

Wooster Growth Corporation
Wayne County, Ohio

Basic Financial Statements

December 31, 2015

with Independent Auditors' Report



Dave Yost • 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 Clark, Schaefer, Hackett & Co., for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

September 7, 2016

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Wooster Growth Corporation (the Corporation), Wayne County, Ohio, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 – 5) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2016, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
June 30, 2016

Wooster Growth Corporation
Wayne County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015

Our discussion and analysis of the Wooster Growth Corporation's (the "Corporation") financial performance provides an overview of its financial activities for the year ended December 31, 2015. Financial information consists of a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, and Notes to the Basic Financial Statements (the Notes) to disclose or explain information not apparent from the basic financial statements. Please read the Notes for important explanations of relationships and transactions.

The Corporation exists for the sole purpose of advancing, encouraging, and promoting the industrial, economic, commercial and civic development of Wooster, Ohio (the City). Thus, normal discussion and analysis of business results, such as return on assets or net profit, are not relevant and will not be highlighted here. Instead, we will focus on describing the activities pursued by the Corporation during 2015 to fulfill that sole purpose as well as plans to sustain it.

Development Asset Inventory

At the end of 2015, the Corporation's investment in development asset inventory was \$950,532. Below is the activity associated with the Corporation's development inventory during the year ended December 31, 2015.

Besancon Farm/Geyers Chapel Road

During 2015, the Corporation received \$25,576 in revenue generated by the agricultural lease with Sweet Breeze Farms for 150.8 acres of the South Well field.

At December 31, 2015, the Corporation held approximately 21 acres of land which remains available for development.

Timken Property

At December 31, 2015, the Corporation held approximately 65 acres of land which remains available for development. No activity during 2015.

Long Road Property

At December 31, 2015, the Corporation held 2.495 acres of land, which was subsequently leased for use, as identified in Note 3. The Corporation received \$20,000 in revenue generated by the lease agreement with Chemviron Midwest, Inc. The Corporation has a new lease agreement with Tekfor Inc. regarding an expansion project, see Note 2.

Wooster Growth Corporation
Wayne County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015

Financial Highlights

The Corporation's Net Position decreased by \$18,526.

- Total cost of operating activities was \$84,896 in 2015 compared to \$251,386 in 2014.
- Assets held for economic development totaled \$950,532 at December 31, 2015.
- The Corporation's operating loss was \$32,232. Net non-operating revenue (expenses) totaled \$13,706.

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

	2015	Restated 2014
Assets		
Current and Other Assets	\$ 901,786	\$ 1,217,253
Noncurrent Assets	2,244,895	2,231,842
Total Assets	3,146,681	3,449,095
Liabilities		
Current Liabilities	90,216	317,381
Long-Term Liabilities	1,166,901	1,223,624
Total Liabilities	1,257,117	1,541,005
Net Position		
Restricted for Economic Development	950,532	950,532
Restricted for Debt Service	157,500	0
Unrestricted	781,532	957,558
Total Net Position	\$ 1,889,564	\$ 1,908,090
Total Revenues	\$ 105,785	\$ 253,614
Total Expenses	124,311	294,710
Change in Net Position	\$ (18,526)	\$ (41,096)

Total assets decreased in 2015 by \$302,414. A primary factor that caused this was receipts for notes and leases receivable, specifically the lease receivable of the Tekfor, Inc. state loan that were paid down during the year.

2014 restricted for economic development was restated due to a parcel of land sold in a prior year.

Total liabilities decreased in 2015 by \$283,888. This was due to the payments on existing loans, partially offset by inception of a loan in the amount of \$214,707.

Total revenues decreased \$147,829 primarily due to a \$150,000 donation received in 2014. The decrease in expenses of \$170,399 was a decrease in professional fees.

Wooster Growth Corporation
Wayne County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015

Debt

At December 31, 2015, the Corporation had approximately \$1.235 million in loans outstanding related to the Tekfor, Inc. project and the ABS Materials, Inc. project. See Note 4 of the basic financial statements for additional information on the outstanding loans of the Corporation.

Economic Factors

The Corporation works within the corporate limits of the City. It was formed for the sole purpose of advancing, encouraging, and promoting the industrial, economic, commercial, distribution, research and civic development of Wooster, Ohio. The City is a stand-alone community with the nearest large city 25 miles distant. The City has a diversified mix of economic sectors.

