

**WOOSTER GROWTH
CORPORATION
WAYNE COUNTY, OHIO**

* * * *

Basic Financial Statements

December 31, 2008



Mary Taylor, CPA
Auditor of State

Board of Trustees
Wooster Growth Corporation
538 North Market Street
Wooster, Ohio 44691

We have reviewed the *Independent Auditor's Report* of the Wooster Growth Corporation, Wayne County, prepared by Rea & Associates, Inc., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Wooster Growth Corporation is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 3, 2009

This Page is Intentionally Left Blank.

**WOOSTER GROWTH CORPORATION
WAYNE COUNTY

BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3
STATEMENT OF NET ASSETS	7
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	8
STATEMENT OF CASH FLOWS	9
NOTES TO THE BASIC FINANCIAL STATEMENTS	10
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	17

This Page is Intentionally Left Blank.



Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

June 8, 2009

To The Board of Trustees
Wooster Growth Corporation
Wayne County, Ohio

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statement of the business-type activities of Wooster Growth Corporation, Ohio (the "Corporation") as of and for the year ended December 31, 2008, which collectively comprise the Corporation's basic financial statements 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 Wooster Growth Corporation as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2009, on our consideration of the Wooster Growth 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 6 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. 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.

Rea & Associates, Inc.

This page intentionally left blank

**Wooster Growth Corporation, Wayne County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008**

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, 2008. 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 2008 to fulfill that sole purpose as well as plans to sustain it.

Besancon Farm/Geyers Chapel Road

On May 30, 2000, the City of Wooster (the "City") purchased nearly 148 acres of land located near Long Road and Geyers Chapel Road (formerly known as the Besancon Farm). Since that date, all of the land has been transferred from the City to Wooster Growth Corporation in accordance with Ohio law.

At December 31, 2008, the Corporation held approximately 60 acres of land which remains available for development.

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, 2008. A second five-year renewal contract was signed in 2001 and an additional four 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, Wayne County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008**

Financial Highlights

- The Corporation's net assets decreased by \$79,274.
- Total cost of activities was \$112,228 in 2008 compared to \$21,324 in 2007.
- Assets restricted for economic development totaled approximately \$2.9 million at December 31, 2008.
- The Corporation's operating loss was \$104,748. Net non-operating revenue totaled \$25,474.

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

	2008	2007
Assets		
Current and Other Assets	\$ 456,496	\$ 618,931
Noncurrent Assets	<u>4,671,413</u>	<u>4,816,124</u>
<i>Total Assets</i>	<u>5,127,909</u>	<u>5,435,055</u>
Liabilities		
Current Liabilities	266,553	251,069
Long-Term Liabilities	<u>1,801,941</u>	<u>2,045,297</u>
<i>Total Liabilities</i>	<u>2,068,494</u>	<u>2,296,366</u>
Net Assets		
Invested in Capital Assets	2,869,472	2,770,827
Unrestricted	<u>189,943</u>	<u>367,862</u>
<i>Total Net Assets</i>	<u>\$3,059,415</u>	<u>\$3,138,689</u>
Total Revenues	\$88,959	\$207,670
Total Expenditures	<u>168,233</u>	<u>83,258</u>
Change in Net Assets	(79,274)	124,412
Beginning Net Assets	<u>3,138,689</u>	<u>3,014,277</u>
Ending Net Assets	<u>\$3,059,415</u>	<u>\$3,138,689</u>

Total assets decreased in 2008 by \$307,146. One primary factor that caused this was a reduction in lease receivables. Also contributing to the decrease was payments for costs incurred related to the pending sale of Parcel 1 of the Timken property and the increase of administrative and professional fees related to future projects.

The decrease in liabilities is due to the reduction in loans payable. Total revenues decreased due to a decrease in donation of development assets from 2007.

**Wooster Growth Corporation, Wayne County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008**

Capital Asset Inventory

At the end of 2008, the Corporation's investment in capital asset inventory approximated \$2.9 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 and the Timken Wooster roller bearing facility and adjacent land donated to the Corporation in 2006.

Timken Property

During the spring of 2006, the Timken Company donated their Wooster roller bearing facility and adjacent land to the Corporation. The primary site consists of buildings encompassing 174,757 square feet on 59.315 acres. The secondary site consists of 64.94 acres of vacant land. The property's fair market value at the date of the gift was \$916,000 based upon valuations provided by the Charles G. Snyder Company.

During 2007, the Corporation paid for the demolition of two unusable buildings (\$45,000) and for the cleanup process needed to assure compliance with EPA regulations (\$23,395). The Corporation also received \$90,360 for the sale of timber and \$18,250 for the sale of a substation and equipment on the primary site. As a result of these transactions the valuation of the primary site decreased \$40,216.

On June 6, 2008, the Corporation entered into an agreement with Condor Pacific Properties, LLC for the sale of approximately 14.5 acres of Parcel 1 of the Prairie Lane property for a net sale price of \$310,000. The Corporation will finance the sale at 5 percent interest for seven years. Conditions of the sale require the Corporation to pay for the extension of utilities including water and sewer and construction of a separate driveway. As of December 31, 2008, the costs to date to satisfy these conditions are \$83,525, which increases the basis of the property. Completion of the sale is still pending upon completion of the above conditions by the Corporation.

