Wooster Growth Corporation
Wayne County, Ohio

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Financial Statements

December 31, 2004

Auditor of State
Betty Montgomery

Board of Trustees
Wooster Growth Corporation
538 N. 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, 2004 through December 31, 2004. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 27, 2005

88 E. Broad St. / P.O. Box 1140 / Columbus, OH 43216-1140
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WOOSTER GROWTH CORPORATION
WAYNE COUNTY
*****
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2004

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

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

June 24, 2005

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying basic financial statements of the Wooster Growth Corporation, Wayne County, Ohio (the Corporation) as of and for the year ended December 31, 2004, as listed in the Table of contents. These basic financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Corporation as of December 31, 2004, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principals generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 24, 2005 on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 Audit Standards and should be read in conjunction with this report in considering the results of our audit.

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

Rea & Associates, Inc.

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, 2004. 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 2004 to fulfill that sole purpose as well as plans to sustain it.

The Long Road Land

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

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

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

At December 31, 2004 the Corporation held 66.86 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, 2001. A second five-year renewal contract was signed in 2001 and an additional 4 renewals were also agreed upon. Renewals are subject to change regarding the calculation base for annual rentals, which have historically been based upon the federal taxable income of L.H.B. Taxes, insurance, maintenance and repairs, and utilities are the responsibility of L.H.B. Costs associated with major structural alterations or improvements to the property will by born by L.H.B. and only undertaken after obtaining the consent of the Corporation.

Financial Highlights

- The Corporation's net assets decreased by $12,825.
- Total cost of activities was $34,103 in 2004 compared to $13,952 in 2003.
- Assets designated for economic development totaled approximately $2.020 million at December 31, 2004.
- The Corporation's operating loss was $19,828. Net non-operating revenue totaled $7,003.

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

	2003	**2004**
Assets		
Current and Other Assets	$562,456	$585,970
Capital Assets	7,400,322	6,870,429
Total Assets	7,962,778	7,456,399
Liabilities		
Current Liabilities	499,385	504,596
Long-Term Liabilities	5,431,104	4,932,339
Total Liabilities	5,930,489	5,436,935
Net Assets		
Unrestricted	$2,032,289	$2,019,464
Total Revenues	$168,102	$169,081
Total Expenditures	173,347	181,906
Change in Net Assets	(5,245)	(12,825)
Beginning Net Assets	2,037,534	2,032,289
Ending Net Assets	$2,032,289	$2,019,464

Capital Asset Inventory

At the end of 2004, the Corporation's investment in capital asset inventory approximated $1.938 million, which consisted mainly of the Freedlander land and building and the remaining undeveloped land from the Besancon Farm, all of which is restricted for future economic development.

Debt

At December 31, 2004, the Corporation had $5.416 million in loans and notes outstanding related to the Tekfor and Luk, Inc. projects.

Economic Factors and Next Year's Budgets

The Corporation works within the corporate limits of the City. The City has, in the mix of economic sectors, a relatively strong industrial sector, greater than 31% 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, 2004

Assets:		
Current Assets:		
Cash and Cash Equivalents	$	101,739
Interest Receivable		459
Current Portion Lease Receivable-Tekfor Bank One Loan		35,467
Current Portion Lease Receivable-Tekfor State Loan		183,622
Current Portion Lease Receivable-LuK KeyBank Loan		97,052
Current Portion Lease Receivable-LuK State Loan		167,631
Total Current Assets		585,970
Noncurrent Assets:		
Long-term Lease Receivable-Tek For Bank One Loan		372,399
Long-term Lease Receivable-Tek For State Loan		2,342,560
Long-term Lease Receivable-LuK KeyBank Loan		719,801
Long-term Lease Receivable-LuK State Loan		1,497,579
Inventory of Development Assets:		
Land		972,410
Buildings		965,680
Total Inventory		1,938,090
Total Noncurrent Assets		6,870,429
Total Assets	$	7,456,399
Liabilities:		
Current Liabilities:		
Accounts Payable	$	408
Accrued Interest Payable		4,901
Deferred Revenue		522
Current portion Bank One Loan Payable-Tekfor		35,467
Current portion State of Ohio Loan Payable-Tekfor		183,622
Current portion KeyBank Loan Payable-LuK		97,052
Current portion State of Ohio Loan Payable-LuK		182,624
Total Current Liabilities		504,596
Noncurrent Liabilities:		
Bank One Loan Payable-Tekfor		372,399
State of Ohio Loan Payable-Tekfor		2,342,560
KeyBank Loan Payable-LuK		719,801
State of Ohio Loan Payable-LuK		1,497,579
Total Noncurrent Liabilities		4,932,339
Total Liabilities		5,436,935
Net Assets:		
Unrestricted		2,019,464
Total Liabilities and Net Assets	$	7,456,399

