



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**AUGLAIZE INDUSTRIES, INC.
AUGLAIZE COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Directors:

We have audited the accompanying general-purpose financial statements of Auglaize Industries, Auglaize County, a component unit of Auglaize County, as of and for the years ended December 31, 2001 and December 31, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of Auglaize 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Auglaize Industries, Auglaize County, as of December 31, 2001 and December 31, 2000, and the results of its operations and 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 May 31, 2002, on our consideration of Auglaize Industries' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Jim Petro
Auditor of State

May 31, 2001

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**AUGLAIZE INDUSTRIES, INC
AUGLAIZE COUNTY**

**BALANCE SHEET
AS OF DECEMBER 31, 2001 AND 2000**

	2001	2000
Current Assets:		
Cash	\$16,599	\$34,617
Certificates of Deposit	53,188	35,648
Investment Securities	421,204	373,251
Accounts Receivable (Trade)	29,440	27,514
Prepaid Expenses	1,000	1,000
Total Current Assets	521,431	472,030
Fixed Assets:		
Land and Buildings		480,112
Leasehold Improvements	11,106	11,106
Shop and Office Equipment	57,154	46,167
Transportation Equipment	114,852	114,852
Less: Accumulated Depreciation	(137,375)	(141,612)
Total Fixed Assets (Net)	45,737	510,625
Total Assets	567,168	982,655
Current Liabilities:		
Current Portion of Long Term Debt		13,078
Accounts Payable	2,436	732
Accrued Wages	5,116	1,046
Accrued Payroll Taxes	1,334	526
Compensated Absences Payable	2,403	2,550
Workers Compensation Payable	406	406
Accrued Real Estate Taxes		3,133
Accrued Interest		1,351
Total Current Liabilities	11,695	22,822
Long-Term Liabilities		
Mortgage Payable (net of current)		258,913
Total Liabilities	11,695	281,735
Fund Equity and Other Credits:		
Retained Earnings	541,253	642,107
Contributed Capital	14,220	58,813
Total Fund Equity and Other Credits	555,473	700,920
Total Liabilities, Fund Equity and Other Credits	\$567,168	\$982,655

The notes to the financial statements are an integral part of this statement.

**AUGLAIZE INDUSTRIES, INC
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
Operating Revenues:		
Charges for Services (Workshop)	\$325,343	\$366,827
Vocational Revenue	28,380	25,175
Total Operating Revenues	<u>353,723</u>	<u>392,002</u>
Cost of Sales:		
Labor and Employment Taxes	232,160	244,145
Subcontracts	8,405	9,061
Repair and Maintenance	26,365	25,616
Total Cost of Sales	<u>266,930</u>	<u>278,822</u>
Operating Expenses:		
Community Employment Wages	41,843	61,009
Insurance	7,554	7,095
Depreciation	10,683	12,837
Professional Fees	10,140	10,865
Membership Dues	2,025	1,872
Administrative Expenses	57,768	45,510
Total Operating Expenses	<u>130,013</u>	<u>139,188</u>
(Loss) From Operations	<u>(43,220)</u>	<u>(26,008)</u>
Non-Operating Revenues (Expenses):		
Miscellaneous Revenue	68,402	13,735
Rental Income	31,430	34,210
Rental Expenses	(51,168)	(45,007)
Investment Income	(21,091)	1,237
Donations	2,147	13,253
Donations paid to other agencies	(86,868)	
Employee Program Revenue	33,594	35,579
Employee Program Expense	(34,080)	(36,378)
Unrestricted Support	181,882	140,436
Expenditures of Unrestricted Support	(181,882)	(140,436)
Total Non-Operating Revenues (Expenses)	<u>(57,634)</u>	<u>16,629</u>
Net Income	(100,854)	(9,379)
Retained Earnings - January 1	642,107	651,486
Retained Earnings - December 31	<u>541,253</u>	<u>642,107</u>
Contributed Capital Received from:		
Contributed Capital - January 1	58,813	22,217
Grants Received		42,256
Grants Transferred	(39,695)	
Depreciation on Fixed Asset Acquired by Contributed Capital	(4,898)	(5,660)
Contributed Capital-December 31	<u>14,220</u>	<u>58,813</u>
Total Fund Equity - December 31	<u>\$555,473</u>	<u>\$700,920</u>

The notes to the financial statements are an integral part of this statement.

