

**CASTLO  
COMMUNITY IMPROVEMENT CORPORATION  
MAHONING COUNTY  
Regular Audit  
For the Year Ended December 31, 2013**

***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, 2013 through December 31, 2013. 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

May 29, 2014

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**CASTLO COMMUNITY IMPROVEMENT CORPORATION  
MAHONING COUNTY**

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# *Perry & Associates*

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## **INDEPENDENT AUDITOR'S REPORT**

May 7, 2014

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 the **CASTLO Community Improvement Corporation**, Mahoning County, Ohio (the Corporation) (a nonprofit organization), as of and for the year ended December 31, 2013, and the related 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, 2013, and the respective changes in financial position and cash flows thereof for the years 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 May 7, 2014, 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.



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

**CASTLO COMMUNITY IMPROVEMENT CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2013**

<b>CURRENT ASSETS</b>	
Cash and Cash Equivalents	\$ 472,772
TOTAL CURRENT ASSETS	<u>472,772</u>
 <b>CAPITAL ASSETS</b>	
Land	1,998,976
Land Improvements	1,705,262
Buildings	4,850,722
Railway Improvements	181,408
Furniture, Fixtures and Equipment	25,660
Machinery and Equipment	108,881
Vehicles	65,333
Construction in Progress	2,736,371
Less: Accumulated Depreciation	<u>(6,238,551)</u>
NET CAPITAL ASSETS	<u>5,434,062</u>
TOTAL ASSETS	<u>\$ 5,906,834</u>
 <b>CURRENT LIABILITIES</b>	
Accounts Payable	\$ 3,884
Accrued Payroll Expenses	136
Other Accrued Liabilities	27,140
Tenant Security Deposits	<u>27,676</u>
TOTAL CURRENT LIABILITIES	<u>58,836</u>
 <b>NET ASSETS</b>	
Unrestricted	<u>5,847,998</u>
TOTAL NET ASSETS	<u>5,847,998</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,906,834</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, 2013**

	<b>Unrestricted</b>
<b>OPERATING REVENUES</b>	
Tenant Rental	\$ 316,529
Scrap Sales	30,179
Site Maintenance	1,240
Event Revenue	4,458
Refunds and Reimbursements	7,100
Grants	2,281,007
TOTAL OPERATING REVENUES	2,640,513
<b>OPERATING EXPENSES</b>	
Payroll and Benefits	105,716
Management Fees	49,367
Professional Services	8,483
Insurance	12,104
Utilities	21,759
Repairs and Maintenance	22,834
Equipment Rental	2,969
Small Equipment	809
Auto and Truck Expense	3,697
Property Taxes	25,894
Office Expenses	12,689
Dues and Subscriptions	2,118
Advertising and Promotion	4,929
Travel and Meetings	500
Depreciation	192,208
TOTAL OPERATING EXPENSES	466,076
Operating Income	2,174,437
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest	113
Loss on Disposal	(4,232)
Miscellaneous	5,522
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,403
CHANGE IN NET ASSETS	2,175,840
NET ASSETS, BEGINNING OF YEAR	3,672,158
NET ASSETS, END OF YEAR	\$ 5,847,998

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, 2013**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from Operations	\$ 2,641,065
Cash Paid for Employee Salaries and Benefits	(106,107)
Cash Payments to Suppliers for Goods and Services	(172,570)
Net Cash Provided by Operating Activities	<u>2,362,388</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on Cash and Cash Equivalents	113
Acquisition of Property and Equipment	(1,993,183)
Miscellaneous Receipts	5,522
Net Cash Used in Investing Activities	<u>(1,987,548)</u>

Net Increase in Cash and Cash Equivalents 374,840

Cash and Cash Equivalents, Beginning of Year 97,932

Cash and Cash Equivalents, End of Year \$ 472,772

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

Operating Income \$ 2,174,437

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

**Changes in assets and liabilities:**

Decrease (Increase) in Prepaid Expenses	2,056
Increase (Decrease) in Accounts Payable	(1,449)
Increase (Decrease) in Payroll Liabilities	(391)
Increase (Decrease) in Other Accrued Liabilities	(5,025)
Increase (Decrease) in Tenant Security Deposits	552
Depreciation	<u>192,208</u>
Total Adjustments	<u>187,951</u>

Net Cash Provided by Operating Activities \$ 2,362,388

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, 2013**

**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, 2013, 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, 2013, 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 2010, 2011 and 2012 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, 2013**  
**(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, 2013, CASTLO's bank balances of \$475,197 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, 2013. 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, 2013 were as follows:

Checking and Savings	\$472,772 (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 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 did not fund a pension contribution for the year 2013.

**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, 2013**  
**(CONTINUED)**

**5. CAPITAL ASSETS**

Changes in capital assets for the year ended December 31, 2013 consisted of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Capital Assets, Not Being Depreciated</b>				
Land	\$ 1,910,137	\$ 88,839	\$ -	\$ 1,998,976
Construction in Progress	871,179	1,865,192	-	2,736,371
<b>Total Capital Assets, Not Being Depreciated</b>	<b>2,781,316</b>	<b>1,954,031</b>	<b>-</b>	<b>4,735,347</b>
<b>Capital Assets Being Depreciated</b>				
Buildings and Improvements	4,873,190	33,892	(56,360)	4,850,722
Land Improvements	1,703,762	1,500	-	1,705,262
Railway Improvements	181,408	-	-	181,408
Furniture, Fixtures and Equipment	25,660	-	-	25,660
Vehicles	65,333	-	-	65,333
Machinery and Equipment	105,121	3,760	-	108,881
<b>Total Capital Assets, Being Depreciated</b>	<b>6,954,474</b>	<b>39,152</b>	<b>(56,360)</b>	<b>6,937,266</b>
<b>Less Accumulated Depreciation:</b>				
Buildings and Improvements	(4,048,584)	(183,594)	52,128	(4,180,050)
Land Improvements	(1,678,391)	(5,658)	-	(1,684,049)
Railway Improvements	(176,987)	(1,190)	-	(178,177)
Furniture, Fixtures and Equipment	(25,758)	98 *	-	(25,660)
Vehicles	(65,333)	-	-	(65,333)
Machinery and Equipment	(103,418)	(1,864)	-	(105,282)
<b>Total Accumulated Depreciation</b>	<b>(6,098,471)</b>	<b>(192,208)</b>	<b>52,128</b>	<b>(6,238,551)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>856,003</b>	<b>(153,056)</b>	<b>(4,232)</b>	<b>698,715</b>
<b>Total Capital Assets</b>	<b>\$ 3,637,319</b>	<b>\$ 1,800,975</b>	<b>\$ (4,232)</b>	<b>\$ 5,434,062</b>
<b>Depreciation Expense Charge to Operations</b>		<b>\$ 192,208</b>		

\* - Correction of prior accumulated depreciation

**6. 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.

**CASTLO COMMUNITY IMPROVEMENT CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**(CONTINUED)**

**7. SUBSEQUENT EVENTS**

The Corporation has evaluated subsequent events through May 7, 2014, 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.

# *Perry & Associates*

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***

May 7, 2014

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 (the Corporation) (a nonprofit organization), as of and for the year ended December 30, 2013, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated May 7, 2014.

### ***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 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*.

***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.



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



# 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  
JUNE 10, 2014**