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

Wooster Growth Corporation
Statement of Revenues, Expenses and Changes in Net Assets
For the Year ended December 31, 2004.

Revenue :		
Administrative Income	**$**	**14,275**
Total operating revenues		**14,275**
Expenses :		
Administrative & Professional Expenses		**34,103**
Total operating expenses		**34,103**
Operating income (loss)		**(19,828)**
Non-operating revenue (expenses):		
Lease Interest		**153,554**
Interest Expense		**(147,453)**
State Administrative Fees		**(350)**
Interest On Investments		**1,252**
Net non-operating revenue (expense)		**7,003**
Change in net assets		**(12,825)**
Net assets at beginning of year		**2,032,289**
Net assets at end of year	**$**	**2,019,464**

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

Wooster Growth Corporation
Statement of Cash Flows
For the Year Ended December 31, 2004

Cash flows from operating activities:		
Cash received from rental tenant- administrative fees	$	14,218
Cash paid for administrative and professional fees		(33,786)
Net cash provided (used) by operating activities		(19,568)
Cash flows from capital and related financing activities:		
Collection of lease receivable principal-Luk		177,269
Collection of lease receivable interest-LuK		57,206
Collection of lease receivable state administrative fees-LuK		6,908
Collection of construction loan principal-LuK		97,052
Collection of construction loan interest-LuK		17,266
Collection of lease receivable principal-Tekfor		178,202
Collection of lease receivable interest-Tekfor		78,695
Collection of lease receivable state administrative fees-Tekfor		4,054
Payment for state loan principal - LuK		(176,791)
Payment for state loan interest - LuK		(57,808)
Payment for state loan administrative fees - LuK		(6,558)
Payment for construction loan principal - LuK		(97,052)
Payment for construction loan interest - LuK		(17,215)
Payment for state loan principal - Tekfor		(178,202)
Payment for state loan interest - Tekfor		(78,694)
Payment for state loan administrative fees - Tekfor		(4,404)
Net cash (used) for capital and related financing activities		(72)
Cash flows from investing activities:		
Interest		1,648
Net cash provided by investing activities		1,648
Net increase (decrease) in cash and cash equivalents		(17,992)
Cash and cash equivalents at beginning of year		119,731
Cash and cash equivalents at end of year	$	101,739
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$	(19,828)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Changes in assets and liabilities:		
Accounts Payable		317
Deferred Revenue		(57)
Net cash provided (used) by operating activities	$	(19,568)

Non-Cash Transactions:

Interest ($14801) and principal ($35,467) payments were made directly from Tekfor, Inc. to Bank One.

Note 1: Summary of Significant Accounting Policies

Reporting Entity

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

At December 31, 2004, the Corporation held interest in four 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 LuK, Inc. training facility (which has been reflected as a capital lease sale to LuK, Inc.)and the remainder of the Besancon Farm land which was originally received from the City.

- The Corporation acquired the Freedlander property in 1989 and signed an agreement with a lessee to maintain the property as a full-service department store in Downtown Wooster.

- The City granted the Besancon Farm land to the Corporation in 2000, and the property has been developed to attract and/or retain manufacturing and publishing facilities in the City. Part of the property includes acreage which has been leased to Tekfor, Inc.

- The Corporation leased a 10 acre lot from LuK, Inc. and constructed a 24,000 square foot training center on this lot. The training facility has been leased to LuK, Inc. for a 10-year period.

