



**WOOSTER GROWTH CORPORATION
WAYNE COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**WOOSTER GROWTH CORPORATION
WAYNE COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Wooster Growth Corporation, Wayne County, Ohio, (the Corporation) as of and for the year ended December 31, 2001, as listed in the Table of Contents. These basic financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these basic 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

During the year ended December 31, 2001, the Corporation adopted Governmental Accounting Standards Board Statement No. 34. During the year, they also revalued certain land and a building as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

October 1, 2002

**Wooster Growth Corporation
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2001**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Wooster Growth Corporation's (the Corporation) financial performance provides an overview of its financial activities for the fiscal year ended December 31, 2001. Financial information consists of a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, a Statement of Cash Flows, and Notes to the Basic Financial Statements to disclose or explain information not apparent from the basic financial statements. Please read the Notes for important explanations of relationships and transactions.

The Corporation exists for "the sole purpose of advancing, encouraging, and promoting the industrial, economic, commercial and civic development of Wooster, Ohio." Thus, normal discussion and analysis of business results, such as return on assets or net profit are not relevant and will not be highlighted here. Instead, we will focus on describing the activities pursued by the Corporation during 2001 to fulfill that sole purpose as well as plans to sustain it.

The Long Road Land

On May 30, 2000, the City of Wooster (the City) purchased nearly 148 acres of land located near Long Road (formerly known as the Besancon Farm). The purchase agreement specified five (5) installment payments payable directly to F & L Besancon Farm, Ltd., to be secured by a first mortgage on the property conveyed. The seller has agreed to execute partial mortgage releases in favor of the buyer upon receipt of each installment payment.

On July 10, 2000, the City Council authorized the transfer of 25 acres of such property to the Corporation. On September 18, 2000, the City passed Ordinance No. 2000-43 authorizing all remaining Long Road acreage, with the exception of approximately 19 acres, be transferred to the Corporation in exchange for the county recorder fee of \$18. Accordingly, the Corporation held title, subject to the seller's security interest, to approximately 129 acres of the property as of January 1, 2001. Fair market value of the 129 acres at the date of conveyance was estimated at \$1,116,686.

During 2001 the Corporation entered into several agreements and transactions in regard to this property. Discussions of these transactions follows:

Lease of Property to Tekfor, Inc.

On June 11, 2001, the Corporation entered into a lease agreement with an option to purchase with Tekfor, Inc. (Tekfor) and Neumayer Holding GmbH, a German corporation, beginning May 15, 2001 and terminating May 15, 2016. Tekfor has the right and option to purchase the real estate known as the Wooster Growth Subdivision #1, Lot 8707, at the corner of Geyers Chapel and Long Roads in the City. This lease has been accounted for as a sale in accordance with the Financial Accounting Standards Board Statement No. 13.

**Wooster Growth Corporation
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2001**

Lease of Property to Tekfor, Inc. (continued)

Tekfor will pay the Corporation monthly rental fees, and operate and maintain the property, building, and equipment in good condition. Tekfor has insured the property for both liability and fire and extended coverage on the building and premises.

These facilities were constructed with the proceeds of a State of Ohio Department of Development loan, an equity loan with Bank One and direct expenditure by Neumayer. Total project costs were approximately \$6.7 million.

Swap of Land with The Gerstenslager Company

On March 29, 2001, the Corporation executed an agreement with Worthington Industries, parent company of The Gerstenslager Company, whereby the Corporation traded a 50 acre parcel of the Long Road property to The Gerstenslager Company in exchange for a 30.9 acre parcel. The Corporation estimates the two parcels were comparable in value.

Sale to Dix Communications

Fifteen acres of the traded land on Long road was sold to Dix Communications, the parent company of the Wooster Daily Record. Dix Communications is building a 48,960 square foot printing facility estimated to cost approximately \$14.05 million.

Freedlander Property

In 1989, the H. Freedlander Company donated its downtown Wooster retail department store building to the City. Shortly thereafter, the City passed Ordinance No. 1989-43 granting title of the property to the Corporation. The property's fair market value at the date of gift was \$1,251,450 based upon valuations provided by the Wayne County Auditor's Office.

On September 7, 1989, the Corporation entered into a lease agreement with L.H.B., Inc. ("L.H.B") by which L.H.B. pays a nominal annual rental and agrees to continue to operate the Freedlander's Department Store. The intent of the nominal rental is to insure the continuance of the retail establishment's contribution to the vitality of downtown Wooster.

