



Dave Yost • Auditor of State



**UNION TOWNSHIP COMMUNITY IMPROVEMENT CORPORATION  
CLERMONT COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Union Township Community Improvement Corporation  
Clermont County  
4350 Aicholtz Road  
Cincinnati, Ohio 45245

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Union Township Community Improvement Corporation, Clermont County, Ohio (the Corporation), a component unit of Union Township, as of and for the years ended December 31, 2012 and 2011, 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 opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Union Township Community Improvement Corporation, Clermont County, Ohio (the Corporation), as of December 31, 2012 and 2011, and the respective changes in financial position and cash flows, thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

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***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2013, 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.

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 25, 2013

**UNION TOWNSHIP COMMUNITY IMPROVEMENT CORPORATION, INC.**  
**CLERMONT COUNTY, OHIO**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2012**

**ASSETS**

CURRENT ASSETS:	
Cash	\$ 99,786
Mortgage receivable-current	19,833
Contributions receivable-current	<u>10,000</u>
Total current assets	<u>129,619</u>
NONCURRENT ASSETS:	
Assets held for resale	1,167,852
Contributions receivable-net of current	40,000
Mortgage receivable-net of current	274,356
CAPITAL ASSETS:	
Land and land improvements	4,232,300
Buildings and improvements	3,267,700
Less: Accumulated depreciation	<u>(163,384)</u>
Total capital assets, net	<u>7,336,616</u>
Total noncurrent assets	<u>8,818,824</u>
TOTAL ASSETS	<u><u>\$ 8,948,443</u></u>

**LIABILITIES**

CURRENT LIABILITIES	
Accrued property taxes	\$ 13,829
Promissory note payable-current	<u>10,000</u>
Total current liabilities	<u>23,829</u>
NONCURRENT LIABILITIES	
Promissory note payable-net of current	40,000
Deferred contributions	<u>40,000</u>
Total noncurrent liabilities	<u>80,000</u>
TOTAL LIABILITIES	<u><u>\$ 103,829</u></u>

**NET ASSETS**

Temporarily Restricted	\$ 767,500
Unrestricted	<u>8,077,114</u>
TOTAL NET ASSETS	<u><u>\$ 8,844,614</u></u>

See accompanying notes to the financial statements.

**UNION TOWNSHIP COMMUNITY IMPROVEMENT CORPORATION, INC.**  
**CLERMONT COUNTY, OHIO**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES:</b>			
Cash contributions from Union Township	\$ 1,175,000	\$ -	\$ 1,175,000
Asset contributions from Union Township	298,000	-	298,000
Other contributions	10,000	-	10,000
Lease revenues	597,240	-	597,240
Interest	149	-	149
Net assets released from restriction	36,294	(36,294)	-
Total Revenues	2,116,683	(36,294)	2,080,389
<b>EXPENSES:</b>			
Program services:			
Economic development	1,103,935	-	1,103,935
Support services:			
Return of project proceeds to Union Township	617,461	-	617,461
Administrative and general operating expense	7	-	7
Total Expenses	1,721,403	-	1,721,403
<b>CHANGE IN NET ASSETS</b>	395,280	(36,294)	358,986
Net Assets Beginning of Year	7,681,834	803,794	8,485,628
Net Assets End of Year	\$ 8,077,114	\$ 767,500	\$ 8,844,614

See accompanying notes to the financial statements



**UNION TOWNSHIP COMMUNITY IMPROVEMENT CORPORATION, INC.**  
**CLERMONT COUNTY, OHIO**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

<b>Cash flows from operating activities:</b>	
Increase in net assets	\$ 358,986
Adjustments to reconcile increase in net assets to cash provided by operating activities	
Depreciation	81,692
Asset contribution from Union Township	(298,000)
Payments received on mortgage receivable	3,811
Non cash contributions	(10,000)
Operating taxes payable	<u>2,360</u>
Net cash provided by operating activities	<u>138,849</u>
<b>Cash flows from capital related activities:</b>	
Cash payments for assets held for resale	<u>(338,883)</u>
Net cash provided by capital financing activities	<u>(338,883)</u>
Net decrease in cash and cash equivalent	(200,034)
Cash and cash equivalents at beginning of year	<u>299,820</u>
Cash and cash equivalents at end of year	<u><u>\$ 99,786</u></u>

See accompanying notes to the financial statements

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**UNION TOWNSHIP  
COMMUNITY IMPROVEMENT CORPORATION, INC.  
CLERMONT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Organization*

The Union Township Community Improvement Corporation, Inc. (Corporation) is a not-for-profit organization which derives the major source of its revenues from Union Township in the form of capital and cash contributions. The Corporation began operations in January 2011 for the purpose of fostering economic development in Union Township (Township), located in Clermont County, Ohio. The Corporation works with the Township in many aspects of the overall adopted economic development strategy of the Township with its current efforts focused on facilitating industrial and retail development.

On April 26, 2012 the Corporation's Board of Trustees approved Resolution 2012-02 whereby the Corporation agreed to refund any and all proceeds arising from the sale, lease, or transfer, or other contractual agreement, including but not limited to the lease payments, sale payments or other consideration to Union Township in support of its mission as the agency for development of Union Township.

*Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

*Financial Statement Presentation*

The Corporation follows the recommendations of the Financial Accounting Standards Board ASC 958, *Financial Statements of Not-For-Profit Organizations*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets – Net assets that are not subject to donor or grantor imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Corporation and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets resulting from contributions and other inflows of assets whose use by the Corporation is limited by donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Corporation.

**UNION TOWNSHIP  
COMMUNITY IMPROVEMENT CORPORATION, INC.  
CLERMONT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

The Corporation's activities are reported as unrestricted and temporarily restricted for the year ended December 31, 2012.

*Cash and Cash Equivalents*

For purposes of the statements of cash flows, the Corporation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

*Property and Equipment*

Property and equipment are stated at cost. Expenditures for property and equipment are capitalized and depreciated on the straight-line method over the estimated useful lives of the assets. Depreciation is charged to expense in the accompanying statements of functional expense. Donated assets are capitalized at fair value and similarly depreciated. Depreciation has been provided over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (in years)</u>
Buildings and Improvements	40

*Revenue Recognition*

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Income Taxes*

The Corporation is a not-for-profit organization exempt from income taxes under Section 501(c) (3) of the Internal Revenue.

*Estimates*

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

**UNION TOWNSHIP  
COMMUNITY IMPROVEMENT CORPORATION, INC.  
CLERMONT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 2 – CASH**

As of December 31, 2012, Cash consisted of the following:

	<u>Amount</u>
Operating checking accounts	\$99,786

**NOTE 3 – ASSETS HELD FOR RESALE, CONTRIBUTIONS AND PROMISSORY NOTE**

Assets held for resale, contributions receivable and promissory note payable consist of the following:

	<u>Assets held for resale</u>	<u>Contributions Receivable</u>	<u>Promissory Note Payable</u>
Carepoint Clermont, LLC	\$767,500	\$ -	\$ -
4372 Mt. Carmel – Tobasco Road	100,000	50,000	50,000
516 Old State Route 74	300,352	-	-
Total	\$1,167,852	\$50,000	\$50,000

During 2011, the Corporation received 7.0474 acres of real property valued at \$767,500 from Union Township to be held by the Corporation and sold to Carepoint Clermont, LLC (Carepoint) for the development of a senior living retirement community. The Corporation has entered into a purchase agreement with Carepoint whereby Carepoint will pay the Corporation a total of \$767,500. Terms require that \$262,500 (including \$10,000 of earnest money) will be paid to the corporation upon closing and the balance will be paid in two equal amounts of \$252,500 based upon completion of certain phases of the project. The closing date has been extended to April 15, 2013.

On December 14, 2012, the Corporation received a \$50,000 cash contribution from the Union Township to purchase a property located at 4372 Mt. Carmel – Tobasco Road for future development. The Corporation entered into a purchase agreement with Mt. Washington Savings Bank for a purchase price of \$100,000. The purchase agreement required a cash payment of \$50,000 by the Corporation and the issuance of a non interest bearing promissory note for \$50,000. The note is payable in 5 years at \$10,000 per year. Terms of the note further provide that as long as the Corporation maintains a status as a 501 (c) (3) entity under the Internal Revenue Code, the Mt. Washington Savings Bank shall make five annual contributions of \$10,000 to the Corporation as a forgiveness of the debt owed under the note.

On December 19, 2012, the Corporation purchased a property located at 516 Old State Route 74 for future development. The total purchase price, including related fees, totaled \$300,352. Funding for the purchase included a \$50,000 cash contribution from Union Township with the remaining amount paid from available cash resources maintained by the Corporation.

