AUGLAIZE INDUSTRIES, INC.
AUGLAIZE COUNTY

REGULAR AUDIT

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2007 - 2006

Mary Taylor, CPA
Auditor of State

AUGLAIZE INDUSTRIES, INC.
AUGLAIZE COUNTY

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Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Auglaize Industries, Inc.
Auglaize County
330 West Boesel Avenue
New Bremen, Ohio 45869

To the Board of Directors:

We have audited the accompanying basic financial statements of the Auglaize Industries, Inc., Auglaize County (the Industries), a component unit of Auglaize County, as of and for the years ended December 31, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the Industries' 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 the Comptroller General of the United States' *Government Auditing Standards*. 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 that 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 Auglaize Industries Inc., Auglaize County, as of December 31, 2007 and 2006, and the changes in its financial position and its cash flows for the years 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 June 13, 2008, on our consideration of the Industries' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 13, 2008

AUGLAIZE INDUSTRIES, INC.
AUGLAIZE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
UNAUDITED

The management's discussion and analysis of the Auglaize Industries, Inc. (the Industries) financial performance provides an overall review of the corporation's financial activities for the years ending December 31, 2007 and December 31, 2006.

The intent of this discussion and analysis is to consider the Industries' financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the organization's financial performance.

Financial Highlights

The *Statement of Revenues, Expenses, and Changes in Net Assets* for 2006 reflects a loss on operations of $36,146, slightly higher than the $29,832 loss in 2005, both much improved over a loss on operations in 2004 of $87,173. The 2007 budget had projected a loss on operations of $44,000. However, due to lower labor costs relative to production revenues, the non-profit reduced this projected loss to $33,925.

Total sales revenues (workshop production and community-based enclaves combined) saw a slight increase from $294,170 in 2005 to $301,280 in 2006, an increase of 2.5 percent, and a recovery from the 7.4 percent decline from 2004 to 2005. Revenues in 2007 fell just over 4 percent from 2006, more than wiping out the gains from 2005 to 2006. The majority of this loss was in community-based enclave work, which fell from $25,291 to $15,816 from 2006 to 2007. Workshop production fell only slightly during this same period, from $275,989 to $272,533, a 1.3 percent decline.

Investment and other non-operating income returned $55,097 in 2005, and then rose nearly 69 percent to $92,984 in 2006. Similar gains of $83,586 in 2007 once again offset operations losses, resulting in net income of $49,661. This figure compares to net income of $25,265 in 2005 and $56,838 in 2006.

In conclusion, the program has experienced deficit spending in workshop operations in 12 of the past 15 years but has yielded positive net income in 14 of those 15 years, primarily due to our investment portfolio. Although deficit spending is clearly not sound fiscal practice in the private business sector, due to the human service nature of our program, additional investment income has allowed us to provide additional services beyond our productive capacity. And annual investment income yield has become somewhat predictable as our investment portfolio incorporates more fixed-return instruments (bond funds). Prudent fiscal management, however, requires that the program will continue to attempt to maximize revenues, cut expenses, and return to a balanced budget situation over the long run.

Total assets increased from $692,942 at the end of 2005 to $744,826 at the end of 2006, and then rose to $793,400 in 2007 in spite of losses on operations. Liabilities remained very low at just $9,551 in 2005, dropped to $4,597 at the end of 2006, then fell further to $3,510 in 2007.

Using and Understanding the Financial Statements

This report is an analysis of the financial statement and notes to those statements. These statements are organized so the reader can understand the financial operations of Auglaize Industries, Inc. The notes to those statements provide a detailed description of the financial entity, significant accounting policies, and investment overview, receivables, tax status, risk management (insurance coverage), paid employee vacation, business customer activity, and a description of accounting methods. Each of these items is further explained as follows:

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets provide information about the activities of the Industries and present a longer-term view of the Industries' finances. These statements include all assets and liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Industries' net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Industries as a whole, the financial position of the Industries has improved or diminished.

The statement of cash flows provides information about how the Industries finances and meets the cash flow needs of its operations.

