WOOSTER GROWTH CORPORATION
WAYNE COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2002

WOOSTER GROWTH CORPORATION
WAYNE COUNTY

TABLE OF CONTENTS

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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, 2002, as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of December 31, 2002, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, during the year ended December 31, 2001, the Government implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2003 on our consideration of the Government'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.

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

Betty Montgomery

Betty Montgomery
Auditor of State

June 5, 2003

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, 2002. 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 2002 to fulfill that sole purpose as well as plans to sustain it.

<u>The Long Road Land</u>

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 2002, the Corporation purchased an additional 0.69 acres of land adjacent to the remaining Long Road land. The Corporation also sold 15.961 acres of the remaining land for $300,000 to Chesterland Estates for further development. The Corporation recognized a gain of $20,996 on the sale.

At December 31, 2002 the Corporation held 66.293 acres of land which remains available for development.

<u>Freedlander Property</u>

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 by born by L.H.B. and only undertaken after obtaining the consent of the Corporation.

Financial Highlights

- The Corporation's net assets decreased by $371,164 .
- Total cost of activities was $9,417 in 2002 compared to $12,722 in 2001.
- Unrestricted net assets totaled approximately $2.038 million at December 31, 2002.
- The Corporation's operating loss was $735. Net non-operating revenue and expense totaled $370,429 (of which $391,857 were donations of infrastucture to the City of Wooster) resulting in $371,164 in fewer funds to be used for administrative expense, economic development projects and audit fees.

The Statement of Net Assets answers the question, "How did we do financially during 2002?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

This statement reports the Growth Corporation's net assets, however, in evaluating the overall position of the Growth Corporation's non-financial information such as changes in the condition of the Growth Corporation's capital assets will also need to be evaluated.

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

	2002	2001
Assets		
Current and Other Assets	$313,349	$636,593
Development Assets	5,085,807	5,339,590
Total Assets	5,399,156	5,976,183
Liabilities		
Current Liabilities	213,905	211,359
Long-Term Liabilities	3,147,717	3,356,126
Total Liabilities	3,361,622	3,567,485
Net Assets		
Unrestricted	$2,037,534	2,408,698

	2002	2001
Operating Revenues	$8,682	$3,294
Non-operating Revenues	116,132	201,678
Total Revenues	124,814	204,972
Operating Expenses	9,417	12,722
Non-operating Expenses	486,561	163,875
Total Expenses	495,978	176,597
Change in Net Assets	(371,164)	28,375
Beginning Net Assets	2,408,698	2,380,323
Ending Net Assets	$2,037,534	$2,408,698

Inventory of Development Assets

At the end of 2002, the Corporation's development assets approximated $1.938 million, which consisted mainly of the Freedlander land and building and the remaining undeveloped land from the Besancon Farm, all of which is to be used for future economic development.

Debt

At December 31, 2002, the Corporation had $3.356 million in loans and notes outstanding related to the Tekfor project. (See Note 5, Subsequent Events in the Notes to the Basic Financial Statements.)

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.

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Wooster Growth Corporation

Statement of Net Assets

December 31, 2002

Assets:	
Current Assets:	
Cash and Cash Equivalents	$119,153
Interest Receivable	2
Current Portion Lease Receivable-Tekfor	194,194
Total Current Assets	313,349
Noncurrent Assets:	
Long-term Lease Receivable-Tekfor	3,147,717
Inventory of Development Assets:	
Land	972,410
Buildings	965,680
Total Inventory	1,938,090
Total Noncurrent Assets	5,085,807
Total Assets	$5,399,156
Liabilities:	
Current Liabilities:	
Accrued Interest Payable	$4,796
Deferred Revenue	700
Current portion Bank One loan payable-Tekfor	35,467
Current portion State of Ohio loan payable-Tekfor	172,942
Total current liabilities	213,905
Noncurrent liabilities:	
Bank One Loan Payable-Tekfor	443,333
State of Ohio Loan Payable-Tekfor	2,704,384
Total noncurrent liabilities	3,147,717
Total liabilities	3,361,622
Net Assets:	
Unrestricted	2,037,534
Total liabilities and net assets	$5,399,156

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, 2002

Revenue :	
Administrative Income	$8,682
Total operating revenues	8,682
Expenses :	
Administrative & Professional Expenses	9,417
Total operating expenses	9,417
Operating (loss)	(735)
Non-operating revenue (expenses):	
Lease Interest	87,817
Interest Expense	(94,704)
Gain on sale of land	20,996
Infrastructure donations	(391,857)
Interest On Investments	7,319
Net non-operating revenue (expense)	(370,429)
Change in net assets	(371,164)
Net assets at beginning of year	2,408,698
Net assets at end of year	$2,037,534

