

Wooster Growth Corporation Wayne County, Ohio

Basic Financial Statements

December 31, 2017

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, 2017 through December 31, 2017. 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

August 1, 2018

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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, 2017, 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, 2017, 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 25, 2018, 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 the effectiveness of the Corporation's 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 25, 2018

Wooster Growth Corporation
Wayne County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017

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, 2017. 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 2017 to fulfill that sole purpose as well as plans to sustain it.

Development Asset Inventory

At the end of 2017, 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, 2017.

Besancon Farm/Geyers Chapel Road

During 2017, 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, 2017, the Corporation held approximately 21 acres of land which remains available for development.

Timken Property

At December 31, 2017, the Corporation held approximately 65 acres of land which remains unavailable for development because it is in the regulatory floodway. There was no activity during 2017.

Long Road Property

At December 31, 2017, the Corporation held 2.495 acres of land, which was leased for use, as identified in Note 2. The Corporation received \$26,000 in revenue generated by the lease agreement with Chemviron Midwest, Inc. The Corporation also has a lease agreement with Tekfor Inc. regarding an expansion project, see Note 2.

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, 2017

Financial Highlights

The Corporation's Net Position decreased by \$116,033.

- Total operating expenses were \$162,496 in 2017 compared to \$48,186 in 2016.
- Assets held for economic development totaled \$985,563 at December 31, 2017.
- The Corporation's operating loss was \$102,834. Net non-operating revenue (expenses) totaled (\$13,199).

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

	2017	2016
Assets		
Current and Other Assets	\$ 806,925	\$ 1,100,194
Noncurrent Assets	3,076,333	3,925,665
Total Assets	3,883,258	5,025,859
Liabilities		
Current Liabilities	117,121	183,461
Long-Term Liabilities	1,981,669	2,941,897
Total Liabilities	2,098,790	3,125,358
Net Position		
Restricted for Economic Development	985,563	985,563
Restricted for Debt Service	180,000	180,000
Unrestricted	618,905	734,938
Total Net Position	\$ 1,784,468	\$ 1,900,501
Total Revenues	\$ 156,654	\$ 347,129
Total Expenses	272,687	336,192
Change in Net Position	\$ (116,033)	\$ 10,937

Total assets decreased in 2017 by \$1,142,601. A primary factor that caused this was full retirement of the lease receivable with ABS Materials, Inc. of \$981,032.

Total liabilities decreased in 2017 by \$1,026,568 as a result of the above transaction satisfying the corresponding loan payable.

Total revenues decreased \$190,475 primarily due to a reduction in pass-through grants for GOJO Industries, Inc. The decrease in expenses of \$63,505, was primarily a decrease in pass-through funds for GOJO Industries, Inc., partially offset by an increase in interest expense.

Wooster Growth Corporation
Wayne County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2017

Debt

At December 31, 2017, the Corporation had approximately \$1.8 million in loans outstanding related to the Tekfor, Inc. project. See Note 5 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, 2017

Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 626,722
Current Portion Note Receivable:	
ABS Materials, Inc.	3,082
Current Portion Loan Receivable:	
Schaeffler Group	60,000
Current Portion Lease Receivable:	
Tekfor Inc.	117,121
Total Current Assets	<u>806,925</u>
Non-Current Assets:	
Restricted Cash and Cash Equivalents with Escrow Agent	180,000
Long Term Portion Note Receivable:	
ABS Materials, Inc.	25,911
Long Term Portion Loan Receivable:	
Schaeffler Group	180,000
Long Term Portion Lease Receivable:	
Tekfor Inc.	1,704,859
Inventory of Development Assets:	
Land	635,163
Building	350,400
Total Non-Current Assets	<u>3,076,333</u>
Total Assets	<u>3,883,258</u>
Liabilities:	
Current Liabilities:	
Current Portion Loans Payable:	
Farmers National Bank - Tekfor Inc.	117,121
Total Current Liabilities	<u>117,121</u>
Non-Current Liabilities:	
Unearned Revenue - Tekfor Land Option	96,810
Advance Payment to Escrow Account	180,000
Long Term Portion Loans Payable:	
Farmers National Bank - Tekfor, Inc.	1,704,859
Total Non-Current Liabilities	<u>1,981,669</u>
Total Liabilities	<u>2,098,790</u>
Net Position:	
Restricted for Economic Development	985,563
Restricted for Debt Service	180,000
Unrestricted	618,905
Total Net Position	<u>\$ 1,784,468</u>

