

**WOOSTER GROWTH  
CORPORATION  
WAYNE COUNTY, OHIO**

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*Financial Statement Audit*

*December 31, 2010*





# 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 Rea & Associates, Inc., for the audit period January 1, 2010 through December 31, 2010. 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

June 7, 2011

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**WOOSTER GROWTH CORPORATION  
WAYNE COUNTY  
\*\*\*\*\*  
BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**CONTENTS**

	<b><u>PAGE</u></b>
INDEPENDENT AUDITOR'S REPORT .....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	3
STATEMENT OF NET ASSETS .....	6
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS.....	7
STATEMENT OF CASH FLOWS .....	8
NOTES TO THE BASIC FINANCIAL STATEMENTS.....	9
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	17

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## Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

May 5, 2011

To The Board of Trustees  
Wooster Growth Corporation  
Wayne County  
538 North Market Street  
Wooster, Ohio 44691

### Independent Auditor's Report

We have audited the accompanying financial statements of Wooster Growth Corporation, Wayne County, Ohio (the Corporation) as of and for the year ended December 31, 2010, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wooster Growth Corporation, Wayne County, Ohio as of December 31, 2010, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2011, 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 grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 5 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Rea & Associates, Inc.*

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**Wooster Growth Corporation, Wayne County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010**

**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, 2010. 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 2010 to fulfill that sole purpose as well as plans to sustain it.

Development Asset Inventory

At the end of 2010, the Corporation's investment in development asset inventory approximated \$931,000. Below is the activity associated with the Corporation's development inventory during the year ended December 31, 2010.

*Besancon Farm/Geyers Chapel Road*

On January 12, 2010, the Corporation entered into an agricultural lease with Sweet Breeze Farms for 150.8 acres of the South Well field. The five year lease will generate \$25,576 in revenue annually.

At December 31, 2010, the Corporation held approximately 59 acres of land which remains available for development.

*Freedlander Property*

On November 30, 2010, the Corporation sold the Freedlander property to Merchants Block, LLC for \$202,372. The Corporation recognized an operating loss on the sale of \$(156,815). The Corporation agreed to provided financing and recorded a note receivable for the entire amount.

*Timken Property*

On July 1, 2008, the Corporation entered into a lease agreement with Buckeye Supply Company to use three acres known as Parcel 2 of the Praire Lane Property. The agreement was for twenty-four months with monthly rent of \$417. The agreement was mutually terminated February 2010.

At December 31, 2010, the Corporation held approximately 54 acres of land which remains available for development.

See Note 2 of the basic financial statements for additional information related to the Corporation's Inventory of Development Assets.

**Wooster Growth Corporation, Wayne County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010**

Financial Highlights

- The Corporation's net assets decreased by \$197,502.
- Total cost of operating activities was \$445,367 in 2010 compared to \$2,498,474 in 2009.
- Assets restricted for economic development totaled approximately \$931,000 at December 31, 2010.
- The Corporation's operating loss was \$210,917. Net non-operating revenue (expenses) totaled \$13,415.

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

	<b>2010</b>	<b>2009</b>
<b>Assets</b>		
Current and Other Assets	\$ 361,704	\$ 361,748
Noncurrent Assets	<u>2,617,574</u>	<u>3,058,613</u>
<i>Total Assets</i>	<u>2,979,278</u>	<u>3,420,361</u>
<b>Liabilities</b>		
Current Liabilities	440,948	249,651
Long-Term Liabilities	<u>1,117,412</u>	<u>1,552,290</u>
<i>Total Liabilities</i>	<u>1,558,360</u>	<u>1,801,941</u>
<b>Net Assets</b>		
Restricted for Economic Development	931,448	1,282,448
Unrestricted	<u>489,470</u>	<u>335,972</u>
<i>Total Net Assets</i>	<u>\$1,420,918</u>	<u>\$1,618,420</u>
Total Revenues	\$291,463	\$1,107,373
Total Expenditures	<u>488,965</u>	<u>2,548,368</u>
Change in Net Assets	(197,502)	(1,440,995)
Beginning Net Assets	<u>1,618,420</u>	<u>3,059,415</u>
Ending Net Assets	<u>\$1,420,918</u>	<u>\$1,618,420</u>

Total assets decreased in 2010 by \$441,083. Primary factors that caused this were a reduction in lease receivables and sale of the Freedlander property.

