

**CASTLO COMMUNITY IMPROVEMENT CORPORATION
MAHONING COUNTY
Regular Audit
For the Year Ended December 31, 2012**

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 Auditor's Report* of the CASTLO Community Improvement Corporation, Mahoning County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2012 through December 31, 2012. 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

November 12, 2013

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**CASTLO COMMUNITY IMPROVEMENT CORPORATION
MAHONING COUNTY**

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Perry & Associates

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INDEPENDENT AUDITOR'S REPORT

September 30, 2013

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 statement of financial position of the **CASTLO Community Improvement Corporation**, Mahoning County, Ohio (a nonprofit organization), (the Corporation), as of and for the year ended December 31, 2012, and the related statement of activities, cash flows and notes to the financial statements, which collectively comprise the Corporation'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 Corporation's 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 Corporation's internal control. Accordingly, we express no 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 the CASTLO Community Improvement Corporation, Mahoning County, Ohio as of December 31, 2012, and the respective changes in financial position and 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 September 30, 2013, 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. 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 Corporation's internal control over financial reporting and compliance.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

CASTLO COMMUNITY IMPROVEMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012

CURRENT ASSETS	
Cash and Cash Equivalents	\$ 97,932
Prepaid Expenses	2,056
TOTAL CURRENT ASSETS	<u>99,988</u>
 CAPITAL ASSETS	
Land	1,910,137
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	871,179
Less: Accumulated Depreciation	<u>(6,098,471)</u>
NET CAPITAL ASSETS	<u>3,637,319</u>
 TOTAL ASSETS	 <u>\$ 3,737,307</u>
 CURRENT LIABILITIES	
Accounts Payable	\$ 5,333
Accrued Payroll Expenses	527
Other Accrued Liabilities	32,165
Tenant Security Deposits	<u>27,124</u>
TOTAL CURRENT LIABILITIES	<u>65,149</u>
 NET ASSETS	
Unrestricted	<u>3,672,158</u>
TOTAL NET ASSETS	<u>3,672,158</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 3,737,307</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, 2012

OPERATING REVENUES	
Tenant Rental	\$ 206,271
Scrap Sales	1,890
Site Maintenance	200
Grants	906,278
TOTAL OPERATING REVENUES	<u>1,114,639</u>
OPERATING EXPENSES	
Payroll and Benefits	91,181
Management Fees	40,426
Professional Services	11,917
Insurance	12,842
Utilities	28,637
Repairs and Maintenance	6,972
Equipment Rental	3,250
Small Equipment	431
Auto and Truck Expense	2,084
Property Taxes	31,451
Office Expenses	7,737
Dues and Subscriptions	4,826
Advertising and Promotion	9,650
Travel and Meetings	1,151
Depreciation	191,067
TOTAL OPERATING EXPENSES	<u>443,622</u>
Operating Income	<u>671,017</u>
NON-OPERATING REVENUES (EXPENSES)	
Contribution to The Youngstown Foundation	(50,000)
Interest	1,782
Miscellaneous	3,165
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(45,053)</u>
CHANGE IN NET ASSETS	625,964
NET ASSETS, BEGINNING OF YEAR	<u>3,046,194</u>
NET ASSETS, END OF YEAR	<u>\$ 3,672,158</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, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Operations	\$ 1,343,264
Cash Paid for Employee Salaries and Benefits	(94,215)
Cash Payments to Suppliers for Goods and Services	(334,525)
Net Cash Provided by Operating Activities	<u>914,524</u>

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

Contribution to The Youngstown Foundation	(50,000)
Net Cash Used In Capital and Related Financing Activities	<u>(50,000)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on Cash and Cash Equivalents	1,782
Acquisition of Property and Equipment	(1,367,590)
Miscellaneous Receipts	3,165
Net Cash Used In Investing Activities	<u>(1,362,643)</u>

Net (Decrease) in Cash and Cash Equivalents (498,119)

Cash and Cash Equivalents, Beginning of Year 596,051

Cash and Cash Equivalents, End of Year \$ 97,932

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

Operating Income \$ 671,017

**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	2,298
Increase (Decrease) in Accounts Payable	(178,666)
Increase (Decrease) in Payroll Liabilities	(3,034)
Increase (Decrease) in Other Accrued Liabilities	3,217
Increase (Decrease) in Tenant Security Deposits	10,538
Depreciation	<u>191,067</u>
Total Adjustments	<u>243,507</u>

Net Cash Provided by Operating Activities \$ 914,524

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, 2012

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, 2012, 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.

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, 2012, 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 2009, 2010 and 2011 are subject to examination by the IRS, generally for three years after they were filed.

CASTLO COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

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. 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, 2012, CASTLO's bank balances of \$109,125 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, 2012. 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, 2012 were as follows:

Checking and Savings	\$109,125 (Category 1)
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3. 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 2012.

4. 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.

CASTLO COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

5. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2012, 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.

6. CAPITAL ASSETS

Changes in capital assets for the year ended December 31, 2012 consisted of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 1,222,280	\$ 687,857	\$ -	\$ 1,910,137
Construction in Progress	191,446	679,733	-	871,179
Total Capital Assets, Not Being Depreciated	1,413,726	1,367,590	-	2,781,316
Capital Assets Being Depreciated				
Buildings and Improvements	4,873,190	-	-	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	6,954,474	-	-	6,954,474
Less Accumulated Depreciation:				
Buildings and Improvements	(3,866,379)	(182,205)	-	(4,048,584)
Land Improvements	(1,672,746)	(5,645)	-	(1,678,391)
Railway Improvements	(175,797)	(1,190)	-	(176,987)
Furniture, Fixtures and Equipment	(25,025)	(733)	-	(25,758)
Vehicles	(65,333)	-	-	(65,333)
Machinery and Equipment	(102,124)	(1,294)	-	(103,418)
Total Accumulated Depreciation	(5,907,404)	(191,067)	-	(6,098,471)
Total Capital Assets Being Depreciated, Net	1,047,070	(191,067)	-	856,003
Total Capital Assets	\$ 2,460,796	\$ 1,176,523	\$ -	\$ 3,637,319
Depreciation Expense Charge to Operations		\$ 191,067		

CASTLO COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

7. CONTINGENT LIABILITY

The Corporation participates in several state assisted grants that are subject to financial and 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.

8. SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through September 30, 2013, the date which the financial statements were available to be issued. No events occurred subsequent to the date of this report that would require adjustment or disclosure in the financial statements.

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Certified Public Accountants, A.C.

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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*

September 30, 2013

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, Ohio (a nonprofit organization) (the Corporation), as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Corporation'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(s) on the financial statements, but not to the extent necessary to opine on the effectiveness of the Corporation'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 Corporation'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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Corporation'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*.

CASTLO Community Improvement Corporation
Mahoning County
Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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 Corporation's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

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

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**CASTLO COMMUNITY IMPROVEMENT CORPORATION
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Posting of Assets, Liabilities, Revenues and Expenses	Yes	N/A



Dave Yost • Auditor of State

CASTLO COMMUNITY IMPROVEMENT CORP

ADAMS 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 26, 2013**