See accompanying notes to the financial statements.

Wooster Growth Corporation
Wayne County, Ohio
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2017

Operating Revenue:	
Administrative Income	\$ 59,662
Total Operating Revenue	<u>59,662</u>
Operating Expenses:	
Administrative and Professional Expenses	23,410
Taxes - Property	39,087
Rail Development Grant (GOJO Industries, Inc.)	100,000
Total Operating Expenses	<u>162,496</u>
Operating Income (Loss)	(102,834)
Non-Operating Revenue (Expenses):	
Lease Interest Income	92,459
Lease Interest Expense	(32,150)
Interest Expense	4,533
Loan Fees	(10,309)
Loan Interest	(67,732)
Total Non-Operating Revenue (Expenses)	<u>(13,199)</u>
Change in Net Position	(116,033)
Net Position at Beginning of Year	<u>1,900,501</u>
Net Position at End of Year	<u>\$ 1,784,468</u>

See accompanying notes to the financial statements.

Wooster Growth Corporation
Wayne County, Ohio
Statement of Cash Flows
For the Year Ended December 31, 2017

Cash Flows From Operating Activities:	
Cash Received for Administrative Income	\$ 127,162
Cash Paid for Administrative and Professional Fees	(62,496)
Cash Paid for Rail Development Grant (GOJO Industries, Inc.)	(100,000)
Net Cash Provided By (Used For) Operating Activities	<u>(35,334)</u>

Cash Flows From Noncapital Financing Activities:	
Collection of Note Receivable Principal	2,729
Collection of Lease Receivable Principal	1,092,503
Prepayment of Tax Credit	(240,000)
Payment for State Loan - Principal	(981,032)
Principal Payments on Loan	(113,036)
Lease Interest Income	92,459
Interest Expense/Loan Fees	(110,191)
Net Cash Provided By (Used For) Noncapital Financing Activities	<u>(256,568)</u>

Cash Flows From Investing Activities:	
Interest Received on Investments	4,533
Net Cash Provided By (Used For) Investing Activities	<u>4,533</u>

Net Increase (Decrease) in Cash and Cash Equivalents	(287,369)
Cash and Cash Equivalents at Beginning of Year	1,094,091
Cash and Cash Equivalents at End of Year	<u>\$ 806,722</u>

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

Operating Income (Loss)	\$ (102,834)
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	67,500
Net Cash Provided By (Used For) Operating Activities	<u>\$ (35,334)</u>

See accompanying notes to the financial statements.

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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, 2017, 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 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. A portion 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 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, 2017

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 \$806,722, with \$337,482 held in an escrow account in the Corporation's name. Investments held at December 31, 2017, with original maturities greater than one year are stated at fair value.

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.

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.

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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 Tekfor, Inc. property by the triple-net lease agreement requiring the lessee to maintain insurance coverage.

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

Non-Operating Revenue and Expense

The lease agreement with Tekfor, Inc. required 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 was for \$2.1 million for an expansion project for Tekfor, Inc.

The lease agreement with ABS Materials, Inc. required 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. This lease was fully satisfied in 2017.

Agency Account - City of Wooster

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

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Implementation of New Accounting Principles

For the year ended December 31, 2017, the Corporation has implemented Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the Corporation.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, it requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the Corporation.

