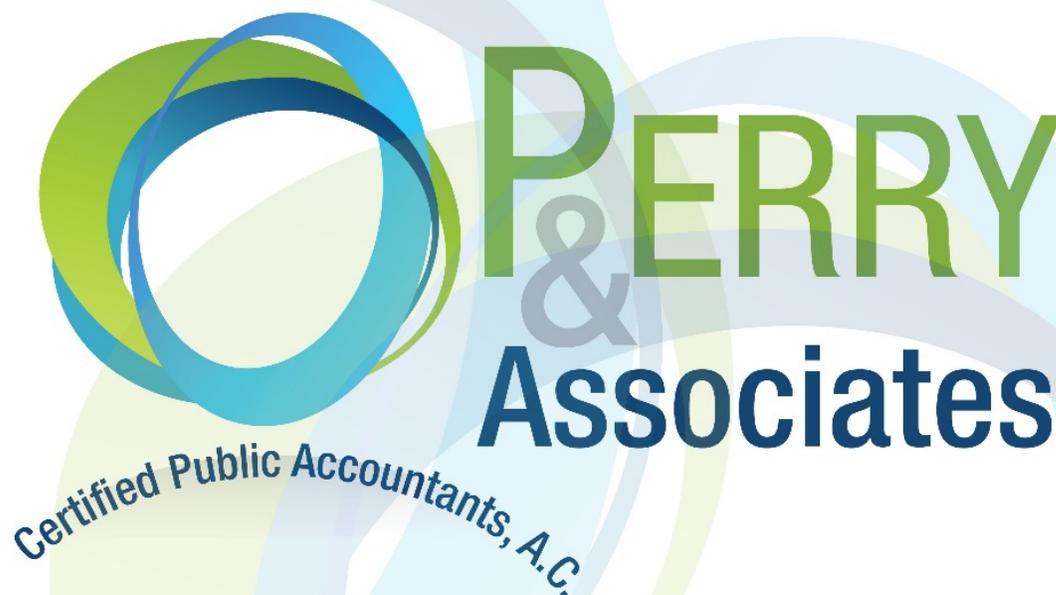


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**CASTLO COMMUNITY IMPROVEMENT CORPORATION
MAHONING COUNTY
Regular Audit
For the Year Ended December 31, 2014**

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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, 2014 through December 31, 2014. 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

October 29, 2015

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**CASTLO COMMUNITY IMPROVEMENT CORPORATION
MAHONING COUNTY**

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INDEPENDENT AUDITOR'S REPORT

July 24, 2015

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, 2014, 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.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CASTLO Community Improvement Corporation, Mahoning County, Ohio as of December 31, 2014, and the changes in its 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 24, 2015, 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 & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

CASTLO COMMUNITY IMPROVEMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014

CURRENT ASSETS

Cash and Cash Equivalents	\$ 158,842
TOTAL CURRENT ASSETS	158,842

CAPITAL ASSETS

Land	5,477,661
Land Improvements	1,712,662
Buildings	4,847,287
Railway Improvements	181,408
Furniture, Fixtures and Equipment	8,191
Machinery and Equipment	46,862
Vehicles	29,092
Less: Accumulated Depreciation	(6,101,643)
NET CAPITAL ASSETS	6,201,520

TOTAL ASSETS	\$ 6,360,362
--------------	--------------

CURRENT LIABILITIES

Accounts Payable	\$ 7,686
Accrued Payroll Expenses	7,988
Other Accrued Liabilities	13,795
Tenant Security Deposits	26,913
TOTAL CURRENT LIABILITIES	56,382