The decrease in liabilities is due to the reduction in loans payable. Total revenues decreased in 2010 over 2009 when resources were recognized from demolition costs of the Freedlander building that were provided by the City of Wooster, Ohio.

**Wooster Growth Corporation, Wayne County, Ohio  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010**

Debt

At December 31, 2010, the Corporation had \$1.552 million in loans outstanding related to the Tekfor, Inc. project. See Note 3 of the basic financial statements for additional information on the outstanding loans of the Corporation.

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 percent of the City.

Budgets

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

Contacting Wooster Growth Corporation's Financial Management

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

**Wooster Growth Corporation**  
**Statement of Net Assets**  
**December 31, 2010**

**Assets:**

**Current assets:**

Cash and cash equivalents	\$	85,402
Accounts receivable		1,957
Current portion note receivable - Condor Pacific Properties, LLC		36,272
Current portion lease receivable - Tekfor Fifth Third Bank loan		36,353
Current portion lease receivable - Tekfor State loan		201,720
<b>Total current assets</b>		<u>361,704</u>

**Noncurrent assets:**

Long-term note receivable - Merchants Block, LLC		202,372
Long-term portion note receivable - Condor Pacific Properties, LLC		187,604
Long-term lease receivable-Tekfor Fifth Third Bank loan		178,738
Long-term lease receivable-Tekfor State loan		1,117,412
<b>Inventory of development assets:</b>		
Land		931,448
<b>Total noncurrent assets</b>		<u>2,617,574</u>

<b>Total assets</b>	<b>\$</b>	<b><u>2,979,278</u></b>
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**Liabilities:**

**Current liabilities:**

Accounts payable	\$	2,129
Deferred revenue		3,942
Current portion Fifth Third Bank loan payable-Tekfor		215,091
Current portion State of Ohio loan payable-Tekfor		219,786
<b>Total current liabilities</b>		<u>440,948</u>

**Noncurrent liabilities:**

State of Ohio loan payable-Tekfor		1,117,412
<b>Total noncurrent liabilities</b>		<u>1,117,412</u>
<b>Total liabilities</b>		<u>1,558,360</u>

**Net assets:**

Restricted for economic development		931,448
Unrestricted		489,470
<b>Total net assets</b>		<u>1,420,918</u>

<b>Total liabilities and net assets</b>	<b>\$</b>	<b><u>2,979,278</u></b>
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**Wooster Growth Corporation**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Year ended December 31, 2010**

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<b>Revenue:</b>	
Sale of development inventory	\$ 202,372
Administrative income	32,078
Total operating revenues	<u>234,450</u>
<b>Expenses:</b>	
Cost of development inventory	359,187
Administrative & professional expenses	86,180
Total operating expenses	<u>445,367</u>
Operating income (loss)	(210,917)
<b>Non-operating revenue (expenses):</b>	
Lease interest	43,598
Interest expense	(43,598)
Interest on investments	13,415
Net non-operating revenue (expense)	<u>13,415</u>
Change in net assets	<u>(197,502)</u>
Net assets at beginning of year	<u>1,618,420</u>
Net assets at end of year	<u><u>\$ 1,420,918</u></u>

See accompanying notes to the basic financial statements.