GASB Statement No. 82 improves consistency in the application of pension accounting. The implementation of GASB Statement No. 82 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, 2017:

	<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	<u>\$ 985,563</u>

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Besancon Farm/Geyers Chapel Road Property

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

On January 12, 2010, the Corporation entered into an agricultural lease with Sweet Breeze Farms for 150.8 acres of the South Well Field, part of the Besancon Farm property. The lease is five years then on a year-to-year basis thereafter for \$169.60 an acre. Rent received in 2017 under this lease was \$25,576. The lease has been extended for 2018.

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. Tekfor, Inc., completed an expansion project in 2016 in the amount of \$2,097,364, which includes an expenditure of \$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 a month to month lease with a 60-day termination notice. Rent received in 2017 under this lease was \$26,000.

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.

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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

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

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

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 lease was paid in full in 2017.

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

These agreements provide for the minimum annual lease payments as follows:

Year Ending December 31,	Lease Payment
2018	\$ 180,768
2019	180,768
2020	180,768
2021	180,768
2022	180,768
2023-2027	903,840
2028-2030	459,153
Total Minimum Lease Payments	2,266,833
Less: Amount Representing Interest and Fees	(444,853)
Present Value of Minimum Lease Payments	\$ 1,821,980

Note 4 – Loans Receivable

In 2017, the Corporation entered into an agreement with the City and Schaeffler Group in which the Corporation will remit \$240,000 to Schaeffler Group for the pre-payment of the Job Creation Tax Credit. The Corporation will be reimbursed from the City of Wooster with four annual payments of \$60,000 with no interest due as proceeds are received. This agreement provides for the loan payments as follows:

Year Ending December 31,	Loan Payment
2018	\$ 60,000
2019	60,000
2020	60,000
2021	60,000
	\$ 240,000

Note 5 – Loans Payable

Detail of the changes in loans payable of the Corporation for the year ended December 31, 2017, is as follows:

	Balance 12/31/16	Additions	Deductions	Balance 12/31/17	Amount Due Within One Year
Ohio Department of Development Loan Payable	\$ 981,032	\$ 0	\$ 981,032	\$ 0	\$ 0
Farmers National Bank	1,935,016	0	113,036	1,821,980	117,121
	\$ 2,916,048	\$ 0	\$ 1,094,068	\$ 1,821,980	\$ 117,121

Wooster Growth Corporation
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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.

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. This loaned was paid in full during 2017.

A summary of the Corporations’s future long-term debt requirements, including principal and interest payments as of December 31, 2017, follows:

Fiscal Year Ending December 31,	Farmers National Bank		
	Principal	Interest	Total
2018	\$ 117,121	\$ 63,647	\$ 180,768
2019	121,407	59,361	180,768
2020	125,690	55,078	180,768
2021	130,449	50,319	180,768
2022	135,223	45,545	180,768
2023-2027	753,941	149,899	903,840
2028-2030	438,149	21,004	459,153
	<u>\$ 1,821,980</u>	<u>\$ 444,853</u>	<u>\$ 2,266,833</u>

Note 6 – Grants

In December 2017, the Wooster Growth Corporation issued a grant in the amount of \$100,000 to GOJO Industries, Inc. for rail improvements at their Wooster plant. In addition, the Wayne County Community Improvement Corporation and the Ohio Rail Development Commission each gave grants for this project of \$100,000 and \$250,000 respectively. GOJO Industries, Inc. made an investment of \$750,000 to rehabilitate a rail line at their Wooster plant.

In November 2017, the Wooster Growth Corporation committed to matching a \$60,000 Jobs Ohio Economic Development Grant to fund leasehold improvements for a high-technology manufacturing company that is relocating approximately 52-jobs to the City of Wooster in 2018.

**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, 2017, 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 25, 2018.

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 25, 2018



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Dave Yost • Auditor of State

WOOSTER GROWTH CORPORATION

WAYNE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST, 14 2018**