



**WOOSTER GROWTH CORPORATION
WAYNE COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2018

**WOOSTER GROWTH CORPORATION
WAYNE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Position	6
Statement of Revenues, Expenses and Changes in Net Position	7
Statement of Cash of 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 Required by Government Auditing Standards	17

THIS PAGE INTENTIONALLY LEFT BLANK



88 East Broad Street, 5th Floor
Columbus, Ohio 43215-3506
(614) 466-3402 or (800) 443-9275
CentralRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Wooster Growth Corporation
Wayne County
538 North Market Street
Wooster, Ohio 44691

To the Board of Trustees:

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, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Efficient • Effective • Transparent

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the 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 this presentation to include *management's discussion and analysis* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2019, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

August 14, 2019

Wooster Growth Corporation
Wayne County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2018
(Unaudited)

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, 2018. 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 2018 to fulfill that sole purpose as well as plans to sustain it.

Development Asset Inventory

At the end of 2018, the Corporation's investment in development asset inventory was \$985,563. Below is the activity associated with the Corporation's development inventory during the year ended December 31, 2018.

Besancon Farm/Geyers Chapel Road

During 2018, 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, 2018, the Corporation held approximately 21 acres of land which remains available for development.

Timken Property

At December 31, 2018, the Corporation held approximately 65 acres of land which remains unavailable for development because it is in the regulatory floodway. There was no activity during 2018.

Long Road Property

At December 31, 2018, the Corporation held 2.495 acres of land, which was leased for use, as identified in Note 2. The Corporation received \$36,000 in revenue generated by the lease agreement with Chemviron Midwest, Inc. 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, 2018
(Unaudited)

Parking Lots

During 2018, the City transferred three parking lots to the Corporation. The Corporation donated one of the lots and sold two lots to St. Paul Hotel Properties, LLC.

Financial Highlights

The Corporation's Net Position increased by \$59,725.

- Total operating expenses were \$100,369 in 2018 compared to \$162,496 in 2017.
- Assets held for economic development totaled \$985,563 at December 31, 2018.
- The Corporation's operating income was \$49,353. Net non-operating revenue (expenses) totaled \$10,372.

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

	2018	2017	Change
Assets			
Current and Other Assets	\$ 928,279	\$ 806,934	\$ 121,345
Noncurrent Assets	2,922,468	3,076,324	(153,856)
Total Assets	3,850,747	3,883,258	(32,511)
Liabilities			
Current Liabilities	136,471	117,121	19,350
Long-Term Liabilities	1,870,083	1,981,669	(111,586)
Total Liabilities	2,006,554	2,098,790	(92,236)
Net Position			
Restricted for Economic Development	985,563	985,563	0
Unrestricted	858,630	798,905	59,725
Total Net Position	\$ 1,844,193	\$ 1,784,468	\$ 59,725
Total Revenues	\$ 218,497	\$ 156,654	\$ 61,843
Total Expenses	158,772	272,687	(113,915)
Change in Net Position	\$ 59,725	\$ (116,033)	\$ 175,758

For comparability purposes, the 2017 column was updated for classification changes that were made in 2018.

Total assets decreased in 2018, the primary factor that caused this was lease receivable payments received and a grant issued to a local company to move to the City offset by cash received from sale of parking lots.

Wooster Growth Corporation
Wayne County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2018
(Unaudited)

Total liabilities decreased in 2018 as a result of payment on the loan payable.

Total revenues increased primarily due to donation of parking lots from the City and a slight increase in rental income. The decrease in expenses was primarily a decrease in lease interest expense since Corporation paid Tekfor lease in 2019 instead of 2018 and provided less grant funding in 2018 to local companies.

