

CASTLO COMMUNITY IMPROVEMENT CORPORATION
REPORT ON EXAMINATION OF FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2004 AND 2003



**Auditor of State
Betty Montgomery**

Board of Trustees
Castlo Community Improvement Corporation
Struthers, Ohio

We have reviewed the Independent Auditor's Report of the Castlo Community Improvement Corporation, Mahoning County, prepared by William D. Leicht, CPA, for the audit period January 1, 2004 through December 31, 2004. 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 "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

March 29, 2005

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

February 16, 2005

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, 2004 and 2003 and the related statements of revenue and expenses and changes in net assets and cash flows 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 and standards applicable to financial audits contained in Government Auditing Standards, issued by the comptroller General of the United States. 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, 2004 and 2003 and its revenue collected and expenses paid and changes in net assets and cash flows during the years then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 16, 2005 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

December 31,

ASSETS

	<u>2004</u>	<u>2003</u>
CURRENT ASSETS		
Operating cash	\$ 249,419	\$ 364,406
Tenant security deposits	<u>45,198</u>	<u>42,828</u>
 Total current assets	 294,617	 407,234
 PROPERTY AND EQUIPMENT		
Land	371,000	371,000
Land improvements	1,665,737	1,665,737
Buildings	490,072	493,708
Building improvements	4,664,003	4,598,802
Railway improvements	169,508	157,608
Furniture, fixtures and equipment	24,237	22,943
Machinery and equipment	112,120	110,122
Vehicles	65,333	65,120
Construction in progress	<u>65,233</u>	<u>8,828</u>
	7,627,243	7,493,868
Less accumulated depreciation	<u>4,975,593</u>	<u>4,753,905</u>
Total property and equipment	<u>2,651,650</u>	<u>2,739,963</u>
 TOTAL ASSETS	 <u><u>\$ 2,946,267</u></u>	 <u><u>\$ 3,147,197</u></u>

	LIABILITIES	
	<u>2004</u>	<u>2003</u>
CURRENT LIABILITIES		
Payroll taxes payable	\$ 1,069	\$ 1,011
Tenant security deposits	27,769	25,579
Current Portion Long Term Debt (Note F)	<u>8,158</u>	<u>7,598</u>
Total Current Liabilities	36,996	34,188
LONG TERM DEBT (Note F)	57,895	66,074
Net Assets	2,851,376	3,046,935
Total Liabilities & Net Assets	<u>\$ 2,946,267</u>	<u>\$ 3,147,197</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>2004</u>	<u>2003</u>
OPERATING REVENUE		
Tenant rental (Note D)	327,403	403,900
Scrap sales	352	1
Site maintenance	<u>2,890</u>	<u>2,900</u>
Total operating revenue	330,645	406,801
OPERATING EXPENSE	<u>307,696</u>	<u>333,179</u>
EXCESS REVENUE OVER EXPENSES	22,949	73,622
OTHER REVENUE		
Interest income	2,598	16,617
Sale of asset	0	0
Miscellaneous	<u>5,347</u>	<u>1,490</u>
Total other revenue	<u>7,945</u>	<u>18,107</u>
OTHER DEDUCTIONS		
Interest expense	4,978	4,931
Depreciation	<u>221,475</u>	<u>245,029</u>
Total other deductions	226,453	249,960
EXCESS EXPENSES OVER REVENUE	(195,559)	(158,231)
NET ASSETS - BEGINNING OF YEAR	<u>3,046,935</u>	<u>3,205,166</u>
NET ASSETS - END OF YEAR	<u><u>\$ 2,851,376</u></u>	<u><u>\$ 3,046,935</u></u>

