



Rea & associates *a brighter way*

# Wooster Growth Corporation

## Wayne County, Ohio

### *Audited Financial Statements*

For the Year Ended  
December 31, 2014





# Dave Yost • Auditor of State

Board of Trustees  
Wooster Growth Corporation  
538 North Market Street  
Wooster, OH 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, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Wooster Growth Corporation is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

June 24, 2015

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**Wooster Growth Corporation**  
**Wayne County, Ohio**  
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*December 31, 2014*

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May 28, 2015

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, 2014, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for 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, 2014, 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 28, 2015 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.

*Kea & Associates, Inc.*

Medina, Ohio

**Wooster Growth Corporation**  
**Wayne County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*

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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, 2014. 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 2014 to fulfill that sole purpose as well as plans to sustain it.

Development Asset Inventory

At the end of 2014, the Corporation's investment in development asset inventory was \$1,071,031. Below is the activity associated with the Corporation's development inventory during the year ended December 31, 2014.

*Besancon Farm/Geyers Chapel Road*

During 2014, 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.

At December 31, 2014, the Corporation held approximately 36 acres of land which remains available for development.

*Timken Property*

At December 31, 2014, the Corporation held approximately 65 acres of land which remains available for development. No activity during 2014.

*Long Road Property*

At December 31, 2014, the Corporation held 2.495 acres of land, which was subsequently leased for use, as identified in Note 5.



**Wooster Growth Corporation**  
**Wayne County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*

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Financial Highlights

The Corporation's Net Position decreased by \$41,096.

- Total cost of operating activities was \$251,386 in 2014 compared to \$92,266 in 2013.
- Assets restricted for economic development totaled \$1,071,031 at December 31, 2014.
- The Corporation's operating loss was \$60,280. Net non-operating revenue (expenses) totaled \$19,184.

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

	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
Current and Other Assets	\$ 1,217,253	\$ 1,033,248
Noncurrent Assets	2,352,341	2,889,322
<b>Total Assets</b>	<b>3,569,594</b>	<b>3,922,570</b>
<b>Liabilities</b>		
Current Liabilities	317,381	285,718
Long-Term Liabilities	1,223,624	1,541,005
<b>Total Liabilities</b>	<b>1,541,005</b>	<b>1,826,723</b>
<b>Deferred Inflows of Resources</b>		
Unearned Revenue	0	26,162
<b>Net Position</b>		
Restricted for Economic Development	1,071,031	1,055,911
Unrestricted	957,558	1,013,774
<b>Total Net Position</b>	<b>\$ 2,028,589</b>	<b>\$ 2,069,685</b>
<b>Total Revenues</b>	\$ 253,614	\$ 500,622
<b>Total Expenses</b>	294,710	200,488
Change in Net Position	(41,096)	300,134
Beginning Net Position	2,069,685	1,769,551
<b>Ending Net Position</b>	<b>\$ 2,028,589</b>	<b>\$ 2,069,685</b>

Total assets decreased in 2014 by \$352,976. A primary factor that caused this was receipts for notes and leases receivable, specifically the note receivable of the Merchants Block, LLC paid in full.

The decrease in liabilities is due to the payment of State of Ohio loans payable for ABS Materials and Tekfor.

Total revenues decreased \$247,008 primarily due to donated property from the City of Wooster in 2013, partially offset an anonymous donation of \$150,000 received in 2014. The increase in expenses related to payment of fees in accordance with the terms of the donation. This transaction will generate new business in the City of Wooster with the Daisy plant.

**Wooster Growth Corporation**  
**Wayne County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*

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Debt

At December 31, 2014, the Corporation had approximately \$1.541 million in loans outstanding related to the Tekfor, Inc. project and the ABS Materials, Inc. project. See Note 4 of the basic financial statements for additional information on the outstanding loans of the Corporation.

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**  
**Wayne County, Ohio**  
*Statement of Net Position*  
*December 31, 2014*

<b>Assets:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 853,053
Current Portion Note Receivable:	
ABS Materials, Inc.	2,535
Condor Pacific Properties, LLC	44,284
Current Portion Lease Receivable:	
Tekfor State Loan	247,771
ABS Materials, Inc. State Loan	69,610
<b>Total Current Assets</b>	<u>1,217,253</u>
<b>Non-Current Assets:</b>	
Long Term Portion Note Receivable:	
ABS Materials, Inc.	34,701
Condor Pacific Properties, LLC	22,985
Long Term Portion Lease Receivable:	
Tekfor State Loan	169,354
ABS Materials, Inc. State Loan	1,054,270
Inventory of Development Assets:	
Land	720,631
Building	350,400
<b>Total Non-Current Assets</b>	<u>2,352,341</u>
<b>Total Assets</b>	<u>3,569,594</u>
<b>Liabilities:</b>	
<b>Current Liabilities:</b>	
Current Portion Loans Payable:	
State of Ohio - Tekfor	247,771
State of Ohio - ABS Materials, Inc.	69,610
<b>Total Current Liabilities</b>	<u>317,381</u>
<b>Non-Current Liabilities:</b>	
Long Term Portion Loans Payable:	
State of Ohio - Tekfor	169,354
State of Ohio - ABS Materials, Inc.	1,054,270
<b>Total Non-Current Liabilities</b>	<u>1,223,624</u>
<b>Total Liabilities</b>	<u>1,541,005</u>
<b>Net Position:</b>	
Restricted for Economic Development	1,071,031
Unrestricted	957,558
<b>Total Net Position</b>	<u>\$ 2,028,589</u>

See accompanying notes to the basic financial statements.