Basis of Accounting

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

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

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

Deposits and Investments

Cash balances for the Corporation are held by the City which serves as fiscal agent. Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. At year-end, cash and investments totaled $101,739

Note 1 – Summary of Significant Accounting Policies (continued)

Deposits and Investments (continued)

Investments held at December 31, 2004 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

Donated Property

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

Donated Services

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

Income Tax Status

The Corporation received approval for its tax-exempt status under Section 501 (c) (3) from the Internal Revenue service in 1995.

Estimates

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

Inventory of Development Assets

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

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

Risk Management and Concentration of Risk

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

The Corporation carries general liability and Directors and Officers insurance.

Note 1 – Summary of Significant Accounting Policies (continued)

Non-operating Income and Expense

The lease agreements with Tekfor and LuK require monthly lease payments to the Corporation. These amounts, less an administrative fee, are then paid to the Ohio Department of Development ("ODOD") to repay construction loans issued in the amount of $3.1 million and $2.0 million respectively. Included in the LuK lease payment is an amount that is paid to KeyBank to repay a construction loan issued in the amount of $970,518. 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, 2004:

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

Freedlander Property

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

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

The agreement extends for five years with the options to renew by L.H.B., Inc ("L.H.B.") for up to 6, five-year lease periods. The first five-year renewal was entered into September 1994. L.H.B. continues to occupy the premises as of December 31, 2004. A second five-year renewal contract was signed in 2001 and an additional four renewals were agreed upon. Renewals are subject to change regarding the calculation base for annual rentals, which have historically been based on the federal taxable income of L.H.B. Taxes, insurance, maintenance and repairs, and utilities are the responsibility of L.H.B. Costs associated with major structural alterations or improvements to the property will by borne by L.H.B. and only undertaken after obtaining the consent of the Corporation.

Note 2 – Inventory of Development Assets (continued)

Long Road Land (Besancon Farm)

On May 30, 2000, the City purchased 147.97 acres of land located near Long Road and Geyers Chapel Road (formerly known as the Besancon Farm, Ltd.). On July 10, 2000, City Council authorized the transfer of 25 acres of the property to the Corporation. On September 18, 2000, City Council authorized transfer of another 104.403 acres to the Corporation in exchange for the $18 county recorder fee.

During 2001, the Corporation entered into several agreements involving this land including a lease and option to purchase a 13.8-acre portion by Tekfor, Inc. and the right and option for Tekfor to purchase an additional 9.258 acres of the land adjacent to the Tekfor facility. A trade with the Gerstenslager Company of a 50-acre parcel of land for a 30.9-acre parcel on Long Road west of Geyers Chapel Road was completed in 2001. A sale of approximately 15 acres of the land received from Gerstenslager Company to Dix Communications was also completed in 2001.

During 2002, the Corporation purchased an additional 0.69 acres adjacent to the former Besancon farm. The Corporation also sold the remaining 15.961 acres on Long Road to Chesterland Estates for further economic development. The remaining approximate 67 acres is available and restricted for future economic development. Further details of each transaction are elaborated below.

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

Tekfor, Inc. Lease Agreement

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

Year	Tekfor, Inc. Lease
2005	$305,569
2006	641,040
2007	267,218
2008	266,231
2009	265,212
2010-2014	1,309,667
2015-2016	430,004
Total Minimum Lease Payment	3,484,941
Less: Amounts Representing Interest and Fees	(550,893)
Present Value of Minimum Lease Payments	$2,934,048

Note 2 – Inventory of Development Assets (continued)

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

Land Trade with Gerstenslager and Subsequent Sale

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

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

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

LuK, Incorporated Lease Agreements

On March 28, 2002, the Corporation executed a ground lease with LuK, Inc. whereby the Corporation is leasing land owned by LuK for the purpose of constructing a technical training and educational facility for LuK. Construction of the training facility was completed in 2003.

On March 28, 2002, the Corporation executed a sub-lease with LuK whereby LuK sub-leases the facility and land from the Corporation for a period of 10 years commencing upon the receipt by the Corporation of all proceeds of a Section 166 Loan from the State of Ohio and LuK's occupancy of the facility – both requirements were met in 2003. Possession and ownership of the leased land and building shall be surrendered to LuK upon expiration of the leases and payment of $10.00 for building purchase.