Budgets

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

Contacting Wooster Growth Corporation's Financial Management

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

Wooster Growth Corporation
Wayne County, Ohio
Statement of Net Position
December 31, 2015

Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 628,395
Restricted Cash and Cash Equivalents with Escrow Agent	180,000
Current Portion Note Receivable:	
ABS Materials, Inc.	2,690
Condor Pacific Properties, LLC	22,985
Current Portion Lease Receivable:	
ABS Materials, Inc. State Loan	67,716
Total Current Assets	<u>901,786</u>
Non-Current Assets:	
Long Term Portion Note Receivable:	
ABS Materials, Inc.	31,792
Long Term Portion Lease Receivable:	
Tekfor Inc.	185,203
Tekfor Inc.	96,336
ABS Materials, Inc. State Loan	981,032
Inventory of Development Assets:	
Land	600,132
Building	350,400
Total Non-Current Assets	<u>2,244,895</u>
Total Assets	<u>3,146,681</u>
Liabilities:	
Current Liabilities:	
Current Portion Loans Payable:	
State of Ohio - ABS Materials, Inc.	67,716
Advance Payment to Escrow Account	22,500
Total Current Liabilities	<u>90,216</u>
Non-Current Liabilities:	
Long Term Portion Loans Payable:	
State of Ohio - ABS Materials, Inc.	981,032
Farmers National Bank - Tekfor, Inc.	185,869
Total Non-Current Liabilities	<u>1,166,901</u>
Total Liabilities	<u>1,257,117</u>
Net Position:	
Restricted for Economic Development	950,532
Restricted for Debt Service	157,500
Unrestricted	781,532
Total Net Position	<u>\$ 1,889,564</u>

See accompanying notes to the basic financial statements.

Wooster Growth Corporation
Wayne County, Ohio
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2015

Operating Revenue:	
Administrative Income	\$ 52,664
Total Operating Revenue	<u>52,664</u>
Operating Expenses:	
Administrative and Professional Expenses	63,035
Taxes - Property	21,861
Total Operating Expenses	<u>84,896</u>
Operating Income (Loss)	(32,232)
Non-Operating Revenue (Expenses):	
Lease Interest	44,922
Interest Expense	(39,415)
Interest on Investments	8,199
Total Non-Operating Revenue (Expenses)	<u>13,706</u>
Change in Net Position	(18,526)
Net Position at Beginning of Year (Restated - See Note 6)	<u>1,908,090</u>
Net Position at End of Year	<u><u>\$ 1,889,564</u></u>

See accompanying notes to the basic financial statements.

Wooster Growth Corporation
Wayne County, Ohio
Statement of Cash Flows
For the Year Ended December 31, 2015

Cash Flows From Operating Activities:	
Cash Received for Administrative Income	\$ 75,164
Cash Paid for Administrative and Professional Fees	(84,896)
Net Cash Provided By (Used For) Operating Activities	<u>(9,732)</u>

Cash Flows From Noncapital Financing Activities:	
Collection of Note Receivable Principal	47,038
Collection of Lease Receivable Principal	307,054
Cash Paid for Development Expenses	(96,336)
Payment for State Loan - Principal	(492,257)
Proceeds from Loan	214,707
Principal Payments on Loan	(28,838)
Lease Interest Income	44,922
Interest Expense	(39,415)
Net Cash Provided By (Used For) Noncapital Financing Activities	<u>(43,125)</u>

Cash Flows From Investing Activities:	
Interest Received on Investments	8,199
Net Cash Provided By (Used For) Investing Activities	<u>8,199</u>

Net Increase (Decrease) in Cash and Cash Equivalents	(44,658)
Cash and Cash Equivalents at Beginning of Year	853,053
Cash and Cash Equivalents at End of Year	<u>\$ 808,395</u>

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

Operating Income (Loss)	\$ (32,232)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Changes in Assets and Liabilities:	
Increase (Decrease) in Liabilities:	
Customer Deposit	22,500
Net Cash Provided By (Used For) Operating Activities	<u>(9,732)</u>

See accompanying notes to the basic financial statements.

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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 an agent for those businesses seeking economic development assistance.

At December 31, 2015, the Corporation held interest in six primary properties: the Tekfor, Inc. land and manufacturing facility (which has been reflected as a capital lease sale to Tekfor, Inc.), the remaining two parcels adjacent to the Timken Wooster roller bearing facility, the remainder of the Besancon Farm land, which was originally received from the City of Wooster, Ohio, the former Conrail parking lot, the ABS Materials, Inc. land and manufacturing facility (which has been reflected as a capital lease sale to ABS Materials, Inc.) and the building and land at 2759 Long Road.