The notes to the statements provide a detailed description of the financial entity, significant accounting policies, an investment overview, receivables, tax status, risk management (insurance coverage), paid employee vacation, business customer activity, and a description of accounting methods. Each of these items is further explained as follows:

The Statement of Net Assets provides the perspective of the Industries as a whole. Table 1 provides a summary of the Auglaize Industries' net assets for 2007 compared to 2006 with 2005 provided for further comparisons:

(Table 1)
Net Assets

	2007	2006	2005
Assets			
Current and Other Assets	$750,902	$690,452	$637,413
Capital Assets	42,498	54,374	55,529
Total Assets	793,400	744,826	692,942
Liabilities			
Current Liabilities	3,510	4,597	9,551
Net Assets			
Invested in Capital Assets	42,498	54,374	55,529
Unrestricted	747,392	685,855	627,862
Total Net Assets	$789,890	$740,229	$683,391

Total assets increased by $48,574 from 2006 to 2007. Part of this change was due to an increase in the fair value of investments and investment income. Cash from donations and a reduction in expenses related to cost of sales also resulted in an increase in cash and cash equivalents at year-end. Total liabilities decreased by $1,087 from 2006 to 2007. The decrease was the result of a decrease in accounts payable. These various changes resulted in an increase in net assets of $49,661 for 2007.

Table 2 shows the revenues, expenses and the changes in net assets for the year ended December 31, 2007 compared to the year ended December 31, 2006.

(Table 2)
Changes in Net Assets

	2007	2006	2005
Operating Revenues	$288,349	$301,280	$294,170
Operating Expenses/Cost of Sales	(322,274)	(337,426)	(324,002)
Operating Loss	(33,925)	(36,146)	(29,832)
Non-operating Revenues	83,586	92,984	55,097
Increase (Decrease) in Net Assets	$49,661	$56,838	$25,265

Operating revenues increased mainly due to an increase in production work. Operating expenses decreased due to decreases in the cost of sales which included a reduction in payroll related expenses.

Financial Entity

Auglaize Industries, Inc. is a 501(C)(3) non-profit corporation that relies on professional staffing subsidized by the Auglaize County Board of Mental Retardations and Development Disabilities (ACMRDD). In as much as the Industries provides Adult Services through an annual contract, the non-profit corporation is considered a financial component of Auglaize County.

Accounting Policies

The workshop's accounting policies conform to principles described for government entities by the General Accounting Standards Board (GASB). The Industries maintains its own major financial accounting systems, namely SBT software for business operations and Infallible software for payroll. The financial statements do not reflect the operations of Auglaize County.

The program follows an accrual accounting system, recognizing revenues and expenses in the period in which they are earned or accrued rather than when they are received or paid. An annual budget is prepared by the non-profit corporation and presented to the non-profit board for approval in their March meeting.

All cash received is maintained in an MMDA bank account and is transferred into a payroll checking account to meet bi-monthly payroll obligations. Excess capital is held in certificates of deposit, government securities, and mutual funds.

Fixed assets are stated at cost. Only those valued over $1,000 are depreciated and appear on an amortization schedule. Leasehold improvements are depreciated over an estimated useful life of 30 years, vehicles and computers, 5 years, and furniture and fixtures, 7 years. The financial statements do not reflect customer inventory, which is held in house in nominal amounts as consumable manufacturing supplies.

Eligible adults ("clients") with disabilities receive one paid week of vacation each year, once they have been employed for six months or more. Vacation pay is based on an average week's pay from the previous 12 month work period prior to July 1st of each year. Any capital contributions from other governmental entities or other sources is recorded at fair market value and not subject to repayment.

Cash and Investments

The Industries holds investment interests in two major risk levels, Category 1 cash and investments include those instruments that are insured or for which are held by the Industries or its agent in the Industries' name. This category was limited to one certificate of deposit. The balance of the Industries' investments are held in Category 2 cash and investments, which include uninsured and unregistered investments held by an outside company in the Industries' name.