LuK shall pay to the Corporation, monthly rent consisting of the monthly Section 166 loan payment, the monthly cost of the construction loan from KeyBank, plus an administrative fee of one-quarter percent (0.25%) of the outstanding principal balances of the two loans. A summary of minimun annual lease payment follows this paragraph. LuK shall be responsible for all utilities, taxes and assessments, repairs and maintenance, and liability, fire and extended coverage insurance.

Year	LuK, Inc. Lease
2005	$349,674
2006	366,514
2007	361,549
2008	776,499
2009	240,818
20010-2013	750,979
Total Minimum Lease Payment	2,846,033
Less: Amounts Representing Interest and Fees	(363,970)
Present Value of Minimum Lease Payments	$2,482,063

Note 3 – Long-Term Debt

Ohio Department of Development Loan - Tekfor, Inc.

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

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

Department of Development Loan for Tekfor, Inc.

Year	Principal	Interest	Totals
2005	$ 183,622	$ 73,274	$ 256,896
2006	189,207	67,689	256,896
2007	194,962	61,934	256,896
2008	200,892	56,004	256,896
2009	207,002	49,894	256,896
2010-2014	1,133,372	151,109	1,284,481
2015-2016	417,124	11,036	428,160
Total	$ 2,526,181	$470,940	$ 2,997,121

Promissory Note - Bank One (for Tekfor, Inc.)

On May 31, 2001, the Corporation, in the capacity of borrower, entered into a loan agreement in the principal amount of $532,000 with Bank One. This is the "equity loan" referenced in the Tekfor, Inc. lease agreement of June 11, 2001. Variable-rate interest, based on "British Bankers Association Interest Settlement Rates", is payable quarterly as it accrues beginning August 31, 2001. The remaining principal balance is payable in 19 quarterly installments of $8,867 commencing August 31, 2001, and continuing until paid in entirety, via a balloon payment, no later than the loan maturity date of May 31, 2006. Although the note is in the name of the Corporation, the debt payments are being made directly by Tekfor, Inc. to Bank One. As of December 31, 2004 the remaing principle balance was $407,866.

Note 3 – Long-Term Debt (continued)

Ohio Department of Development - LuK, Inc.

On June 17, 2002, the Corporation received notice it was granted a $2.0 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 of a new development academy training center to be subsequently leased to LuK, Inc. The loan bears interest at 3.25% annually with an additional monthly service fee equal to 1/12 of 1/4%, and is payable in monthly installments over a 10 year period.

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

Department of Development Loan for LuK, Inc.

Year	Principal	Interest	Totals
2005	$ 182,624	$ 51,902	$ 234,526
2006	188,648	45,878	234,526
2007	194,871	39,655	234,526
2008	201,300	33,226	234,526
2009	207,940	26,585	234,525
2010-2013	704,820	37,844	742,664
Total	$ 1,680,203	$ 235,090	$ 1,915,293

Promissory Note – KeyBank (for LuK, Inc.)

On May 28, 2003, the Corporation, in the capacity of borrower, entered into a loan agreement in the principal amount of $970,518 with KeyBank. Variable-rate interest, based on the London Interbank Offered Rate (LIBOR) plus one half percent (.50%), is payable monthly as it accrues beginning May 30, 2003. The remaining principal balance is payable in 59 monthly installments of $8,087.65 commencing July 1, 2003, and continuing until paid in entirety, via a balloon payment, no later than the loan maturity date of June 1, 2008. As of December 31, 2004 the remaing principle balance was $816,853.

Note 4 – Infrastructure Donations

Enterprise Parkway

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

Venture Boulevard Extension

Upon receipt of the proceeds of the land sale to Chesterland, the Corporation transferred $200,000 to the City of Wooster to finance the extension of Venture Boulevard for purposes of making the industrial park more attractive for industrial development. Construction was completed in November of 2002.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

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

June 24, 2005

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 the Wooster Growth Corporation, Wayne County, Ohio. (the Corporation) as of and for the year ended December 31, 2004, and have issued our report thereon dated June 24, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 that are required to be reported under Government Auditing Standards.

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

Rea & Associates, Inc.

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WOOSTER GROWTH CORPORATION

WAYNE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 11, 2005