**Wooster Growth Corporation**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2010**

<b>Cash flows from operating activities:</b>	
Cash received for administrative fees	\$ 32,397
Cash paid for developmental inventory	(22,505)
Cash paid for administrative and professional fees	(71,690)
Net cash provided (used) by operating activities	<u>(61,798)</u>
<b>Cash flows from noncapital financing activities:</b>	
Collection of note receivable interest-Condor	12,135
Collection of note receivable principal-Condor	34,505
Collection of lease receivable principal-Tekfor	231,364
Collection of lease receivable interest-Tekfor	46,942
Collection of lease receivable state administrative fees-Tekfor	3,912
Payment for state loan principal - Tekfor	(213,299)
Payment for state loan interest - Tekfor	(43,598)
Payment for state loan administrative fees - Tekfor	(3,633)
Net cash provided (used) by noncapital financing activities	<u>68,328</u>
<b>Cash flows from investing activities:</b>	
Interest received	1,281
Net cash provided (used) by investing activities	<u>1,281</u>
Net increase (decrease) in cash and cash equivalents	7,811
Cash and cash equivalents at beginning of year	77,591
Cash and cash equivalents at end of year	<u>\$ 85,402</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ (210,917)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Accounts receivable	(1,957)
Development Inventory	351,000
Accounts payable	2,129
Deferred revenue	319
Notes receivable	(202,372)
Net cash provided (used) by operating activities	<u>\$ (61,798)</u>

**Non-cash transactions:**

Interest (\$6,000) and principal (\$36,353) payments were made directly from Tekfor, Inc. to Fifth Third Bank.

**Wooster Growth Corporation, Wayne County, Ohio**  
**Notes To The Basic Financial Statements**  
**For The Year Ended December 31, 2010**

**Note 1: Summary of Significant Accounting Policies**

Reporting Entity

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

At December 31, 2010, the Corporation held interest in four 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 and the former Conrail parking lot.

- The City granted the Besancon Farm land to the Corporation in 2000, and the property has been developed to attract and/or retain manufacturing and publishing facilities in the City. Part of the property includes acreage which has been leased to Tekfor, Inc.
- The Timken Company donated its Wooster roller bearing facility and adjacent land to the Corporation in March 2006.
- The City granted the former Conrail parking lot to the Corporation in 1997. A local service agency leases the lot.

Basis of Accounting

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

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

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 revenue is from sale proceeds of the Freedlander property. Operating expenses are primarily the reduction of inventory related to the sale. 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 \$85,402.

**Wooster Growth Corporation, Wayne County, Ohio**  
**Notes To The Basic Financial Statements**  
**For The Year Ended December 31, 2010**

**Note 1 – Summary of Significant Accounting Policies (continued)**

Deposits and Investments (continued)

Investments held at December 31, 2010, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year end. All investments not required to be reported at fair value are stated at cost or amortized cost.

Donated Property

Donations of property are recorded as contributions at their estimated fair market value at the date of donation. Such donations are reported as increases in invested in 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 Freedlander property, the remaining Besancon farm land, the Tekfor facility and the Timken 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.

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.

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 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, 2010**

**Note 1 – Summary of Significant Accounting Policies (continued)**

Non-Operating Income and Expense

The lease agreement with Tekfor requires a monthly lease payment to the Corporation. The amount, less an administrative fee, is then paid to the Ohio Department of Development (“ODOD”) to repay a construction loan issued in the amount of \$3.1 million. The interest portion of these capitalized lease receipts and the interest portion of debt payments are reflected on the financial statements as non-operating income and expense.

Agency Account - City of Wooster

An agreement was executed October 24, 2000, between the City and the Corporation, whereby the City will perform financial management services, including the establishment of one or more agency accounts, at no cost to the Corporation. The Director of Finance for the City is the Treasurer of the Corporation as elected by the Corporation’s Board of Trustees.

**Note 2 – Inventory of Development Assets**

The inventory of development assets consists of the following at December 31, 2010:

	<u>Land</u>
Besancon Property	\$629,683
Liberty Street Property	15,120
Timken Property	<u>286,645</u>
Total Development Assets	<u>\$931,448</u>

Freedlander Property

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

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

The agreement extended for five years with the options to renew by L.H.B., Inc (“L.H.B.”) for up to six, five-year lease periods. The first five-year renewal was entered into September 1994. A second five-year renewal contract was signed in 2001 and an additional four renewals were agreed upon. Subsequently, Freedlander’s Department Store closed in December, 2008.

With the intent to redevelop the site to strengthen the commercial and service core of the City, while providing new residential opportunities downtown, the Freedlander building was demolished in 2009. The cost of the demolition and environmental work related to the project was \$762,256 of which \$730,980 was paid from funds of the City of Wooster. The Corporation recorded a capital contribution of \$730,980 from the City of Wooster. The total costs incurred were added to the basis of the property.