NET ASSETS

Unrestricted	6,303,980
TOTAL NET ASSETS	6,303,980

TOTAL LIABILITIES AND NET ASSETS	\$ 6,360,362
----------------------------------	--------------

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, 2014**

	Unrestricted
OPERATING REVENUES	
Tenant Rental	\$ 336,961
Scrap Sales	22,595
Site Maintenance	1,900
Event Revenue	6,233
Refunds and Reimbursements	5,934
Grants	413,226
TOTAL OPERATING REVENUES	786,849
OPERATING EXPENSES	
Payroll and Benefits	117,602
Management Fees	46,972
Professional Services	17,488
Insurance	14,863
Utilities	24,428
Repairs and Maintenance	50,806
Equipment Rental	6,365
Small Equipment	369
Auto and Truck Expense	1,860
Property Taxes	40,817
Office Expenses	6,425
Dues and Subscriptions	2,546
Advertising and Promotion	2,752
Site Cleanup	11,180
Event Expenses	5,741
Architect Fees	8,494
Travel and Meetings	774
Depreciation	168,525
Penalties and Fees	1,000
TOTAL OPERATING EXPENSES	528,007
Operating Income	258,842
NON-OPERATING REVENUES (EXPENSES)	
Interest	138
Miscellaneous	1,487
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,625
CHANGE IN NET ASSETS	260,467
NET ASSETS, BEGINNING OF YEAR (Restated - See Note 7)	6,044,632
NET ASSETS, END OF YEAR	\$ 6,304,980

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, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Operations	\$ 786,086
Cash Paid for Employee Salaries and Benefits	(109,750)
Cash Payments to Suppliers for Goods and Services	<u>(252,423)</u>
Net Cash Provided by Operating Activities	<u>423,913</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on Cash and Cash Equivalants	138
Acquisition of Property and Equipment	(739,468)
Miscellaneous Receipts	<u>1,487</u>
Net Cash Used in Investing Activities	<u>(737,843)</u>

Net Increase in Cash and Cash Equivalents (313,930)

Cash and Cash Equivalents, Beginning of Year 472,772

Cash and Cash Equivalents, End of Year \$ 158,842

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

Operating Income \$ 258,842

Changes in assets and liabilities:

Increase (Decrease) in Accounts Payable	3,802
Increase (Decrease) in Payroll Liabilities	7,852
Increase (Decrease) in Other Accrued Liabilities	(13,345)
Increase (Decrease) in Tenant Security Deposits	(763)
Depreciation	<u>168,525</u>
Total Adjustments	<u>166,071</u>

Net Cash Provided by Operating Activities \$ 424,913

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, 2014**

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, 2014, 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, 2014, 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 2011, 2012 and 2013 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, 2014
(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, 2014, CASTLO's bank balances of \$160,339 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, 2014. 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, 2014 were as follows:

Checking and Savings Deposits	\$158,233
Cash on Hand	609
Total Cash and Cash Equivalents	<u>\$158,842</u>

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's total contributions to employee SEP accounts was \$3,845, which is included with Payroll and Benefits on the Statement of Activities.

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, 2014
(CONTINUED)

5. CAPITAL ASSETS

Changes in capital assets for the year ended December 31, 2014 consisted of the following:

	Restated* Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 1,998,976	\$ 3,478,685	\$ -	\$ 5,477,661
Construction in Progress	2,736,371	-	(2,736,371)	-
Total Capital Assets, Not Being Depreciated	<u>4,735,347</u>	<u>3,478,685</u>	<u>(2,736,371)</u>	<u>5,477,661</u>
Capital Assets Being Depreciated				
Buildings and Improvements	4,850,722	14,516	(17,951)	4,847,287
Land Improvements	1,705,262	7,400	-	1,712,662
Railway Improvements	181,408	-	-	181,408
Furniture, Fixtures and Equipment	25,660	1,207	(18,676)	8,191
Vehicles	65,333	-	(36,241)	29,092
Machinery and Equipment	108,881	-	(62,019)	46,862
Total Capital Assets, Being Depreciated	<u>6,937,266</u>	<u>23,123</u>	<u>(134,887)</u>	<u>6,825,502</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(4,017,086)	(161,259)	17,951	(4,160,394)
Land Improvements	(1,681,626)	(4,580)	-	(1,686,206)
Railway Improvements	(176,987)	(1,190)	-	(178,177)
Furniture, Fixtures and Equipment	(25,660)	(86)	18,676	(7,070)
Vehicles	(65,333)	-	36,241	(29,092)
Machinery and Equipment	(101,313)	(1,410)	62,019	(40,704)
Total Accumulated Depreciation	<u>(6,068,005)</u>	<u>(168,525)</u>	<u>134,887</u>	<u>(6,101,643)</u>
Total Capital Assets Being Depreciated, Net	<u>869,261</u>	<u>(145,402)</u>	<u>-</u>	<u>723,859</u>
Total Capital Assets	<u>\$ 5,604,608</u>	<u>\$ 3,333,283</u>	<u>\$ (2,736,371)</u>	<u>\$ 6,201,520</u>
Depreciation Expense Charge to Operations		<u>\$ 168,525</u>		

*Restated – See Note 7

CASTLO COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

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.

