

# **Wooster Growth Corporation Wayne County, Ohio**

Basic Financial Statements  
December 31, 2016  
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, 2016 through December 31, 2016. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 19, 2017

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## TABLE OF CONTENTS

Independent Auditors' Report .....	1-2
<u>Basic Financial Statements:</u>	
Management's Discussion and Analysis .....	3-5
Statement of Net Position .....	6
Statement of Revenues, Expenses and Changes in Net Position .....	7
Statement of Cash Flows .....	8
Notes to the Basic Financial Statements.....	9-16
Independents 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 <i>Government Auditing Standards</i> .....	17-18
Schedule of Prior Audit Findings.....	19

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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, 2016, 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, 2016, 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.

## **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 28, 2017, 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 solely 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 28, 2017

**Wooster Growth Corporation**  
**Wayne County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*

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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, 2016. 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 2016 to fulfill that sole purpose as well as plans to sustain it.

Development Asset Inventory

At the end of 2016, the Corporation's investment in development asset inventory was \$985,563. Below is the activity associated with the Corporation's development inventory during the year ended December 31, 2016.

*Besancon Farm/Geyers Chapel Road*

During 2016, 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, 2016, the Corporation held approximately 21 acres of land which remains available for development.

*Timken Property*

At December 31, 2016, the Corporation held approximately 65 acres of land which remains unavailable for development because it is in the regulatory floodway. No activity during 2016.

*Long Road Property*

At December 31, 2016, the Corporation held 2.495 acres of land, which was subsequently leased for use, as identified in Note 3. The Corporation received \$24,000 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 4.

*Larwill Street Property*

During 2016, the Corporation purchased 4.6 acres of vacant land from the City of Wooster consisting of 6 parcels to be used for future residential development.

**Wooster Growth Corporation**  
**Wayne County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*

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Financial Highlights

The Corporation's Net Position increased by \$10,937.

- Total operating expenses were \$48,186 in 2016 compared to \$84,896 in 2015.
- Assets held for economic development totaled \$985,563 at December 31, 2016.
- The Corporation's operating income was \$8,075. Net non-operating revenue (expenses) totaled \$2,862.

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

	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Current and Other Assets	\$ 1,100,194	\$ 721,786
Noncurrent Assets	3,925,665	2,424,895
<b>Total Assets</b>	<b>5,025,859</b>	<b>3,146,681</b>
<b>Liabilities</b>		
Current Liabilities	183,461	67,716
Long-Term Liabilities	2,941,897	1,189,401
<b>Total Liabilities</b>	<b>3,125,358</b>	<b>1,257,117</b>
<b>Net Position</b>		
Restricted for Economic Development	985,563	950,532
Restricted for Debt Service	180,000	157,500
Unrestricted	734,938	781,532
<b>Total Net Position</b>	<b>\$ 1,900,501</b>	<b>\$ 1,889,564</b>
<b>Total Revenues</b>	\$ 347,129	\$ 105,785
<b>Total Expenses</b>	336,192	124,311
Change in Net Position	<b>\$ 10,937</b>	<b>\$ (18,526)</b>

Total assets increased in 2016 by \$1,879,178. A primary factor that caused this was receipts for notes issued and leases receivable, specifically the lease receivable of the Tekfor, Inc. project for the 2016 expenditures.

Total liabilities increased in 2016 by \$1,868,241. This was due to additional proceeds of a loan in the amount of \$1,883,557, partially offset by the payments on existing loans.

Total revenues increased \$241,344 primarily due to a \$200,000 pass-through grant to GOJO Industries, Inc. and an increase in loan interest from Tekfor, Inc. The increase in expenses of \$211,881, was an increase in interest expense on the new loan and pass-through expenses for GOJO Industries, Inc., offset by a decrease in professional fees.