On July 1, 2008, the Corporation entered into a lease agreement with Buckeye Supply Company to use three acres known as Parcel 2 of the Praire Lane Property. The agreement extends for twenty-four months and requires monthly rent of \$417.

Debt

At December 31, 2008, the Corporation had \$2.045 million in loans outstanding related to the Tekfor, Inc. project.

**Wooster Growth Corporation, Wayne County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008**

Economic Factors and Next Year's Budgets

Scheduled for late 2009 or early 2010, is the demolition of the vacant Freedlander building. Costs of the demolition are estimated at \$700,000 and will be funded through an agreement with the City of Wooster. The result of this demolition will subsequently increase the basis reported by the Wooster Growth Corporation for this property. There are currently ongoing negotiations and interest for the eventual lease and sale of this property for developmental housing and retail use.

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 31 percent 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, 2008

Assets:

Current assets:

Cash and cash equivalents	\$ 213,141
Current portion lease receivable-Tekfor Fifth Third Bank loan	36,353
Current portion lease receivable-Tekfor State loan	207,002
Total current assets	456,496

Noncurrent assets:

Long-term lease receivable-Tekfor Fifth Third Bank loan	251,444
Long-term lease receivable-Tekfor State loan	1,550,497
Inventory of development assets:	
Land	1,233,012
Buildings	1,636,460
Total inventory	2,869,472
Total noncurrent assets	4,671,413

Total assets **\$ 5,127,909**

Liabilities:

Current liabilities:

Deferred revenue	\$ 23,198
Current portion Fifth Third Bank loan payable-Tekfor	36,353
Current portion State of Ohio loan payable-Tekfor	207,002
Total current liabilities	266,553

Noncurrent liabilities:

Fifth Third Bank loan payable-Tekfor	251,444
State of Ohio loan payable-Tekfor	1,550,497
Total noncurrent liabilities	1,801,941
Total liabilities	2,068,494

Net assets:

Investment in capital assets	2,869,472
Unrestricted	189,943
Total net assets	3,059,415

Total liabilities and net assets **\$ 5,127,909**

Wooster Growth Corporation
Statement of Revenues, Expenses and Changes in Net Assets
For the Year ended December 31, 2008

Revenue:	
Administrative income	\$ 7,480
Total operating revenues	<u>7,480</u>
Expenses:	
Administrative & professional expenses	<u>112,228</u>
Total operating expenses	<u>112,228</u>
Operating income (loss)	(104,748)
Non-operating revenue (expenses):	
Donation of development assets	15,120
Lease interest	56,005
Interest expense	(56,005)
Interest on investments	<u>10,354</u>
Net non-operating revenue (expense)	<u>25,474</u>
Change in net assets	<u>(79,274)</u>
Net assets at beginning of year	<u>3,138,689</u>
Net assets at end of year	<u><u>\$ 3,059,415</u></u>

See accompanying notes to the basic financial statements

Wooster Growth Corporation
Statement of Cash Flows
For the Year Ended December 31, 2008

Cash flows from operating activities:

Cash received from rental tenants- administrative fees	\$ 30,677
Cash paid for administrative and professional fees	(126,051)
Net cash provided (used) by operating activities	<u>(95,374)</u>

Cash flows from capital and related financing activities:

Payment for costs incurred on capital assets	(83,525)
Collection of lease receivable principal-Tekfor	200,892
Collection of lease receivable interest-Tekfor	56,005
Collection of lease receivable state administrative fees-Tekfor	4,667
Payment for state loan principal - Tekfor	(200,892)
Payment for state loan interest - Tekfor	(56,005)
Payment for state loan administrative fees - Tekfor	(4,667)
Net cash provided (used) for capital and related financing activities	<u>(83,525)</u>

Cash flows from investing activities:

Interest	10,354
Net cash provided by investing activities	<u>10,354</u>
Net increase (decrease) in cash and cash equivalents	(168,545)
Cash and cash equivalents at beginning of year	381,686
Cash and cash equivalents at end of year	<u>\$ 213,141</u>

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Operating income (loss)	\$ (104,748)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Real estate escrow	(13,824)
Deferred revenue	23,198
Net cash provided (used) by operating activities	<u>\$ (95,374)</u>

Non-cash transactions:

Interest (\$16,501) and principal (\$36,353) payments were made directly from Tekfor, Inc. to Fifth Third.

**Wooster Growth Corporation, Wayne County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2008**

Note 1: 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 agent for those businesses seeking economic development assistance.

At December 31, 2008, the Corporation held interest in five primary properties: the Freedlander property, the Tekfor, Inc. land and manufacturing facility (which has been reflected as a capital lease sale to Tekfor, Inc.), the Timken Wooster roller bearing facility, the remainder of the Besancon Farm land, which was originally received from the City and the former Conrail parking lot.

- 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.
- 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.

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 along with legal fees associated with other projects. 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 \$213,141.

