

WOOSTER GROWTH
CORPORATION
WAYNE COUNTY, OHIO

REGULAR AUDIT

FOR THE YEAR ENDED
DECEMBER 31, 2022



Rea & associates

www.reacpa.com

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Trustees
Wooster Growth Corporation
538 N. Market St
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, 2022 through December 31, 2022. 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 cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

July 27, 2023

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Wooster Growth Corporation
Wayne County, Ohio
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December 31, 2022

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Wooster Growth Corporation, Wayne County, Ohio, (the Corporation), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

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, 2022, and the 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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 25, 2023 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 solely 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.

Rea & Associates, Inc.
Wooster, Ohio
May 25, 2023

Wooster Growth Corporation
Wayne County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022

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, 2022. 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 2022 to fulfill that sole purpose as well as plans to sustain it.

Financial Highlights

- The Corporation's Net Position decreased by \$664,863.
- Total operating revenues were \$128,939 in 2022 compared to \$4,157,884 in 2021.
- Total operating expenses were \$837,056 in 2022 compared to \$1,325,353 in 2021.
- Assets held for economic development totaled \$2,578,424 at December 31, 2022.
- The Corporation's operating loss was \$708,117.

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

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Assets			
Current and Other Assets	\$ 1,973,224	\$ 1,983,259	\$ (10,035)
Noncurrent Assets	2,578,424	3,958,329	(1,379,905)
Total Assets	<u>4,551,648</u>	<u>5,941,588</u>	<u>(1,389,940)</u>
Liabilities			
Current Liabilities	909,001	168,949	740,052
Long-Term Liabilities	-	1,465,129	(1,465,129)
Total Liabilities	<u>909,001</u>	<u>1,634,078</u>	<u>(725,077)</u>
Net Position			
Restricted for Economic Development	2,578,424	2,570,556	7,868
Unrestricted	1,064,223	1,736,954	(672,731)
Total Net Position	<u>\$ 3,642,647</u>	<u>\$ 4,307,510</u>	<u>\$ (664,863)</u>
Total Revenues	\$ 217,010	\$ 4,200,665	\$ (3,983,655)
Total Expenses	881,873	1,359,598	(477,725)
Change in Net Position	<u>\$ (664,863)</u>	<u>\$ 2,841,067</u>	<u>\$ (3,505,930)</u>
Beginning Net Position	4,307,510	1,466,443	
Ending Net Position	<u>\$ 3,642,647</u>	<u>\$ 4,307,510</u>	

Wooster Growth Corporation
Wayne County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022

Total assets decreased primarily as the result of lease receivables paid off early by two businesses (St. Paul Hotel and Tekfor) and the use of cash for demolition of a structure at 517 East Liberty Street.

Total liabilities decreased as the result of the Corporation's early payoff of their loan with Farmers Bank relating to the 2015 Tekfor expansion project, offset by an increase in payables due to pollution remediation.

Total revenues were down due to the fact that the Corporation did not sell any development assets in 2022. The decrease in expenses was the result of lesser property development costs in 2022 versus 2021.

Debt

At December 31, 2022, the Corporation had no loans outstanding as the loan was paid in full during 2022. See Note 6 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.

The City is served by diversified transportation facilities, including eight State and U.S. highways and interstate highway I-71. It is also served by CSX, Norfolk Southern, and the RC Corman Railway Group and is served by air freight and air passenger services at Wayne County Airport, Akron-Canton Airport and Cleveland Hopkins International Airport.

Virtually all of the City's territory is located within the Wooster City School District which provides education to students in grades K through 12. There are several public and private two-year and four-year colleges and universities within the County, including among others, The College of Wooster (located in the City), The University of Akron Wayne College and the Ohio State University Agricultural Technical Institute (ATI), The Ohio Agricultural Research and Development Center (OARDC), both part of The Ohio State University College of Food, Agricultural, and Environmental Sciences (CFAES). The OARDC and the ATI main campuses are located in 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, 2022

Assets:

Current Assets:

Cash and Cash Equivalents with Fiscal Agent	\$ 1,429,778
Cash and Cash Equivalents	157,491
Restricted Cash and Cash Equivalents	179,991
Intergovernmental Receivable	50,510
Loan Receivable	<u>155,454</u>

Total Current Assets	<u><u>1,973,224</u></u>
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Non-Current Assets:

Inventory of Development Assets	<u>2,578,424</u>
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Total Assets	<u><u>4,551,648</u></u>
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Liabilities:

Current Liabilities:

Accounts Payable	4,511
Advance Payment Held on Deposit	180,000
Pollution Remediation Payable	<u>724,490</u>

Total Current Liabilities	<u><u>909,001</u></u>
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Net Position:

Restricted for Economic Development	2,578,424
Unrestricted	<u>1,064,223</u>

Total Net Position	<u><u>\$ 3,642,647</u></u>
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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, 2022

