



Dave Yost • Auditor of State



**CASTLO COMMUNITY IMPROVEMENT CORPORATION  
MAHONING COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Statement of Financial Position .....	3
Statement of Activities .....	4
Statement of Cash Flows .....	5
Notes to the Financial Statements.....	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	11
Schedule of Findings.....	13
Prepared by Management:	
Schedule of Prior Audit Findings.....	15





# 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, 2016, 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, 2016, 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 July 10, 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

July 10, 2018

**CASTLO COMMUNITY IMPROVEMENT CORPORATION**

**STATEMENT OF FINANCIAL POSITION**

December 31, 2016

<hr/> <hr/>	
<b>CURRENT ASSETS</b>	
Cash and Cash Equivalents	\$ 264,783
Prepaid Expenses	1,180
	<hr/>
<b>TOTAL CURRENT ASSETS</b>	<b>265,963</b>
	<hr/>
<b>NON- CURRENT ASSETS</b>	
Notes Receivable	94,485
	<hr/>
<b>CAPITAL ASSETS</b>	
Land	5,477,661
Land Improvements	1,712,662
Buildings and Improvements	4,430,424
Railway Improvements	181,408
Furniture, Fixtures and Equipment	8,191
Machinery and Equipment	39,372
Vehicles	29,092
Less: Accumulated Depreciation	(6,020,393)
	<hr/>
<b>NET CAPITAL ASSETS</b>	<b>5,858,417</b>
	<hr/>
<b>TOTAL ASSETS</b>	<b>6,218,865</b>
	<hr/> <hr/>
<b>CURRENT LIABILITIES</b>	
Accrued Payroll Expenses	\$ 496
Other Accrued Liabilities	16,479
Tenant Security Deposits	19,726
	<hr/>
<b>TOTAL CURRENT LIABILITIES</b>	<b>36,701</b>
	<hr/>
<b>NET ASSETS</b>	
Unrestricted	6,182,164
	<hr/>
<b>TOTAL NET ASSETS</b>	<b>6,182,164</b>
	<hr/>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,218,865</b>
	<hr/> <hr/>

See accompanying notes to the basic financial statements

**CASTLO COMMUNITY IMPROVEMENT CORPORATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>Unrestricted</b>
<b>OPERATING REVENUES</b>	
Tenant Rental	327,752
Event Revenue	7,751
Refunds and Reimbursements	4,820
Site Maintenance	890
<b>TOTAL OPERATING REVENUES</b>	<b>341,213</b>
 <b>Operating Expenses</b>	
Payroll and Benefits	71,413
Subcontractor Labor	26,307
Management Fees	29,714
Professional Services	15,790
Insurance	10,337
Utilities	24,588
Repairs and Maintenance	40,761
Equipment Rental	6,867
Small Equipment	1,294
Audit and Truck Expenses	776
Property Taxes	27,297
Office Expenses	5,062
Dues and Subscriptions	1,304
Advertising and Promotion	4,458
Site Cleanup	1,720
Event Expenses	7,339
Travel and Meetings	2,729
Depreciation	139,036
Miscellaneous	2,320
Penalties and Fees	338
<b>TOTAL OPERATING EXPENSES</b>	<b>419,450</b>
 Operating Income/(Loss)	 (78,237)
 <b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest	215
Miscellaneous	16,531
Gain on Sale of Asset	67,705
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>84,451</b>
 <b>CHANGE IN NET ASSETS</b>	 6,214
 <b>NET ASSETS, BEGINNING OF YEAR</b>	 6,175,950
 <b>NET ASSETS, END OF YEAR</b>	 6,182,164
See accompanying notes to the basic financial statements	



**CASTLO COMMUNITY IMPROVEMENT CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

<hr/> <hr/>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Operations	330,355
Cash Paid for Employee Salaries and Benefits	(69,388)
Cash Payments to Suppliers for Goods and Services	(217,290)
	<hr/>
<i>Net Cash Provided by (Used in) Operating Activities</i>	<i>43,677</i>
	<hr/>
<b>Cash Flows from Investing Activities</b>	
Interest Received	215
Miscellaneous Income Received	18,432
	<hr/>
<i>Net Cash Provided by (Used in) Investing Activities</i>	<i>18,647</i>
	<hr/>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Proceeds from Sale of Capital Assets	15,264
Building and Improvement	(2,800)
	<hr/>
<i>Net Cash Provided by (Used in) Capital and Related Financing Activities</i>	<i>12,464</i>
	<hr/>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<i>74,788</i>
	<hr/>
<i>Cash and Cash Equivalents Beginning of Year</i>	<i>189,995</i>
	<hr/>
<i>Cash and Cash Equivalents End of Year</i>	<i>264,783</i>
	<hr/> <hr/>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>	
Operating Loss	(78,237)
Depreciation	139,036
	<hr/>
<b>Changes in Assets and Liabilities</b>	
<b>(Increase)/Decrease in Assets</b>	
Increase in Prepaid Expenses	(192)
<b>Increase/(Decrease) in Liabilities</b>	
Decrease in Accounts Payable	(6,089)
Decrease in Payroll Liabilities	(5,120)
Increase in Other Accrued Liabilities	1,749
Decrease in Tenant Security Deposits	(7,470)
	<hr/>
Total Adjustment	(17,122)
	<hr/>
<i>Net Cash Provided by (Used in) Operating Activities</i>	<i>43,677</i>

See accompanying notes to the basic financial statements

**THIS PAGE INTENTIONALLY LEFT BLANK.**

**CASTLO Community Improvement Corporation**  
*Mahoning County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

**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, 2016, 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, 2015, 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 2013, 2014 and 2015 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, 2016*

---

**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, 2016, CASTLO's bank balances of \$263,805 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, 2016. 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, 2016 were as follows:

Checking and Savings Deposits	\$263,805
Cash on Hand	<u>978</u>
Total Cash and Cash Equivalents	<u>\$264,783</u>

**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 \$2,162, 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, 2016*

**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. CAPITAL ASSETS**

Changes in capital assets for the year ended December 31, 2016 consisted of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Capital Assets, not being depreciated:</b>				
Land	\$ 5,477,661	\$ -	\$ -	\$ 5,477,661
<b>Total Capital Assets, not being Depreciated</b>	5,477,661	-	-	5,477,661
<b>Capital Assets, being Depreciated:</b>				
Buildings and Improvements	4,853,119	2,800	425,495	4,430,424
Land Improvements	1,712,662	-	-	1,712,662
Railway Improvements	181,408	-	-	181,408
Furniture, Fixtures & Equipment	8,191	-	-	8,191
Vehicles	29,092	-	-	29,092
Machinery & Equipment	46,862	-	7,490	39,372
<b>Total Capital Assets, being Depreciated</b>	6,831,334	2,800	432,985	6,401,149
				-
<b>Less Accumulated Depreciation:</b>				-
Buildings and Improvements	(4,321,705)	(136,908)	385,083	(4,073,530)
Land Improvements	(1,690,946)	(3,264)	-	(1,694,210)
Railway Improvements	(179,363)	(748)	-	(180,111)
Furniture, Fixtures & Equipment	(7,238)	(178)	-	(7,416)
Vehicles	(29,092)	-	-	(29,092)
Machinery & Equipment	(42,126)	(1,398)	7,490	(36,034)
<b>Total Accumulated Depreciation</b>	(6,270,470)	(142,496)	392,573	(6,020,393)
Total Capital Assets, Being Depreciated, Net	560,864	(139,696)	825,558	380,756
<b>Total Capital Assets</b>	<u>\$6,038,525</u>	<u>(\$139,696)</u>	<u>\$825,558</u>	<u>5,858,417</u>
Depreciation Expense Charged to Operations		<u>(\$139,696)</u>		

**CASTLO Community Improvement Corporation**

*Mahoning County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

---

**7. 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.

**8. SUBSEQUENT EVENTS**

The Corporation has evaluated subsequent events through July 10, 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.



# Dave Yost • Auditor of State

## 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, 2016, and the related notes to the financial statements, and have issued our report thereon dated July 10, 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 2016-001 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

July 10, 2018



**CASTLO COMMUNITY IMPROVEMENT CORPORATION  
MAHONING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**1. Financial Statement Presentation**

<i>Finding Number</i>	2016-001
-----------------------	----------

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. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Entities must have controls in place to ensure:

- The financial information submitted is accurate in all material respects and that all necessary disclosures were made.
- The internal control structure and procedures provide reasonable assurance as to the proper recording of financial transactions and balances.
- Management evaluated the effectiveness of the internal control structure over the financial information.

The Corporation had the following errors in its financial statements:

- The original filing to the Hinkle System did not include the required Statement of Cash Flows and the notes to the financial statements did not include all of the necessary information.
- Accrued Liabilities of \$1,009 were incorrectly classified as long-term debt.
- Notes Receivable of \$94,485 was incorrectly classified as a current asset.
- Building and Improvements were understated by \$13,595.
- The Statement of Financial Position included a line item for "Current (Deficit)" of \$7,382.
- The Statement of Cash Flows had numerous errors, mainly in the Reconciliation of Change in Net Assets to Net Cash Provided from Operation Activities, which included:
  - Decrease in Accounts Payable and Payroll Liabilities were listed as Increases.
  - Decrease in Payroll Liabilities was understated by \$1,738.
  - Increase in Other Accrued Liabilities was off by \$1,644.
  - Gain on Sale of Assets was off by \$8,308.
  - Proceeds from Sale of Capital Assets of \$15,264 was not categorized properly and understated by \$2,749.

The audited financial statements and the client's accounting system have been adjusted for all of the above 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.



# CASTLO

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2016

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	<b>Financial Statement Presentation not adequate.</b>	Not Corrected	Repeated as finding 2016-001.
2014-001	<b>Financial Statement Presentation not adequate.</b>	Not Corrected	Repeated as finding 2015-001

**This page intentionally left blank.**



# 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  
AUGUST, 2 2018**