Wooster Growth Corporation, Wayne County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Deposits and Investments (continued)

Investments held at December 31, 2008, 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 invested in capital 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 remaining Besancon farm land, the Tekfor facility and the Timken property 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 general liability and Directors and Officers insurance.

Wooster Growth Corporation, Wayne County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Non-Operating Income and Expense

The lease agreement with Tekfor requires a monthly lease payment to the Corporation. The amount, less an administrative fee, is then paid to the Ohio Department of Development (“ODOD”) to repay a construction loan issued in the amount of \$3.1 million. The interest portion of these capitalized lease receipts and the interest portion of debt payments 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, 2008:

	<u>Land</u>	<u>Building</u>
Freedlander Property	\$285,770	\$965,680
Besancon Property	621,813	0
Liberty Street Property	15,120	0
Timken Property	<u>310,309</u>	<u>670,780</u>
Total Development Assets	<u>\$1,233,012</u>	<u>\$1,636,460</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 six, 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, 2008. 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.

Wooster Growth Corporation, Wayne County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2008

Note 2 – Inventory of Development Assets (continued)

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.

Praire Lane Property (Timken)

During the Spring of 2006, the 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 capitalized 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 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 July 1, 2008, the corporation entered into a lease agreement with Buckeye Supply Company to use three acres including buildings, storage and paved areas known as Parcel 2 of the Praire Lane property. The agreement extends for twenty-four months and requires monthly rent payments of \$417 per month.

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% interest for a period of seven years. Conditions of the sale require the Corporation to pay for extension of utilities, including water and sewer and construction of a separate drive. As of December 31, 2008, the costs to satisfy these conditions were \$83,525 which increased the basis of Parcel 1. Completion of the sale is still pending upon completion of the above conditions.

Liberty Street Lot

In October, 1997, the City of Wooster transferred to the Corporation a 0.629 acre parcel of land, In-Lot 8056, Liberty Street, Wooster, Ohio. The City transferred the land to the Corporation, in accordance with Ohio law, for the purchase price of \$10. The fair market value at that date was \$15,120.

Wooster Growth Corporation, Wayne County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2008

Note 2 – Inventory of Development Assets (continued)

In March, 1998, the Corporation entered into a lease agreement with Wayne County Alcoholism Services and Every Women’s House for a nominal annual rental. The intent of the nominal rental is to promote the welfare of the people of Wooster by providing important community services in a downtown location, stabilize downtown economy, promote downtown employment and assist in preservation of downtown Wooster. The lease term extends to March 2097, unless the lessee desires to terminate by written notice.

Prior to 2008, the Corporation had not included this asset on the Statement of Net Assets. The addition of this asset in 2008 is recorded as a donation of developmental assets on the Statement of Revenues, Expenses and Changes in Net Assets.

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 term loan from Fifth Third Bank, and 3) a monthly administrative fee of 1/12 of 1/4 percent 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 as follows:

<u>Year</u>	<u>Tekfor, Inc. Lease</u>
2009	\$302,233
2010	301,095
2011	299,770
2012	298,320
2013	297,172
2014-2016	<u>795,668</u>
Total Minimum Lease Payment	2,294,258
Less: Amounts Representing Interest and Fees	<u>(248,962)</u>
Present Value of Minimum Lease Payments	<u>\$2,045,296</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.

Wooster Growth Corporation, Wayne County, Ohio
Notes To The Basic Financial Statements
For The Year Ended December 31, 2008

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 three percent annually with an additional monthly service fee equal to 1/12 of 1/4 percent 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 for Tekfor, Inc.

Year	Principal	Interest	Totals
2009	\$207,002	\$49,894	\$256,896
2010	213,298	43,598	256,896
2011	219,786	37,110	256,896
2012	226,471	30,425	256,896
2013	233,359	23,537	256,896
2014-2016	<u>657,583</u>	<u>27,474</u>	<u>685,057</u>
Total	\$ <u>1,757,499</u>	\$ <u>212,038</u>	\$ <u>1,969,537</u>

Promissory Note – Fifth Third (for Tekfor, Inc.)

On August 31, 2006, the Corporation, in the capacity of borrower, entered into a loan agreement in the principal amount of \$363,533 with Fifth Third Bank. The interest rate is LIBOR plus two and one quarter percent (2.25%), floating. The principal balance is payable in 120 monthly installments of \$3,029 commencing August 31, 2006, and continuing until paid in entirety, no later than the loan maturity date of 2016. Although the note is in the name of the Corporation, the debt payments are being made directly by Tekfor, Inc. to Fifth Third Bank. As of December 31, 2008, the remaining principal balance was \$287,798.

Note 4 – Subsequent Event

During May 2009, the sale of Parcel 1 of the Timken property was finalized and executed. See Note 2 for the details of the sale.

This page intentionally left blank



June 8, 2009

To the Board of Trustees
Wooster Growth Corporation
Wayne County, Ohio

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of Wooster Growth Corporation, Wayne County, Ohio (the "Corporation") as of and for the year ended December 31, 2008, and have issued our report thereon dated June 8, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Hea & Associates, Inc.



Mary Taylor, CPA
Auditor of State

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
AUGUST 18, 2009**