Debt

At December 31, 2018, the Corporation had approximately \$1.7 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 25 miles distant. 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, 2018

Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 521,224
Cash and Cash Equivalents	157,491
Current Portion Note Receivable:	
ABS Materials, Inc.	3,307
Current Portion Loan Receivable:	
Schaeffler Group	120,000
Current Portion Lease Receivable:	
Tekfor Inc.	121,407
St. Paul Hotel	4,850
Total Current Assets	<u>928,279</u>
Non-Current Assets:	
Restricted Cash and Cash Equivalents with Escrow Agent	179,991
Long Term Portion Note Receivable:	
ABS Materials, Inc.	22,536
Long Term Portion Loan Receivable:	
Schaeffler Group	120,000
Long Term Portion Lease Receivable:	
Tekfor Inc.	1,593,273
St. Paul Hotel	21,105
Inventory of Development Assets:	
Land	635,163
Building	350,400
Total Non-Current Assets	<u>2,922,468</u>
Total Assets	<u>3,850,747</u>
Liabilities:	
Current Liabilities:	
Unearned Revenue - Lease Payment	15,064
Current Portion Loans Payable:	
Farmers National Bank - Tekfor Inc.	121,407
Total Current Liabilities	<u>136,471</u>
Non-Current Liabilities:	
Unearned Revenue - Tekfor Land Option	96,810
Advance Payment to Escrow Account	180,000
Farmers National Bank - Tekfor, Inc.	1,593,273
Total Non-Current Liabilities	<u>1,870,083</u>
Total Liabilities	<u>2,006,554</u>
Net Position:	
Restricted for Economic Development	985,563
Unrestricted	858,630
Total Net Position	<u>\$ 1,844,193</u>

See accompanying notes and accountant's compilation report.

Wooster Growth Corporation
Wayne County, Ohio
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2018

Operating Revenue:	
Administrative Income	\$ 71,297
Donated Property From City of Wooster	78,425
Total Operating Revenue	<u>149,722</u>
Operating Expenses:	
Administrative and Professional Expenses	21,091
Taxes - Property	12,328
Business Development Grant (RBB Systems)	60,000
Other Operating Expenses	6,950
Total Operating Expenses	<u>100,369</u>
Operating Income (Loss)	49,353
Non-Operating Revenue (Expenses):	
Lease Interest Income	58,779
Interest on Investments	9,996
Loan Interest	(58,403)
Total Non-Operating Revenue (Expenses)	<u>10,372</u>
Change in Net Position	59,725
Net Position at Beginning of Year	<u>1,784,468</u>
Net Position at End of Year	<u><u>\$ 1,844,193</u></u>

See accompanying notes and accountant's compilation report.

Wooster Growth Corporation
Wayne County, Ohio
Statement of Cash Flows
For the Year Ended December 31, 2018

Cash Flows From Operating Activities:	
Cash Received for Administrative Income	\$ 86,361
Cash Received for Development Assets	78,425
Cash Paid for Administrative and Professional Fees	(33,419)
Cash Paid for Other Operating Expenses	(6,950)
Cash Paid for Business Development Grant (RBB System)	(60,000)
Net Cash Provided By (Used For) Operating Activities	64,417
 Cash Flows From Noncapital Financing Activities:	
Collection of Note Receivable Principal	3,150
Collection of Lease Receivable Principal	81,345
Principal Payments on Loan	(107,300)
Lease Interest Income	58,779
Interest Expense/Loan Fees	(58,403)
Net Cash Provided By (Used For) Noncapital Financing Activities	(22,429)
 Cash Flows From Investing Activities:	
Interest Received on Investments	9,996
Net Increase (Decrease) in Cash and Cash Equivalents	51,984
Cash and Cash Equivalents at Beginning of Year	806,722
Cash and Cash Equivalents at End of Year	\$ 858,706
 Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Operating Income (Loss)	\$ 49,353
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Changes in Assets and Liabilities:	
Increase (Decrease) in Liabilities:	
Unearned Revenue	15,064
Net Cash Provided By (Used For) Operating Activities	\$ 64,417

See accompanying notes and accountant's compilation report.

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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, 2018, the Corporation held interest in several 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 building and land at 2759 Long Road, and six residential parcels on Larwill Street purchased from the City and one lot located in the downtown area donated by the City.

- 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 2018, the City donated three parking lots in the downtown area to the Corporation, all of which the Corporation donated, sold or leased in 2018.

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.

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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. 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 \$858,706, with \$179,991 held in an escrow account in the Corporation's name. Investments held at December 31, 2018, with original maturities greater than one year are stated at fair value.

