

CASTLO COMMUNITY IMPROVEMENT CORPORATION  
REPORT ON EXAMINATION OF FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2001 AND 2000





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
Columbus, Ohio 43215

Telephone 614-466-4514  
800-282-0370

Facsimile 614-728-7398  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

We have reviewed the Independent Auditor's Report of CASTLO Community Improvement Corporation, Mahoning County, prepared by William, D. Leicht & Associates, for the audit period January 1, 2001 through December 31, 2001. 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. CASTLO Community Improvement Corporation is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO  
Auditor of State

June 11, 2002

**This Page is Intentionally Left Blank.**

**WILLIAM D. LEICHT, CPA  
725 BOARDMAN CANFIELD RD M-2  
YOUNGSTOWN, OHIO 44512  
330-758-8395  
FAX 330-758-7927**

April 2, 2002

Board of Trustees  
CASTLO Community Improvement Corporation  
Struthers, Ohio

**Independent Auditor's Report**

We have audited the accompanying balance sheet of CASTLO Community Improvement Corporation as of December 31, 2001 and 2000 and the related statements of revenue and expenses and changes in net assets for the year then ended. These financial statements are the responsibility of the organization'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements are free of material misstatements. 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 that our audits provide a reasonable basis for our opinion.

In our opinion, the statements referred to above present fairly, in all material respects, the assets and liabilities of CASTLO Community Improvement Corporation as of December 31, 2001 and 2000 and its revenue collected and expenses paid changes in net assets during the years then ended and cash flows in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 2, 2002 on our consideration of the CASTLO Community Improvement Corporations internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results if an audit.

William D. Leicht CPA

CASTLO COMMUNITY IMPROVEMENT CORPORATION

STATEMENT OF ASSETS AND LIABILITIES

YEARS ENDED DECEMBER 31,

ASSETS

	<u>2001</u>	<u>2000</u>
<b>CURRENT ASSETS</b>		
Operating cash	\$ 366,136	\$ 335,650
Tenant security deposits	<u>45,715</u>	<u>50,096</u>
Total current assets	411,851	385,746
<b>PROPERTY AND EQUIPMENT</b>		
Land	371,000	371,000
Land improvements	1,661,737	1,643,267
Building	490,072	392,732
Building improvements	4,467,791	4,447,341
Railway improvements	157,608	157,608
Furniture, fixtures and equipment	15,604	13,432
Machinery and equipment	103,923	99,492
Vehicles	<u>57,347</u>	<u>57,347</u>
	7,325,082	7,182,219
Less accumulated depreciation	<u>4,224,081</u>	<u>3,955,450</u>
Total property and equipment	3,101,001	3,226,769
Total assets	<u>\$3,512,852</u>	<u>\$3,612,515</u>

LIABILITIES

	<u>2001</u>	<u>2000</u>
CURRENT LIABILITIES		
Payroll taxes payable	\$ 906	\$ 1,046
Tenant security deposits	45,715	50,096
Current portion of long-term debt (Note F)	<u>6,605</u>	<u>33,040</u>
Total current liabilities	53,226	84,182
LONG-TERM DEBT (Note F)	79,689	-0-
Net assets	3,379,937	3,528,333
Total Liabilities & Net Assets	<u>\$3,512,852</u>	<u>\$3,612,515</u>

See accompanying notes to financial statements

CASTLO COMMUNITY IMPROVEMENT CORPORATION

STATEMENT OF REVENUE AND EXPENSES AND  
CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31,

	<u>2001</u>	<u>2000</u>
OPERATING REVENUE		
Tenant rental	\$ 409,072	\$ 439,619
Scrap sales	-0-	163
Site maintenance	<u>1,800</u>	<u>2,181</u>
Total operating revenue	410,872	441,963
OPERATING EXPENSES	<u>300,579</u>	<u>342,308</u>
EXCESS REVENUE OVER EXPENSES	110,293	99,655
OTHER REVENUE		
Interest income	11,738	16,940
Sale of asset	100	500
Grant	--	--
Miscellaneous	<u>1,318</u>	<u>15,245</u>
Total other revenue	<u>13,156</u>	<u>32,685</u>
OTHER DEDUCTIONS		
Interest expense	3,214	3,638
Depreciation	<u>268,631</u>	<u>267,558</u>
Total other deductions	271,845	271,196
EXCESS EXPENSES OVER REVENUE	(148,396)	(138,856)
NET ASSETS - BEGINNING OF YEAR	<u>3,528,333</u>	<u>3,667,189</u>
NET ASSETS - END OF YEAR	<u>\$3,379,937</u>	<u>\$3,528,333</u>

See accompanying notes to financial statements.