Operating Revenue:	
Administrative Income	\$ 128,939
Operating Expenses:	
Administrative and Professional Expenses	801,646
Taxes - Property	29,958
Other Operating Expenses	5,452
Total Operating Expenses	<u>837,056</u>
Operating Income (Loss)	(708,117)
Non-Operating Revenue (Expenses):	
Lease Interest Income	23,064
Interest on Investments	14,497
Interest Expense	(23,197)
State Grant Revenue	50,510
Loss on Note Forgiveness	(21,620)
Total Non-Operating Revenue (Expenses)	<u>43,254</u>
Change in Net Position	(664,863)
Net Position at Beginning of Year	<u>4,307,510</u>
Net Position at End of Year	<u><u>\$ 3,642,647</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, 2022

Cash Flows From Operating Activities:

Cash Received for Administrative Income	\$ 32,129
Cash Paid for Cost of Property Development	(7,868)
Cash Paid for Taxes, Administrative and Professional Fees	(135,403)
Cash Paid for Other Operating Expenses	(5,452)
Net Cash Provided By (Used For) Operating Activities	<u>(116,594)</u>

Cash Flows From Noncapital Financing Activities:

Collection of Lease Receivable Principal	1,335,236
Principal Payments on Loan	(1,324,468)
Lease Interest Income	23,064
Interest Expense	(23,197)
Net Cash Provided By (Used For) Noncapital Financing Activities	<u>10,635</u>

Cash Flows From Investing Activities:

Interest Received on Investments	<u>14,497</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(91,462)
Cash and Cash Equivalents at Beginning of Year	1,858,722
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,767,260</u></u>

Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:

Operating Income (Loss)	\$ (708,117)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Changes in Assets and Liabilities:	
(Increase) Decrease in Assets:	
Development Inventory	(7,868)
Increase (Decrease) in Liabilities:	
Accounts Payable	(28,289)
Pollution Remediation Payable	724,490
Unearned Revenue	(96,810)
Net Cash Provided By (Used For) Operating Activities	<u><u>\$ (116,594)</u></u>

Non-Cash Activity:

During 2022, the Corporation forgave an outstanding note receivable	21,620
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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, 2022

NOTE 1 – REPORTING ENTITY & 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, retain, promote, and coordinate business and industrial interest in the City of Wooster. The Corporation may also act as an agent for those businesses seeking economic development assistance.

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.

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. 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 \$1,767,260, with \$179,991 held in an escrow account in the Corporation’s name. Investments held at December 31, 2022, 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. During 2022, Tekfor satisfied the term of the loan but closing on the deed did not occur until 2023. See Note 8

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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.

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, and Wooster Innovation Park would be held by the Corporation as economic development assets.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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.

Deferred Inflows of Resources and Deferred Outflows of Resources

A deferred inflow of resources is an acquisition of net assets by the Corporation that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net assets by the Corporation that is applicable to a future reporting period. The Corporation had neither during the year.

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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 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. This lease was paid in full during the fiscal year.

The lease agreement with St. Paul Hotel Properties, LLC. requires a monthly lease payment to the Corporation. The interest portion of these 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. This lease was paid in full during the fiscal year.

Intergovernmental/Grant Revenue

The Corporation is a participant in grant programs as they are made available. Federal and state grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

Custodial 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 custodial 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 year ended December 31, 2022, the Corporation has implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, GASB Statement No. 91, *Conduit Debt Obligations*, GASB Statement No. 92, *Omnibus 2020*, a certain provision of GASB Statement No. 93, *Replacement of Interbank Offered Rates*, certain provisions of GASB Statement No. 97, *Component Unit Criteria and Deferred Compensation Plans*, and certain provisions of GASB Statement No. 99, *Omnibus 2022*.

GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The implementation of GASB Statement No. 87 did not have an effect on the financial statements of the Corporation.

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the Corporation.

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the Corporation.

GASB Statement No. 93 addresses accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The implementation of paragraph 11b of GASB Statement No. 93 did not have an effect on the financial statements of the Corporation.

GASB Statement No. 97 results in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The implementation of certain provisions of GASB Statement No. 97 (all except paragraphs 4 and 5) did not have an effect on the financial statements of the Corporation.

GASB Statement No. 99 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of certain provisions of GASB Statement No. 99 that relate to extension of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, and pledges of future revenues by pledging governments, 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, 2022:

Besancon Farm	\$	309,661
Timken		208,801
Liberty Street Parking Lot		15,120
Wooster Innovation Park		2,044,842
Total Development Assets	\$	<u>2,578,424</u>

Besancon Farm/Geyers Chapel Road Property

On May 30, 2000, the Corporation 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 was five years then on a year-to-year basis thereafter for \$169.60 an acre. The lease has been extended for 2022.

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Since 2015, the Corporation has sold portions of this property and currently holds approximately 12 acres.

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 purchase option.

