Wooster Growth Corporation
Wayne County, Ohio

Audited Financial Statements

For the Year Ended
December 31, 2012

Dave Yost · Auditor of State

Board of Trustees
Wooster Growth Corporation
538 North Market Street
Wooster, Ohio 44691

We have reviewed the *Independent Auditor's Report* of the Wooster Growth Corporation, Wayne County, prepared by Rea & Associates, Inc., for the audit period January 1, 2012 through December 31, 2012. 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 Wooster Growth Corporation is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

June 17, 2014

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Wayne County, Ohio
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May 30, 2014

To the Board of Trustees
Wooster Growth Corporation
Wayne County, Ohio
538 North Market Street
Wooster, OH 44691

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the Wooster Growth Corporation, Wayne County, Ohio, (the Corporation) as of and for the year ended December 31, 2012, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Wooster Growth Corporation, Wayne County, Ohio, as of December 31, 2012, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2014 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 Corporation's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Medina, Ohio

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Wooster Growth Corporation's (the "Corporation") financial performance provides an overview of its financial activities for the fiscal year ended December 31, 2012. Financial information consists of a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, and Notes to the Basic Financial Statements (the Notes) to disclose or explain information not apparent from the basic financial statements. Please read the Notes for important explanations of relationships and transactions.

The Corporation exists for "the sole purpose of advancing, encouraging, and promoting the industrial, economic, commercial and civic development of Wooster, Ohio." Thus, normal discussion and analysis of business results, such as return on assets or net profit, are not relevant and will not be highlighted here. Instead, we will focus on describing the activities pursued by the Corporation during 2012 to fulfill that sole purpose as well as plans to sustain it.

Development Asset Inventory

At the end of 2012, the Corporation's investment in development asset inventory was $717,716. Below is the activity associated with the Corporation's development inventory during the year ended December 31, 2012.

Besancon Farm/Geyers Chapel Road

During 2012, the Corporation received $25,576 in revenue generated by the agricultural lease with Sweet Breeze Farms for 150.8 acres of the South Well field. The lease runs through 2014.

On March 27, 2012, the Corporation sold .222 acres of the Besancon Farm/Geyers Chapel Road property to the Machamer Tree Farms, LLC for $2,000. The Corporation recognized an operating gain of $58.

On July 18, 2012, the Corporation sold 8.08 acres of the Besancon Farm/Geyers Chapel Road property to Brasfond USA Corp. for $150,400. The Corporation recognized an operating gain of $78,418.

At December 31, 2012, the Corporation held approximately 36 acres of land which remains available for development.

Timken Property

On September 4, 2012, the Corporation sold 43.965 acres of the Timken property to Knox Cattle Company for $123,419. The Corporation recognized an operating gain of $41,819.

At December 31, 2012, the Corporation held approximately 65 acres of land which remains available for development.

Financial Highlights

- The Corporation's Net Position increased by $57,733.
- Total cost of operating activities was $267,346 in 2012 compared to $226,185 in 2011.
- Assets restricted for economic development totaled $717,716 at December 31, 2012.
- The Corporation's operating income was $45,583. Net non-operating revenue (expenses) totaled $12,150.

Our analysis below focuses on the Corporation's financial position and the results of operations.

	2012	2011
Assets		
Current and Other Assets	$ 767,168	$ 734,263
Noncurrent Assets	2,621,232	2,745,987
Total Assets	3,388,400	3,480,250
Liabilities		
Current Liabilities	961,267	877,491
Long-Term Liabilities	657,582	890,941
Total Liabilities	1,618,849	1,768,432
Net Position		
Restricted for Economic Development	717,716	868,198
Unrestricted	1,051,835	843,620
Total Net Position	$1,769,551	$1,711,818
Total Revenues	$355,504	$554,195
Total Expenditures	297,771	263,295
Change in Net Position	57,733	290,900
Beginning Net Position	1,711,818	1,420,918
Ending Net Position	$1,769,551	$1,711,818

Total assets decreased in 2012 by $91,850. A primary factor that caused this was the sale of three properties which decreased Development Asset Inventory netted against an increase in lease receivables related to the ABS Materials, Inc. project and increased cash balances from the sale of two Besancon Farm/Geyers Chapel Road properties and the Timken property.