The agreement extends for five years with the options to renew by L.H.B. for up to six, five-year lease periods. The first five-year renewal was entered into during September, 1994. L.H.B. continues to occupy the premises as of December 31, 2001. A second five-year renewal contract was signed in 2001 and an additional 4 renewals were also agreed upon. Renewals are subject to change regarding the calculation base for annual rentals, which have historically been based upon the federal taxable income of L.H.B. Taxes, insurance, maintenance and repairs, and utilities are the responsibility of L.H.B. Costs associated with major structural alterations or improvements to the property will be born by L.H.B. and only undertaken after obtaining the consent of the Corporation.

**Wooster Growth Corporation
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2001**

Financial Highlights

- The Corporation's net assets increased by \$28,374 (after restatement).
- Total cost of activities was \$12,722 in 2001 compared to \$631 in 2000.
- Assets restricted for economic development totaled approximately \$2.25 million at December 31, 2001.
- The Corporation's operating loss was \$9,428. Net non-operating revenues totaled \$37,803 resulting in \$28,374 in additional funds to be used for administrative expenses related to economic development projects and audit fees.

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

	2001
Assets	
Current and Other Assets	\$636,593
Capital Assets	5,339,590
<i>Total Assets</i>	<u>5,976,183</u>
Liabilities	
Current Liabilities	211,359
Long-Term Liabilities	3,356,126
<i>Total Liabilities</i>	<u>3,567,485</u>
Net Assets	
Unrestricted	<u><u>\$2,408,698</u></u>
Total Revenues	\$204,972
Total Expenditures	176,597
Change in Net Assets	<u>28,375</u>
Beginning Net Assets	<u>2,380,323</u>
Ending Net Assets	<u><u>\$2,408,698</u></u>

Capital Asset Inventory

At the end of 2001, the Corporation's investment in capital asset inventory approximated \$1.95 million, which consisted mainly of the Freedlander land and building and the remaining undeveloped land from the Besancon Farm, all of which is restricted for future economic development.

Debt

At December 31, 2001, the Corporation had \$3.6 million in loans and notes outstanding both related to the Tekfor project.

**Wooster Growth Corporation
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2001**

Economic Factors and Next Year's Budgets

The Corporation works within the corporate limits of the City. The City has, in the mix of economic sectors, a relatively strong industrial sector, greater than 35% of the City.

Budgets

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

Contacting Wooster Growth Corporation's Financial Management

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

Wooster Growth Corporation
Statement of Net Assets
December 31, 2001

Assets:

Current Assets:

Cash and Cash Equivalents	\$355,549
Interest Receivable	201
Current Portion Lease Receivable - Tekfor, Inc.	280,843
Total Current Assets	<u>636,593</u>

Noncurrent Assets:

Long-term Lease Receivable - Tekfor, Inc.	3,250,962
Inventory of Development Assets:	
Land	1,122,948
Buildings	965,680
Total Inventory	<u>2,088,628</u>
Total Noncurrent Assets	<u>5,339,590</u>

Total Assets	<u><u>\$5,976,183</u></u>
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Liabilities:

Current Liabilities:

Accrued Interest Payable	\$6,573
Deferred Revenue	1,482
Current Portion Bank One Loan Payable	35,467
Current Portion State of Ohio Loan Payable	167,837
Total Current Liabilities	<u>211,359</u>

Noncurrent Liabilities:

Bank One Loan Payable	478,800
State of Ohio Loan Payable	2,877,326
Total Noncurrent Liabilities	<u>3,356,126</u>
Total Liabilities	<u>3,567,485</u>

Net Assets:

Unrestricted	<u>2,408,698</u>
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Total Liabilities and Net Assets	<u><u>\$5,976,183</u></u>
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The notes to the basic financial statements are an integral part of the statements

Wooster Growth Corporation
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2001

Operating revenues:	
Rental income	\$25
Administrative fees	<u>3,269</u>
Total operating revenues	<u>3,294</u>
Operating expenses:	
Administrative and professional fees	<u>12,722</u>
Operating loss	(9,428)
Non-operating revenues (expenses):	
Lease interest	53,457
Interest expense	(163,875)
Gain on the sale of land	137,967
Interest on investments	<u>10,254</u>
Net non-operating revenues	<u>37,803</u>
Change in Net Assets	28,375
Net assets at beginning of year, as adjusted - see Note 1	<u>2,380,323</u>
Net assets at end of year	<u><u>\$2,408,698</u></u>

The notes to the basic financial statements are an integral part of the statements