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 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, 2022

Wooster Innovation Park

On April 5, 2021 the City of Wooster (City) authorized the sale of 138.6558 acres of land to the Corporation for \$10.00 in order to promote economic development. On May 17, 2021 the City sold an additional 14.364 acres of land contiguous to the 138.6558 acres for \$10.00 to promote economic development. The Corporation named this land the Wooster Innovation Park, a greenfield site used to promote economic development. On June 11, 2021 the Corporation sold 27.765 acres to Scannell Properties for \$971,775. Scannell is constructing a 200,000 square foot building for logistics and distribution. On July 16, 2021 the Corporation paid \$80,000 to have four oil and gas wells plugged on this site. On October 20, 2021 the Corporation completed a land swap with the Wooster Brush Company. The Corporation swapped 44 acres in the Wooster Innovation Park for 42.6 acres of land owned by the Wooster Brush Company adjacent to the Wooster Innovation Park, located in the Bogner Business Park. Wooster Brush is constructing a 600,000 square foot building for manufacturing, logistics, and distribution. No money was exchanged in the land swap except for settlement charges and property taxes. The remaining land available for development is approximately 120 acres.

In 2021, the Corporation entered into an agricultural lease with Myrtle Farms for 61.205 acres on Geyers Chapel Road, part of the Wooster Innovation Park property. The lease is 12 months then on a year-to-year basis thereafter for \$72.10 an acre in increments of 50 percent in April and 50 percent in September. Rent received in 2022 under this lease was \$4,413.

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, as of October 2020 the amount will be \$13,911. 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. This lease was paid in full during the year.

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. This lease was paid in full during the year.

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 4 – LOANS RECEIVABLE

In 2017, the Corporation entered into an agreement with the Corporation and Schaeffler Group in which the Corporation will remit \$240,000 to Schaeffler Group for the pre-payment of the four year Job Creation Tax Credit. The Corporation will be reimbursed from the City of Wooster with no interest due as proceeds are received. Payments of \$20,935 and \$63,611, for 2018 and 2019 respectively, were received in fiscal year 2020. No payments received in 2022 or 2021. In September, 2020, this agreement was amended to provide two additional years. The entire loan balance of \$155,454 is due in 2023.

NOTE 5 – POLLUTION REMEDIATION OBLIGATION

Although the Corporation does not own the property, the Corporation has obligated itself to the environmental remediation of the former gas station at the Tire Centers West, LLC property. The site suffers from groundwater contaminated with petroleum products from a suspected leak of one of the recently removed underground storage tanks. The Corporation has secured a Brownfield Remediation Program grant through the Ohio Department of Development in the amount of \$775,000. The building has been razed and remediation activities have commenced during 2022. The Corporation will only consider exercising its option to purchase the property once a covenant not to sue from the Environmental Protection Agency is deemed achievable, potentially in late 2023. Separate from pollution remediation, the Corporation committed funds up to \$115,000 primarily for beautification and other non-pollution remediation purposes.

Once remediation is complete, which is anticipated to occur no later than June 30, 2024, the Corporation will seek proposals for redevelopment while also evaluating the appropriateness of utilizing the site as a permanent greenspace or public infrastructure which would be supportive of adjacent redevelopment.

NOTE 6 – LOANS PAYABLE

Detail of the changes in loans payable of the Corporation for the year ended December 31, 2022, is as follows:

	Balance 12/31/21	Additions	Deductions	Balance 12/31/22	Amount Due Within One Year
Direct Borrowing	\$ 1,324,468	\$ -	\$ 1,324,468	\$ -	\$ -
	\$ 1,324,468	\$ -	\$ 1,324,468	\$ -	\$ -

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. This loan is non-recourse and limited to the value of expansion and land-purchase in the event of default. The loan beared interest at 3.55 percent annually until October, 2020, starting in November, 2020, interest rate was 2.42 percent annually, payable in monthly installments over a 15 year period. This loan was paid in full during the year.

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

NOTE 7 – RISK MANAGEMENT

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. The Corporation carries general liability and directors' and officers' insurance.

Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three years and there was no significant change in insurance coverage from the prior year.

NOTE 8 – SUBSEQUENT EVENT

On March 21, 2023 title of two parcels on Geyers Chapel Road, formally part of the Besancon Farm, transferred to Tekfor, Inc. after the company executed an early payoff of the outstanding loan related to its expansion in 2015. The \$180,000 in escrow was also returned back to Tekfor, Inc. per the escrow agreement.

NOTE 9 – COVID 19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Corporation. The impact on the Corporation's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

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*

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

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, 2022, 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 25, 2023.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not 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

Report on 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 financial statements. 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.

Rea & Associates, Inc.

Wooster, Ohio

May 25, 2023

OHIO AUDITOR OF STATE KEITH FABER



WOOSTER GROWTH CORPORATION

WAYNE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 8/8/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov