



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 year ended December 31, 2013, 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 overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Union Township Community Improvement Corporation, Clermont County as of December 31, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

www.ohioauditor.gov

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2014, 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

June 3, 2014

UNION TOWNSHIP COMMUNITY IMPROVEMENT CORPORATION, INC.
CLERMONT COUNTY, OHIO
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

ASSETS

CURRENT ASSETS:	
Cash	\$ 49,202
Mortgages receivable-current	21,229
Contributions receivable-current	<u>10,000</u>
Total current assets	<u>80,431</u>
 NONCURRENT ASSETS:	
Assets held for resale	1,132,009
Contributions receivable-net of current	30,000
Mortgages receivable-net of current	<u>302,856</u>
Total noncurrent assets	<u>1,464,865</u>
TOTAL ASSETS	<u><u>\$ 1,545,296</u></u>

LIABILITIES

CURRENT LIABILITIES	
Accrued property taxes	\$ 4,141
Promissory note payable-current	<u>10,000</u>
Total current liabilities	<u>14,141</u>
 NONCURRENT LIABILITIES	
Promissory note payable-net of current	30,000
Deferred contributions	<u>30,000</u>
Total noncurrent liabilities	<u>60,000</u>
TOTAL LIABILITIES	<u><u>\$ 74,141</u></u>

NET ASSETS

Temporarily restricted	\$ 767,500
Unrestricted	<u>703,655</u>
TOTAL NET ASSETS	<u><u>\$ 1,471,155</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, 2013

	Unrestricted	Temporarily Restricted	Total
REVENUES:			
Cash contributions from Union Township	\$ -	\$ 372,000	\$ 372,000
Other contributions	10,000	-	10,000
Lease revenues	1,065,028	-	1,065,028
Mortgage revenues	1,796	-	1,796
Loss on sale of assets held for resale	(6,681)	-	(6,681)
Gain on sale of capital assets	382,299	-	382,299
Interest	152	-	152
Net assets released from restriction	372,000	(372,000)	-
Total Revenues	1,824,594	-	1,824,594
EXPENSES:			
Program services:			
Economic development	123,409	-	123,409
Support services:			
Return of project proceeds to Union Township	9,074,629	-	9,074,629
Administrative and general operating expense	15	-	15
Total Expenses	9,198,053	-	9,198,053
CHANGE IN NET ASSETS	(7,373,459)	-	(7,373,459)
Net assets beginning of year	8,077,114	767,500	8,844,614
Net assets end of year	\$ 703,655	\$ 767,500	\$ 1,471,155

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, 2013

Cash flows from operating activities:	
Decrease in net assets	\$ (7,373,459)
Adjustments to reconcile decrease in net assets to cash provided by operating activities	
Depreciation	74,885
Principal payments received on mortgages	20,604
Proceeds from sale of assets held for resale	343,171
Purchases of assets held for resale	(364,509)
Loss on sale of assets held for resale	6,681
Non cash contributions	(10,000)
Operating taxes payable	<u>(9,688)</u>
Net cash used by operating activities	<u>(7,312,315)</u>
Cash flows from capital related activities:	
Proceeds from sale of capital assets	7,644,030
Gain on sale of capital assets	<u>(382,299)</u>
Net cash provided by capital financing activities	<u>7,261,731</u>
Net decrease in cash and cash equivalent	(50,584)
Cash and cash equivalents at beginning of year	<u>99,786</u>
Cash and cash equivalents at end of year	<u><u>\$ 49,202</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, 2013**

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 (Township) in the form of capital and cash contributions. The Corporation began operations in January 2011 for the purpose of fostering economic development in the 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. Due to the nature of the Corporation's relationship to the Township, the Corporation is also presented as a blended component unit of the 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.

The Corporation's activities are reported as unrestricted and temporarily restricted for the year ended December 31, 2013.

**UNION TOWNSHIP
COMMUNITY IMPROVEMENT CORPORATION, INC.
CLERMONT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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, 2013**

NOTE 2 – CASH

As of December 31, 2013, Cash consisted of the following:

	<u>Amount</u>
Operating checking accounts	\$49,202

NOTE 3 –CONTRIBUTIONS RECEIVABLE AND PROMISSORY NOTE

On December 14, 2012, the Corporation received a \$50,000 cash contribution from Union Township to purchase a property located at 4372 Mt. Carmel-Tobasco Road for future development. As discussed in Note 5, the Corporation sold the property during 2013 however, certain conditions relating to the original acquisition of the property remain outstanding.

The Corporation original purchase agreement with Mt. Washington Savings 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. As of December 31, 2013, the balance of the promissory note and contribution receivable is \$40,000.

NOTE 4 – ASSETS HELD FOR RESALE

Assets held for resale consist of the following:

<u>Year-Property</u>	<u>Cost</u>
2011-Property held for resale to RMA Construction, LLC	\$ 767,500
2013-Property at 3966 Picadilly held for resale	25,627
2013-Property at 4297-4299 Glen Este-Withamsville held for resale	124,665
2013-Property at 4345 Glen Este-Withamsville held for resale	54,181
2013-Property at 4298 Glen Este-Withamsville held for resale	160,036
Total	\$1,132,009

During 2011, the Corporation received 7.0474 acres of real property valued at \$767,500 from Union Township to be held by the Corporation for resale. 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, as amended, provide for a review period from the effective date of the agreement to determine whether the property is suitable to RMA Construction, LLC. The review period has been extended to September 8, 2014, with a closing date on or before October 8, 2014.

During 2013, the Corporation received cash contributions from Union Township and purchased four properties within the Township for potential future development.

**UNION TOWNSHIP
COMMUNITY IMPROVEMENT CORPORATION, INC.
CLERMONT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE 5 – MORTGAGES RECEIVABLE

Mortgages receivable consist of the following:

<u>Property</u>	<u>Total</u>
3944 Nine Mile Road	\$274,361
4372 Mt. Carmel-Tobasco Road	<u>49,724</u>
Total	<u>\$324,085</u>

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 a mortgage agreement to sell the property to the individual for \$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. Repayment of the mortgage is scheduled in equal monthly amounts of \$1,652.78 over 15 years beginning on November 1, 2012.

During December 2012, the Corporation received a \$50,000 cash contribution from Union Township to purchase a property located at 4372 Mt. Carmel-Tobasco Road for future development. On March 1, 2013, the Corporation entered into a mortgage agreement to sell the property to Restle Investments, LLC for \$51,000. The agreement required payment of \$500 of earnest money to be applied to the purchase price and the issuance of a 6 percent interest bearing mortgage for the balance of \$50,500. Repayment of the mortgage is scheduled in equal monthly amounts of \$361.80 over 8 years commencing on June 1, 2013, with a final balloon payment of \$37,437 due on May 1, 2021.

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**UNION TOWNSHIP
COMMUNITY IMPROVEMENT CORPORATION, INC.
CLERMONT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE 6 – CAPITAL ASSETS

Changes in capital assets for the year ended December 31, 2013, were as follows:

<u>Class</u>	<u>Balance January 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2013</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>-</u>	<u>(3,267,700)</u>	<u>-</u>
Total cost	<u>\$7,500,000</u>	<u>\$ -</u>	<u>(\$7,500,000)</u>	<u>\$ -</u>
<i>Accumulated depreciation</i>				
Buildings and improvements	<u>(\$163,384)</u>	<u>(\$74,885)</u>	<u>\$ 238,269</u>	<u>\$ -</u>
Total accumulated depreciation	<u>(\$163,384)</u>	<u>(\$74,885)</u>	<u>\$ 238,268</u>	<u>\$ -</u>
Net value	<u>\$7,336,616</u>			<u>\$ -</u>

Capital assets acquired are associated with the purchase of the Bigg's Place Mall during 2011, which were sold during 2013 (see Note 7).

NOTE 7 – 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 \$8,500,000. The Corporation purchased the property for \$7,500,000 and provided an additional \$1,000,000 to Jungle Jim's Eastgate, LLC for equipment purchases to be used in the operations of the market.

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. Revised lease terms required monthly rental amounts to increase \$5,000 beginning with year 3 of the lease, with an additional \$1,000,000 balloon payment due at the conclusion of the lease.

The lease agreement, provided for "put" and "call" options for early termination of the lease by either party. The put option provided 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 provided that the tenant may purchase the property from the landlord at established amounts at the expiration of each lease year. During 2013, the call option was exercised, resulting in the sale of the property from the Union Township CIC to the Noble Family Eastgate, LLC (Developer) for \$7,644,030.

**UNION TOWNSHIP
COMMUNITY IMPROVEMENT CORPORATION, INC.
CLERMONT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

As part of the sale of the property, Union Township created a Jungle Jim’s Economic Development Special Improvement District (SID) for the purpose of levying a special assessment on the development. In turn, the Clermont County Port Authority (Port) issued \$22,705,000 of Economic Development Special Obligation Bonds to purchase the property from the developer. Security for the bonds issued by the Port includes a pledge by Union Township of all proceeds collected under the SID, a Guaranty executed by the Guarantor, and other Township revenues that are pledged pursuant to the Cooperative and Trust agreements. The special assessment of the SID will be levied and collected in semi-annual installments for 20 years in an amount equal to annual debt service on the bonds, plus an amount not to exceed \$25,000 for annual administrative expenses of the SID.

To provide a security interest for the Corporation and Union Township, the property was transferred from the Port to the Corporation. The Corporation leases the development under the terms of a capital lease, for nominal value, to the developer. The developer maintains an option to purchase the development from the Corporation for the remaining outstanding balance of the Series 2013 Bonds.

The above sale and re-leasing of the property excludes the additional loan amount made by the Corporation on August 15, 2012, that provided an additional \$1,000,000. Payment terms for the additional loan require monthly rental amounts for interest of \$5,000 with a \$1,000,000 principal balloon payment due at the conclusion of the lease.

NOTE 8 –RETURN OF PROJECT PROCEEDS

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 2013, the Corporation returned the following amounts to Union Township:

<u>Item</u>	<u>Amount</u>
Proceeds from sale of Jungle Jim’s Eastgate LLC, property	\$7,644,030
Jungle Jim’s Eastgate, LLC lease payments	1,063,028
Proceeds from sale of 516 Old State Route 74 property	342,671
Mortgage payments received on 3944 Nine Mile Road mortgage	19,867
Mortgage payments received on 4372 Mt. Carmel-Tobasco Road mortgage	2,533
Proceeds from lease payments on 516 Old State Route 74 property	2,000
Proceeds from sale of 4372 Mt. Carmel-Tobasco Road property	500
Total	<u>\$9,074,629</u>



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 Union Township Community Improvement Corporation, Clermont County, (the Corporation) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated June 3, 2014.

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, flowing style.

Dave Yost
Auditor of State

Columbus, Ohio

June 3, 2014



Dave Yost • Auditor of State

UNION TOWNSHIP CLERMONT COUNTY CIC

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
JUNE 19, 2014**