7. PRIOR PERIOD RESTATEMENT

Beginning net assets was restated to account for corrections of prior accumulated depreciation and prior accrued expenses.

Net Assets, December 31, 2013	\$ 5,847,998
Adjustment for Accumulated Depreciation	170,546
Adjustment for Prior Accrued Expense Errors	<u>26,088</u>
Net Assets (Restated), December 31, 2013	<u><u>\$ 6,044,632</u></u>

8. SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through July 24, 2015, 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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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

July 24, 2015

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 Corporation) (a nonprofit Organization) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated July 24, 2015.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of audit findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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. We consider finding 2014-001 described in the accompanying schedule of audit findings to be a material weakness.



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- Association of Certified Anti - Money Laundering Specialists •



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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2014-002.

Corporation's Response to Findings

The Corporation's response to the findings identified in our audit is described in the accompanying schedule of audit findings. We did not audit the Corporation's response 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 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 & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**CASTLO COMMUNITY IMPROVEMENT CORPORATION
MAHONING COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2014-001

Material Weakness

Financial Statement Presentation

It is important that the Corporation maintain effective internal controls over financial reporting. It is important that financial statements be reviewed for accuracy, particularly at year end.

The Corporation had audit adjustments to its financial statements as follows:

- The Corporation was carrying \$51,678 in cash and cash equivalents that is an asset of a local foundation.
- Accrued payroll of \$2,605 was not properly recorded.
- Accounts payable of \$2,353 was not properly recorded.
- Accrued payroll liabilities of \$5,032 was not properly recorded.
- Accrued liabilities of \$13,677 was not properly recorded.

The audited financial statements and the client's accounting system have been adjusted.

We recommend the Corporation implement additional internal controls to help ensure that 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. This additional internal control will help ensure accurate financial reporting.

Management's Response – With submission of our monthly financial statements we will review and discuss with the accountant the information contained in the statements so to avoid an inaccuracies.

FINDING NUMBER 2014-002

Noncompliance

Ohio Rev. Code Section 1724.05 and Auditor of State Bulletin 2001-003 lists the following requirements for community improvement corporations regarding annual reporting:

1. The annual unaudited financial report is to be submitted to the Auditor of State, Local Government Services Division, unless the Auditor of State has granted a specific waiver.
2. The report must be prepared in accordance with generally accepted accounting principles, including footnote disclosures, and be certified by the Board of Directors or its Treasurer or other Chief Fiscal Officer.
3. The report should be filed with the Auditor of State within 120 days of fiscal year end.
4. The report shall be published on the corporation's web site, or if the corporation does not have a web site, on the web site of the county in which the corporation is located.

The Corporation did not file its 2014 financial reports with the Auditor of State within 120 days of fiscal year end and the 2014 annual reports were not available on the Corporation's web site or that of Mahoning County, nor has a notice been published in the local newspapers. No waivers were requested or granted for the report filing.

**CASTLO COMMUNITY IMPROVEMENT CORPORATION
MAHONING COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2014-002 (Continued)

Noncompliance (Continued)

Ohio Revised Code Section 1724.06 outlines the repercussions to noncompliance. The Auditor of State must certify corporations to the Secretary of State if 1) a corporation files its annual report more than 90 days delinquent (i.e., does not file its annual GAAP financial statement report within 120 days of its fiscal year end) and if 2) a corporation does not present auditable records within 90 days of a determination by the Auditor of State that a corporation is unauditable. Upon certification, the Secretary of State is to cancel the corporation's articles of incorporation until the deficiency is remedied.

We recommend that the Corporation prepare annual accrual basis financial statements and timely remit the required reports to the Auditor of State.

Management's Response – Internal controls have been established to ensure that the financial report is timely with the Auditor of State.



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
NOVEMBER 10, 2015**