These items include mutual funds, corporate bonds, government securities and asset and mortgage backed securities. As of December 31, 2007, these items are distributed as follows:

	Category 1	Category 2	Bank Balance or Fair Market Value
Demand Deposits	$36,006		$36,006
Time Deposits	5,677		5,677
Cash on Hand	200		200
Total Cash Items	41,883		41,883
Government Agency Securites	33,368		33,368
Asset and Mortgage Backed Securities	179,486		179,486
Mutual Funds		$467,326	467,326
Total Investment Items	$212,854	$467,326	$680,180

Investment activity for 2004 through 2007:

	2004	2005	2006	2007
Fair Market Value at year end	$537,040	$585,734	$633,248	$680,180
Proceeds on investments sold	90,500	55,314	28,293	105,017
Less loss of investments purchased	(21,707)	(75,335)	(26,593)	(140,314)
Subtotal	605,833	565,713	634,948	644,883
Fair market value at beginning of year	566,903	537,040	585,734	633,248
Change in fair market value	$38,930	$28,673	$49,214	$11,635

Budgetary Activity

The 2006 and 2007 budget activity reflected the following key figures:

	2007	2006
Projected Revenues	$379,010	$331,550
Actual Revenues	371,935	394,264
Variance	7,075	(62,714)
Projected Expenses	425,100	347,616
Actual Expenses	322,274	337,426
Variance	$102,826	$10,190

Receivables

Receivables consisted of outstanding balances on customer account activity. Credit is granted to customers although the monthly aging report seldom reflects balances beyond 60 days. The ability to collect on accounts may be affected by economic fluctuations in the economy.

Federal and State Taxes

As a 501 (C) (3) non-profit corporation and a charitable business under Ohio law, the Industries is exempt from paying both state and federal income tax. Employees of the Industries are enrolled in Social Security, with the non-profit board matching 6.2 percent of wages paid.

Insurance Coverage (Risk Management)

The Industries is exposed to a variety of risks including but not limited to products liability, negligence, errors and omissions, destruction of assets, embezzlement, injuries to employees and staff, and natural disaster. During 2007 and 2006, the Industries contracted through the Auglaize County Board of Mental Retardation and Developmental Disabilities (ACBMRDD) with the Ohio School Plan as well as with The Cincinnati Insurance Company.

The Ohio School Plan covers losses for injury and accident to employees, employment practices, sexual abuse, fire damage and products liability. Maximum coverage is $1,000,000 within each classification, with a $3,000,000 limit on aggregate claims.

The Cincinnati Insurance Company covers losses on vehicles, injuries and fire damage relating to vehicles, shop equipment, faithful performance, and general liability. Coverage ranges from $5,000 to $1,000,000. An additional $1,000,000 liability umbrella was added in 2004.

There have been no significant reductions in any area of coverage over the previous fiscal year, and there have been no settled claims that have exceeded the above-stated coverages.

Capital Assets

Table 3 shows 2007 capital asset balances compared with 2006.

(Table 3)
Capital Assets at December 31,
(Net Depreciation)

	2007	2006
Shop and Office Equipment	$19,131	$18,764
Transportation Equipment	17,844	29,741
Leasehold Improvements	5,523	5,869
	$42,498	$54,374

The $11,876 decrease in capital assets was attributable to depreciation expense in excess of additions and disposals.

Auglaize Industries uses these capital assets to provide services to the businesses and the public. There is no debt on any of the assets owned by Auglaize Industries.

Agency Response to 2006 and 2007 Year-End Financial Conditions

Auglaize Industries, Inc. will continue to seek revenue-generating opportunities that are consistent with our mission and financial needs. The management team has been able to control and cut expenses which had a positive impact on both the 2007 and 2006 financial outcomes, much improved over 2004 and 2005 financial conditions.

The obvious challenge will be to wisely invest long-held financial assets in additional revenue-generating opportunities, production equipment, etc. The management team will continue to keep careful watch over ongoing expenses and remain very selective in regard to creating additional services that might incur long-term expenses.

Contacting Auglaize Industries' Financial Management

This report is designed to provide taxpayers, clients and client families, care providers and other affiliated business associates, staff, workshop production partners, and all legal and financial regulatory agencies, with information necessary to their understanding of the fiscal operations of Auglaize Industries, Inc., a 501(C)(3) non-profit corporation. If you have questions regarding this report, please feel free to contact the President of the non-profit board, Mr. Rex Katterheinrich at 419 738-3011 or Greg Ferrall, Director of Adult Services at 419 629-3603.

AUGLAIZE INDUSTRIES, INC.
AUGLAIZE COUNTY

STATEMENTS OF NET ASSETS
DECEMBER 31, 2007 AND 2006

	2007	2006
Assets		
Current Assets		
Cash and Cash Equivalents	$36,206	$7,333
Certificates of Deposit	5,677	5,403
Investment Securities	680,180	633,248
Accounts Receivable	27,839	43,468
Prepaid Expenses	1,000	1,000
Total Current Assets	750,902	690,452
Property and Equipment		
Property, Plant and Equipment	254,821	270,630
Less: Accumulated Depreciation	(212,323)	(216,256)
Total Non-Current Assets	42,498	54,374
Total Assets	793,400	744,826
Liabilities		
Current Liabilities		
Accounts Payable	716	1,905
Accrued Payroll Taxes	218	180
Workers' Compensation Payable	961	886
Compensated Absences Payable	1,615	1,626
Total Liabilities	3,510	4,597
Net Assets		
Invested in Capital Assets	42,498	54,374
Unrestricted	747,392	685,855
Total Net Assets	$789,890	$740,229

See accompanying notes to the basic financial statements.

AUGLAIZE INDUSTRIES, INC.
AUGLAIZE COUNTY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
Operating Revenues:		
Charges for Services	$272,533	$275,989
Vocational Revenue	15,816	25,291
Total Operating Revenues	288,349	301,280
Cost of Sales		
Labor and Employment Taxes	192,741	208,343
Subcontractors	2,581	5,763
Repairs and Maintenance	20,806	17,020
Total Cost of Sales	216,128	231,126
Operating Expenses		
Professional Fees	34,831	42,559
Depreciation	21,842	23,547
Insurance	12,203	11,408
Administrative Expenses	37,270	28,786
Total Operating Expenses	106,146	106,300
Operating Income (Loss)	(33,925)	(36,146)
Non-Operating Revenues (Expenses):		
Donations	22,215	11,103
Net Investment Income	59,220	79,931
Miscellaneous Revenue	2,151	1,950
Unrestricted Support	669,086	121,461
Expenditure of Unrestricted Support	(669,086)	(121,461)
Total Non-Operating Revenues (Expenses)	83,586	92,984
Change in Net Assets	49,661	56,838
Net Assets, Beginning of Year	740,229	683,391
Net Assets, End of Year	$789,890	$740,229

See accompanying notes to the basic financial statements.

AUGLAIZE INDUSTRIES, INC.
AUGLAIZE COUNTY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
Cash Flows from Operating Activities		
Cash Received from Customers	$303,978	$278,217
Cash Paid to Employees	(192,639)	(208,849)
Cash Paid to Suppliers	(108,880)	(109,984)
Net Cash Provided (Used) from Operating Activities	2,459	(40,616)
Cash Flows from Investing Activities		
Purchase of Certificates of Deposit	(5,677)	(5,403)
Redemption of Certificates of Deposit	5,403	5,193
Purchase of Investments	(140,314)	(26,593)
Redemption of Investments	105,017	28,293
Interest and Dividends	47,585	30,717
Net Cash Provided by Investing Activities	12,014	32,207
Cash Flows from Capital and Related Financing Activities		
Acquisition of Capital Assets	(10,000)	(22,392)
Net Cash Used for Capital and Related Financing Activities	(10,000)	(22,392)
Cash Flows from Non Capital Financing Activities		
Miscellaneous Non-operating Revenue	2,185	1,950
Cash Received From Donations	22,215	11,103
Net Cash From Non Capital Financing Activities	24,400	13,053
Net Increase (Decrease) in Cash and Cash Equivalents	28,873	(17,748)
Cash and Cash Equivalents at Beginning of Year	7,333	25,081
Cash and Cash Equivalents at End of Year	36,206	7,333
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:		
Operating Loss	(33,925)	(36,146)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities		
Depreciation	21,842	23,547
Changes in Assets and Liabilities:		
Accounts Receivable	15,629	(23,063)
Accounts Payable	(1,189)	(4,448)
Accrued payroll and Related Liabilities	102	(506)
Total Adjustments	36,384	(4,470)
Net Cash from Operating Activities	$2,459	($40,616)

See accompanying notes to the basic financial statements.

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1. DESCRIPTION OF THE ENTITY

Auglaize Industries (the Industries) is a non-profit corporation that was incorporated in 1983 for the purpose of providing adult services for the Auglaize County Mental Retardation and Developmental Disabilities Board (ACMRDD). The ACMRDD principally subsidizes and staffs this adult sheltered workshop. The mission of the adult services workshop is to provide training and community job placement for adults with disabilities.

The Industries is considered a component unit of Auglaize County, Ohio.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles for governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. The operations of the Industries apply Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989, provided they do not conflict with or contradict GASB pronouncements.

A. Accounting System

The Industries maintains its own set of accounting records. These financial statements were prepared from the accounts and financial records of the Industries and, accordingly, these financial statements do not present the financial position or results of operations of Auglaize County.

B. Revenue and Expense Recognition

The Industries prepares its financial statements on the accrual basis of accounting, consequently certain revenues and related assets are recognized when earned rather than when received and certain expenses are recognized when incurred rather than when the obligation is paid.

C. Budgetary Process

Through a contractual agreement with the Auglaize County Board of Mental Retardation and Developmental Disabilities, Section VII, Item Number 11, the Industries is required to prepare and approve an annual budget. A summary of 2007 and 2006 budgetary activity appears in Note 4.

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates. Actual results may differ from those estimates.

E. Cash and Investments

To improve cash management, cash received by the Industries is maintained in a checking account or used to purchase investments. Investments are limited to certificates of deposit, government securities and mutual funds. Investments are stated at market value.

For purposes of the statement of cash flows and for presentation on the balance sheet, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fixed Assets

Buildings, equipment and improvements are stated at cost except for donated assets, which are stated at fair market value at the date of receipt. The Industries maintains a capitalization threshold of $1,000. A portion of the facilities occupied by the Industries consists of additions to the original facilities owned by Auglaize County.

Depreciation of fixed assets is on a double declining balance basis over the estimated useful lives of the respective assets, as follows:

Class of Asset	Years
Leasehold Improvements	31-1/2
Transportation Equipment	5
Computers	5
Furniture and Fixtures	7

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the year end, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Advertising

Advertising costs are charged to operations when incurred. Advertising costs amounted to $1,009 and $896 for 2007 and 2006, respectively.

I. Inventory

Work is performed on customer owned materials. Inventory on hand at any one time consists primarily of consumable manufacturing supplies in nominal amounts. Accordingly, no manufacturing inventories are recognized on the financial statements.

J. Compensated Absences

Governmental Accounting and Financial Reporting Standards specifies that a liability should be accrued for leave benefits if the employer's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered; the obligation relates to rights that vest or accumulate; payment of the compensation is probable; and the amount can be reasonably estimated. The Industries records a liability for accumulated unused vacation time when earned for workshop employees.

3. CASH AND INVESTMENTS

A. Cash on Hand

At December 31, 2007 and 2006, the Industries had $200 in cash on hand.

3. CASH AND INVESTMENT (Continued)

B. Deposits

At December 31, 2007 and 2006, the carrying value of deposits was $41,683 and $12,536, respectively. Custodial credit risk for deposits is the risk that in the event of bank failure, the Industries will not be able to recover deposits. At December 31, 2007 and 2006, $43,462 and $25,903, respectively, of the Industries' bank balances were insured by the Federal Deposit Insurance Corporation (FDIC) and were not exposed to custodial credit risk. The Industries has no deposit policy for custodial credit risk.

C. Investments

As of December 31, 2007 and 2006, both the carrying and fair market value of the Industries investments were as follows:

U. S. Government Securities	**2007**	**2006**	**Maturity**
Federal Home Loan Mortgage Corporation			
Medium Term Note - Dated 3/28/2002 – 6.3%			
Callable 3/15/2006 @100	$23,004	$22,745	3/15/2022
Federal National Mortgage Association			
Medium Term Note – Dated 3/28/2002 – 6.5%			
Callable 3/28/2006 @100	-	22,813	3/28/2022
Federal Home Loan Mortgage Corp.			
Medium Term Note. Dated 06/29/2007 – 6.00%			
Callable 06/15/2011 @ 100.00	10,364		6/15/2027
Total U. S. Government Securities	$33,368	$45,558	

Mutual Funds	**2007**	**2006**
American Funds Capital Income Builder – Class A	$29,314	$ 25,284
American Funds Europacific Growth Fund – Class A	87,169	99,747
American Funds Fundamental Investors Fund – Class A	88,325	75,821
American Funds Growth Fund of America – Class A	84,458	93,151
American Funds New Economy Fund – Class A	83,978	84,955
American Funds Washington Mutual Investors – Class A	91,999	88,284
American Funds Intermediate Bond Fund of America		
Class A, AAA Average Credit Quality, 3.5 Year Average Life	2,083	530
Total Mutual Funds	$467,326	$467,772

Asset and Mortgage Backed Securities	**2007**	**2006**	**Maturity**
Federal National Mortgage Association			
REMIC Pass Thru Certificate 2002-21			
Dated 3/1/2002 – 6.25%	$11,880	$12,870	4/25/2032
Federal Home Loan Mortgage Corp		-	
Series 2495 Dated 9/1/2002 – 5.50%	4,950		9/15/2032
CWMBS Incorporated			
Mortgage Pass Thru Certificate 2002-31			
Dated 11/1/2002 - MBIA Insured - 5.65%	4,950	4,950	1/25/2033
Residential Asset			
Securitization Trust 2002-A14			
Dated 11/1/2002 ANBAC Insured – 5.65%	6,930	8,910	1/25/2033

3. CASH AND INVESTMENT (Continued)

Asset and Mortgage Backed Securities	2007	2006	Maturity
Master Asset Securitization SER 2003-1 CL 2A4 Dated 1/1/2003 – MBIA Insured – 5.5%	$3,943	$4,950	2/25/2033
First Horizon Mortgage Pass Thru Certificate 2003-01 Dated 1/1/2003 - MBIA Insured – 5.4%	-	15,760	3/25/2033
Washington Mutual Mortgage – Series 2003-1 Dated 1/1/2003 MBIA Insured – 5.50%	9,538	-	3/25/2033
Washington Mutual Mortgage –Series 2003-MS8 Dated 4/1/2003 – MBIA Insured – 5.45%	3,889	3,894	5/25/2033
Residential FDG. Mortgage Securities Pass Thru Certificate 2003-S13 Dated 6/1/2003 – MBIA Insured – 4.75%	5,766	6,134	6/25/2033
Federal Home Loan Mortgage Corp. Series 2665 Dated 8/1/2003 – 5.50%	17,543	-	8/15/2033
Residential Asset Securitization Trust 2003-A7 Dated 6/1/2003 – MBIA Insured - 5.0%	5,025	5,446	7/25/2033
Federal National Mortgage Association REMIC Pass Thru Certificate 2003-80 Dated 7/1/2003 – 5.0%	12,775	12,933	8/25/2033
Federal National Mortgage Association Remic Pass thru Certificate 203-107 Dated 10/1/2003 – 5.50%	4,766	-	11/25/2033
Citicorp Mortgage Securities, Inc. Series 2003-11 Dated 12/1/2003 – MBIA Insured – 5.5%	7,920	8,445	12/25/2033
CWMBS Incorporated Mortgage Pass thru Certificate 2003-1 Dated 1/1/2003 MBIA Insured – 5.50%	6,323	-	3/25/2033
Washington Mutual Mortgage –Series 2005-2 Dated 3/1/2005 – Assured Guaranty – 5.5%	18,989	22,064	4/25/2035
Countrywide Home Loan Mortgage Pass Thru Certificate 2005-15 Dated 6/1/2005 – MBIA Insured – 5.1%	8,485	9,000	8/25/2035
CWMBS Incorporated Mortgage Pass Thru Certificate 2005-24 Dated 9/1/2005 - MBIA Insured - 5.25%	4,288	4,562	11/25/2035
Federal Home Loan Mortgage Corp. Series 3328 Dated 6/1/2007 – 5.50%	2,916	-	6/15/2037
Federal Home Loan Mortgage Corp. Series 3341 Dated 7/1/2007 – 6.00%	19,800		7/15/2037
Federal Home Loan Mortgage Corp. Series 3352 Dated 8/1/2007 – 5.875%	18,810		8/15/2037
Total Asset and Mortgage Backed Securities	$179,486	$119,918	

The Industries' investment policy does not address any restriction on investments relating to interest rate, credit, or custodial credit risks.

3. CASH AND INVESTMENT (Continued)

The Federal Home Loan Mortgage Corporation and Federal National Mortgage Association Notes carry a rating of AAA by both Moody's and Fitch. There is no rating assigned to the Mutual Funds or the Asset and Mortgage Backed Securities. The U. S. Government Securities, Mutual Funds, Corporate Bond and Asset and Mortgaged Backed Securities are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Industries' name.

The following table indicates the percentage of each type investment to the Industries' total portfolio at December 31, 2007:

	Market Value	Percentage of Portfolio
U. S. Government Securities	$ 33,368	5%
Mutual Funds	467,326	69%
Asset and Mortgage Backed Securities	179,486	26%
Total Investments	$680,180	100%

The Industries has adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and For External Investment Pools.*

	2007	2006
Fair Value at End of Year	$ 680,180	$633,248
Add: Proceeds of investments sold	105,017	28,293
Less: Cost of investments purchased	(140,314)	(26,593)
Fair value at beginning of year	(633,248)	(585,734)
Change in Fair Value of Investments	$ 11,635	($ 49,214)
Investment income consists of the following components:		
Interest and dividends	$47,585	$30,717
Change in fair value of investments	11,635	49,214
Total Investment Income	$59,220	$79,931

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 are as follows:

	2007	2006
Projected Revenues	$379,010	$331,550
Actual Revenues	371,935	394,264
Variance	7,075	(62,714)
Projected Expenses	425,100	347,616
Actual Expenses	322,274	337,426
Variance	$102,826	$10,190

5. ACCOUNTS RECEIVABLE

Receivables consisted of outstanding balances on customer accounts. The Industries grants credit to customers of which all substantially reside in Auglaize County. Consequently, the Industries' ability to collect amounts due from customers may be affected by economic fluctuations in the local economy.

Management has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

6. PROPERTY AND EQUIPMENT

A summary of capital asset transactions for the year ended December 31, 2007 and 2006 follow:

	Balance 1/1/2007	Additions	Disposals	Balance 12/31/2007
Depreciable Assets:				
Leasehold Improvements	$11,106			$11,106
Shop and Office Equipment	128,461	$10,000	($25,809)	112,652
Transportation Equipment	131,063			131,063
Total Assets	270,630	10,000	(25,809)	254,821
Accumulated Depreciation:				
Leasehold Improvements	(5,237)	(346)		(5,583)
Shop and Office Equipment	(109,697)	(9,600)	25,776	(93,521)
Transportation Equipment	(101,322)	(11,897)		(113,219)
Total Depreciation	(216,256)	(21,843)	25,776	(212,323)
Property and Equipment (Net)	$54,374	($11,843)	($33)	$42,498

	Balance 1/1/2006	Additions	Disposals	Balance 12/31/2006
Depreciable Assets:				
Leasehold Improvements	$11,106			$11,106
Shop and Office Equipment	125,903	$2,558		128,461
Transportation Equipment	128,867	19,834	($17,638)	131,063
Total Assets	265,876	22,392	(17,638)	270,630
Accumulated Depreciation:				
Leasehold Improvements	(4,892)	(345)		(5,237)
Shop and Office Equipment	(98,365)	(11,332)		(109,697)
Transportation Equipment	(107,092)	(11,868)	17,638	(101,322)
Total Depreciation	(210,349)	(23,545)	17,638	(216,256)
Property and Equipment (Net)	$55,527	($1,153)	$0	$54,374

7. FEDERAL TAXES

A. Federal Income Tax

The Industries qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code, therefore, has no provision for Federal income taxes. In addition, the Industries qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

B. Social Security System

Employees of the Workshop are members of the Social Security System. The Board's liability is a matching 6.2 percent of wages paid.

