



Dave Yost • Auditor of State

**CASTLO COMMUNITY IMPROVEMENT CORPORATION
MAHONING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

CASTLO Community Improvement Corporation
Mahoning County
100 South Bridge Street
Struthers, Ohio 44471

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of CASTLO Community Improvement Corporation, Mahoning County, Ohio (the CIC), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the CIC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the CICs preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the CIC's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of CASTLO, Mahoning County, Ohio, as of December 31, 2017, and the changes in financial position and its cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2018, on our consideration of the CIC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 the CIC's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

November 7, 2018

CASTLO COMMUNITY IMPROVEMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

December 31, 2017

CURRENT ASSETS	
Cash and Cash Equivalents	\$ 360,321
Prepaid Expenses	828
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TOTAL CURRENT ASSETS	361,149
	<hr/>
NON- CURRENT ASSETS	
Notes Receivable	49,681
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CAPITAL ASSETS	
Land	5,388,104
Land Improvements	1,718,162
Buildings and Improvements	4,485,240
Railway Improvements	181,408
Furniture, Fixtures and Equipment	8,191
Machinery and Equipment	39,372
Vehicles	29,092
Less: Accumulated Depreciation	(6,068,349)
	<hr/>
NET CAPITAL ASSETS	5,781,220
	<hr/>
TOTAL ASSETS	6,192,050
	<hr/> <hr/>
CURRENT LIABILITIES	
Accrued Payroll Expenses	\$ 1,043
Other Accrued Liabilities	15,090
Tenant Security Deposits	20,462
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TOTAL CURRENT LIABILITIES	36,595
	<hr/>
NET ASSETS	
Unrestricted	6,155,455
	<hr/>
TOTAL NET ASSETS	6,155,455
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 6,192,050
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See accompanying notes to the basic financial statements

CASTLO COMMUNITY IMPROVEMENT CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

OPERATING REVENUES

Tenant Rental	303,000
Event Revenue	4,975
Site Maintenance/Other	6,832
TOTAL OPERATING REVENUES	<u>314,807</u>

OPERATING EXPENSES

Payroll and Benefits	72,155
Subcontractor Labor	37,883
Management Fees	28,909
Professional Services	7,850
Insurance	11,985
Utilities	24,060
Repairs and Maintenance	30,435
Equipment Rental	6,593
Small Equipment	2,772
Auto and Truck Expenses	829
Property Taxes	28,670
Office Expenses	4,932
Dues and Subscriptions	1,648
Advertising and Promotion	8,442
Site Cleanup	2,224
Event Expenses	7,830
Travel and Meetings	1,537
Depreciation	47,956
Miscellaneous	456
Penalties and Fees	663
Donations	350
TOTAL OPERATING EXPENSES	<u>328,179</u>

Operating Income/(Loss) (13,372)

NON-OPERATING REVENUES (EXPENSES)

Interest	258
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>258</u>

CHANGE IN NET ASSETS (13,114)

NET ASSETS, BEGINNING OF YEAR (See Restatement Note 6) 6,168,569

NET ASSETS, END OF YEAR 6,155,455

See accompanying notes to the basic financial statements

CASTLO COMMUNITY IMPROVEMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

Cash Flows from Operating Activities	
Cash Received from Operations	314,807
Cash Paid for Employee Salaries and Benefits	(72,155)
Cash Payments to Suppliers and Employees	<u>(208,526)</u>
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>34,126</u>
Cash Flows from Investing Activities	
Purchase of Property and Equipment	
(Increase) Decrease in Notes Receivables	45,508
Proceeds from Disposal of Property	
Miscellaneous Income received	
Interest Received	<u>258</u>
<i>Net Cash Provided by (Used in) Investing Activities</i>	<u>45,766</u>
Cash Flows from Capital and Related Financing Activities	
Proceeds from Sale of Capital Assets	89,557
Building and Improvement	<u>(73,911)</u>
<i>Net Cash Provided by (Used in) Capital and Related Financing Activities</i>	15,646
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	95,538
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>264,783</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>360,321</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating Loss	(13,372)
Changes in Assets and Liabilities	
Depreciation	47,956
(Increase) Decrease in Prepaid Expenses	(352)
Increase (Decrease) in Other Accrued Liabilities	(1,389)
Increase (Decrease) in Security Deposits	736
Increase (Decrease) in Accrued Payroll Liabilities	<u>547</u>
Total Adjustment	<u>47,498</u>
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u><u>34,126</u></u>

See accompanying notes to the basic financial statements

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CASTLO Community Improvement Corporation
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

CASTLO Community Improvement Corporation (CASTLO), a non-profit corporation 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.

