



Rea & associates *a brighter way*

Wooster Growth Corporation

Wayne County, Ohio

Audited Financial Statements

For the Year Ended
December 31, 2019

OHIO AUDITOR OF STATE
KEITH FABER



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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, 2019 through December 31, 2019. 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 "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

June 12, 2020

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Wooster Growth Corporation
Wayne County, Ohio
Table of Contents
December 31, 2019

	<i>Page</i>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Statement of Net Position.....	6
Statement of Revenues, Expenses and Changes in Net Position.....	7
Statement of Cash Flows	8
Notes to the Basic Financial Statements.....	9
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	18

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May 19, 2020

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, 2019, 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 Corporation'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 Corporation'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 financial position of the Wooster Growth Corporation, Wayne County, Ohio, as of December 31, 2019, 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.

Emphasis of a Matter

As discussed in Note 6 to the financial statements, during 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Corporation. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents 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 19, 2020 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 the effectiveness of the Corporation's 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.

Wooster, Ohio

Wooster Growth Corporation
Wayne County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019

Our discussion and analysis of the Wooster Growth Corporation's (the "Corporation") financial performance provides an overview of its financial activities for the year ended December 31, 2019. 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 (the City). 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 2019 to fulfill that sole purpose as well as plans to sustain it.

Development Asset Inventory

At the end of 2019, the Corporation's investment in development asset inventory was \$1,503,900. Below is the activity associated with the Corporation's development inventory during the year ended December 31, 2019.

Besancon Farm/Geyers Chapel Road

At December 31, 2019, the Corporation held approximately 21 acres of land which remains available for development. During 2019, the Corporation leased this land and the City's South Well field property generating \$25,576 in revenue.

Timken Property

At December 31, 2019, the Corporation held approximately 65 acres of land which remains unavailable for development because it is in the regulatory floodway.

Long Road Property

At December 31, 2019, the Corporation held 2.495 acres of land, which was leased for use, as identified in Note 2. The Corporation received \$15,000 in revenue generated by the lease agreement with Chemviron Midwest, Inc., this lease was termed May 2019. The Corporation also has a lease agreement with Tekfor Inc. regarding an expansion project, see Note 2.

Larwill Street Property

During 2016, the Corporation purchased 4.6 acres of vacant land from the City of Wooster consisting of 6 parcels to be used for future residential development.

Wooster Growth Corporation
Wayne County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019

Horn Property

During 2019, the Corporation purchased the former Horn Nursing Home for future site development. See Note 2 for additional information.

Financial Highlights

The Corporation's Net Position increased by \$178,439.

- Total operating expenses were \$115,881 in 2019 compared to \$100,369 in 2018.
- Assets held for economic development totaled \$1,503,900 at December 31, 2019.
- The Corporation's operating income was \$168,168. Net non-operating revenue (expenses) totaled \$10,271.

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

	2019	2018	Change
Assets			
Current and Other Assets	\$ 661,625	\$ 928,279	\$ (266,654)
Noncurrent Assets	3,246,864	2,922,468	324,396
Total Assets	3,908,489	3,850,747	57,742
Liabilities			
Current Liabilities	141,094	136,471	4,623
Long-Term Liabilities	1,744,763	1,870,083	(125,320)
Total Liabilities	1,885,857	2,006,554	(120,697)
Net Position			
Restricted for Economic Development	1,503,900	985,563	518,337
Unrestricted	518,732	858,630	(339,898)
Total Net Position	\$ 2,022,632	\$ 1,844,193	\$ 178,439
Total Revenues	\$ 354,051	\$ 218,497	\$ 135,554
Total Expenses	175,612	158,772	16,840
Change in Net Position	\$ 178,439	\$ 59,725	\$ 118,714

Total assets increased in 2019, from the purchase of the Horn Property. This increase was offset by payments received on outstanding receivables.

Total liabilities decreased in 2019 as a result of payments on loans payable.

Wooster Growth Corporation
Wayne County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019

Total revenues increased primarily due to the Wayne County Community Improvement Corporation's share of the Horn Property purchase. The increase in expenses was primarily the expenses for demolition and asbestos removal at the former Horn Nursing Home.

Debt

At December 31, 2019, the Corporation had approximately \$1.6 million in loans outstanding related to the Tekfor, Inc. project. See Note 5 of the basic financial statements for additional information on the outstanding loans of the Corporation.