- 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.
- During 2011, the Corporation purchased the former Snap-On building using the resources obtained from a non-interest bearing loan from the Wayne County Development Corporation. The Corporation subsequently entered into a capital lease agreement with ABS Materials, Inc. who made construction modifications to the facilities.

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 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.

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, such as pass-through loan interest.

Cash and Cash Equivalents

Cash balances for the Corporation are held by the City which serves as fiscal agent. Equity in Pooled Cash and Cash Equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. At year-end, cash and cash equivalents totaled \$808,395, with \$180,000 held in an escrow account in the Corporation's name. Investments held at December 31, 2015, 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. The Corporation had no investments.

The cash held in the escrow account is restricted in use per loan agreement. The account is to be funded on a quarterly basis with payments from Tekfor, Inc. as the Corporation withdraws funds for payment on the project. This account to be used for loan payments if Tekfor, Inc. breaches its payment obligation.

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 inventory of development assets unless the donor has restricted such assets for specific purposes. All other property is recorded at the lower of cost or market, including construction period interest costs.

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 sales expenses) are required to be returned to the City. However, an agreement was reached between the City and the Corporation that any excess proceeds for the remaining Besancon farm land, the Tekfor facility, the Timken property, the Conrail parking lot and the Long Road property would be held by the Corporation as economic development assets.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Corporation generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Corporation with its administrative activities. The Corporation has not estimated the value of such services.

Income Tax Status

The Corporation received approval for its tax-exempt status under Section 501 (c) (3) from the Internal Revenue Service effective July 1994.

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Estimates

In order to prepare financial statements in accordance with generally accepted accounting principles, the Corporation is required to make estimates and assumptions that affect the valuations of assets and liabilities and disclose contingent assets and liabilities at year end, as well as the revenue and expense amounts that occurred during the reporting period. Actual results could differ from those estimates.

All acquisition of property is not capitalized. All other property is recorded at the lower of cost or market, including construction period interest costs for constructed assets.

Deferred Inflows of Resources and Deferred Outflows of Resources

A deferred inflow of resources is an acquisition of assets by the Corporation that is applicable to a future reporting period. A deferred outflow of resources is a consumption of assets by the Corporation that is applicable to a future reporting period.

Risk Management and Concentration of Risk

The Corporation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. This risk is minimized in relation to ABS Materials, Inc. property and Tekfor, Inc. property by the triple-net lease agreement requiring the lessee to maintain insurance coverage.

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

Non-Operating Revenue and Expense

The lease agreement with Tekfor, Inc. 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 revenue and expense. This lease was cancelled in October 2015 and replaced with a \$2.1 million agreement for an expansion project for Tekfor, Inc. As of December 31, 2015, \$214,707 had been drawn down.

The lease agreement with ABS Materials, Inc. requires a monthly lease payment to the Corporation. The amount less an administrative fee, is then paid to the Ohio Department of Development to repay a construction loan in the amount of \$1.2 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 revenue 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
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Implementation of New Accounting Principles

For the year ended December 31, 2015, the Corporation has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*.

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 resulted in the inclusion of net pension liability and pension expense components on the full-accrual financial statements. The implementation of GASB Statement No. 68 did not have an effect on the financial statements of the Corporation.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of the Corporation.

Note 2 – Inventory of Development Assets

The inventory of development assets consists of the following at December 31, 2015:

	<u>Land and Buildings</u>
Conrail Parking Lot	\$ 15,120
Besancon Property	309,661
Long Road Property	416,950
Timken Property	208,801
Total Development Assets	<u>\$ 950,532</u>

Besancon Farm/Geyers Chapel Road Property

On May 30, 2000, the City purchased 147.97 acres of land located near Long Road and Geyers Chapel Road (formerly known as the Besancon Farm, Ltd.). On July 10, 2000, City Council authorized the transfer of 25 acres of the property to the Corporation. On September 18, 2000, City Council authorized transfer of another 104.403 acres to the Corporation in exchange for the \$18 county recorder fee. In 2009, an additional \$7,870 was capitalized as part of the basis of the property, related to clearing costs in order to prepare the land to lease as farm land.

On January 12, 2010, the Corporation entered into an agricultural lease with Sweet Breeze Farms for 150.8 acres of the South Well Field, part of the Besancon Farm property. The lease is five years then on a year-to-year basis thereafter for \$169.60 an acre. Rent received in 2015 under this lease was \$25,576. The lease has been extended for 2016.

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Since 2011, the Corporation has sold portions of this property and currently holds approximately 21 acres.

Long Road Property

In 2013, the City of Wooster gave to the Corporation land on Long Road with a maintenance building. This parcel was appraised with a fair market value of \$416,950. In 2015 an expansion project was began for Tekfor, Inc., \$96,336 has been spent to date.

In March 2015, the Corporation entered into an lease with Chemviron Midwest Inc. to lease the warehouse, surrounding land, parking lot, driveway and loading area. The lease is one year lease with two six month extension options. Rent received in 2015 under this lease was \$20,000.

Praire Lane Property (Timken)

During Spring 2006, Timken Company donated their Wooster roller bearing facility to the Corporation with a final closing date of September 29, 2006. Located at 2219 Praire Lane, Wooster, Ohio, the property consists of a primary site of 59.315 acres and includes vacant buildings of 174,757 square feet.

The secondary site consists of 64.94 acres of vacant land. The fair market value at the time of the donation was \$916,000, of which \$786,000 was allocated to the primary site and \$130,000 to the secondary site. An additional \$21,779 in appraisal and other fees was 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 Environmental Protection Agency (EPA) regulations. The costs of these agreements were \$45,000 and \$23,395, respectively, which increased the basis of the primary site of 59.315 acres.

In addition, the Corporation entered into an agreement for the removal and sale of timber from the primary site. The Corporation received \$90,360 for this transaction, which reduced the basis of the 59.315 acres by these proceeds.

The Corporation also agreed to sell the substation and equipment located on the primary site for \$18,250. The basis of the primary site was reduced by these proceeds.

On June 6, 2008, the Corporation (the Seller) entered into an agreement with Condor Pacific Properties, LLC (the Buyer) for the sale of Parcel 1 (approximately 14.5 acres) of the Praire Lane property for \$320,000, less \$10,000 adjustment for fencing with the Corporation financing the property at 5 percent interest for a period of seven years. Conditions of the sale required the Corporation to pay for extension of utilities including water and sewer and construction of a separate drive. The costs to satisfy these conditions were \$134,160, which increased the basis of Parcel 1. On May 18, 2009, with the conditions of the sale satisfied, the sale was finalized. The Corporation recognized a loss on the sale of \$437,901.

The Corporation agreed to provide financing to the Buyer for the outstanding balance due of \$275,000. Terms of the note receivable require monthly payments beginning July 1, 2009, from the Buyer of \$3,887, which include interest at a rate of 5 percent. Final payment is due June 2016. The balance of the note receivable at December 31, 2015, was \$22,985.

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

On September 4, 2012 the Corporation sold 24.212 acres of the Timken property to Knox Cattle Company for \$123,419. The Corporation recognized a gain on the sale of \$41,819.

Note 3 – Lease Receivable

Tekfor, Inc. Lease Agreement

On June 11, 2001, a lease agreement, with option to purchase, was executed between the Corporation and Tekfor, Inc. The term of the 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 aforementioned loans, plus all accrued interest and expenses of such financing, as of the date of the property's transfer. This original lease, including the lease to purchase option, was superseded and replaced with a new lease beginning on November 1, 2015. The new lease is for 15 years, with monthly payments of \$15,064. As well, Tekfor Inc, will deposit into the escrow account \$22,500 on a quarterly basis until the escrow account is fully funded in the amount of \$180,000. As part of the Deposit Account Agreement, the Corporation agreed to maintain \$180,000 with Farmers National Bank, therefore, the Corporation provided \$157,500 into the escrow accounts. The Corporation is permitted to withdraw \$22,500 quarterly provided Tekfor, Inc. made its payment.

Included in the receivable balance is expenses of \$96,336 the Corporation has paid, but not drawn down on loan for. The 185,203 is related to the rollover of the outstanding balance on the original lease and has been drawn on the loan.

ABS Materials, Inc. Lease Agreement

In November 2011, a lease agreement, with option to purchase, was executed between the Corporation and ABS Materials, Inc. The term of such lease is for 15 years. Monthly lease payments are computed by combining the monthly cost and fees associated with the State of Ohio Section 166 loan and a monthly administrative fee of 1/12 of 1/4 percent of the outstanding principal of the loan. In exchange for a nominal non-refundable payment, the lease also provides for an exclusive right and option for ABS Materials, Inc. to purchase the leased premises for \$10, with such option expiring April 2028. The purchase price upon execution of the option will include the remaining balance of the principal amounts of the aforementioned loan, plus all accrued interest and expenses of such financing, as of the date of the property's transfer. This agreement provides for the minimum annual lease payments as follows:

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Year Ending December 31,	Lease Payment
2016	\$ 108,433
2017	108,433
2018	108,433
2019	108,433
2020	108,433
2021-2025	542,165
2026-2028	243,974
Total Minimum Lease Payments	1,328,304
Less: Amount Representing Interest and Fees	(279,556)
Present Value of Minimum Lease Payments	\$ 1,048,748

Note 4 – Loans Payable

Detail of the changes in loans payable of the Corporation for the year ended December 31, 2015, is as follows:

	Balance 12/31/14	Additions	Deductions	Balance 12/31/15	Amount Due Within One Year
Ohio Department of Development					
Loan Payable	\$ 1,541,005	\$ 0	\$ 492,257	\$ 1,048,748	\$ 67,716
Farmers National Bank	0	214,707	28,838	185,869	0
	\$ 1,541,005	\$ 214,707	\$ 521,095	\$ 1,234,617	\$ 67,716

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 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. This loan was refinanced in 2015 with Farmers National Bank.

Farmers National Bank – Tekfor, Inc.

In 2015, the Corporation entered into a loan agreement for \$2,100,000 for the purpose of refinancing original debt for Ohio Department of Development Loan and fund an expansion project at Tekfor, Inc. The loan bears interest at 3.55 percent annually payable in monthly installments over a 15 year period. During 2015, the Corporation received \$214,707, with the balance to be drawn in 2016. As of December 31, 2015 the current loan balance is \$185,869, with the balance to be drawn in 2016.

Ohio Department of Development Loan – ABS Materials, Inc.

In 2013, the Corporation received notice it was granted a \$1.2 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 modification and equipping of a commercial facility to be subsequently leased to ABS Materials, Inc. The loan bears interest at 3 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.

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

A summary of the Corporations's future long-term debt requirements, including principal and interest payments as of December 31, 2015, follows:

Fiscal Year Ending December 31,	Ohio Department of Development		
	Principal	Interest	Total
2016	\$ 67,716	\$ 40,717	\$ 108,433
2017	70,474	37,959	108,433
2018	73,346	35,087	108,433
2019	76,334	32,099	108,433
2020	79,444	28,989	108,433
2021-2025	448,488	93,677	542,165
2026-2028	232,946	11,028	243,974
	<u>\$ 1,048,748</u>	<u>\$ 279,556</u>	<u>\$ 1,328,304</u>

Note 5 – Commitment

The Corporation committed \$100,000 to GOJO Industries for rail improvements. As of December 31, 2015, the Corporation has paid \$19,309.

Note 6 – Restatement of Net Position

2014 net position was restated due to a parcel of land sold in a previous year. See below for the effect on net position as previously reported:

Net Position December 31, 2014	\$ 2,028,589
Adjustments:	
Inventory of Development Assets	<u>(120,499)</u>
Restated Net Position January 1, 2015	<u>\$ 1,908,090</u>

**INDEPENDENT AUDITORS' 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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Wooster Growth Corporation (the Corporation), Wayne County, Ohio, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated June 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2015-001 that we consider to be a significant deficiency.

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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 instance of noncompliance or other matters that we are required to be reported under *Government Auditing Standards*.

Corporation's Response to Finding

The Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
June 30, 2016

Finding Number 2015-001: Significant Deficiency – Prior Period Adjustment

Accounting principles generally accepted in the United States of America requires adjustments noted during the audit be communicated to the governing board. A prior period adjustment is an indication the entity's internal controls were not effective in a prior year at identifying a transaction(s) which should have been recorded within the financial statements or recorded in a manner different than what it was.

The 2015 financial statements included a prior period adjustment for a sale of a development asset in a prior period instead of the period when the sale actually occurred. The Corporation should ensure all transactions are recognized and recorded in the period in which the underlying event or exchange takes place.

Management Response: The Growth Corp is aware of the issue which resulted from an oversight.



At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training, experience and drive is well-suited to each client's needs and goals. We are committed to providing insightful and flexible service – from efficient compliance to sophisticated consulting – to help each client prosper today and plan for future success.

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Dave Yost • 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
SEPTEMBER 20, 2016**