**Wooster Growth Corporation**  
**Wayne County, Ohio**  
*Statement of Revenues, Expenses and Changes in Net Position*  
*For the Year Ended December 31, 2014*

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<b>Operating Revenue:</b>	
Administrative Income	<u>\$ 191,106</u>
<b>Operating Expenses:</b>	
Administrative and Professional Expenses	239,930
Taxes - Property	11,456
<b>Total Operating Expenses</b>	<u>251,386</u>
Operating Income (Loss)	(60,280)
<b>Non-Operating Revenue (Expenses):</b>	
Lease Interest	43,324
Interest Expense	(43,324)
Other Non-Operating	15,120
Interest on Investments	4,064
<b>Total Non-Operating Revenue (Expenses)</b>	<u>19,184</u>
<b>Change in Net Position</b>	(41,096)
Net Position at Beginning of Year	<u>2,069,685</u>
<b>Net Position at End of Year</b>	<u><u>\$ 2,028,589</u></u>

See accompanying notes to the basic financial statements.

**Wooster Growth Corporation**  
**Wayne County, Ohio**  
*Statement of Cash Flows*  
For the Year Ended December 31, 2014

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<b>Cash Flows From Operating Activities:</b>	
Cash Received for Administrative Income	\$ 167,502
Cash Paid for Administrative and Professional Fees	(251,386)
<b>Net Cash Provided By (Used For) Operating Activities</b>	<u>(83,884)</u>
 <b>Cash Flows From Noncapital Financing Activities:</b>	
Collection of Note Receivable Principal	225,531
Collection of Lease Receivable Principal	285,718
Payment for State Loan - Principal	(285,718)
Lease Interest Income	43,324
Interest Expense	(43,324)
<b>Net Cash Provided By (Used For) Noncapital Financing Activities</b>	<u>225,531</u>
 <b>Cash Flows From Investing Activities:</b>	
Interest Received on Investments	<u>4,064</u>
Net Increase (Decrease) in Cash and Cash Equivalents	145,711
Cash and Cash Equivalents at Beginning of Year	707,342
Cash and Cash Equivalents at End of Year	<u>\$ 853,053</u>
 <b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</b>	
Operating Income (Loss)	\$ (60,280)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Changes in Assets and Liabilities:	
(Increase) Decrease in Assets:	
Accounts Receivable	2,558
Increase (Decrease) in Liabilities:	
Unearned Revenue	(26,162)
<b>Net Cash Provided By (Used For) Operating Activities</b>	<u>\$ (83,884)</u>

See accompanying notes to the basic financial statements.

**Wooster Growth Corporation**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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**Note 1: Summary of Significant Accounting Policies**

Reporting Entity

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 an agent for those businesses seeking economic development assistance.

At December 31, 2014, the Corporation held interest in six 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, the ABS Materials, Inc. land and manufacturing facility (which has been reflected as a capital lease sale to ABS Materials, Inc.) and the building and land at 2759 Long Road.

- 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 parking lot to the Corporation in 1997. A local service agency leases the lot.
- 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 made construction modifications to the facilities.

Basis of Accounting

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 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.

**Wooster Growth Corporation**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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

Cash and Cash Equivalents

Cash balances for the Corporation are held by the City which serves as fiscal agent. Equity in Pooled 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 cash equivalents totaled \$853,053. Investments held at December 31, 2014, 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. The Corporation had no investments.

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 inventory of 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 remaining Besancon farm land, the Tekfor facility, the Timken property, the Conrail parking lot and the Long Road property 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. Actual results could differ from those estimates.

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.

**Wooster Growth Corporation**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
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Deferred Inflows of Resources and Deferred Outflows of Resources

A deferred inflow of resources is an acquisition of assets by the Corporation that is applicable to a future reporting period. A deferred outflow of resources is a consumption of assets by the Corporation that is applicable to a future reporting period.

Other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources.

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 ABS Materials, Inc. property and 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 Revenue and Expense

The lease agreement with Tekfor, Inc. 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 revenue and expense.

The lease agreement with ABS Materials, Inc. requires a monthly lease payment to the Corporation. The amount less an administrative fee, is then paid to the Ohio Department of Development to repay a construction loan in the amount of \$1.2 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 revenue 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.