**UNION TOWNSHIP  
COMMUNITY IMPROVEMENT CORPORATION, INC.  
CLERMONT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 4 – MORTGAGE RECEIVABLE**

During May 2012, the Corporation received real property located at 3944 Nine Mile Road valued at \$298,000 from Union Township to be sold to an individual for economic development purposes. The Corporation entered into an agreement to sell the property to the individual for a sales price of \$298,000. The agreement required payment of \$500 of earnest money to be applied to the purchase price and the issuance of a non interest bearing mortgage for the balance of \$297,500, to be paid in equal monthly amounts of \$1,652.78 over 15 year.

**NOTE 5 – CAPITAL ASSETS**

Changes in capital assets for the year ended December 31, 2012 were as follows:

<i>Class</i>	Balance January 1, <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2012</u>
<i>Capital assets not being depreciated:</i>				
Land and improvements	\$4,232,300	\$298,000	\$(298,000)	\$4,232,300
<i>Capital assets being depreciated:</i>				
Buildings and improvements	<u>3,267,700</u>	<u>-</u>	<u>-</u>	<u>3,267,700</u>
Total cost	<u>\$7,500,000</u>	<u>\$298,000</u>	<u>\$(298,000)</u>	<u>\$7,500,000</u>
<i>Accumulated depreciation</i>				
Buildings and improvements	<u>\$ (81,692)</u>	<u>\$ (81,692)</u>	<u>\$ -</u>	<u>\$ (163,384)</u>
Total accumulated depreciation	<u>\$ (81,692)</u>	<u>\$ (81,692)</u>	<u>\$ -</u>	<u>\$ (163,384)</u>
Net value	<u>\$7,418,308</u>			<u>\$7,336,616</u>

Capital assets acquired are associated with the purchase of the Bigg's Place Mall during 2011 (see Note 6).

**NOTE 6 – JUNGLE JIM'S EASTGATE INTERNATIONAL MARKET PROJECT**

During 2011, the Corporation received funding from Union Township and completed the acquisition of property known as the Bigg's Place Mall. In connection with the purchase, the Corporation entered into a lease agreement with Jungle Jim's Eastgate LLC, for the establishment of the Jungle Jim's Eastgate International Market.

The project was funded by the Township through a cash contribution of \$8,499,990. Proceeds from the contribution were used by the Corporation to purchase the real property known as the Bigg's Place Mall for \$7,500,000. In addition, under the lease terms with Jungle Jim's Eastgate LLC the Corporation provided \$999,990 to the Jungle Jim's Eastgate LLC for equipment purchases to be used in the operations of the market.

**UNION TOWNSHIP  
COMMUNITY IMPROVEMENT CORPORATION, INC.  
CLERMONT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

Monthly rent payments under the lease agreement between the Corporation and Jungle Jim’s Eastgate LLC began for the month of June 2012.

On August 15, 2012 the lease was amended to provide an additional loan amount of \$1,000,000 to Jungle Jim’s Eastgate LLC to reflect an increased level of investment in the property and to restate payment terms. Revised payment terms require that monthly rental amounts would increase \$5,000 beginning with year 3 of the lease, and an additional \$1,000,000 balloon payment is due at the conclusion of the lease.

The lease agreement, as modified, also provides “put” and a “call” options for early termination of the lease by either party. The put option provides that after the expiration of the eighth lease year, the landlord may require the tenant to purchase the property for \$1,500,000. The call option provides that the tenant may purchase the property from the landlord at established amounts at the expiration of each lease year.

Following are the amounts of lease and the purchase price if the call option is exercised by the tenant based on the August 15, 2012 modified lease:

<u>Lease Year</u>	<u>Annual Rent</u>	<u>Call Option Price After Lease Year</u>
1	\$ -	\$8,500,000
2	895,860	9,103,350
3	1,518,816	8,103,537
4	1,518,816	7,042,058
5	1,518,816	5,915,109
6	1,702,740	4,529,585
7	1,702,740	3,058,606
8	1,702,740	1,500,000
9	1,760,040	1,200,000
10	1,760,040	1,200,000
Balloon Payment	<u>1,000,000</u>	
Total rent	<u>\$15,080,608</u>	

**UNION TOWNSHIP  
COMMUNITY IMPROVEMENT CORPORATION, INC.  
CLERMONT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 7 – MT. CARMEL REVITALIZATION GRANT PROGRAM**

During 2011, the Corporation received \$100,000 from Union Township to be used by the Corporation to administer a community revitalization grant program. The program allows eligible applicants who are property owners within the Mt. Carmel business corridor to apply for grants to fund 50 percent of project costs, up to a maximum of \$10,000, for eligible improvements such as landscaping, façade, aesthetic and other upgrades improvements along the corridor. The program ended during 2012 and all unused grant funds were returned to Union Township.

**NOTE 8 – OPERATING CONTRIBUTIONS AND RETURN OF PROJECT PROCEEDS**

In addition to the program specific asset and cash contributions of the Corporation provided by Union Township discussed above, the Corporation received an additional cash contribution of \$75,000 from Union Township during the year for operating purposes.

In accordance with the Corporation’s Resolution 2012-02, the Corporation has agreed to refund any and all proceeds arising from the sale, lease, transfer, or other contractual agreement, including but not limited to the lease payments, sale payments or other consideration, to Union Township. During 2012 the Corporation returned the following amounts to Union Township:

	Amount
Jungle Jim’s Eastgate LLC lease payments	\$597,240
Mortgage payments received on 3944 Nine Mile Road mortgage	3,811
Unused Mt. Carmel Revitalization Grant Program Funds	16,410
Total	\$617,461

**NOTE 9 – SUBSEQUENT EVENTS**

As discussed in Note 3, real property held by the Corporation was to be sold to Carepoint Clermont, LLC under a purchase agreement. That agreement, as modified, established a closing date on the sale of the property April 15, 2013. The closing with Carepoint Clermont, LLC was not executed. On June 14, 2013 the Corporation entered into a purchase agreement with RMA Construction, LLC for the purchase of the property, for a base price of \$940,000, subject to various terms and conditions. Closing terms of the agreement provide for a 180 day review period from the effective date of the agreement to determine whether the property is suitable to RMA Construction, LLC with closing 30 days after expiration of the review period.



**UNION TOWNSHIP COMMUNITY IMPROVEMENT CORPORATION, INC.**  
**CLERMONT COUNTY, OHIO**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2011**

**ASSETS**

<b>CURRENT ASSETS:</b>	
Cash	<u>\$ 299,820</u>
Total current assets	<u>299,820</u>
 <b>NONCURRENT ASSETS:</b>	
Land held for resale	767,500
 <b>CAPITAL ASSETS:</b>	
Land and land improvements	4,232,300
Buildings and improvements	3,267,700
Less: Accumulated depreciation	<u>(81,692)</u>
Total capital assets, net	<u>7,418,308</u>
Total noncurrent assets	<u>8,185,808</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 8,485,628</u></u>

**NET ASSETS**

Temporarily Restricted	\$ 803,794
Unrestricted	<u>7,681,834</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 8,485,628</u></u>

See accompanying notes to the financial statements.

**UNION TOWNSHIP COMMUNITY IMPROVEMENT CORPORATION, INC.**  
**CLERMONT COUNTY, OHIO**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES:</b>			
Cash contributions from Union Township	\$ 8,501,393	\$ 100,000	\$ 8,601,393
Land contributions from Union Township	-	767,500	767,500
Real estate tax reimbursement	261,797	-	261,797
Interest	439	-	439
Net assets released from restriction	63,706	(63,706)	-
Total Revenues	8,827,335	803,794	9,631,129
<b>EXPENSES:</b>			
Program services:			
Economic development	1,145,388	-	1,145,388
Support services:			
Administrative and general operating expense	113	-	113
Total Expenses	1,145,501	-	1,145,501
<b>CHANGE IN NET ASSETS</b>	7,681,834	803,794	8,485,628
Net Assets Beginning of Year	-	-	-
Net Assets End of Year	\$ 7,681,834	\$ 803,794	\$ 8,485,628

See accompanying notes to the financial statements

**UNION TOWNSHIP COMMUNITY IMPROVEMENT CORPORATION, INC.**  
**CLERMONT COUNTY, OHIO**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

