

**CASTLO COMMUNITY IMPROVEMENT CORPORATION
MAHONING COUNTY, OHIO
Regular Audit
For the Year Ended December 31, 2011**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the CASTLO Community Improvement Corporation, Mahoning County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2011 through December 31, 2011. 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 "Dave Yost".

Dave Yost
Auditor of State

December 4, 2012

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**CASTLO COMMUNITY IMPROVEMENT CORPORATION
MAHONING COUNTY, OHIO**

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Perry & Associates
Certified Public Accountants, A.C.
www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

INDEPENDENT ACCOUNTANTS' REPORT

August 23, 2012

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

To the Board of Trustees:

We have audited the accompanying statement of financial position of the **CASTLO Community Improvement Corporation**, Mahoning County, Ohio, (a nonprofit organization), (the Corporation), as of December 31, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation'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 the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the CASTLO Community Improvement Corporation, as of December 31, 2011 and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2012 on our consideration of the Corporation'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,



Perry & Associates
Certified Public Accountants, A.C.

CASTLO COMMUNITY IMPROVEMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011

CURRENT ASSETS	
Cash and Cash Equivalents	\$ 596,051
Due from Other Governments	214,372
Rents Receivable	3,715
Prepaid Expenses	4,354
TOTAL CURRENT ASSETS	<u>818,492</u>
 CAPITAL ASSETS	
Land	1,222,280
Land Improvements	1,703,762
Buildings	4,873,190
Railway Improvements	181,408
Furniture, Fixtures and Equipment	25,660
Machinery and Equipment	105,121
Vehicles	65,333
Construction in Progress	191,446
Less: Accumulated depreciation	<u>(5,907,404)</u>
NET CAPITAL ASSETS	<u>2,460,796</u>
 TOTAL ASSETS	 <u><u>\$ 3,279,288</u></u>
 CURRENT LIABILITIES	
Accounts Payable	\$ 183,999
Accrued Payroll Expenses	3,561
Other Accrued Liabilities	28,948
Tenant Security Deposits	16,586
TOTAL CURRENT LIABILITIES	<u>233,094</u>
 NET ASSETS	
Unrestricted	<u>3,046,194</u>
TOTAL NET ASSETS	<u>3,046,194</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 3,279,288</u></u>

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

CASTLO COMMUNITY IMPROVEMENT CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

OPERATING REVENUES	
Tenant Rental	\$ 208,774
Scrap Sales	946,824
Site Maintenance	1,340
Grants	288,855
TOTAL OPERATING REVENUES	<u>1,445,793</u>
 OPERATING EXPENSES	
Payroll and Benefits	92,110
Management Fees	41,277
Professional Services	14,408
Insurance	11,726
Utilities	24,994
Repairs and Maintenance	53,741
Equipment Rental	2,638
Small Equipment	3,112
Auto and Truck Expense	2,882
Property Taxes	22,743
Office Expenses	4,935
Dues and Subscriptions	1,821
Advertising and Promotion	3,915
Travel and Meetings	727
Depreciation	198,924
TOTAL OPERATING EXPENSES	<u>479,953</u>
 Operating Income (Loss)	 <u>965,840</u>
 NON-OPERATING REVENUES	
Interest	3,822
Miscellaneous	5,449
Gas Lease	231,032
TOTAL NON-OPERATING REVENUES	<u>240,303</u>
 CHANGE IN NET ASSETS	 1,206,143
 NET ASSETS, BEGINNING OF YEAR	 <u>1,840,051</u>
 NET ASSETS, END OF YEAR	 <u><u>\$ 3,046,194</u></u>

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

CASTLO COMMUNITY IMPROVEMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Operations	\$ 1,225,429
Cash Paid for Employee Salaries and Benefits	(94,980)
Cash Payments to Suppliers for Goods and Services	(9,866)
Net Cash Provided by Operating Activities	<u>1,120,583</u>

**CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES**

Acquisition of Property and Equipment	(992,071)
Net Cash Used by Capital and Related Financing Activities	<u>(992,071)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on Cash and Cash Equivalents	3,822
Miscellaneous Receipts	5,449
Gas Lease Royalties	231,032
Net Cash provided by Investing Activities	<u>240,303</u>

Net Increase (Decrease) in Cash and Cash Equivalents 368,815

Cash and Cash Equivalents, Beginning of Year 227,236

Cash and Cash Equivalents, End of Year \$ 596,051

**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating Income (Loss) \$ 965,840

**Adjustments to reconcile operating income to
net cash provided by operating activities:**

Changes in assets and liabilities:

Decrease (Increase) in Accounts Receivable	(218,087)
Decrease (Increase) in Prepaid Expenses	208
Increase (Decrease) in Accounts Payable	182,062
Increase (Decrease) in Wages Payable	(2,857)
Increase (Decrease) in Payroll Liabilities	(13)
Increase (Decrease) in Other Accrued Liabilities	(3,217)
Increase (Decrease) in Tenant Security Deposits	(2,277)
Depreciation	198,924
Total Adjustments	<u>154,743</u>

Net Cash Provided by Operating Activities \$ 1,120,583

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

CASTLO COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011, all net assets of the CIC 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.