The decrease in liabilities is due to the reduction of the temporary financing received from Wayne County Community Development Corporation for purchase of the SnapOn Property. Total revenues decreased in 2012 over 2011 due to lower sales of developmental inventory in 2012 compared to the prior year.

Debt

At December 31, 2012, the Corporation had $890,941 in loans outstanding related to the Tekfor, Inc. project. See Note 3 of the basic financial statements for additional information on the outstanding loans of the Corporation.

The Corporation paid $145,000 on principal to the Wayne County Community Improvement Corporation towards the bridge loan associated with the ABS project and ABS paid $155,000 towards the loan. The outstanding balance of this loan was $300,000 at December 31, 2012.

Economic Factors and Next Year's Budgets

The Corporation works within the corporate limits of the City. The City has, in the mix of economic sectors, a relatively strong industrial sector, greater than 31 percent of the City.

Budgets

The Corporation does not adopt an annual budget. Plans for each project are made as the opportunities present themselves.

Contacting Wooster Growth Corporation's Financial Management

This financial report is intended to provide our citizens, taxpayers, customers, and creditors with a general overview of the Corporation's finances and to demonstrate accountability for the assets it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, City of Wooster, 538 North Market Street, Wooster, Ohio 44691, (330) 263-5225.

Wooster Growth Corporation
Statement of Net Position
December 31, 2012

Assets:		
Current assets:		
Cash and cash equivalents	$	424,264
Current portion note receivable - ABS Materials, Inc.		69,467
Current portion note receivable - Condor Pacific Properties, LLC		40,078
Current portion lease receivable -Tekfor State loan		233,359
Total current assets		767,168
Noncurrent assets:		
Note receivable - Merchants Block, LLC		202,372
Long-term portion note receivable - Condor Pacific Properties, LLC		109,398
Long-term portion note receivable - ABS Materials, Inc.		53,463
Lease receivable - ABS Materials, Inc.		880,701
Long-term lease receivable-Tekfor State loan		657,582
Inventory of development assets:		
Land		717,716
Total noncurrent assets		2,621,232
Total assets		3,388,400
Liabilities:		
Current liabilities:		
Accounts payable		425,350
Deferred revenue		2,558
Loan payable - Wayne County Community Improvement Corporation		300,000
Current portion State of Ohio loan payable-Tekfor		233,359
Total current liabilities		961,267
Noncurrent liabilities:		
Long-term portion State of Ohio loan payable-Tekfor		657,582
Total noncurrent liabilities		657,582
Total liabilities		1,618,849
Net Position:		
Restricted for economic development		717,716
Unrestricted		1,051,835
Total Net Position	$	1,769,551

See accompanying notes to the basic financial statements.

Wooster Growth Corporation
Statement of Revenues, Expenses and Changes in Net Position
For the Year ended December 31, 2012

Revenue:		
Sale of development inventory	$	275,819
Administrative income		37,110
Total operating revenues		312,929
Expenses:		
Cost of development inventory		155,524
Administrative & professional expenses		111,822
Total operating expenses		267,346
Operating income (loss)		45,583
Non-operating revenue (expenses):		
Lease interest		30,472
Interest expense		(30,425)
Interest on investments		12,103
Net non-operating revenue (expense)		12,150
Change in net position		57,733
Net position at beginning of year		1,711,818
Net position at end of year	**$**	1,769,551

See accompanying notes to the basic financial statements.