Wooster Growth Corporation
Statement of Cash Flows
For the Year Ended December 31, 2001

Cash flows from operating activities:	
Cash received from rent	\$25
Cash received from rental tenant- administrative fees	4,751
Cash paid for administrative and professional fees	<u>(10,430)</u>
Net cash used by operating activities	<u>(5,654)</u>
Cash flows from capital and related financing activities:	
Proceeds from State of Ohio 166 loan	3,100,000
Proceeds from Bank One loan	532,000
Proceeds from Tekfor parent company construction loan	2,447,313
Collection of lease receivable - principal	82,462
Collection of lease receivable - interest	53,456
Proceeds from Sale of Development Assets	298,406
Purchases of capital assets for Telefor	(2,268,223)
Pass-through of Ohio 166 and Bank One loan funds to Tekfor, Inc.	(3,935,392)
Payments on State of Ohio 166 Loan - principal	(54,836)
Payments on State of Ohio 166 Loan - interest	<u>(37,000)</u>
Net cash provided for capital and related financing activities	<u>218,186</u>
Cash flows from investing activities:	
Interest	<u>10,346</u>
Net increase in cash and cash equivalents	222,878
Cash and cash equivalents at beginning of year	<u>132,671</u>
Cash and cash equivalents at end of year	<u><u>\$355,549</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating loss	(\$9,428)
Changes in assets and liabilities:	
Deferred Revenue	1,482
Accrued liabilities	<u>2,292</u>
Net cash used by operating activities	<u><u>(\$5,654)</u></u>

Non-Cash Transaction:

During the year, principal (\$17,733) and interest (\$8,988) payments were made directly from Tekfor, Inc. to Bank One.

During the year, a long-term lease receivable of \$3,632,000 was obtained in exchange for development assets.

The notes to the basic financial statements are an integral part of the statements.

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Wooster Growth Corporation
Notes To The Basic Financial Statements
For The Year Ended December 31, 2001

Note 1: Summary of Significant Accounting Policies

Reporting Entity

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

At December 31, 2001, the Corporation held interest in four primary properties: the Freedlander property, a portion of the land on the north side of Long Road west of Geyers Chapel Road, the Tekfor, Inc. land and manufacturing facility (which has been reflected as a capital lease sale to Tekfor, Inc.), and the remainder of the Besancon Farm land which was originally received from the City.

- The Corporation acquired the Freedlander property in 1989 and signed an agreement with a lessee to maintain the property as a full-service department store in Downtown Wooster.
- The City granted the Besancon Farm land to the Corporation in 2000, and the property has been developed to attract and/or retain manufacturing and publishing facilities in the City. Part of the property includes acreage which has been leased to Tekfor, Inc.
- A portion of land on Long Road west of Geyers Chapel Road was obtained by trading certain of the land received from the City to Gerstenslager Company. A 15-acre portion of this Long Road land was then sold to Dix Communications, and the Board of the Corporation has approved an option to sell the remaining portion of land to a development company. As of December 31, 2001, the option had not been exercised.

Basis of Accounting

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

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

The Corporation distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Corporation's principal ongoing operations. The principal operating revenues are charges for administering loans and grants. Operating expenses include the cost of those administrative services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, such as pass-through loan payment interest.

Deposits and Investments

Cash balances for the Corporation are held by the City which serves as fiscal agent. Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. At year-end, cash and investments totaled \$355,549.

Wooster Growth Corporation
Notes To The Basic Financial Statements
For The Year Ended December 31, 2001

Note 1 – Summary of Significant Accounting Policies (continued)

Deposits and Investments (continued)

Investments held at December 31, 2001 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

Donated Property

Donations of property are recorded as contributions at their estimated fair market value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted such assets for specific purposes.

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 in 1995.

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.

Property

All acquisitions of property are capitalized. Donated property is recorded at its estimated fair market value at the date of donation. All other property is recorded at cost, including construction period interest costs for constructed assets.

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

Wooster Growth Corporation
Notes To The Basic Financial Statements
For The Year Ended December 31, 2001

Note 1 – Summary of Significant Accounting Policies (continued)

Adjustment to Prior Period

At December 31, 2000, the Corporation recorded a liability in an amount equal to the land transferred to the Corporation by the City. This liability was payable to the City to reflect the obligation under law for the Corporation to return sales proceeds in excess of cost to the City. However, the liability was improperly recognized since the City has agreed that the Corporation can keep such excess proceeds. Accordingly, this liability was eliminated at January 1, 2001 by adjusting beginning net assets by the amount of the liability in the amount of \$1,116,686.