<b>Cash flows from operating activities:</b>	
Increase in net assets	\$ 8,485,628
Adjustments to reconcile increase in net assets to cash provided by operating activities	
Depreciation	81,692
Land contributions from Union Township	<u>(767,500)</u>
Net cash provided by operating activities	<u>7,799,820</u>
<b>Cash flows from capital related activities:</b>	
Acquisition and construction of capital assets	<u>(7,500,000)</u>
Net cash provided by capital financing activities	<u>(7,500,000)</u>
Net increase in cash and cash equivalent	299,820
Cash and cash equivalents at beginning of year	<u>-</u>
Cash and cash equivalents at end of year	<u>\$ 299,820</u>

See accompanying notes to the financial statements

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**UNION TOWNSHIP  
COMMUNITY IMPROVEMENT CORPORATION, INC.  
CLERMONT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Organization*

The Union Township Community Improvement Corporation, Inc. (Corporation) is a not-for-profit organization which derives the major source of its revenues from Union Township in the form of capital and cash contributions. The Corporation began operations in January 2011 for the purpose of fostering economic development in Union Township (Township), located in Clermont County, Ohio. The Corporation works with the Township in many aspects of the overall adopted economic development strategy of the Township with its current efforts focused on facilitating industrial and retail development.

*Basis of Accounting*

The financial statements have been prepared on the accrual basis of accounting.

*Financial Statement Presentation*

Under Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, 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.

Unrestricted net assets – Net assets that are not subject to donor or grantor imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Corporation and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets resulting from contributions and other inflows of assets whose use by the Corporation is limited by donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Corporation.

The Corporation's activities are reported as unrestricted and temporarily restricted for the year ended December 31, 2011

*Cash and Cash Equivalents*

For purposes of the statements of cash flows, the Corporation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**UNION TOWNSHIP  
COMMUNITY IMPROVEMENT CORPORATION, INC.  
CLERMONT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

*Property and Equipment*

Property and equipment are stated at cost. Expenditures for property and equipment are capitalized and depreciated on the straight-line method over the estimated useful lives of the assets. Depreciation is charged to expense in the accompanying statements of functional expense. Donated assets are capitalized at fair value and similarly depreciated. Depreciation has been provided over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (in years)</u>
Buildings and Improvements	40

*Revenue Recognition*

Under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Income Taxes*

The Corporation is a not-for-profit organization exempt from income taxes under Section 501(c) (3) of the Internal Revenue.

*Estimates*

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

**UNION TOWNSHIP  
COMMUNITY IMPROVEMENT CORPORATION, INC.  
CLERMONT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 2 – CASH**

As of December 31, 2011, Cash consisted of the following:

	<u>Amount</u>
Operating checking accounts	\$299,820

**NOTE 3 – LAND HELD FOR RESALE**

During 2011, the Corporation received 7.0474 acres of real property valued at \$767,500 from the Township to be held by the Corporation and sold to Carepoint Clermont, LLC for the development of a senior living retirement community. The Corporation has entered into a purchase agreement with Carepoint Clermont, LLC whereby the buyer will pay the Corporation a total of \$767,500. Terms require that \$262,500 (including \$10,000 of earnest money) will be paid to the corporation upon closing and the balance will be paid in two equal amounts of \$252,500 based upon completion of certain phases of the project. The purchase agreement dated June 14, 2011, as modified by a first amendment dated December 16, 2011, established a closing date on the sale of the property by August 31, 2012.

**NOTE 4 – CAPITAL ASSETS**

Changes in capital assets for the year ended December 31, 2011 were as follows:

<u>Class</u>	<u>Balance January 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2011</u>
<i>Capital assets not being depreciated:</i>				
Land and improvements	\$ -	\$4,232,300	\$ -	\$4,232,300
<i>Capital assets being depreciated:</i>				
Buildings and improvements	-	<u>3,267,700</u>	-	<u>3,267,700</u>
Total cost	<u>\$ -</u>	<u>\$7,500,000</u>	<u>\$ -</u>	<u>\$7,500,000</u>
 <i>Accumulated depreciation</i>				
Buildings and improvements	\$ -	\$ (81,692)	\$ -	\$ (81,692)
Total accumulated depreciation	<u>\$ -</u>	<u>\$ (81,692)</u>	<u>\$ -</u>	<u>\$ (81,692)</u>
 Net value	 <u>\$ -</u>			 <u>\$7,418,308</u>

Capital assets acquired during 2011 are associated with the purchase of the Bigg's Place Mall (see Note 5).