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, 2002

Cash flows from operating activities:	
Cash received from rental tenant- administrative fees	$7,900
Cash paid for administrative and professional fees	(9,416)
Net cash provided (used) by operating activities	(1,516)
Cash flows from capital and related financing activities:	
Proceeds from Sale of Development Assets	292,033
Purchases of capital assets for development	(120,499)
Collection of lease receivable principal	161,181
Collection of lease receivable interest	81,062
Payments for Infrastructure Donantions	(391,857)
Payment for state loan principal and administrative fees	(175,258)
Payment for state loan interest	(89,060)
Net cash (used) for capital and related financing activities	(242,398)
Cash flows from investing activities:	
Interest	7,518
Net cash provided by investing activities	7,518
Net increase (decrease) in cash and cash equivalents	(236,396)
Cash and cash equivalents at beginning of year	355,549
Cash and cash equivalents at end of year	$119,153
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating (loss)	($735)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Deferred Revenue	(781)
Net cash provided (used) by operating activities	($1,516)

Non-Cash Transactions:
During the year, interest ($29,695) and principal ($35,467) payments were made directly from Tekfor, Inc. to Bank One.

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

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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, 2002, the Corporation held interest in three primary properties: the Freedlander property, 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.

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 $119,153.

Note 1 – Summary of Significant Accounting Policies (continued)

Deposits and Investments (continued)

Investments held at December 31, 2002 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.

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, 2002.

Note 1 – Summary of Significant Accounting Policies (continued)

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.

Note 2 – Inventory of Development Assets

The inventory of development assets consists of the following at December 31, 2002:

	Land	Building
Freedlander Property	$285,770	$965,680
Besancon Property	686,640	-
Total Development Assets	$972,410	$965,680

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, 2002. 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 by borne by L.H.B. and only undertaken after obtaining the consent of the Corporation.

Note 2 – Inventory of Development Assets (continued)

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.

During 2002, the Corporation purchased an additional 0.69 acres adjacent to the former Besancon farm. The Corporation also sold the remaining 15.961 acres on Long Road to Chesterland Estates for further economic development. The remaining 72.493 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.

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:

Year	Tekfor, Inc. Lease
2003	$284,819
2004	306,563
2005	305,570
2006	641,040
2007	267,219
2008-2012	1,320,654
2013-2016	950,455
Total Minimum Lease Payment	4,076,320
Less: Amounts Representing Interest and Fees	(734,409)
Present Value of Minimum Lease Payments	$3,341,911

Note 2 – Inventory of Development Assets (continued)

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.

The remaining acreage was sold in 2002 to Chesterland Estates for further economic development for $292,033 with a gain on the sale of $20,996.

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 $970,000 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.

Note 3 – Long-Term Debt

Ohio Department of Development Loan-Tekfor, Inc.

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

Note 3 – Long-Term Debt (continued)

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

Department of Development Loan for Tekfor

Year	Principal	Interest	Totals
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	194,962	61,934	256,896
2008-2012	1,067,449	217,031	1,284,480
2013-2016	890,942	51,012	941,954
Total	$ 2,877,326	$633,590	$ 3,510,916

Promissory Note - Bank One (for Tekfor)

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 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. As of December 31, 2002 the remaining principal balance was $478,800.

Note 4 – Infrastructure Donations

Enterprise Parkway Construction Contract

On April 4, 2002, the Corporation began the construction of Enterprise Parkway, a new street within the City that provides access from Long Road north to the Dix Communications facility, the land sold to Chesterland, and to 113 acres of industrial-zoned, privately owned property. The total cost of construction and engineering fees totaled $191,857.

Venture Boulevard Extension

Upon receipt of the proceeds of the land sale to Chesterland, the Corporation transferred $200,000 to the City of Wooster to finance the extension of Venture Boulevard for purposes of making the industrial park more attractive for industrial development.

Note 5 – Subsequent Events

Ohio Department of Development LuK, Inc.

In February, 2003, the Corporation received the proceeds of a $2.0 million low-interest (Chapter 166) loan from 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 LuK, Inc. The loan bears interest at 3.25% 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.

Promissory Note – Key Bank (LuK)

On May 28, 2003, the Corporation, in the capacity of borrower, entered into a loan agreement in the principal amount of $970,518.13 with Key Bank. This is the "Construction Loan" referenced in the LuK, Inc. Commercial Sub-Lease Agreement of February, 2003. Variable-rate interest, based on "London interbank offer rate" (LIBOR) plus one half percent, is payable monthly as it accrues beginning July 1, 2003. The remaining principal balance of $970,518.13 is payable in 59 monthly installments of $8,087.65 commencing July 1, 2003, and continuing until paid in entirety, via a balloon payment, no later than the loan maturity date of June 1, 2008.

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INDEPENDENT ACCOUNTANTS' REPORT 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 accompanying financial statements of the Wooster Growth Corporation, Wayne County, Ohio, (the Corporation) as of and for the year ended December 31, 2002, and have issued our report thereon dated June 5, 2003. 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.

However, we noted certain immaterial instances of noncompliance that we have reported to management of the Corporation in a separate letter dated June 5, 2003.

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.

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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 June 5, 2003.

This report is intended solely 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.

Betty Montgomery

Betty Montgomery
Auditor of State

June 5, 2003

Auditor of State
Betty Montgomery

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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
SEPTEMBER 11, 2003