CASTLO COMMUNITY IMPROVEMENT CORPORATION

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31,

	<u>2001</u>	<u>2000</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$412,290	\$457,708
Interest received	11,738	16,940
Cash paid to suppliers & employees	(331,535)	(320,905)
Interest paid	(3,214)	(3,638)
Net cash provided from operating activities	89,279	150,105
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(134,101)	(37,042)
Increase / Decrease in security deposits	(4,381)	(18,789)
Net cash (used in) investing activities	(138,482)	(55,831)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Additional borrowing of long-term debt	89,441	--
Principal payment of long-term debt	(9,752)	(46,200)
Net cash provided from (used in) financing activities	79,689	(46,200)
INCREASE IN CASH	30,486	48,074
CASH - BEGINNING OF YEAR	335,650	287,576
CASH – END OF YEAR	\$366,136	\$335,650
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED FROM OPERATING ACTIVITIES</b>		
	<u>2001</u>	<u>2000</u>
Change in net assets	(\$148,396)	(\$138,856)
<b>ADJUSTMENT TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED FROM OPERATING ACTIVITIES</b>		
Depreciation	268,631	267,557
Increase (decrease) in accounts payable	(30,956)	21,404
Total Adjustments	237,675	288,961
Net cash provided from operating activities	\$89,279	\$150,105

See accompanying notes to financial statements

CASTLO COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE A - Summary of Significant Accounting Policies

1. Description of the Entity - CASTLO Community Improvement Corporation (CASTLO) 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.
2. 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.
3. The financial statements are prepared under the accrual basis of accounting.
4. Cash equivalents - The company considers highly liquid debt investments with maturity dates of three months or less to be cash equivalents.
5. Property and Equipment - Property and equipment are stated at cost. Depreciation is computed on the straight-line method.
6. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
7. Reclassifications - Certain reclassifications have been made in the 2000 financial statements to conform to the classifications used in the 2001 financial statements.

CASTLO COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2001 AND 2000

NOTE B – Related Party Transactions

One person who is a member of the Board of Trustees and an officer of the Corporation is also legal counsel to the Corporation. Legal fees paid to this Board Member's Law firm amounted to \$1,563 and \$1,647 in 2001 and 2000, respectively.

NOTE C – 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. The following is a schedule by years of minimum future rentals on noncancelable operating leases as of December 31,.

	<u>2001</u>	<u>2000</u>
Year ending		
December 31, 2001	\$ --	\$280,300
December 31, 2002	288,020	288,020
Later years	<u>1,232,095</u>	<u>1,232,095</u>
Total minimum future rental	<u>\$1,520,115</u>	<u>\$1,800,415</u>

NOTE D – Concentration of Credit Risk

The Company maintains cash balances and certificates of deposits at two financial institutions, located in Youngstown, Ohio. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation up to \$100,000. Uninsured balances aggregate to \$166,135 and \$135,649 at December 31, 2001 and 2000, respectively.

CASTLO COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE E – Federal Income Tax

CASTLO has received a determination letter from the Internal Revenue Service stating that it is a qualified community improvement Corporation under existing regulation Section 501 ( C ) ( 4). Accordingly, CASTLO is exempt from income and other taxes.

NOTE F – Long-Term Debt

	<u>2001</u>	<u>2000</u>
Long-term debt consists of the following:		
Note payable – Home Savings & Loan Company collateralized by “spec” building, 7% interest, due in monthly installments of \$1049.71 including interest with final payment due in 2011	\$86,294	\$ --
Note payable – Key Bank- collateralized by office building, variable interest, due in monthly principal installments of \$472.22 plus interest with a balloon payment due in 2001	--	33,040
	86,294	33,040
Less current maturities	<u>6,605</u>	<u>33,040</u>
Total Long-Term Debt	<u>\$79,689</u>	<u>\$ -0-</u>

Following is a summary of principal due on long term debt for each of the years following December 31, 2001:

2001	\$ --	\$ 33,040
2002	6,605	--
2003	7,083	--
2004	7,595	--
2005	8,144	--
2006	8,739	--
Thereafter	48,128	--

CASTLO COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2001 AND 2000

NOTE G – Operating Expenses

Operating expenses consisted of the following at December 31,

	<u>2001</u>	<u>2000</u>
Office salaries	\$116,544	\$142,278
Payroll taxes	9,370	11,950
Hospitalization	19,601	26,531
Utilities	23,615	17,953
Professional fees	9,788	8,922
Insurance	15,404	14,243
Office expense and supplies	36,211	36,819
Advertising	6,758	2,980
Repairs and maintenance	22,477	43,234
Pension	5,762	7,093
Real estate taxes	22,580	23,157
Auto and truck expense	3,031	1,678
Travel and meetings	2,309	2,863
Postage and freight	1,682	1,748
Equipment rental	2,199	428
Miscellaneous	<u>3,248</u>	<u>431</u>
 Total operating expenses	 <u>\$300,579</u>	 <u>\$342,308</u>

**WILLIAM D. LEICHT, CPA  
725 BOARDMAN CANFIELD RD M-2  
YOUNGSTOWN, OHIO 44512  
330-758-8395  
FAX 758-7927**

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE OF INTERNAL CONTROL  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

April 2, 2002

Board of Trustees  
CASTLO Community Improvements Corporation  
Struthers, Ohio

We have audited the accompanying financial statements of CASTLO Community Improvements Corporation as of the years ended December 31, 2001 and 2000, and have issued our report thereon dated April 2, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As a part of obtaining reasonable assurance about whether CASTLO Community Improvement Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered CASTLO Community Improvement Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than these specialized parties.

William D. Leicht CPA



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**CASTLO COMUNITY 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 25, 2002**