Wooster Growth Corporation
Statement of Cash Flows
For the Year Ended December 31, 2012

Cash flows from operating activities:		
Cash received from sale of developmental inventory	$	275,817
Cash paid for developmental inventory		(5,042)
Cash received for administrative fees		37,111
Cash paid for administrative and professional fees		(159,473)
Net cash provided (used) by operating activities		148,413
Cash flows from noncapital financing activities:		
Collection of note receivable principal-ABS Materials, Inc.		33,029
Collection of note receivable interest-ABS Materials, Inc.		90
Collection of lease receivable principal-ABS Materials, Inc.		20,571
Collection of lease receivable interest-ABS Materials, Inc.		337
Collection of note receivable principal-Condor Pacific Properties, LLC		38,128
Collection of note receivable interest-Condor Pacific Properties, LLC		8,514
Collection of lease receivable principal-Tekfor		225,906
Collection of lease receivable interest-Tekfor		30,990
Collection of lease receivable state administrative fees-Tekfor		2,583
Cash paid for devlopment expenses increasing Lease Receivable-ABS Materials, Inc		(128,604)
Payment for state loan principal - Tekfor		(226,471)
Payment for state loan interest - Tekfor		(30,425)
Payment for state loan administrative fees - Tekfor		(2,535)
Payment on bridge loan-Wayne County Community Improvement Corp.		(145,000)
Net cash provided (used) by noncapital financing activities		(172,887)
Cash flows from investing activities:		
Interest received		12,103
Net cash provided (used) by investing activities		12,103
Net increase (decrease) in cash and cash equivalents		(12,371)
Cash and cash equivalents at beginning of year		436,635
Cash and cash equivalents at end of year	$	424,264
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$	45,583
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Changes in assets and liabilities:		
(Increase)decrease in assets		
Development Inventory		150,482
Increase (decrease) in liabilities		
Accounts payable		232
Accrued taxes		(47,884)
Net cash provided (used) by operating activities	$	148,413

Non-cash transactions:

A principal payment of $155,000 was made directly from ABS Materials, Inc. to Wayne County Community Improvement Corp.

Development expenses of $424,540 increased the lease receivable for ABS Materials, Inc. This amount was included in accounts payable at year end

See accompanying notes to the basic financial statements.

Note 1: Summary of Significant Accounting Policies

<u>Reporting Entity</u>

Wooster Growth Corporation, Wayne County, Ohio (the “Corporation”) is a non-profit, tax-exempt entity designated by the City of Wooster (the “City”) as the agent for industrial, commercial, distribution, and research development, pursuant to section 1724.10 of the Ohio Revised Code. The Corporation acts as an agent of the City to attract, promote, and coordinate new business and industrial interest in the greater Wooster area. The Corporation may also act as agent for those businesses seeking economic development assistance.

At December 31, 2012, the Corporation held interest in four primary properties: the Tekfor, Inc. land and manufacturing facility (which has been reflected as a capital lease sale to Tekfor, Inc.), the remaining two parcels adjacent to the Timken Wooster roller bearing facility, the remainder of the Besancon Farm land, which was originally received from the City of Wooster, Ohio, the former Conrail parking lot and the South Market Street parking lot.

- The City granted the Besancon Farm land to the Corporation in 2000, and the property has been developed to attract and/or retain manufacturing and publishing facilities in the City. Part of the property includes acreage which has been leased to Tekfor, Inc.

- The Timken Company donated its Wooster roller bearing facility and adjacent land to the Corporation in March 2006.

- The City granted the former Conrail (Liberty Street) parking lot to the Corporation in 1997. A local service agency leases the lot.

- The City transferred a parcel of land known as the South Market Street parking lot to the Corporation in 2011. The Corporation reconstructed the lot to increase available parking space for local business. The lot is not under lease.

- During 2011, the Corporation purchased the former Snap-On building using the resources obtained from a non-interest bearing loan from the Wayne County Development Corporation. The Corporation subsequently entered into a capital lease agreement with ABS Materials, Inc. who will make construction modifications to the facilities.

<u>Basis of Accounting</u>

Effective January 1, 2001, the Corporation implemented Governmental Accounting Standards Board (GASB) Statement No. 34, the new governmental model for financial accounting and reporting. Financial statements are prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. The Corporation has elected to consistently not follow Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, as permitted under Governmental Accounting Standards Board Statement No. 20. The FASB has codified its Standards and the Standards issued prior to November 30, 1989, are included in the codification.

The Corporation distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Corporation’s principal ongoing operations. The principal operating revenue is from sale proceeds of 8.302 acres of the Besancon/Geyers Chapel Road property and 43.965 acres of the Timken Property. Operating expenses are primarily the reduction of inventory related to the sales.

Note 1 – Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, such as pass-through loan payment interest.

Deposits and Investments

Cash balances for the Corporation are held by the City which serves as fiscal agent. Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. At year-end, cash and investments totaled $424,264. Investments held at December 31, 2012, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year end. All investments not required to be reported at fair value are stated at cost or amortized cost.

Donated Property

Donations of property are recorded as contributions at their estimated fair market value at the date of donation. Such donations are reported as increases in invested in development assets unless the donor has restricted such assets for specific purposes. All other property is recorded at the lower of cost or market, including construction period interest costs.

In accordance with Ohio Revised Code section 1724.10 (C), sale proceeds of property donated to the Corporation by the City that are in excess of cost (less sales expenses) are required to be returned to the City. However, an agreement was reached between the City and the Corporation that any excess proceeds for the Freedlander property and the Trinity parking lot, the remaining Besancon farm land, the Tekfor facility, the Timken property and the South Market Street parking lot would be held by the Corporation as economic development assets.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Corporation generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Corporation with its administrative activities. The Corporation has not estimated the value of such services.

Income Tax Status

The Corporation received approval for its tax-exempt status under Section 501 (c) (3) from the Internal Revenue Service effective July 1994.

Estimates

In order to prepare financial statements in accordance with generally accepted accounting principles, the Corporation is required to make estimates and assumptions that affect the valuations of assets and liabilities and disclose contingent assets and liabilities at year end, as well as the revenue and expense amounts that occurred during the reporting period.

All acquisition of property is not capitalized. All other property is recorded at the lower of cost or market, including construction period interest costs for constructed assets.

Note 1 – Summary of Significant Accounting Policies (continued)

Risk Management and Concentration of Risk

The Corporation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. This risk is minimized in relation to Tekfor, Inc. property by the triple-net lease agreement requiring the lessee to maintain insurance coverage.

The Corporation carries general liability and Directors and Officers insurance.

Non-Operating Income and Expense

The lease agreement with Tekfor requires a monthly lease payment to the Corporation. The amount, less an administrative fee, is then paid to the Ohio Department of Development ("ODOD") to repay a construction loan issued in the amount of $3.1 million. The interest portion of these capitalized lease receipts and the interest portion of debt payments are reflected on the financial statements as non-operating income and expense.

Agency Account - City of Wooster

An agreement was executed October 24, 2000, between the City and the Corporation, whereby the City will perform financial management services, including the establishment of one or more agency accounts, at no cost to the Corporation. The Director of Finance for the City is the Treasurer of the Corporation as elected by the Corporation's Board of Trustees.

Accounting Pronouncements

For the year ended December 31, 2012, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an Amendment of GASB Statement No. 53."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the Corporation.

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the Corporation.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also amends the net asset reporting requirements of GASB Statement No. 34 by incorporating deferred outflows and inflows into the definitions and renaming the residual measure as net position, rather than net assets.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the Corporation.

Note 2 – Inventory of Development Assets

The inventory of development assets consists of the following at December 31, 2012:

	Land
Besancon Property	$430,160
South Market Street Property	63,634
Liberty Street Property	15,120
Timken Property	208,802
Total Development Assets	$717,716

Freedlander Property

In 1989, the H. Freedlander Company donated its downtown Wooster retail department store building to the City. Shortly thereafter, the City passed Ordinance No. 1989-43 granting title of the property to the Corporation. The property's fair market value at the date of gift was estimated at $285,770 for the land and $965,680 for the building based upon valuations provided by the Wayne County Auditor's Office.

On September 7, 1989, the Corporation entered into a lease agreement with L.H.B., Inc. by which L.H.B., Inc. paid a nominal annual rental for use of the property (L.H.B., Inc. operated the Freedlander's Department Store). The intent of the nominal rental was to insure the continuance of the retail establishment's contribution to the vitality of downtown Wooster.

The agreement extended for five years with the options to renew by L.H.B., Inc ("L.H.B.") for up to six, five-year lease periods. The first five-year renewal was entered into September 1994. A second five-year renewal contract was signed in 2001 and an additional four renewals were agreed upon. Subsequently, Freedlander's Department Store closed in December 2008.

With the intent to redevelop the site to strengthen the commercial and service core of the City, while providing new residential opportunities downtown, the Freedlander building was demolished in 2009. The cost of the demolition and environmental work related to the project was $762,256 of which $730,980 was paid from funds of the City of Wooster. The Corporation recorded a capital contribution of $730,980 from the City of Wooster. The total costs incurred were added to the basis of the property. An appraisal of the property on July 24, 2009, by Kendall Appraisal Group Inc., estimated the "As Is" market value of the property after the demolition to be $351,000. As a result of this appraisal, the basis of the Freedlander property was written down by $1,662,206.

The property was sold November 30, 2010, to Merchants Block, LLC for $202,372 which consists of $165,372 for the land and $37,000 for footer and foundation work as provided in the sales agreement. The cost of the sale included the appraised value of $351,000, as determined in the above paragraph, plus settlement costs of $8,187. The Corporation recognized an operating loss on the sale of $156,815.

The Corporation agreed to provide financing to the Buyer for the balance due of $202,372 at zero percent interest. Terms of the note receivable require that the principal will be payable in full upon the maturity date, which shall be the date on which 100% of the units in Merchants Block and Village Lofts Condominiums have been sold and/or leased, but in no event later than sixty months after the date of the execution date of the promissory note and mortgage, whichever occurs first. Partial payments of principal in the amount of $11,595 are due upon the sale of each unit of the Village Lofts Condominiums and is based on the percentage of square feet which the unit represents as a percentage of the whole project. Partial payments will be made using the same formula as retail space in Merchants Block is sold.

Note 2 – Inventory of Development Assets (continued)

Besancon Farm/Geyers Chapel Road Property

On May 30, 2000, the City purchased 147.97 acres of land located near Long Road and Geyers Chapel Road (formerly known as the Besancon Farm, Ltd.). On July 10, 2000, City Council authorized the transfer of 25 acres of the property to the Corporation. On September 18, 2000, City Council authorized transfer of another 104.403 acres to the Corporation in exchange for the $18 county recorder fee. In 2009, an additional $7,870 was capitalized as part of the basis ot the property, related to clearing costs in order to prepare the land to lease as farm land.

On January 12, 2010, the Corporation entered into an agricultural lease with Sweet Breeze Farms for 150.8 acres of the South Well Field, part of the Besancon Farm property. The lease is five years for $169.60 an acre. Rent received in 2012 under this lease was $25,576.

On March 11, 2011, the Corporation sold 14.628 acres of the Besancon Farm/Geyers Chapel Road property to the Ohio Department of Transportation for $275,000. The Corporation recognized a gain on the sale of $148,116.

On March 27, 2012, the Corporation sold .222 acres of the Besancon Farm/Geyers Chapel Road property to Machamer Tree Farms, LLC for $2,000. the Corporation recognized a gain on the sale of $58.

On July 18, 2012, the Corporation sold 8.08 acres if the Besancon Farm/Geyers Chapel Road property to Brasfond USA Corp. for $150,400. The Corporation recocnized a gain on the sale of $78,418.

Praire Lane Property (Timken)

During Spring 2006, Timken Company donated their Wooster roller bearing facility to the Corporation with a final closing date of September 29, 2006. Located at 2219 Prairie Lane, Wooster, Ohio, the property consists of a primary site of 59.315 acres and includes vacant buildings of 174,757 square feet. The secondary site consists of 64.94 acres of vacant land. The fair market value at the time of the donation was $916,000, of which $786,000 was allocated to the primary site and $130,000 to the secondary site. An additional $21,779 in appraisal and other fees was capitalized as part of the value of the land and building received.

During 2007, the Corporation entered into several agreements involving the demolition of two of the unusable buildings and the subsequent environmental cleanup process to assure compliance with Environmental Protection Agency (EPA) regulations. The costs of these agreements were $45,000 and $23,395, respectively, which increased the basis of the primary site of 59.315 acres.

In addition, the Corporation entered into an agreement for the removal and sale of timber from the primary site. The Corporation received $90,360 for this transaction, which reduced the basis of the 59.315 acres by these proceeds.

The Corporation also agreed to sell the substation and equipment located on the primary site for $18,250. The basis of the primary site was reduced by these proceeds.

On July 1, 2008, the Corporation entered into a lease agreement with Buckeye Supply Company to use three acres including buildings, storage and paved areas known as Parcel 2 of the Praire Lane property. The agreement extends for twenty-four months and requires monthly rent payments of $417 per month. The lease was mutually terminated in February 2010.

Note 2 – Inventory of Development Assets (continued)

Praire Lane Property (Timken) (continued)

On June 6, 2008, the Corporation (the Seller) entered into an agreement with Condor Pacific Properties, LLC (the Buyer) for the sale of Parcel 1 (approximately 14.5 acres) of the Praire Lane property for $320,000, less $10,000 adjustment for fencing with the Corporation financing the property at 5% interest for a period of seven years. Conditions of the sale required the Corporation to pay for extension of utilities
including water and sewer and construction of a separate drive. The costs to satisfy these conditions were $134,160, which increased the basis of Parcel 1. On May 18, 2009, with the conditions of the sale satisfied, the sale was finalized. The Corporation recognized a loss on the sale of $437,901.

The Corporation agreed to provide financing to the Buyer for the outstanding balance due of $275,000. Terms of the note receivable require monthly payments beginning July 1, 2009, from the Buyer of $3,887, which include interest at a rate of 5%. Final payment is due June 2016. The balance of the note receivable at December 31, 2012, was $149,476.

On September 4, 2012 the Corporation sold 43.965 acres of the Timken property to Knox Cattle Company for $123,419. The Corporation recognized a gain on the sale of $41,819.

Liberty Street Lot

In October, 1997, the City of Wooster transferred to the Corporation a 0.629 acre parcel of land, In-Lot 8056, Liberty Street, Wooster, Ohio. The City transferred the land to the Corporation, in accordance with Ohio law, for the purchase price of $10. The fair market value at that date was $15,120.

In March, 1998, the Corporation entered into a lease agreement with Wayne County Alcoholism Services and Every Woman's House for a nominal annual rental. The intent of the nominal rental is to promote the welfare of the people of Wooster by providing important community services in a downtown location, stabilize downtown economy, promote downtown employment and assist in preservation of downtown Wooster. The lease term extends to March 2097, unless the lessee desires to terminate by written notice.

Tekfor, Inc. Lease Agreement

On June 11, 2001, a lease agreement, with option to purchase, was executed between the Corporation and Tekfor, Inc. This lease has been accounted for as a capital lease. The term of such lease is for 15 years retroactively commencing on May 15, 2001. Monthly lease payments are computed by combining 1) the monthly cost and fees associated with the State of Ohio Section 166 loan, 2) the monthly cost of the term loan from Fifth Third Bank, and 3) a monthly administrative fee of 1/12 of 1/4 percent of the outstanding principal of the two loans. In exchange for a nominal non-refundable payment, the lease also provides for an exclusive right and option for Tekfor, Inc. to purchase the leased premises for $10, with such option expiring May 15, 2016. The purchase price upon execution of the option will include the remaining balance of the principal amounts of the aforementioned loans, plus all accrued interest and expenses of such financing, as of the date of the property's transfer. This agreement provides for minimum annual lease payments as follows:

Note 2 – Inventory of Development Assets (continued)

Tekfor, Inc. Lease Agreement (continued)

	Year	Tekfor, Inc. Lease
	2013	$ 261,126
	2014	259,852
	2015	258,542
	2016	171,616
Total Minimum Lease Payment		951,136
Less: Amounts Representing Interest and Fees		(60,195)
Present Value of Minimum Lease Payments		$ 890,941

Also executed on June 11, 2001, between the Corporation and Tekfor was a real estate purchase option providing Tekfor the exclusive right and option to purchase an additional 9.258 acres of vacant land situated adjacent to the primary facility described above. Such option, granted in exchange for a nominal non-refundable payment, will likewise expire on May 15, 2016. Purchase price for this 9.258 acre tract is $96,800.