**Wooster Growth Corporation**  
**Wayne County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*

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Debt

At December 31, 2016, the Corporation had approximately \$2.9 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, 2016*

<b>Assets:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 914,091
Current Portion Note Receivable:	
ABS Materials, Inc.	2,642
Current Portion Lease Receivable:	
Tekfor	112,987
ABS Materials, Inc. State Loan	70,474
<b>Total Current Assets</b>	<u>1,100,194</u>
<b>Non-Current Assets:</b>	
Restricted Cash and Cash Equivalents with Escrow Agent	180,000
Long Term Portion Note Receivable:	
ABS Materials, Inc.	29,080
Long Term Portion Lease Receivable:	
Tekfor Inc.	1,820,463
ABS Materials, Inc. State Loan	910,559
Inventory of Development Assets:	
Land	635,163
Building	350,400
<b>Total Non-Current Assets</b>	<u>3,925,665</u>
<b>Total Assets</b>	<u>5,025,859</u>
<b>Liabilities:</b>	
<b>Current Liabilities:</b>	
Current Portion Loans Payable:	
State of Ohio - ABS Materials, Inc.	70,474
Farmers National Bank - Tekfor Inc.	112,987
<b>Total Current Liabilities</b>	<u>183,461</u>
<b>Non-Current Liabilities:</b>	
Unearned Revenue - Tekfor Land Option	96,810
Advance Payment to Escrow Account	112,500
Long Term Portion Loans Payable:	
State of Ohio - ABS Materials, Inc.	910,558
Farmers National Bank - Tekfor, Inc.	1,822,029
<b>Total Non-Current Liabilities</b>	<u>2,941,897</u>
<b>Total Liabilities</b>	<u>3,125,358</u>
<b>Net Position:</b>	
Restricted for Economic Development	985,563
Restricted for Debt Service	180,000
Unrestricted	734,938
<b>Total Net Position</b>	<u>\$ 1,900,501</u>

See accompanying notes.

**Wooster Growth Corporation**  
**Wayne County, Ohio**  
*Statement of Revenues, Expenses and Changes in Net Position*  
*For the Year Ended December 31, 2016*

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<b>Operating Revenue:</b>	
Administrative Income	\$ 56,261
<b>Total Operating Revenue</b>	<u>56,261</u>
<b>Operating Expenses:</b>	
Administrative and Professional Expenses	25,091
Taxes - Property	23,095
<b>Total Operating Expenses</b>	<u>48,186</u>
Operating Income (Loss)	8,075
<b>Non-Operating Revenue (Expenses):</b>	
Lease Interest Income	87,076
Lease Interest Expense	(40,748)
Interest on Investments	3,792
Loan Fees	(900)
Loan Interest	(46,358)
Pass-Through Grant (GOJO Industries, Inc.)	200,000
Pass-Through Expense (GOJO Industries, Inc.)	(200,000)
<b>Total Non-Operating Revenue (Expenses)</b>	<u>2,862</u>
<b>Change in Net Position</b>	10,937
Net Position at Beginning of Year	<u>1,889,564</u>
<b>Net Position at End of Year</b>	<u><u>\$ 1,900,501</u></u>

See accompanying notes.

**Wooster Growth Corporation**  
**Wayne County, Ohio**  
*Statement of Cash Flows*  
For the Year Ended December 31, 2016

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<b>Cash Flows From Operating Activities:</b>	
Cash Received for Administrative Income	\$ 56,261
Cash Received for Land Option	96,810
Cash Paid for Administrative and Professional Fees	(48,186)
<b>Net Cash Provided By (Used For) Operating Activities</b>	<u>104,885</u>
 <b>Cash Flows From Noncapital Financing Activities:</b>	
Collection of Note Receivable Principal	25,745
Collection of Lease Receivable Principal	202,125
Proceeds of Lease Receivable Principal	(1,786,321)
Purchase of Land	(35,031)
Payment for State Loan - Principal	(67,716)
Proceeds from Loan	1,883,557
Principal Payments on Loan	(134,410)
Lease Interest Income	87,076
Pass-Through Grant (GOJO Industries, Inc.)	200,000
Pass-Through Expense (GOJO Industries, Inc.)	(200,000)
Escrow Payments From Tekfor	90,000
Interest Expense/Loan Fees	(88,006)
<b>Net Cash Provided By (Used For) Noncapital Financing Activities</b>	<u>177,019</u>
 <b>Cash Flows From Investing Activities:</b>	
Interest Received on Investments	3,792
<b>Net Cash Provided By (Used For) Investing Activities</b>	<u>3,792</u>
Net Increase (Decrease) in Cash and Cash Equivalents	285,696
Cash and Cash Equivalents at Beginning of Year	808,395
Cash and Cash Equivalents at End of Year	<u>\$ 1,094,091</u>
 <b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</b>	
Operating Income (Loss)	\$ 8,075
 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	96,810
<b>Net Cash Provided By (Used For) Operating Activities</b>	<u>\$ 104,885</u>

See accompanying notes.

**Wooster Growth Corporation**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 – Reporting Entity and Summary of Significant Accounting Policies**

Reporting Entity

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

At December 31, 2016, the Corporation held interest in several properties: the Tekfor, Inc. land and manufacturing facility (which has been reflected as a capital lease sale to Tekfor, Inc.), the remaining two parcels adjacent to the Timken Wooster roller bearing facility, the remainder of the Besancon Farm land, which was originally received from the City of Wooster, Ohio, the former Conrail parking lot, the ABS Materials, Inc. land and manufacturing facility (which has been reflected as a capital lease sale to ABS Materials, Inc.), the building and land at 2759 Long Road, and six residential parcels on Larwill Street purchased from the City.

- The City granted the Besancon Farm land to the Corporation in 2000, and the property has been developed to attract and/or retain manufacturing and publishing facilities in the City. 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.
- During 2016, the Corporation purchased six residential lots on Larwill Street from the City.

Basis of Accounting

These basic financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Corporation’s significant account policies are described below.

The basic financial statements consist of a single-purpose business-type activity, which is reported on the accrual basis of accounting using the economic resources measurement focus. Revenues are recognized when earned and expenses are recognized when incurred.

**Wooster Growth Corporation**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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Basis of Presentation

The Corporation's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

The Corporation distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Corporation's principal ongoing operations.

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

Cash and Cash Equivalents

Cash balances for the Corporation are held by the City which serves as fiscal agent. Equity in Pooled Cash and Cash Equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. At year-end, cash and cash equivalents totaled \$1,094,091, with \$269,982 held in an escrow account in the Corporation's name. Investments held at December 31, 2016, with original maturities greater than one year are stated at fair value.

During 2016, the Corporation invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The County measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

The Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. All investments of the Corporation are valued using quoted market prices (Level 1 inputs).

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.

**Wooster Growth Corporation**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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Inventory of Development Assets and Donated Property

Acquisition of property is not capitalized. Donations of property are recorded as contributions at their estimated acquisition value at the date of donation. Such donations are reported as increases in inventory of development assets unless the donor has restricted such assets for specific purposes. All other property is recorded at the lower of cost or fair value, including construction period interest costs.

In accordance with Ohio Revised Code section 1724.10 (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.

Estimates

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

Deferred Inflows of Resources and Deferred Outflows of Resources

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

Risk Management and Concentration of Risk

The Corporation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. This risk is minimized in relation to 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.

**Wooster Growth Corporation**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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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 Farmers National Bank to repay a construction loan. The interest portion of these capitalized lease receipts and the interest portion of debt payments are reflected on the financial statements as non-operating revenue and expense. This lease agreement is for \$2.1 million for an expansion project for Tekfor, Inc.

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.

Implementation of New Accounting Principles

For the year ended December 31, 2016, the Corporation has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. These changes were incorporated in the Corporation's fiscal year 2016 note disclosures; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Corporation.

**Wooster Growth Corporation**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Corporation.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the Corporation.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the Corporation.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The implementation of GASB Statement No. 79 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, 2016:

	<u>Land and Buildings</u>
Conrail Parking Lot	\$ 15,120
Besancon Property	309,661
Long Road Property	416,950
Timken Property	208,801
Larwill Residential Lots	35,031
Total Development Assets	\$ 985,563

Besancon Farm/Geyers Chapel Road Property

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

**Wooster Growth Corporation**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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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 2016 under this lease was \$25,576. The lease has been extended for 2017.

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

Long Road Property

In 2013, the City gave the Corporation land on Long Road with a maintenance building. This parcel was appraised with a fair market value of \$416,950. In 2015 an expansion project began for Tekfor, Inc., \$2,098,264 has been spent to date, which includes \$96,810 related to a land option.

In March 2015, the Corporation entered into an lease with Chemviron Midwest Inc. to lease the warehouse, surrounding land, parking lot, driveway and loading area. The lease is one year lease with two six month extension options. Rent received in 2016 under this lease was \$24,000.