Economic Factors

The Corporation works within the corporate limits of the City. It was formed for the sole purpose of advancing, encouraging, and promoting the industrial, economic, commercial, distribution, research and civic development of Wooster, Ohio. The City is a stand-alone community with the nearest large city approximately 25 miles away. The City has a diversified mix of economic sectors.

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, 2019

Assets:

Current Assets:

Cash and Cash Equivalents with Fiscal Agent	\$ 110,243
Cash and Cash Equivalents	157,491
Accounts Receivable - Wayne County Community Improvement Corporation	79,328
Current Portion Note Receivable:	
ABS Materials, Inc.	3,813
Current Portion Loan Receivable:	
Schaeffler Group	180,000
Current Portion Lease Receivable:	
Tekfor Inc.	125,690
St. Paul Hotel	5,060

Total Current Assets 661,625

Non-Current Assets:

Restricted Cash and Cash Equivalents	179,991
Long Term Portion Note Receivable:	
ABS Materials, Inc.	18,975
Long Term Portion Loan Receivable:	
Schaeffler Group	60,000
Long Term Portion Lease Receivable:	
Tekfor Inc.	1,467,953
St. Paul Hotel	16,045
Inventory of Development Assets:	
Land	771,163
Building	732,737

Total Non-Current Assets 3,246,864

Total Assets 3,908,489

Liabilities:

Current Liabilities:

Unearned Revenue - Lease Payment	15,404
Current Portion Loans Payable:	
Farmers National Bank - Tekfor Inc.	125,690

Total Current Liabilities 141,094

Non-Current Liabilities:

Unearned Revenue - Tekfor Land Option	96,810
Advance Payment to Escrow Account	180,000
Long Term Portion Loans Payable:	
Farmers National Bank - Tekfor, Inc.	1,467,953

Total Non-Current Liabilities 1,744,763

Total Liabilities 1,885,857

Net Position:

Restricted for Economic Development	1,503,900
Unrestricted	518,732

Total Net Position \$ 2,022,632

See accompanying notes to the financial statements.

Wooster Growth Corporation
Wayne County, Ohio
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2019

Operating Revenue:	
Administrative Income	\$ 44,481
Contributions - Wayne County Community Improvement Corporation	232,263
Other Operating Revenue	7,305
Total Operating Revenue	<u>284,049</u>
Operating Expenses:	
Administrative and Professional Expenses	79,109
Taxes - Property	17,698
Other Operating Expenses	19,074
Total Operating Expenses	<u>115,881</u>
Operating Income (Loss)	168,168
Non-Operating Revenue (Expenses):	
Lease Interest Income	60,991
Interest on Investments	9,011
Loan Interest	(59,731)
Total Non-Operating Revenue (Expenses)	<u>10,271</u>
Change in Net Position	178,439
Net Position at Beginning of Year	<u>1,844,193</u>
Net Position at End of Year	<u><u>\$ 2,022,632</u></u>

See accompanying notes to the financial statements.

Wooster Growth Corporation
Wayne County, Ohio
Statement of Cash Flows
For the Year Ended December 31, 2019

Cash Flows From Operating Activities:	
Cash Received for Administrative Income	\$ 44,821
Cash Received for Contributions Wayne County Community Improvement Corporation	152,935
Cash Paid for Administrative and Professional Fees	(96,807)
Cash Paid for Business Development Grant (RBB System)	(19,074)
Cash Received for Other Revenues	7,305
Net Cash Provided By (Used For) Operating Activities	<u>89,180</u>
 Cash Flows From Noncapital Financing Activities:	
Collection of Note Receivable Principal	3,055
Collection of Lease Receivable Principal	125,887
Purchase of Land	(136,000)
Purchase of Building	(382,337)
Principal Payments on Loan	(121,037)
Lease Interest Income	60,991
Interest Expense/Loan Fees	(59,731)
Net Cash Provided By (Used For) Noncapital Financing Activities	<u>(509,172)</u>
 Cash Flows From Investing Activities:	
Interest Received on Investments	9,011
Net Cash Provided By (Used For) Investing Activities	<u>9,011</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 (410,981)
Cash and Cash Equivalents at Beginning of Year	858,706
Cash and Cash Equivalents at End of Year	<u>\$ 447,725</u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Operating Income (Loss)	\$ 168,168
 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	(79,328)
Increase (Decrease) in Liabilities:	
Unearned Revenue	340
Net Cash Provided By (Used For) Operating Activities	<u>\$ 89,180</u>

See accompanying notes to the financial statements.