In addition, at December 31, 2000, the Freedlander property was reported at fair market value and an allowance for impairment was recorded to reduce the asset to an estimated fair value from expected future discounted cash flows. The Corporation has eliminated this estimated impairment allowance as being improper, and beginning net assets - restricted for development have been adjusted by the amount of the allowance of \$1,251,440. The following is the change in net assets – restricted for development caused by recording of these restatements:

Net Assets at Beginning of Year	\$ 12,197
Prior Period Adjustment from the elimination of the Due to Agent Upon Disposition of property	1,116,686
Prior Period Adjustment from the elimination of the Allowance for Asset Impairment	<u>1,251,440</u>
Net Assets at Beginning of Year – As Adjusted	<u>\$ 2,380,323</u>

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 the Freedlander and Tekfor, Inc. properties by the triple-net lease agreements requiring the lessee to maintain insurance coverage.

The Corporation carries insurance coverage on all remaining land as of December 31, 2001.

Non-operating Income and Expense

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

Agency Account - City of Wooster

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

Wooster Growth Corporation
Notes To The Basic Financial Statements
For The Year Ended December 31, 2001

Note 2 – Inventory of Development Assets

The inventory of development assets consists of the following at December 31, 2001:

	<u>Land</u>	<u>Building</u>
Freedlander Property	\$285,770	\$965,680
Besancon Property	566,122	-
Long Road Property	<u>271,056</u>	<u>-</u>
Total Development Assets	<u>\$1,122,948</u>	<u>\$965,680</u>

Freedlander Property

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

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

The agreement extends for five years with the options to renew by L.H.B., Inc ("L.H.B.") for up to 6, five-year lease periods. The first five-year renewal was entered into September 1994. L.H.B. continues to occupy the premises as of December 31, 2001. A second five-year renewal contract was signed in 2001 and an additional four renewals were agreed upon. Renewals are subject to change regarding the calculation base for annual rentals, which have historically been based on the federal taxable income of L.H.B. Taxes, insurance, maintenance and repairs, and utilities are the responsibility of L.H.B. Costs associated with major structural alterations or improvements to the property will be borne by L.H.B. and only undertaken after obtaining the consent of the Corporation.

Long Road Land (Besancon Farm)

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.

During 2001, the Corporation entered into several agreements involving this land including a lease and option to purchase a 13.8-acre portion by Tekfor, Inc. and the right and option for Tekfor to purchase an additional 9.258 acres of the land adjacent to the Tekfor facility. A trade with the Gerstenslager Company of a 50-acre parcel of land for a 30.9-acre parcel on Long Road west of Geyers Chapel Road was completed in 2001. A sale of approximately 15 acres of the land received from Gerstenslager Company to Dix Communications was also completed in 2001. The remaining 72.303 acres is available and restricted for future economic development. Further details of each transaction are elaborated below.

The City retains ownership of 18.567 acres of the original Besancon Farm land.

Wooster Growth Corporation
Notes To The Basic Financial Statements
For The Year Ended December 31, 2001

Note 2 – Inventory of Development Assets (continued)

Tekfor, Inc. Lease Agreement

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

<u>Year</u>	<u>Tekfor, Inc. Lease</u>
2002	\$280,843
2003	307,529
2004	306,563
2005	296,703
2006	632,609
2007-2011	1,329,099
2012-2016	<u>1,213,404</u>
Total Minimum Lease Payment	4,366,750
Less: Amounts Representing Interest and Fees	<u>(834,945)</u>
Present Value of Minimum Lease Payments	<u><u>\$3,531,805</u></u>

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

Land Trade with Gerstenslager and Subsequent Sale

On March 29, 2001, the Corporation executed an agreement with Worthington Industries, parent company of the local Gerstenslager Company, whereby the Corporation traded a 50-acre portion of the Besancon Farm land for a 35-acre parcel north of Long Road and east of Geyers Chapel Road. The Corporation estimates the two properties are comparable in value.

On June 15, 2001, the Corporation sold approximately 15 of the 35 acres of the land acquired in the March 29, 2001 trade with Gertenslager to Dix Communications, parent company of The Daily Record and several other Ohio newspapers. The agreement called for a sale price of \$20,000 an acre totaling \$298,406, and generating a \$137,967 gain on sale. Dix Communications plans to invest an estimated \$14.05 million to construct and equip a 48,960 square foot printing facility on the property.

