End of Year

\$1,840,051

The accompanying notes are an integral part of the financial statements.

CASTLO Community Improvement Corporation  
Statement of Cash Flows

For the Year Ended December 31, 2010

**Cash flows from operating activities:**

Cash Received from Customers	
Interest Received	
Payment of Security Deposits to Tenants	
Cash Paid to Suppliers & Employees	\$246,017
Net cash provided by operating activities	1,531

**Cash flows from investing activities:**

Purchases of Property and Equipment	(315,529)
Net cash used in investing activities	(75,703)

**Cash flows from financing activities:**

Net cash used in financing activities	(4,775)
---------------------------------------	---------

Net Increase (Decrease) in Cash and Cash Equivalent	0
Beginning of Period Cash	0
End of Period Cash	(80,478)
	307,714

**Reconciliation of change in net assets to net cash provided by operating activities:**

Increase (decrease) in net assets

**Adjustments to reconcile change in net assets to net cash provided by operating activities:**

Depreciation expenses	(\$267,373)
(Increase) decrease in prepaid expenses	
Increase (decrease) in accounts payable	
Increase (decrease) in accrued liabilities	197,520
Increase (decrease) in tenant security deposits held in trust	1,317
Net cash provided by operating activities	536
	19
	(7,722)
	(\$75,703)

The accompanying notes are an integral part of the financial statements.

**CASTLO COMMUNITY IMPROVEMENT CORPORATION  
STRUTHERS, OHIO**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2010**

**NOTE 1 - Summary of Significant Accounting Policies:**

A. Organization

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. 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. Based on the criteria established by Governmental Accounting Standards Board (GASB) codification 2100, there are no component units to be included with the reporting entity.

B. Basis of Accounting

The Corporation has prepared its financial statements in conformity with accounting principles generally accepted in the United States of America.

C. Land, Property and Equipment

Land, property and equipment are recorded at cost. Property and equipment are depreciated over the estimated useful lives of the assets. Depreciation is calculated using the straight-line method over the useful life lives of the respective assets, which are as follows:

Property	10 – 30 Years
Equipment	3 - 7 Years

Total depreciation expense for the 2010 fiscal year was \$197,520.

D. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows and for presentation of the Statement of Financial Position, cash and cash equivalents consist principally of checking and savings accounts.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2010, are recorded as prepaid item using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**CASTLO COMMUNITY IMPROVEMENT CORPORATION  
STRUTHERS, OHIO**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2010**

**NOTE 2 - Concentration of Credit Risk**

The company maintains cash balances and a certificate of deposit at four financial institutions, located in Youngstown, Ohio. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000.

**NOTE 3 – Property and Equipment:**

A summary of capital assets at December 31, 2010, by class is as follows:

Building and Building Improvements	\$5,375,825
Land	371,000
Land Improvements	1,703,762
Railway Improvements	181,408
Furniture, Fixtures and Equipment	25,660
Machinery and Equipment	105,121
Vehicles	<u>65,333</u>
Total	7,828,109
Less Accumulated Depreciation	<u>(6,160,460)</u>
Net Property and Equipment	<u>\$1,667,649</u>

The following is a summary of changes:

	Balance <u>12/31/2009</u>	<u>Addition</u>	<u>Deletions</u>	Balance <u>12/31/2010</u>
Buildings & Building Improvements	\$5,371,050	\$ 4,775	\$	\$5,375,825
Land	371,000			371,000
Land Improvements	1,703,762			1,703,762
Railway Improvements	181,408			181,408
Furniture, Fixtures and Equipment	25,660			25,660
Machinery and Equipment	105,121			105,121
Vehicles	<u>65,333</u>			<u>65,333</u>
Total Capital Assets	<u>\$7,823,334</u>	<u>\$ 4,775</u>	<u>\$</u>	<u>\$7,828,109</u>

**CASTLO COMMUNITY IMPROVEMENT CORPORATION  
STRUTHERS, OHIO**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2010**

**NOTE 4 - 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 5 - PENSION PLAN**

A Simplified Employee Pension (SEP) is available to all employees with at least three years of employment services. The percentage of each employee's wages, not to exceed 15%, to be put into the pension fund shall be determined by the Board of Trustees at each annual meeting. When granted, the SEP shall be immediately and 100% vested with the employee.

**NOTE 6 – Insurance Coverage and Risk Retention:**

The Corporation is exposed to various risks of loss during the normal course of its operations including, but not limited to, loss related to torts; theft of damage to, and destruction of assets; errors and omissions; and injuries to employees.

The Corporation maintains comprehensive insurance coverage with private carriers for health, real property, and building contents. There was no significant reduction in coverage and no settlements exceeded insurance coverage, during the past three years.

**NOTE 7 – Contingent Liabilities**

Management believes there are no pending claims or lawsuits.

**NOTE 8 - Prior Period Adjustment:**

The Authority adjusted prior period net assets as follows:

Net Assets as of December 31, 2009	\$ 2,105,166
Adjustment:	
Decrease in Deferred Revenue	<u>2,258</u>
Restated Net Assets as of December 31, 2009	<u>\$ 2,107,424</u>

The adjustment to prior period net assets was necessary to properly reflect the overstatement of Tenant Security Deposits.

**CASTLO COMMUNITY IMPROVEMENT CORPORATION  
STRUTHERS, OHIO**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2010**

**NOTE 9 – Operating Expenses**

Operating expenses consisted of the following at December 31, 2010:

Office Salaries	\$70,948
Payroll Taxes	6,754
Hospitalization	20,694
Utilities	26,770
Professional Fees	51,388
Insurance	13,023
Office Expense and Supplies	10,060
Advertising	1,784
Repairs & Maintenance	71,810
Pension	3,539
Real Estate Taxes	30,142
Auto & Truck Expense	1,404
Travel & Meetings	1,288
Postage & Freight	503
Equipment Rental	3,273
Other Taxes	10
Demographics and Studies	350
Event Expenses	3,661
Total Operating Expenses	<u><u>\$317,401</u></u>

**NOTE 10 - Subsequent Events**

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements as issued or are available to be issued. Management has evaluated subsequent events through April 22, 2011, the date on which the financial statements were available to be issued.



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**Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

Board of Trustees  
CASTLO Community Improvement Corporation  
Struthers, Ohio

I have audited the financial statements of CASTLO Community Improvement Corporation as of and for the year ended December 31, 2010, and have issued my report thereon dated April 22, 2011. I conducted my audit in accordance with generally accepted auditing standards 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 my audit, I considered CASTLO Community Improvement Corporation's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CASTLO Community Improvement Corporation's internal control over financial reporting. Accordingly, I do not express an opinion on the effective ness of the CASTLO Community Improvement Corporation'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 CASTLO Community Improvement Corporation's financial statements will not be prevented, or detected and corrected on a timely basis.

My 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether CASTLO Community Improvement Corporation's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain matters that I reported to management of the CASTLO Community Improvement Corporation's in a separate letter dated April 22, 2011.

This report is intended solely for the information and use of management, and those charged with governance and is not intended to be and should not be used by anyone other than these specified parties.

Kevin L. Penn, Inc.

April 22, 2011



**CASTLO Community Improvement Corporation**  
Summary Schedule of Prior Audit Findings  
Year Ended December 31, 2010

There were no audit findings, during the 2009 fiscal year.

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# Dave Yost • Auditor of State

**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  
JULY 7, 2011**