See accompanying notes to financial statements

CASTLO COMMUNITY IMPROVEMENT CORPORATION

STATEMENT OF CASH FLOW

YEARS ENDED DECEMBER 31,

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 335,993	\$ 408,291
Interest received	2,598	16,617
Cash paid to suppliers & employees	(304,889)	(354,367)
Interest paid	<u>(4,978)</u>	<u>(4,931)</u>
Net cash provided from operating activities	28,724	65,610
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(133,163)</u>	<u>(123,592)</u>
Net cash (used in) investing activities	(133,163)	(123,592)
CASH FLOWS FROM FINANCING ACTIVITIES		
Additional borrowing of long-term debt	-	-
Principal payment of long-term debt	<u>(8,179)</u>	<u>(8,180)</u>
Net cash provided from (used in) financing activities	<u>(8,179)</u>	<u>(8,180)</u>
INCREASE IN CASH	(112,617)	(66,162)
CASH - BEGINNING OF YEAR	<u>407,234</u>	<u>473,396</u>
CASH - END OF YEAR	<u><u>\$ 294,617</u></u>	<u><u>\$ 407,234</u></u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED FROM OPERATING ACTIVITIES		
	<u>2004</u>	<u>2003</u>
Net income (loss)	(195,559)	(158,231)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities		
Depreciation	221,475	245,029
Increase (decrease) in accounts payable	<u>2,808</u>	<u>(21,188)</u>
Total adjustments	<u>224,282</u>	<u>223,841</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 28,723</u></u>	<u><u>\$ 65,610</u></u>

See accompanying notes to financial statements

CASTLO COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004 AND 2003

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 2003 financial statements to conform to the classifications used in the 2004 financial statements.

CASTLO COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004 AND 2003

NOTE B - Related party Transactions

One person who is a member of the Board of Trustees is also legal counsel to the Corporation. Legal fees paid to this Board Member's law firm amounted to \$3,821 and \$2,970 in 2004 and 2003, respectively.

NOTE C - Leases where Company is the 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>2004</u>	<u>2003</u>
December 31, 2004	\$ -	\$ 276,966
December 31, 2005	263,133	-
Later years	<u>831,788</u>	<u>1,094,921</u>
Total minimum future rental	<u>\$ 1,094,921</u>	<u>\$ 1,371,887</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 \$139,568 and \$134,498 at December 31, 2004 and 2003, respectively.

CASTLO COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004 AND 2003

NOTE E - 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.

NOTE F - Long-Term Debt

	<u>2004</u>	<u>2003</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 2010	66,053	73,672
Less current maturities	<u>8,158</u>	<u>7,598</u>
Total Long-Term Debt	<u>\$ 57,895</u>	<u>\$ 66,074</u>

Following is a summary of principal due on long term debt for each of the years following December 31, 2004:

2004	\$ -	\$ 7,595
2005	8,157	8,144
2006	8,757	8,739
2007	9,401	9,367
2008	10,093	10,045
2009	10,835	-
Thereafter	18,810	29,782

CASTLO COMMUNITY IMPROVEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004 AND 2003

NOTE G - Operating expenses

Operating expenses consisted of the following at December 31,

	<u>2004</u>	<u>2003</u>
Office salaries	\$ 128,952	\$ 124,692
Payroll taxes	10,679	8,722
Hospitalization	27,044	25,412
Utilities	18,354	26,394
Professional fees	12,939	11,557
Insurance	18,202	17,470
Office expense and supplies	14,866	32,206
Advertising	7,050	5,311
Repairs & maintenance	23,832	33,539
Pension	6,422	6,240
Real estate taxes	24,572	26,162
Auto & truck expense	4,328	1,289
Travel & meetings	1,883	2,800
Postage & freight	1,490	1,630
Equipment rental	3,956	6,466
Small equipment	807	872
Uniforms & floor mats	876	-
Miscellaneous	1,444	2,417
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Total operating expenses	<u>\$ 307,696</u>	<u>\$ 333,179</u>

CASTLO COMMUNITY IMPROVEMENT CORPORATION
CONTACT INFORMATION PAGE

Contact information

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

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, 2004 and 2003, and have issued our report thereon dated February 16, 2005. 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 of the internal control over financial reporting would not necessarily disclose all matters 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 weakness.

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

February 16, 2005



**Auditor of State
Betty Montgomery**

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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
APRIL 12, 2005**