Wooster Growth Corporation
Notes To The Basic Financial Statements
For The Year Ended December 31, 2001

Note 3 – Long-Term Debt

Ohio Department of Development Loan

On March 26 2001, the Corporation received notice it was granted a \$3.1 million low-interest (Chapter 166) loan by the Ohio Department of Development. Such loan was characterized as a direct loan to the Corporation for the purpose of assisting in the construction and equipping of a commercial facility to be subsequently leased to Tekfor, Inc. The loan bears interest at 3% annually with an additional monthly service fee equal to 1/12 of 1/4%, and is payable in monthly installments over a 15 year period.

Principal and interest requirements to retire the Section 166 Loan are as follows:

Department of Development Loan

Year	Principal	Interest	Totals
2002	\$ 167,837	\$ 89,060	\$ 256,897
2003	172,942	83,955	256,897
2004	178,202	78,695	256,897
2005	183,622	73,274	256,896
2006	189,207	67,689	256,896
2007-2011	1,035,940	248,540	1,284,480
2012-2016	<u>1,117,413</u>	<u>81,437</u>	<u>1,198,850</u>
Total	\$ <u>3,045,163</u>	<u>\$722,650</u>	\$ <u>3,767,813</u>

Promissory Note - Bank One

On May 31, 2001, the Corporation, in the capacity of borrower, entered into a loan agreement in the principal amount of \$532,000 with Bank One. This is the "equity loan" referenced in the Tekfor, Inc. lease agreement of June 11, 2001. Variable-rate interest, based on "British Bankers Association Interest Settlement Rates", is payable quarterly as it accrues beginning August 31, 2001. The remaining principal balance of \$514,267 is payable in 19 quarterly installments of \$8,867 commencing August 31, 2001, and continuing until paid in entirety, via a balloon payment, no later than the loan maturity date of May 31, 2006. Although the note is in the name of the Corporation, the debt payments are being made directly by Tekfor, Inc. to Bank One.

Prior to receiving the above loans, the parent company of Tekfor, Inc. loaned the Corporation \$3,804,709 (\$2,447,313 during 2001). This loan represented advances made pursuant to the construction project that were paid off when the State of Ohio disbursed the Section 166 loan.

Wooster Growth Corporation
Notes To The Basic Financial Statements
For The Year Ended December 31, 2001

Note 4 - Subsequent Events

LuK, Incorporated Commercial Sub-Lease Agreement

On March 28, 2002, the Corporation executed a lease with LuK, Inc. ("LuK) whereby the Corporation is leasing land owned by LuK for the purpose of constructing a technical training and educational facility for LuK. The Corporation has contracted with M.C.C., Inc. to construct the building upon the leased land. LuK has been appointed agent by the Corporation to act as guarantor of the Corporation's obligation under the construction contract.

Upon completion of construction, LuK shall sublease the facility and land from the Corporation for a period of 10 years commencing upon the receipt by the Corporation of all proceeds of a Section 166 Loan from the State of Ohio and LuK's occupancy of the facility. LuK shall become the owner of the property at the end of the lease period.

Upon commencement of the lease, LuK shall pay to the Corporation, monthly rent consisting of the monthly Section 166 \$2 million loan payment, the monthly cost of the \$3.5 million construction loan from Key Bank, plus an administrative fee of one-quarter percent (0.25%) of the outstanding principal balances of the two loans. LuK shall be responsible for all utilities, taxes and assessments, repairs and maintenance, and liability, fire and extended coverage insurance.

Enterprise Parkway Construction Contract

On April 4, 2002, the Corporation entered an agreement with C&C Excavating of Creston, Ohio in the amount of \$176,921 for the construction of Enterprise Parkway, a new street within the City that provides access from Long Road north to the Dix Communications facility, the remaining 15 acres of the swapped land, and to 113 acres of industrial-zoned, privately owned property.

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL 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 the financial statements of Wooster Growth Corporation, Wayne County, Ohio, (the Corporation) as of and for the year ended December 31, 2001, and have issued our report thereon dated October 1, 2002, in which we noted the Corporation adopted Government Accounting Standards Board Statement No. 34 and revalued certain land and building. 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.

Compliance

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Corporation in a separate letter dated October 1, 2002.

Wooster Growth Corporation
Wayne County
Report of Independent Accountants on Compliance and On
Internal Control Required by Government Auditing Standards
Page 2

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

October 1, 2002



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OFFICE OF THE AUDITOR

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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
NOVEMBER 7, 2002**