8. RISK MANAGEMENT

The Industries is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2007 and 2006, The Industries contracted with the Ohio School Plan (See Note 12) and the Cincinnati Insurance Company for coverage as follows:

Company	Type of Coverage	Maximum	Deductible
Harcum-Hyre Insurance	Bodily Injury and Property Damage –		
Agency, Inc.	Each occurrence Limit	$1,000,000	None
(Ohio School Plan)	Sexual Abuse Injury – Each Sexual Abuse		
	Offense Limit	1,000,000	None
	Personal and Advertising Injury -		
	Each Offense Limit	1,000,000	None
	Fire Damage – Any One Event	500,000	None
	Medical Expense – Any One Person Limit	10,000	None
	– Each Accidental Limit	10,000	None
	General Aggregate Limit	3,000,000	None
	Products – Completed Operations		
	Aggregate Limit	1,000,000	None
	Employee Benefits Injury – Each Offense Limit	1,000,000	None
	Employee Benefits – Aggregate Limit	3,000,000	None
	Bodily Injury by Accident – Each Accident Limit		
	Bodily Injury by Disease – Endorsement Limit	1,000,000	None
	Bodily Injury by Disease – Each Employee Limit	1,000,000	None
	Errors and Omissions Injury Limit	1,000,000	$2,500
	Errors and Omissions Injury Aggregate Limit	2,000,000	2,500
	Employment Practices Injury Limit	1,000,000	2,500
	Employment Practices Injury Aggregate Limit	2,000,000	2,500

8. RISK MANAGEMENT (Continued)

Company	Type of Coverage	Maximum	Deductible
Cincinnati Insurance	Property and General Liability:		
	Building	$ 30,000	500
	General Liability		
	(Aggregate)	1,000,000	None
	(Each Occurrence)	1,000,000	None
	Fire Damage	100,000	None
	Medical – Auto	5,000	None
	Equipment	75,000	500
	Employee Dishonesty	20,000	None
	Faithful Performance	150,000	None
	Uninsured Motorist Auto Liability	1,000,000	
	Commercial Umbrella Liability		
	(Aggregate)	1,000,000	
	(Each Occurrence)	1,000,000	

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in insurance coverage from last fiscal year.

9. COMPENSATED ABSENCES

Employees of the Industries Workshop earn vacation in accordance with the adopted policies detailed in the Operations Manual. Workshop employees who have been employed for the last six months of the previous calendar year are entitled to one week of paid vacation for the week of July 4th. The employee must be on active payroll status at the time of the vacation period. The amount paid to each employee is based on one average week's pay.

The Industries records an amount considered as earned for the six month period prior to year end.

10. RELATED PARTY TRANSACTIONS

Auglaize County Board of Mental Retardation and Developmental Disabilities (ACMRDD) provided facilities, salaries, and other specified overhead expenses for the workshop.

The estimated unaudited value of materials and services received from ACMRDD, as determined by ACMRDD, is included in the financial statements and the corresponding estimated expenditures for the years ended December 31, 2007 and 2006 are as follows:

	2007	2006
Unrestricted Support	$669,086	$121,461
Expenditure of Unrestricted Support	$669,086	$121,461

For the year ended December 31, 2007, ACMRDD changed their methodology on how these amounts are calculated.

11. MAJOR CUSTOMERS

Substantially all of the production of the Industries, Inc. is purchased by two customers. Sales to these customers amounted to 64 percent in 2007 and 54 percent in 2006 of total sales with each customer individually accounting for greater than 10 percent of total sales.

12. INSURANCE POOL

The Industries participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services.

The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Auglaize Industries, Inc.
Auglaize County
330 West Boesel Avenue
New Bremen, Ohio 45869

To the Board of Directors:

We have audited the basic financial statements of Auglaize Industries, Auglaize County, (the Industries) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated June 13, 2007. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Industries' internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Industries' internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Industries' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Industries' ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Industries' internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Industries' internal control will not prevent or detect a material financial statement misstatement.

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

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Compliance and Other Matters

As part of reasonably assuring whether the Industries' financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain noncompliance or other matter that we reported to the Industries' management in a separate letter dated June 13, 2008.

We intend this report solely for the information and use of the finance committee, management, and Board of Directors. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 13, 2008

Mary Taylor, CPA
Auditor of State

AUGLAIZE INDUSTRIES, INC.

AUGLAIZE 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
JULY 22, 2008

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