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, 2018

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, 2018

Implementation of New Accounting Principles

For the fiscal year ended December 31, 2018, the Corporation has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits other than Pensions*, GASB Statement No. 85, *Omnibus 2017* and GASB Statement No. 86, *Certain Debt Extinguishments*.

GASB Statement No. 75 requires recognition of the entire net postemployment benefits other than pensions (other postemployment benefits or OPEB) liability and a more comprehensive measure of postemployment benefits expense for OPEB provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 75 resulted in the inclusion of net OPEB liability and OPEB expense components on the accrual financial statements. The implementation of GASB Statement No. 75 did not have an effect on the financial statements of the Corporation.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and other postemployment benefits (OPEB). The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the Corporation.

GASB Statement No. 86 addresses the reporting and disclosure requirements of certain debt extinguishments including in-substance defeasance transactions and prepaid insurance associated with debt that is extinguished. The implementation of GASB Statement No. 86 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, 2018:

	<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	<u>35,031</u>
Total Development Assets	<u>\$ 985,563</u>

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.

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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 2018 under this lease was \$25,576. The lease has been extended for 2019.

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.

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 2018 under this lease was \$36,000.

Praire Lane Property (Timken)

During Spring 2006, Timken Company donated their Wooster roller bearing facility to the Corporation with a final closing date of September 29, 2006. Located at 2219 Praire 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 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.

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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.

Downtown Parking Lots

Wayne County, City of Wooster, Wooster Growth Corporation, and The St. Paul Hotel Properties, LLC (Hotel) collaborated to create a parking arrangement to enable the Hotel to expand while providing parking in the downtown area. This collaboration started with the Hotel purchasing a parking lot (Lot 1) from a local non-profit located near downtown, then donating this lot to the Wayne County Commissioners. Another lot (Lot 2) owned by the County was transferred to the City, then transferred to the Corporation, who donated it to the Hotel. The Corporation acted as a pass-through with no impact on the financial statements. The City transferred a lot (Lot 3) to the Corporation, who in turn sold Lot 3 to the Hotel. The City also transferred another lot (Lot 4) to the Corporation. The Hotel purchased this lot from the Corporation with a 50 percent downpayment and financed the remaining 50 percent through a 60-month lease agreement.

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, 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.

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

Year Ending December 31,	Lease Payment
2019	\$ 186,627
2020	186,627
2021	186,627
2022	186,627
2023	186,139
2024-2028	903,840
2029-2030	288,206
Total Minimum Lease Payments	2,124,693
Less: Amount Representing Interest and Fees	(384,058)
Present Value of Minimum Lease Payments	\$ 1,740,635

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 payment received in 2018; therefore, \$120,000 is due in 2019. This agreement provides for the loan payments as follows:

Year Ending December 31,	Loan Payment
2019	\$ 120,000
2020	60,000
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, 2018, is as follows:

	Balance 12/31/17	Additions	Deductions	Balance 12/31/18	Amount Due Within One Year
Farmers National Bank	\$ 1,821,980	\$ 0	\$ 107,300	\$ 1,714,680	\$ 121,407

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.

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

A summary of the Corporation's future long-term debt requirements, including principal and interest payments as of December 31, 2018, follows:

Fiscal Year Ending December 31,	Farmers National Bank		
	Principal	Interest	Total
2019	\$ 121,407	\$ 59,361	\$ 180,768
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
2024-2028	781,487	122,353	903,840
2029-2030	280,253	7,951	288,204
	\$ 1,714,680	\$ 381,204	\$ 2,095,884

Note 6 – Grants

In November 2018, the Corporation issued a grant in the amount of \$60,000 to fund leasehold improvements to RBB System for relocating to the City of Wooster in 2019.

Note 7 – Subsequent Events

Chemviron Midwest Inc. cancelled their month-to-month lease with the Corporation in April 2019, effective May 31, 2019.

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street, 5th Floor
Columbus, Ohio 43215-3506
(614) 466-3402 or (800) 443-9275
CentralRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Wooster Growth Corporation
Wayne County
538 North Market Street
Wooster, Ohio 44691

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Wooster Growth Corporation, Wayne County, (the Corporation) as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated August 14, 2019.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Corporation's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Corporation's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Corporation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

August 14, 2019

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
SEPTEMBER 19, 2019**