**UNION TOWNSHIP  
COMMUNITY IMPROVEMENT CORPORATION, INC.  
CLERMONT COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 5 – JUNGLE JIM’S EASTGATE INTERNATIONAL MARKET PROJECT**

During 2011, the Corporation received funding from Union Township and completed the acquisition of property known as the Bigg’s Place Mall. In connection with the purchase, the Corporation entered into a lease agreement with Jungle Jim’s Eastgate LLC, for the establishment of the Jungle Jim’s Eastgate International Market.

The project was funded by the Township through a cash contribution of \$8,499,990. Proceeds from the contribution were used by the Corporation to purchase the real property known as the Bigg’s Place Mall for \$7,500,000. In addition, under the lease terms with Jungle Jim’s Eastgate LLC the Corporation provided \$999,990 to the Jungle Jim’s Eastgate LLC for equipment purchases to be used in the operations of the market.

Rent payments under the lease agreement between the Corporation and Jungle Jim’s Eastgate LLC, dated January 31, 2011, are to commence 1 year from the effective date of the lease. The rent commencement date was modified by an amendment to the lease agreement dated January 20, 2012 to be earliest of June 1, 2012 or the opening of the tenants business.

In addition, the lease agreement provides “put” and a “call” options. The put option provides that after the expiration of the eighth lease year the landlord may require the tenant to purchase the property for \$500,000. The call option provides that the tenant may purchase the property from the landlord at established amounts at the expiration of each lease year.

The following provides the amounts of lease payments under the lease and the purchase price if the call option is exercised by the tenant:

<u>Lease Year</u>	<u>Annual Rent</u>	<u>Call Option Price After Lease Year</u>
1	\$ -	\$8,500,000
2	895,860	8,103,350
3	1,458,816	7,103,537
4	1,458,816	6,042,058
5	1,458,816	4,915,109
6	1,642,740	3,529,585
7	1,642,740	2,058,606
8	1,642,740	500,000
9	1,700,040	200,000
10	<u>1,700,040</u>	200,000
Total rent	<u>\$13,600,608</u>	



**UNION TOWNSHIP  
COMMUNITY IMPROVEMENT CORPORATION, INC.  
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**NOTE 6 – MT. CARMEL REVITALIZATION GRANT PROGRAM**

During 2011, the Corporation received \$100,000 from Union Township to be used by the Corporation to administer a community revitalization grant program. The program allows eligible applicants who are property owners within the Mt. Carmel business corridor to apply for grants to fund 50 percent of project costs, up to a maximum of \$10,000, for eligible improvements such as landscaping, façade, aesthetic and other upgrades improvements along the corridor. As of December 31, 2011, \$63,706 has been expended under the program. The remaining program funds of \$36,294 are reflected as temporarily restricted.

**NOTE 7 – SUBSEQUENT EVENTS**

On April 26, 2012 the Corporation's Board of Trustees approved Resolution 2012-02 whereby the Corporation agreed to refund any and all proceeds arising from the sale, lease, or transfer, or other contractual agreement, including but not limited to the lease payments, sale payments or other consideration to the Township in support of its mission as the agency for development of the Township.

As discussed in Note 3, real property held by the Corporation was to be sold to Carepoint Clermont, LLC under a purchase agreement. That agreement established a closing date on the sale of the property by August 31, 2012. During 2013, the closing date was been extended to April 15, 2013. The closing with Carepoint Clermont, LLC was not executed. On June 14, 2013 the Corporation entered into a purchase agreement with RMA Construction, LLC for the purchase of the property, for a base price of \$940,000, subject to various terms and conditions. Closing terms of the agreement provide for a 180 day review period from the effective date of the agreement to determine whether the property is suitable to RMA Construction, LLC with closing 30 days after expiration of the review period.

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# 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*

Union Township Community Improvement Corporation  
Clermont County  
4350 Aicholtz Road  
Cincinnati, Ohio 45245

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 Union Township Community Improvement Corporation, Clermont County, Ohio (the Corporation), as of and for the years ended December 31, 2012 and 2011, 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 25, 2013.

### ***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.

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 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.

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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***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.

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 25, 2013



# Dave Yost • Auditor of State

**UNION TOWNSHIP COMMUNITY IMPROVEMENT CORPORATION**

**CLERMONT 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 8, 2013**