Management believes the financial statements included in this report represent all of the activities of the Corporation over which the Corporation is financially accountable.

B. BASIS OF ACCOUNTING

The financial statements of the Corporation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

C. BASIS OF PRESENTATION

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) 117, Financial Statement for Not-For-Profit Organizations. Under SFAS No. 117 the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At December 31, 2017, all net assets of CASTLO are unrestricted.

D. REVENUE RECOGNITION

Income from intergovernmental, rental and program fees are recognized over the period to which fees relate.

E. CASH AND CASH EQUIVALENTS

For the purposes of the Statement of Cash Flow, cash and cash equivalents include all highly liquid investments with initial maturities of three months or less.

F. FEDERAL INCOME TAX

The Corporation is an exempt organization under Section 501(c) (4) of the Internal Revenue Code. By virtue of Ohio Law, the Corporation is not subject to Ohio income taxes.

Accounting principles generally accepted in the United States require management to evaluate tax positions taken and recognize a tax liability (or asset) if an uncertain tax position has been taken that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS). Management has concluded that as of December 31, 2016, there are no uncertain positions taken or expected to be taken by CASTLO Community Improvement Corporation that would require recognition of a liability (or asset) or disclosure in the financial statements. CASTLO Community Improvement Corporation is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. CASTLO Community Improvement Corporation's Federal Return of Organization Exempt from Income Tax (Form 990) for 2014, 2015 and 2016 are subject to examination by the IRS, generally for three years after they were filed.

CASTLO Community Improvement Corporation
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. PROPERTY, PLANT AND EQUIPMENT

Equipment is stated at cost and is depreciated over the estimated useful lives by the straight-line method of financial reporting purposes. Repairs and maintenance are charged to operations when incurred and improvements and additions are capitalized. When equipment is sold, or otherwise disposed of, the net asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

H. ESTIMATES

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

2. LEASES WHERE COMPANY IS 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.

3. DEPOSITS WITH FINANCIAL INSTITUTIONS

Custodial credit risk for deposits is the risk that in the event of bank failure, CASTLO will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of December 31, 2017, CASTLO's bank balances of \$359,259 were covered by federal depository insurance or collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

The Corporation's deposits are categorized to give an indication level of risk assumed by CASTLO as of December 31, 2017. The Categories are either (1) insured or collateralized with securities held by the entity or by its agent in the entity's name, (2) collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name, or (3) uncollateralized.

Cash and Cash Equivalents at December 31, 2017 were as follows:

Checking and Savings Deposits	\$359,259
Cash on Hand	<u>1,062</u>
Total Cash and Cash Equivalents	\$360,321

4. 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 5%, 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 employees. CASTLO's total contribution to employee SEP accounts was \$2,262, which is included with Payroll and Benefits on the Statement of Activities.

CASTLO Community Improvement Corporation
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2017

5. RISK MANAGEMENT

CASTLO 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 four years.

6. PRIOR PERIOD RESTATEMENT OF NET ASSETS

During the prior year the Buildings and Improvements were overstated by \$13,595. CASTLO decreased Building and Improvements from \$4,430,424 to \$4,416,829, which in turn decreased the Net Asset beginning balance as follows:

Net Assets December 31, 2016	\$ 6,218,164
Adjustment to Capital Assets	<u>(13,595)</u>
Net Assets January 1, 2017	\$ 6,168,569

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CASTLO Community Improvement Corporation
Mahoning County
Notes to the Financial Statements
For the Year Ended December 31, 2017

7. CAPITAL ASSETS

Changes in capital assets for the year ended December 31, 2017 consisted of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets, not being Depreciated				
Land	\$5,477,661	\$0	\$89,557	\$5,388,104
Total Capital Assets, not being Depreciated	5,477,661	-	89,557	5,388,104
Capital Assets, being Depreciated				
Building and Improvements	4,416,829	68,411	-	4,485,240
Land Improvements	1,712,662	5,500	-	1,718,162
Railway Improvements	181,408	-	-	181,408
Furniture Fixtures and Equipment	8,191	-	-	8,191
Vehicles	29,092	-	-	29,092
Machinery and Equipment	39,372	-	-	39,372
Total Capital Asset, being Depreciated	6,387,554	73,911	-	6,461,465
Less Accumulated Depreciation:				
Buildings and Improvements	(4,073,530)	(43,002)		(4,116,532)
Land Improvements	(1,694,210)	(3,069)		(1,697,279)
Railway Improvements	(180,111)	(297)		(180,408)
Furniture Fixtures and Equipment	(7,416)	(172)		(7,588)
Vehicles	(29,092)			(29,092)
Machinery and Equipment	(36,034)	(1,410)		(37,444)
Total Accumulated Depreciation	(6,020,393)	(47,950) *	0	(6,068,343)
Total Capital Assets being Depreciated, Net	367,161	25,961	0	393,122
TOTAL Capital Assets	\$5,844,822	\$25,961	\$89,557	\$5,781,226
Depreciation Expense Charged to Operations		<u>(47,950)</u>		

CASTLO Community Improvement Corporation

Mahoning County

Notes to the Financial Statements

For the Year Ended December 31, 2017

8. CONTINGENT LIABILITY

The Corporation participates in several state assisted grants that are subject to financial compliance audits by grantor agencies or their representatives. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The Corporation believes that disallowed claims, if any, will not have a material adverse effect on the Corporation's financial condition.

9. SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through October 25, 2018, the date which the financial statements were available to be issued. No events occurred subsequent to the date of the report that would require adjustment or disclosure in the financial statements.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

CASTLO Community Improvement Corporation
Mahoning County
100 South Bridge Street
Struthers, Ohio 44471

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the CASTLO Community Improvement Corporation, Mahoning County, (the CIC), (a not-for-profit corporation), as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated November 7, 2018.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the CIC's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the CIC's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the CIC's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the CIC's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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*.

CIC's Response to Findings

The CIC's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the CIC's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the CIC's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the CIC's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

November 7, 2018

**CASTLO COMMUNITY IMPROVEMENT CORPORATION
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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1. Financial Statement Presentation

<i>Finding Number</i>	2017-001
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MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Corporation's financial statements had the following material errors and omissions due to not having adequate controls over financial reporting:

- The Financial Statements did not include all of the required footnote disclosures. The only footnote disclosure included in the financial statement filing was the Capital Asset Note.
- Notes Receivable was incorrectly classified as a current asset instead of a non-current on the Statement of Financial Position.
- In the Statement of Activities \$11,267 was classified as Non-Operating Revenues, but should have been classified as Operating Revenue, which includes event revenue and site maintenance-related revenue.
- The Statement of Financial Position included a line item for "Current (Deficit)" of (\$13,114). This amount should have been netted with Unrestricted Net Assets.

The financial statements and the client's accounting system have been adjusted to correct the above errors.

There were additional immaterial errors identified in the financial statements. The financial statements and accounting records were not corrected for immaterial errors.

The Corporation should implement additional internal controls to help ensure the financial statements are accurately reported on a GAAP basis. In particular, subsequent to year end, searches should be performed for accounts payable and receivable, revenues and expenses.

Official's Response:

CASTLO will bring this to its accountant's attention that these particular items need to be corrected. At the post audit conference, we will discuss these items again with the accountant to make sure that they correctly state future line items.

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CASTLO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Financial Statement Presentation not adequate.	Not Corrected	Repeated as finding 2017-001.
2015-001	Financial Statement Presentation not adequate.	Not Corrected	Repeated as finding 2016-001

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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
NOVEMBER 20, 2018**