ABS Materials, Inc. Lease Agreement

In November 2011, a lease agreement, with option to purchase, was executed between the Corporation and ABS Materials, Inc. This lease has been accounted for as a capital lease by the lessee. The term of such lease is for 15 years. Monthly lease payments are computed by combining the monthly cost and fees associated with the State of Ohio Section 166 loan and a monthly administrative fee of 1/12 of 1/4 percent of the outstanding principal of the loan. In exchange for a nominal non-refundable payment, the lease also provides for an exclusive right and option for ABS Materials, Inc. to purchase the leased premises for $10, with such option expiring November 2027. The purchase price upon execution of the option will include the remaining balance of the principal amounts of the above-mentioned loan, plus all accrued interest and expenses of such financing, as of the date of the property's transfer. The signed lease agreement will be subsequently modified in 2013 to account for the final terms based on the final Ohio Section 166 loan and construction modifications to the facilities. At that time a final lease payment schedule will be available.

Note 3 – Long-Term Debt

Detail of the changes in long-term debt of the Corporation for the year ended December 31, 2012, is as follows:

	Balance 12/31/11	Additions	Deductions	Balance 12/31/12	Amount Due Within One Year
Long-term Debt:					
Ohio Department of Development Loan Payable	$ 1,117,412	$ 0	$ 226,471	$ 890,941	$ 233,359

Note 3 – Long-Term Debt (continued)

Ohio Department of Development Loan - Tekfor, Inc.

On March 26, 2001, the Corporation received notice it was granted a $3.1 million low-interest (Chapter 166) loan by the Ohio Department of Development. Such loan was characterized as a direct loan to the Corporation for the purpose of assisting in the construction and equipping of a commercial facility to be subsequently leased to Tekfor, Inc. The loan bears interest at three percent annually with an additional monthly service fee equal to 1/12 of 1/4 percent and is payable in monthly installments over a 15 year period.

A summary of the Company's future long-term debt requirements, including principal and interest payments as of December 31, 2012, follows:

Year Ending	Ohio Department of Development		
December 31,	Principal	Interest	Total
2013	$ 233,359	$ 23,537	$ 256,896
2014	240,457	16,439	256,896
2015	247,771	9,125	256,896
2016	169,354	1,911	171,265
	$ 890,941	$ 51,012	$ 941,953

Note 4 – Loan Payable – Wayne County Community Development Corporation

On November 29, 2011 the Corporation signed a mortgage deed with the Wayne County Community Improvement Corporation ("WCCIC"). For the consideration of $600,000 the Corporation received, to its full satisfaction of WCCIC, land and building formally known as the Snap-On building located at 1909 Old Mansfield Road, Wooster, Ohio. The condition of such mortgage deed is such that the Corporation has executed and delivered to WCCIC a certain promissory note of even date in the amount of $600,000.

The Promissory Note is non-interest bearing. The payment of the promissory note is secured by a mortgage deed on the real estate entered into on an even date.

On September 5, 2012, the Corporation made a payment of $145,000 towards the balance of the Promissory Note. ABS Materials, Inc. paid $155,000 towards the outstanding balance of the note in 2012. The outstanding balance of the Promissory Note at December 31. 2012 was $300,000.

May 30, 2014

To the Board of Trustees
Wooster Growth Corporation
Wayne County, Ohio
538 North Market Street
Wooster, OH 44691

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Wooster Growth Corporation, Wayne County, Ohio (the Corporation) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated May 30, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Medina, Ohio

Dave Yost • Auditor of State

WOOSTER GROWTH CORPORATION

WAYNE 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
JULY 01, 2014

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