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity and 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, 2019, the Corporation held interest in several properties:

- 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. A portion 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 2016, the Corporation purchased six residential lots on Larwill Street from the City.
- During 2019, the Corporation entered into an agreement with the Wayne County Community Improvement Corporation (WCCIC) for the acquisition, site preparation, development and sale of the former Horn Nursing Home, consisting of seven parcels on approximately 1.58 acres. The Corporation had a 60 percent share of this development.

Basis of Accounting

These basic financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Corporation’s significant account policies are described below.

The basic financial statements consist of a single-purpose business-type activity, which is reported on the accrual basis of accounting using the economic resources measurement focus. Revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The Corporation’s basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

The Corporation distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Corporation's principal ongoing operations.

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. Pooled Cash and Cash Equivalents with Fiscal Agent 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 \$447,725, with \$179,991 held in an escrow account in the Corporation's name. Investments held at December 31, 2019, with original maturities greater than one year are stated at fair value. The Corporation maintains specific deposits. The Ohio Revised Code prescribes allowable deposits and investments. Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Corporation.

Per lease agreement entered into in 2015, Tekfor paid the Corporation 8 quarterly deposits of \$22,500 totaling \$180,000. The Corporation is required to maintain these funds in an escrow account in the Corporation's name. Upon termination of lease or purchase of property, the escrow shall be disbursed to Tekfor or applied to Tekfor's purchase of the leased property.

Inventory of Development Assets and Donated Property

Acquisition of property is not capitalized. Donations of property are recorded as contributions at their estimated net realizable 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 fair value, including construction period interest costs.

In accordance with Ohio Revised Code section 1724.10 (B) (3), 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 and any other parking lot, the Larwill residential lots 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.

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Contributions

The Corporation received funds through a joint agreement. See Note 2 for additional information.

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.

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.

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 Revenue and Expense

The lease agreement with Tekfor, Inc. required a monthly lease payment to the Corporation. The amount, less an administrative fee, is then paid to the Farmers National Bank to repay a construction loan. 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. This lease agreement was for \$2.1 million for an expansion project for Tekfor, Inc.

The lease agreement with St. Paul Hotel Properties, LLC. requires a monthly lease payment to the Corporation. 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. This lease agreement was for \$26,350 for a parking lot.

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.

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Implementation of New Accounting Principles

For the year ended December 31, 2019, the Corporation has implemented Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following statements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*

Certain provisions in the following statements are postponed by one year:

- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following statement is postponed by 18 months:

- Statement No. 87, *Leases*

For the year ended December 31, 2019, the Corporation has implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*, GASB Statement No. 84, *Fiduciary Activities*, GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* and GASB Statement No. 90, *Majority Equity Interests and amendment of GASB Statements No. 14 and No. 61*.

GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the Corporation.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. The implementation of GASB Statement No. 84 did not have an effect on the financial statements of the Corporation.

GASB Statement No. 88 establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. These changes were incorporated in the Corporation's 2019 financial statements; however, there was no effect on beginning net position.

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in Corporation's 2019 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The implementation of GASB Statement No. 90 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, 2019:

	<u>Land and Buildings</u>
Conrail Parking Lot	\$ 15,120
Besancon Property	309,661
Long Road Property	416,950
Timken Property	208,801
Larwill Residential Lots	35,031
Horn Property	518,337
Total Development Assets	\$ 1,503,900

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 2019 under this lease was \$25,576. The lease has been extended for 2020.

Since 2011, the Corporation has sold portions of this property and currently holds approximately 21 acres.

Long Road Property

In 2013, the City gave the Corporation land on Long Road with a maintenance building. This parcel was appraised with a fair market value of \$416,950. Tekfor, Inc., completed an expansion project in 2016 in the amount of \$2,097,364, which includes an expenditure of \$96,810 related to a land option.

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

In March 2015, the Corporation entered into an lease with Chemviron Midwest Inc. to lease the warehouse, surrounding land, parking lot, driveway and loading area. The lease is a month to month lease with a 60-day termination notice. Rent received in 2019 under this lease was \$15,000. Chemviron Midwest Inc. terminated the lease as of May 2019.

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.

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 included 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 Prairie 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 was received in June 2016.

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.

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Horn Property

On May 22, 2019 the Corporation enter into a joint development agreement with Wayne County Community Improvement Corporation (WCCIC) to purchase for site preparation and development the Horn Nursing Home. The agreement was to be shared on a 60 percent to 40 percent basis between the Corporation and WCCIC, respectively. The cost of the building was \$382,337 and cost for excavating the land for development was \$136,000. On November 4, 2019 the Corporation was presented with a sales/purchase agreement for \$650,000, closing May 2020, See Note 6.

Note 3 – Lease Receivable

Tekfor, Inc. Lease Agreement

On November 1, 2015, a lease agreement, with option to purchase, was executed between the Corporation and Tekfor, Inc. The term of the lease is for 15 years with monthly payments of \$15,064. Monthly lease payments are computed by combining 1) the monthly cost and fees associated with the Farmers National Bank loan, and 2) a monthly administrative fee of 1/12 of 1/4 percent of the outstanding principal of the two loans. As well, Tekfor Inc, will deposit into the escrow account \$22,500 on a quarterly basis until the escrow account is fully funded in the amount of \$180,000. As part of the Deposit Account Agreement, the Corporation agreed to maintain \$180,000 with Farmers National Bank, therefore, the Corporation provided \$157,500 into the escrow accounts. The Corporation is permitted to withdraw \$22,500 quarterly provided Tekfor, Inc. made its payment.

St. Paul Hotel Properties, LLC Lease Agreement

In December 2018, a lease agreement for a parking lot, was executed between the Corporation and the Hotel. Monthly lease payments are \$488 including interest of 4.25 percent. The monthly rent payment reflects the principal and interest of a starting balance of \$52,700 less the \$26,350 security deposit, amortized over five years at a rate of 4.25 percent annually. Tenant may exercise its right to purchase the property at anytime for \$10 plus the amount of the outstanding balance.

These agreements provide for the minimum annual lease payments as follows:

Year Ending December 31,	Lease Payment
2020	\$ 186,627
2021	186,627
2022	186,627
2023	186,139
2024	180,768
2025-2029	903,840
2030	107,810
Total Minimum Lease Payments	1,938,438
Less: Amount Representing Interest and Fees	(323,690)
Present Value of Minimum Lease Payments	\$ 1,614,748

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 4 – Loans Receivable

In 2017, the Corporation entered into an agreement with the City and Schaeffler Group in which the Corporation will remit \$240,000 to Schaeffler Group for the pre-payment of the Job Creation Tax Credit. The Corporation will be reimbursed from the City of Wooster with four annual payments of \$60,000 with no interest due as proceeds are received. No payments were received in 2017, 2018 and 2019; therefore, \$180,000 is due in 2020. This agreement provides for the loan payments as follows:

Year Ending December 31,	Loan Payment
2020	\$ 180,000
2021	60,000
	\$ 240,000

Note 5 – Loans Payable

Detail of the changes in loans payable of the Corporation for the year ended December 31, 2019, is as follows:

	Balance 12/31/18	Additions	Deductions	Balance 12/31/19	Amount Due Within One Year
Direct Borrowing	\$ 1,714,680	\$ 0	\$ 121,037	\$ 1,593,643	\$ 125,690

Farmers National Bank – Tekfor, Inc.

In 2015, the Corporation entered into a loan agreement for \$2,100,000 for the purpose of refinancing original debt for Ohio Department of Development Loan and fund an expansion project at Tekfor, Inc. The loan bears interest at 3.55 percent annually 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, 2019, follows:

Fiscal Year Ending December 31,	Direct Borrowing		
	Principal	Interest	Total
2020	\$ 125,690	\$ 55,078	\$ 180,768
2021	130,449	50,319	180,768
2022	135,223	45,545	180,768
2023	140,171	40,597	180,768
2024	145,194	35,574	180,768
2025-2029	810,190	93,650	903,840
2030	106,726	1,082	107,808
	\$ 1,593,643	\$ 321,845	\$ 1,915,488

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 6 – Subsequent Events

In March 2019, the Corporation entered into an agreement with Wooster Redevelopment Partners, Inc. to purchase the residential lots on Larwill Street for \$40,000. The sale was closed in January 2020.

In November 2019, the Corporation entered into an agreement with Weaver Custom Homes, Inc. and Rea Real Estate Ltd. to purchase the Horn property for \$650,000. The sale was closed in May 2020.

In January 2020, the Corporation agreed to sell the property located at 2759 Long Road to Green Arrow Engineering for \$225,000. The sale closed in January 2020. The Corporation committed to returning \$200,000 of the sales proceeds to the City of Wooster.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Corporation. In addition, the impact on the Corporation's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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May 19, 2020

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, 2019, 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 19, 2020, in which we noted in our report that, during 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Corporation.

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.

Wooster Growth Corporation
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*
Page 2 of 2

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.

Wooster, Ohio

OHIO AUDITOR OF STATE KEITH FABER



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
JUNE 25, 2020**