

CASTLO COMMUNITY IMPROVEMENT CORPORATION

Financial Condition

As of

December 31, 2007

Together with Auditors' Report



Mary Taylor, CPA
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 Kevin L. Penn, Inc., for the audit period January 1, 2007 through December 31, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 19, 2008

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**CASTLO COMMUNITY IMPROVEMENT CORPORATION
STRUTHERS, OHIO**

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Independent Auditor's Report

Board of Trustees
CASTLO Community Improvement Corporation
Struthers, Ohio

I have audited the accompanying financial statements of the CASTLO Community Improvement Corporation, as of December 31, 2007 and for the year then ended, listed in the foregoing table of contents. These financial statements are the responsibility of the CASTLO Community Improvement Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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. I believe that my audit provides a reasonable basis in my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CASTLO Community Improvement Corporation, as of December 31, 2007, and the changes in net assets and revenues, expenditures and other changes, and the cash flows for the year ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 9, 2008 on my consideration of the CASTLO Community Improvement Corporation's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

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 result of my audit.

Kevin L. Penn, Inc.

May 9, 2008

CASTLO Community Improvement Corporation

Statement of Financial Position

December 31, 2007

ASSETS

Current Assets:

Cash and Cash Equivalents (Note 1)	\$ 298,429
Tenant Security Deposits	55,626
Prepaid Expenses	<u>3,075</u>
Total Current Assets	357,130

Property and Equipment:

Land	371,000
Land Improvements	1,682,862
Buildings	490,072
Building Improvements	4,807,678
Railway Improvements	181,408
Furniture, Fixtures and Equipment	25,660
Machinery and Equipment	105,121
Vehicles	<u>65,333</u>
	7,729,134
Less Accumulated Depreciation	<u>5,580,792</u>
	<u>2,148,342</u>
TOTAL ASSETS	<u><u>\$ 2,505,472</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$ 726
Accrued Payroll	5,852
Accrued Payroll Taxes	1,130
Accrued Real Estate Taxes	32,165
Tenant Security Deposits	33,515
Current Portion - Long Term Debt	<u>8,758</u>
Total Current Liabilities	82,146

Long Term Liabilities:

Mortgage Payable	<u>30,675</u>
Total Long Term Liabilities	<u>30,675</u>
Total Liabilities	112,821

Net Assets:

Unrestricted	<u>2,392,651</u>
Total Net Assets	<u>2,392,651</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,505,472</u></u>

The accompanying notes are an integral part of the financial statements.

CASTLO Community Improvement Corporation
Statement of Activities
For the Year Ended December 31, 2007

Operating Revenue:

Tenant Rental	\$ 412,527
Scrap Sales	10,510
Site Maintenance	<u>1,400</u>
Total Operating Revenue	424,437

Operating Expenses (Note H)

353,526

Change in Net Assets Before Other
Revenues and Deductions

70,911

Other Revenue:

Interest Income	9,183
Miscellaneous	<u>16,941</u>
Total Other Revenue	26,124

Other Deductions:

Interest Expense	3,089
Depreciation Expense	<u>194,880</u>
Total Other Deductions	197,969

Change in Net Assets

(100,934)

Net Assets - Beginning of Year as Previously Reported

2,523,555

Prior Period Adjustments (Note 10)

(29,970)

Net Assets - Beginning of Year as Restated

2,493,585

Net Assets - End of Year

\$ 2,392,651

The accompanying notes are an integral part of the financial statements.

CASTLO Community Improvement Corporation

Statement of Cash Flows

For the Year Ended December 31, 2007

Cash flows from operating activities:

Cash Received from Customers	\$	441,378
Interest Received		9,183
Cash Paid to Suppliers & Employees		(346,281)
Interest Paid		<u>(3,089)</u>
Net cash provided by operating activities		101,191

Cash flows from investing activities:

Purchases of Property and Equipment		<u>(19,204)</u>
Net cash used in investing activities		(19,204)

Cash flows from financing activities:

Payment of Mortgage Note Payable		<u>(9,714)</u>
Net cash used in financing activities		<u>(9,714)</u>
Net Increase (Decrease) in Cash and Cash Equivalent		72,273
Beginning of Period Cash		<u>281,782</u>
End of Period Cash	\$	<u><u>354,055</u></u>

Reconciliation of change in net assets to net cash provided by operating activities:

Increase (decrease) in net assets	\$	(100,934)
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Adjustments to reconcile change in net assets to net cash provided by operating activities:

Depreciation expenses		194,880
(Increase) decrease in prepaid expenses		(3,075)
Increase (decrease) in accounts payable		(324)
Increase (decrease) in accrued liabilities		8,102
Increase (decrease) in tenant security deposits held in trust		<u>2,542</u>
Net cash provided by operating activities	\$	<u><u>101,191</u></u>

The accompanying notes are an integral part of the financial statements.

**CASTLO COMMUNITY IMPROVEMENT CORPORATION
STRUTHERS, OHIO**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

NOTE 1 - Summary of Significant Accounting Policies:

A. Organization

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. 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.

B. Basis of Accounting

The Corporation has prepared its financial statements in conformity with accounting principles generally accepted in the United States of America.

C. Land, Property and Equipment

Land, property and equipment are recorded at cost. Property and equipment are depreciated over the estimated useful lives of the assets. Depreciation is calculated using the straight-line method over the useful life lives of the respective assets, which are as follows:

Property	10 – 30 Years
Equipment	3 - 7 Years

Total depreciation expense for the 2007 fiscal year was \$194,880.

D. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows and for presentation of the Balance Sheet, cash and cash equivalents consist principally of checking and savings accounts.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2007, are recorded as prepaid item using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**CASTLO COMMUNITY IMPROVEMENT CORPORATION
STRUTHERS, OHIO**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

NOTE 2 - 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 \$158,378 at December 31, 2007.

NOTE 3 – Property and Equipment:

A summary of capital assets at December 31, 2007, by class is as follows:

Building and Building Improvements	\$5,297,750
Land	371,000
Land Improvements	1,682,862
Railway Improvements	181,408
Furniture, Fixtures and Equipment	25,660
Machinery and Equipment	105,121
Vehicles	<u>65,333</u>
Total	7,729,134
Less Accumulated Depreciation	<u>(5,580,792)</u>
Net Property and Equipment	<u>\$2,148,342</u>

The following is a summary of changes:

	Balance <u>12/31/2006</u>	<u>Addition</u>	<u>Deletions</u>	Balance <u>12/31/2007</u>
Buildings & Building Improvements	\$5,279,969	\$ 17,781	\$	\$5,297,750
Land	371,000			371,000
Land Improvements	1,682,862			1,682,862
Railway Improvements	181,408			181,408
Furniture, Fixtures and Equipment	24,237	1,423		25,660
Machinery and Equipment	105,121			105,121
Vehicles	<u>65,333</u>			<u>65,333</u>
Total Capital Assets	<u>\$7,709,930</u>	<u>\$ 19,204</u>	<u>\$</u>	<u>\$7,729,134</u>

**CASTLO COMMUNITY IMPROVEMENT CORPORATION
STRUTHERS, OHIO**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

NOTE 4 – Mortgage Payable and Long-Term Debt

The Corporation has a note payable to the Home Savings & Loan Company, amounting to \$39,433. The original principal of the loan was \$90,000 at a rate of 7% annually. Principal and interest payments of \$1,049.71 began in April 2001 with the final payment due on August 2011. The loan is secured by a first mortgage on the “Spec” Building located in Struthers, Ohio.

Principal Payment Due	\$39,433
Less: Current Portion	(<u>8,758</u>)
Total Long-Term Debt	<u>\$30,675</u>

The aggregate amounts of long-term debt maturities for the four years following 2007 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 9,817	\$ 2,780	\$ 12,597
2009	\$ 10,605	\$ 1,992	\$ 12,597
2010	\$ 11,457	\$ 1,140	\$ 12,597
2011	<u>\$ 7,554</u>	<u>\$ 485</u>	<u>\$ 8,039</u>
Total	<u>\$ 39,443</u>	<u>\$ 6,397</u>	<u>\$ 45,830</u>

NOTE 5 - 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 6 - 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 15%, 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 the employee.

NOTE 7 – Insurance Coverage and Risk Retention:

The Corporation 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 three years.

**CASTLO COMMUNITY IMPROVEMENT CORPORATION
STRUTHERS, OHIO**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

NOTE 8 - 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 \$4,905.00.

NOTE 9 – Contingent Liabilities

Management believes there are no pending claims or lawsuits.

NOTE 10 – Prior Period Adjustment:

Beginning net assets balance has been restated in the amount of \$(29,970) as a result of understating accrued real estate taxes.

NOTE 11 – Operating Expenses

Operating expenses consisted of the following at December 31, 2007:

Office Salaries	\$ 140,716
Payroll Taxes	14,285
Hospitalization	31,357
Utilities	22,935
Professional Fees	22,989
Insurance	11,929
Office Expense and Supplies	9,374
Advertising	4,489
Repairs & Maintenance	36,457
Pension	6,916
Real Estate Taxes	32,165
Auto & Truck Expense	3,733
Travel & Meetings	3,195
Postage & Freight	2,377
Equipment Rental	4,409
Small Equipment	189
Uniforms & Floor Mats	928
Miscellaneous	5,083
Total Operating Expenses	<u>\$ 353,526</u>



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Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Trustees
CASTLO Community Improvement Corporation
Struthers, Ohio

I have audited the financial statements of CASTLO Community Improvement Corporation as of and for the year ended December 31, 2007, and have issued my report thereon dated May 9, 2008. I conducted my audit in accordance with generally accepted auditing standards 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered CASTLO Community Improvement Corporation's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CASTLO Community Improvement Corporation's internal control over financial reporting. Accordingly, I do not express an opinion on the effective ness of the CASTLO Community Improvement Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation of control does not allow management of employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects CASTLO Community Improvement Corporation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of CASTLO Community Improvement Corporation's financial statements that is more than inconsequential will not be prevented or detected by CASTLO Community Improvement Corporation's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by CASTLO Community Improvement Corporation's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CASTLO Community Improvement Corporation's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain matters that I reported to management of CASTLO Community Improvement Corporation in a separate letter dated May 9, 2008

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 specified parties.

Kevin L. Penn, Inc.

May 9, 2008

CASTLO Community Improvement Corporation
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2007

There were no audit findings, during the 2006 fiscal year.



Mary Taylor, CPA
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
SEPTEMBER 2, 2008**