**Wooster Growth Corporation, Wayne County, Ohio**  
**Notes To The Basic Financial Statements**  
**For The Year Ended December 31, 2010**

**Note 2 – Inventory of Development Assets (continued)**

Freedlander Property (continued)

An appraisal of the property on July 24, 2009, by Kendall Appraisal Group Inc., estimated the “As Is” market value of the property after the demolition to be \$351,000. As a result of this appraisal, the basis of the Freedlander property has been written down by \$(1,662,206).

The property was sold November 30, 2010 to Merchants Block, LLC for \$202,372 which consists of \$165,372 for the land and \$37,000 for footer and foundations work as provided in the sales agreement. The cost of the sale included the appraised value of \$351,000, as determined in the above paragraph, plus settlement costs of \$8,187. The Corporation recognized an operating loss on the sale of \$(156,815).

The Corporation agreed to provide financing to the Buyer for the balance due of \$202,372 at zero percent interest. Terms of the note receivable require that the principal will be payable in full upon the maturity date which shall be the date on which 100% of the units in Merchants Block and Village Lofts have been sold and/ or leased, but in no event later than sixty months after the date of the execution date of the promissory note and mortgage whichever occurs first. Partial payments of principal in the amount of \$11,595 are due upon the sale of each unit of the Village Lofts Condominiums and is based on the percentage of square feet which the unit represents as a percentage of the whole project. Partial payments will be made using the same formula as retail space in Merchants Block is sold.

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 for \$169.60 and acre. Rent received in 2010 under this lease was \$25,576.

Prairie Lane Property (Timken)

During the Spring of 2006, the Timken Company donated their Wooster roller bearing facility to the Corporation, with a final closing date of September 29, 2006. Located at 2219 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 capitalized as part of the value of the land and building received.

**Wooster Growth Corporation, Wayne County, Ohio**  
**Notes To The Basic Financial Statements**  
**For The Year Ended December 31, 2010**

**Note 2 – Inventory of Development Assets (continued)**

Praire Lane Property (Timken) (continued)

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

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

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

On July 1, 2008, the Corporation entered into a lease agreement with Buckeye Supply Company to use three acres including buildings, storage and paved areas known as Parcel 2 of the Praire Lane property. The agreement extends for twenty-four months and requires monthly rent payments of \$417 per month. The lease was mutually terminated in February, 2010.

On June 6, 2008, the Corporation (the Seller) entered into an agreement with Condor Pacific Properties, LLC (the Buyer) for the sale of Parcel 1 (approximately 14.5 acres) of the Praire Lane property for \$320,000, less \$10,000 adjustment for fencing with the Corporation financing the property at 5% interest for a period of seven years. Conditions of the sale 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%. Final payment is due June 2016. The balance of the note receivable was \$223,876.

Liberty Street Lot

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

In March, 1998, the Corporation entered into a lease agreement with Wayne County Alcoholism Services and Every Women's House for a nominal annual rental. The intent of the nominal rental is to promote the welfare of the people of Wooster by providing important community services in a downtown location, stabilize downtown economy, promote downtown employment and assist in preservation of downtown Wooster. The lease term extends to March 2007, unless the lessee desires to terminate by written notice.

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

**Wooster Growth Corporation, Wayne County, Ohio**  
**Notes To The Basic Financial Statements**  
**For The Year Ended December 31, 2010**

**Note 2 – Inventory of Development Assets (continued)**

Tekfor, Inc. Lease Agreement (continued)

1) the monthly cost and fees associated with the State of Ohio Section 166 loan, 2) the monthly cost of the term loan from Fifth Third Bank, and 3) a monthly administrative fee of 1/12 of 1/4 percent of the outstanding principal of the two loans. In exchange for a nominal non-refundable payment, the lease also provides for an exclusive right and option for Tekfor, Inc. to purchase the leased premises for \$10, with such option expiring May 15, 2016. The purchase price upon execution of the option will include the remaining balance of the principal amounts of the above-mentioned loans, plus all accrued interest and expenses of such financing, as of the date of the property's transfer. This agreement provides for minimum annual lease payments as follows:

<u>Year</u>	<u>Tekfor, Inc. Lease</u>
2011	\$299,923
2012	298,718
2013	297,479
2014	296,205
2015	294,895
2016	<u>204,942</u>
Total Minimum Lease Payment	1,692,162
Less: Amounts Representing Interest and Fees	<u>(139,873)</u>
Present Value of Minimum Lease Payments	<u>\$1,552,289</u>

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

**Note 3 – Long-Term Debt**

Detail of the changes in long-term debt of the Corporation for the year ended December 31, 2010, is as follows:

	<u>Balance</u>			<u>Balance</u>	<u>Amount Due</u>
	<u>December 31, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2010</u>	<u>Within</u>
					<u>One Year</u>
<i>Long-Term Debt:</i>					
Fifth Third Bank Loan					
Payable - Tekfor	\$ 251,444	\$ 0	\$ 36,353	\$ 215,091	\$ 215,091
Ohio Department of					
Development Loan Payable	<u>1,550,497</u>	<u>0</u>	<u>213,299</u>	<u>1,337,198</u>	<u>219,786</u>
<i>Total Long-Term Debt</i>	<u>\$ 1,801,941</u>	<u>\$ 0</u>	<u>\$ 249,652</u>	<u>\$ 1,552,289</u>	<u>\$ 434,877</u>

**Wooster Growth Corporation, Wayne County, Ohio**  
**Notes To The Basic Financial Statements**  
**For The Year Ended December 31, 2010**

**Note 3 – Long-Term Debt (continued)**

Ohio Department of Development Loan - Tekfor, Inc.

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

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

On August 31, 2006, the Corporation, in the capacity of borrower, entered into a loan agreement in the principal amount of \$363,533 with Fifth Third Bank. The interest rate is LIBOR plus two and one quarter percent (2.25%), floating. The principal balance is payable in 60 monthly installments of \$3,029 commencing August 31, 2006, and continuing until paid in entirety, no later than the loan maturity date of 2011. Although the note is in the name of the Corporation, the debt payments are being made directly by Tekfor, Inc. to Fifth Third Bank. As of December 31, 2010, the remaining principal balance was \$215,091.

A summary of the Company's future long-term debt requirements, including principal and interest payments as of December 31, 2010, follows

Year Ending December 31,	Ohio Department of Development			Fifth Third Bank		
	Principal	Interest	Total	Principal	Interest *	Total
2011	\$ 219,786	\$ 37,110	\$ 256,896	\$ 215,091	\$ 0	\$ 215,091
2012	226,471	30,425	256,896	0	0	0
2013	233,359	23,537	256,896	0	0	0
2014	240,457	16,439	256,896	0	0	0
2015	247,771	9,125	256,896	0	0	0
2016	169,354	1,911	171,265	0	0	0
Totals	<u>\$ 1,337,198</u>	<u>\$ 118,547</u>	<u>\$ 1,455,745</u>	<u>\$ 215,091</u>	<u>\$ 0</u>	<u>\$ 215,091</u>

\* Annual interest is not able to be determined since tied to LIBOR.

**Note 4 – Subsequent Events**

On March 11, 2011, the Corporation sold 14.628 acres of the Besancon Farm/Geyers Chapel Road property to the State of Ohio Department of Transportation for \$275,000.

On March 31, 2011, the City transferred two parking lots to the Corporation. The South Market lot has an appraised value of \$26,980. The Corporation intends to lease these parking spaces to businesses in the area. The Trinity lot has an appraised value of \$48,800. On April 12, 2011, the Corporation entered into an agreement with Two Two Five Associates, Ltd. to sell the Trinity lot for \$120,000.

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## Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

May 5, 2011

To the Board of Trustees  
Wooster Growth Corporation  
Wayne County, Ohio  
538 North Market Street  
Wooster, Ohio 44691

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

We have audited the financial statements of Wooster Growth Corporation, Wayne County, Ohio (the Corporation) as of and for the year ended December 31, 2010, and have issued our report thereon dated May 5, 2011. 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 Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A *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 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.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Hea & Associates, Inc.*





# 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  
JUNE 21, 2011**