Prairie 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 Prairie Lane, Wooster, Ohio, the property consists of a primary site of 59.315 acres and includes vacant buildings of 174,757 square feet.

The secondary site consists of 64.94 acres of vacant land. The fair market value at the time of the donation was \$916,000, of which \$786,000 was allocated to the primary site and \$130,000 to the secondary site. An additional \$21,779 in appraisal and other fees was included as part of the value of the land and building received.

During 2007, the Corporation entered into several agreements involving the demolition of two of the unusable buildings and the subsequent environmental cleanup process to assure compliance with Environmental Protection Agency (EPA) regulations. The costs of these agreements were \$45,000 and \$23,395, respectively, which increased the basis of the primary site of 59.315 acres.

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

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

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

**Wooster Growth Corporation**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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

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

**Note 3 – Lease Receivable**

Tekfor, Inc. Lease Agreement

On November 1, 2015, a lease agreement, with option to purchase, was executed between the Corporation and Tekfor, Inc. The term of the lease is for 15 years with monthly payments of \$15,064. Monthly lease payments are computed by combining 1) the monthly cost and fees associated with the Farmers National Bank loan, and 2) a monthly administrative fee of 1/12 of 1/4 percent of the outstanding principal of the two loans. As well, Tekfor Inc, will deposit into the escrow account \$22,500 on a quarterly basis until the escrow account is fully funded in the amount of \$180,000. As part of the Deposit Account Agreement, the Corporation agreed to maintain \$180,000 with Farmers National Bank, therefore, the Corporation provided \$157,500 into the escrow accounts. The Corporation is permitted to withdraw \$22,500 quarterly provided Tekfor, Inc. made its payment.

The \$1,883,557 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:

Year Ending December 31,	Lease Payment
2017	\$ 289,201
2018	289,201
2019	289,201
2020	289,201
2021	289,201
2022-2026	1,446,005
2027-2030	775,511
Total Minimum Lease Payments	3,667,521
Less: Amount Representing Interest and Fees	(751,473)
Present Value of Minimum Lease Payments	\$ 2,916,048

**Wooster Growth Corporation**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 4 – Loans Payable**

Detail of the changes in loans payable of the Corporation for the year ended December 31, 2016, is as follows:

	Balance 12/31/15	Additions	Deductions	Balance 12/31/16	Amount Due Within One Year
Ohio Department of Development					
Loan Payable	\$ 1,048,748	\$ 0	\$ 67,716	\$ 981,032	\$ 70,474
Farmers National Bank	185,869	1,883,557	134,410	1,935,016	112,987
	<u>\$ 1,234,617</u>	<u>\$ 1,883,557</u>	<u>\$ 202,126</u>	<u>\$ 2,916,048</u>	<u>\$ 183,461</u>

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. As of December 31, 2016 the current loan balance is \$1,935,016, with the balance to be drawn in 2017.

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.

A summary of the Corporations’ future long-term debt requirements, including principal and interest payments as of December 31, 2016, follows:

Fiscal Year Ending December 31,	Ohio Department of Development			Farmers National Bank		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 70,474	\$ 37,959	\$ 108,433	\$ 112,987	\$ 67,781	\$ 180,768
2018	73,346	35,087	108,433	117,121	63,647	180,768
2019	76,334	32,099	108,433	121,407	59,361	180,768
2020	79,444	28,989	108,433	125,690	55,078	180,768
2021	82,680	25,753	108,433	130,449	50,319	180,768
2022-2026	466,761	75,404	542,165	727,326	176,514	903,840
2027-2030	131,993	3,547	135,540	600,036	39,934	639,970
	<u>\$ 981,032</u>	<u>\$ 238,838</u>	<u>\$ 1,219,870</u>	<u>\$ 1,935,016</u>	<u>\$ 512,634</u>	<u>\$ 2,447,650</u>

**Note 5 – Pass-Through Grants**

GOJO Industries, Inc. received grants from the Ohio Rail Development Commission and the City that were passed through the Corporation. These grants totaled \$200,000 in 2016 and were used by GOJO Industries, Inc. for rail improvements and permit fees.

**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, 2016, 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 28, 2017.

**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 audit 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. 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.

**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 are required to be reported under *Government Auditing Standards*.

**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 28, 2017

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

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.

Management Response: *Issue not repeated.*





# 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  
OCTOBER 3, 2017**