Implementation of New Accounting Principles

For the fiscal year ended December 31, 2014, the Corporation has implemented Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.



**Wooster Growth Corporation**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
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GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the Corporation.

GASB Statement No. 70 improves comparability of financial statements by requiring consistent reporting and specifying information required to be disclosed for extending and receiving nonexchange financial guarantees. The implementation of GASB Statement No. 70 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, 2014:

	<u>Land and Buildings</u>
Conrail Parking Lot	\$ 15,120
Besancon Property	430,160
Long Road Property	416,950
Timken Property	208,801
Total Development Assets	<u>\$ 1,071,031</u>

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 ensure 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 has been written down by \$1,662,206.

**Wooster Growth Corporation**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
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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. The note receivable was paid in full in 2014.

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 of 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 then on a year-to-year basis thereafter for \$169.60 an acre. Rent received in 2014 under this lease was \$25,576. The lease has been extended for 2015.

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 of the Besancon Farm/Geyers Chapel Road property to Brasfond USA Corp. for \$150,400. The Corporation recognized a gain on the sale of \$78,418.

Long Road Property

In 2013, the City of Wooster gave to the Corporation land on Long Road with a maintenance building. This parcel was appraised with a fair market value of \$416,950.

Prairie 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.

**Wooster Growth Corporation**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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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 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 percent 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 percent. Final payment is due June 2016. The balance of the note receivable at December 31, 2014, was \$67,269.

On September 4, 2012 the Corporation sold 24.212 acres of the Timken property to Knox Cattle Company for \$123,419. The Corporation recognized a gain on the sale of \$41,819.

### **Note 3 – Lease Receivable**

#### **Tekfor, Inc. Lease Agreement**

On June 11, 2001, a lease agreement, with option to purchase, was executed between the Corporation and Tekfor, Inc. The term of the 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:

**Wooster Growth Corporation**  
**Wayne County, Ohio**  
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Year Ending December 31,	Lease Payment
2015	\$ 256,896
2016	171,264
Total Minimum Lease Payments	428,160
Less: Amount Representing Interest and Fees	(11,035)
Present Value of Minimum Lease Payments	<u>\$ 417,125</u>

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. 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 April 2028. The purchase price upon execution of the option will include the remaining balance of the principal amounts of the aforementioned loan, plus all accrued interest and expenses of such financing, as of the date of the property's transfer. This agreement provides for the minimum annual lease payments as follows:

Year Ending December 31,	Lease Payment
2015	\$ 102,374
2016	108,433
2017	108,433
2018	108,433
2019	108,433
Thereafter	903,609
Total Minimum Lease Payments	1,439,715
Less: Amount Representing Interest and Fees	(315,835)
Present Value of Minimum Lease Payments	<u>\$ 1,123,880</u>

**Note 4 – Loans Payable**

Detail of the changes in loans payable of the Corporation for the year ended December 31, 2014, is as follows:

	Balance 12/31/13	Additions	Deductions	Balance 12/31/14	Amount Due Within One Year
Ohio Department of Development Loan Payable	<u>\$ 1,826,723</u>	<u>\$ 0</u>	<u>\$ 285,718</u>	<u>\$ 1,541,005</u>	<u>\$ 317,381</u>

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**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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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 3% 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 Corporation's future long-term debt requirements, including principal and interest payments as of December 31, 2014, follows:

Fiscal Year Ending December 31,	Ohio Department of Development		
	Principal	Interest	Total
2015	\$ 247,771	\$ 9,125	\$ 256,896
2016	169,354	1,910	171,264
	<u>\$ 417,125</u>	<u>\$ 11,035</u>	<u>\$ 428,160</u>

Ohio Department of Development Loan – ABS Materials, Inc.

In 2013, the Corporation received notice it was granted a \$1.2 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 modification and equipping of a commercial facility to be subsequently leased to ABS Materials, Inc. The loan bears interest at 3% 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 Corporations's future long-term debt requirements, including principal and interest payments as of December 31, 2014, follows:

Fiscal Year Ending December 31,	Ohio Department of Development		
	Principal	Interest	Total
2015	\$ 69,610	\$ 32,764	\$ 102,374
2016	67,491	40,942	108,433
2017	70,240	38,193	108,433
2018	73,102	35,331	108,433
2019	76,080	32,353	108,433
Thereafter	767,357	136,252	903,609
	<u>\$ 1,123,880</u>	<u>\$ 315,835</u>	<u>\$ 1,439,715</u>

**Note 5 – Subsequent Event**

In February 2015, the Corporation signed a lease agreement with Chemviron Midwest Inc to lease the warehouse and surrounding land and parking, driveway and loading area at Long Road for twelve months beginning March 2015. Chemviron Midwest Inc. has an option to extend the lease for an additional six months, plus another six months after that.

May 28, 2015

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, 2014, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated May 28, 2015.

**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

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# 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 7, 2015**