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.

CASTLO COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)

2. 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, 2011, CASTLO's bank balances of \$595,811 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 Authorities deposits are categorized to give an indication level of risk assumed by CASTLO as of December 31, 2011. 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, 2011 were as follows:

Checking and Savings	\$139,582 (Category 1)
Checking and Savings	\$456,229 (Category 2)

3. 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.

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 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 employees. CASTLO did not fund a pension contribution for the year 2011.

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. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items 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.

7. CAPITAL ASSETS

Changes in capital assets for the year ended December 31, 2011 consisted of the following:

CASTLO COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)

7. CAPITAL ASSETS (Continued)

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 371,000	\$ 851,280	\$ -	\$ 1,222,280
Construction in Progress	-	191,446	-	191,446
Total Capital Assets, Not Being Depreciated	<u>371,000</u>	<u>1,042,726</u>	<u>-</u>	<u>1,413,726</u>
Capital Assets Being Depreciated				
Buildings and Improvements	5,375,825	-	(502,635)	4,873,190
Land Improvements	1,703,762	-	-	1,703,762
Railway Improvements	181,408	-	-	181,408
Furniture, Fixtures and Equipment	25,660	-	-	25,660
Vehicles	65,333	-	-	65,333
Machinery and Equipment	105,121	-	-	105,121
Total Capital Assets, Being Depreciated	7,457,109	-	(502,635)	6,954,474
Less Accumulated Depreciation:				
Buildings and Improvements	(4,127,903)	(190,456)	451,980	(3,866,379)
Land Improvements	(1,667,047)	(5,699)	-	(1,672,746)
Railway Improvements	(174,607)	(1,190)	-	(175,797)
Furniture, Fixtures and Equipment	(24,806)	(219)	-	(25,025)
Vehicles	(65,333)	-	-	(65,333)
Machinery and Equipment	(100,764)	(1,360)	-	(102,124)
Total Accumulated Depreciation	<u>(6,160,460)</u>	<u>(198,924)</u>	<u>451,980</u>	<u>(5,907,404)</u>
Total Capital Assets Being Depreciated, Net	<u>1,296,649</u>	<u>(198,924)</u>	<u>(50,655)</u>	<u>1,047,070</u>
Total Capital Assets	<u>\$ 1,667,649</u>	<u>\$ 843,802</u>	<u>\$ (50,655)</u>	<u>\$ 2,460,796</u>
Depreciation Expense Charge to Operations		<u>\$ 198,924</u>		

8. SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through August 23, 2012, the date which the financial statements were available to be issued.

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MARIETTA
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(304) 428-5587 Fax

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121 E Main Street
St. Clairsville, OH 43950
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(740) 695-5775 Fax

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

August 23, 2012

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

To the Board of Trustees:

We have audited the financial statements of the **CASTLO Community Improvement Corporation**, Mahoning County, Ohio, (a nonprofit organization), (the Corporation), as of and for the year ended December 31, 2011, and have issued our report thereon dated August 23, 2012. 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 the Board's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not to opine on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Corporation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of audit findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 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 timely corrected. We consider the deficiency of internal control over compliance described in the accompanying schedule of audit findings as 2011-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Corporation's basic 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, 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 *Governmental Auditing Standards*.

We intend this report solely for the information and use of management, the Board of Trustees of the CASTLO Community Improvement Corporation, grantors, and others within the Corporation. We intend it for no one other than these specified parties.

Respectfully Submitted,

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." in a cursive script.

Perry & Associates
Certified Public Accountants, A.C.

**CASTLO COMMUNITY IMPROVEMENT CORPORATION
MAHONING COUNTY, OHIO**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-001

Material Weakness

Posting of Assets, Liabilities, Revenues and Expenses

Standards and practices regarding internal controls require that the Board's internal controls be adequately designed to ensure that its financial statements and related disclosures conform, in all material respects, to the requirements of the basis of accounting on which the statements are prepared.

During our audit, we noted the following:

- Substantial non cash scrap revenue and demolition costs were not recorded
- Capital asset acquisitions were expensed and not recorded as property additions
- Grants were recorded as reductions of expenses
- Several posting errors were not detected resulting in inaccurate classifications
- Substantial reimbursable grants receivable were not recorded
- Substantial accounts payable for capital additions and improvements were not recorded
- Payroll was not properly accrued
- Rents receivable and tenant's deposits were not properly recognized

As a result, several material audit adjustments and reclassifications were required in order for the year-end financial statements to be presented accurately and on the accrual basis. The accompanying financial statements reflect all adjustments and reclassifications.

While the Corporation has taken steps to properly prepare its financial statements, and the Corporation collectively possess the necessary skills, knowledge, and expertise to evaluate the accrual-basis statements, the Corporation may wish to consider, on an ongoing basis, whether the benefit of implementing additional controls, such as contracting with an accountant to prepare annual compliant financial statements, would exceed the additional cost of such controls.

Management's Response – We did not receive a response from officials to this finding.



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
DECEMBER 18, 2012**