**AUGLAIZE INDUSTRIES, INC.
AUGLAIZE COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

	2001	2000
Cash Flows from Operating Activities:		
Cash Received from Customers	\$351,797	\$397,062
Cash Payments to Employees for Services	(269,272)	(306,716)
Cash Payments to Suppliers for Goods and Services	(110,553)	(102,894)
Net Cash Used for Operating Activities	(28,028)	(12,548)
Cash Flows from Noncapital Financing Activities:		
Miscellaneous Non-Operating Revenue	20,614	12,937
Cash Received from Donations	2,147	13,253
Net Cash Provided by Noncapital Financing Activities	22,761	26,190
Cash Flows from Capital and Related Financing Activities:		
Payments on Long-term Debt	(8,533)	(11,897)
Contributed Capital	(39,695)	42,256
Acquisition of Capital Assets	(11,337)	(61,739)
Donations to other agencies	(86,868)	
Net proceeds from sale of fixed assets	235,217	
Net Cash (Used) for Capital Financing Activities	88,784	(31,380)
Cash Flows from Investing Activities:		
Net Rental Income - Cash	(14,950)	(999)
Net Redemptions of Certificates of Deposit	(17,540)	20,235
Net Purchases of Investments	(84,033)	(37,699)
Cash Received from Interest	14,988	43,525
Net Cash Provided by Investing Activities	(101,535)	25,062
Net Increase (Decrease) in Cash	(18,018)	7,324
Cash at Beginning of Year	34,617	27,293
Cash at End of Year	16,599	34,617
Reconciliation of Operating Loss) to Net Cash Used for Operating Activities:		
Operating (Loss)	(43,220)	(26,008)
Adjustments to Reconcile Operating (Loss) to Net Cash Used for Operating Activities:		
Depreciation	10,683	12,837
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable (Trade)	(1,926)	5,060
Increase (Decrease) in Accounts Payable	1,704	(2,875)
Increase (Decrease) in Accrued Wages and Compensated Absences	3,923	(1,044)
(Decrease in Accrued Payroll Taxes	808	(518)
Net Cash Used for Operating Activities	(28,028)	(12,548)
Non-Cash Capital Financing Activities:		
Acquisition of Real Estate through Debt Financing		
Cost of Real Estate		150,565
Debt Financing		(95,000)
Cash Grant		(42,256)
Down Payment		13,309
Sales price	505,400	
Mortgage payoff	(263,458)	
Expenses of sale	(6,725)	
Net Proceeds	235,217	
Interest Paid	\$ 19,873	\$ 20,583

The notes to the financial statements are an integral part of this statement.

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**AUGLAIZE INDUSTRIES, INC.
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. DESCRIPTION OF THE ENTITY

Auglaize Industries, is a non-profit corporation that was incorporated in 1983 for the purposes 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.

Auglaize Industries is considered a component unit of Auglaize County.

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 Auglaize Industries are accounted for using proprietary fund accounting. Auglaize Industries applies 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

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

B. Revenue and Expenditure Recognition

Auglaize 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 expenditures are recognized when incurred rather than when the obligation is paid.

C. Cash and Investments

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

D. Budgetary Process

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

**AUGLAIZE INDUSTRIES, INC.
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. 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. Auglaize Industries maintains a capitalization threshold of five hundred dollars. A portion of the facilities occupied by Auglaize Industries consists of additions to the original facilities owned by Auglaize County. Leasehold improvements are depreciated ratably over the estimated useful life.

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

Class of Asset	Years
Buildings (Residential Properties)	25 - 40
Leasehold Improvements	15 - 31½
Transportation Equipment	5 - 10
Computers	5
Furniture and Fixtures	5 - 7

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 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.

G. 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.

H. 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. Auglaize Industries records a liability for accumulated unused vacation time when earned for workshop employees.

I. Advertising

Advertising costs are charged to operations when incurred. Advertising costs amounted to \$3,066 and \$3,430 for 2001 and 2000, respectively.

J. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**AUGLAIZE INDUSTRIES, INC.
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Contributed Capital

Contributed capital represents resources provided from other governments and other sources whose use is restricted to capital acquisition or construction and is not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to contributed capital at year end.

3. CASH AND INVESTMENTS

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits - At fiscal year end December 31, 2001, Auglaize Industries had cash on hand of \$300 and, the carrying amount of deposits was \$16,299 and the bank balance was \$35,289. For fiscal year ended December 31, 2000, cash on hand was \$300, and the carrying amount of deposits was \$34,317 and the bank balance was \$43,800. For both years, the bank balance was covered by federal depository insurance.

Investments - Auglaize Industries' investments are categorized below to give an indication of the level of risk assumed at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by Auglaize Industries or its agent in Auglaize Industries' name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the Auglaize Industries' name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Auglaize Industries' name.

	Category 1	Category 2	Market/ Carrying Value
December 31, 2001			
Certificates of Deposit (Long Term)	\$ 53,188	\$0	\$ 53,188
Mutual Funds		300,564	300,564
Government Agency Securities	-	<u>120,640</u>	<u>120,640</u>
Total Investments	<u>\$ 53,188</u>	<u>\$ 421,204</u>	<u>\$ 474,392</u>
December 31, 2000			
Certificates of Deposit (Long Term)	\$35,648	\$0	\$ 35,648
Mutual Funds	-	296,494	296,494
Government Agency Securities	-	<u>76,757</u>	<u>76,757</u>
Total Investments	<u>\$ 35,648</u>	<u>\$ 373,251</u>	<u>\$ 408,899</u>

**AUGLAIZE INDUSTRIES, INC.
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Projected vs. Actual Revenues

Projected Revenues	Actual Revenues	Variance
<u>\$410,650</u>	<u>\$468,205</u>	<u>\$57,555</u>

2001 Projected vs. Actual Expenses

Projected Expenses	Actual Expenses	Variance
<u>\$415,366</u>	<u>\$558,376</u>	<u>(\$143,010)</u>

2000 Projected vs. Actual Revenues

Projected Revenues	Actual Revenues	Variance
<u>\$563,000</u>	<u>\$532,272</u>	<u>\$(30,728)</u>

2000 Projected vs. Actual Expenses

Projected Expenses	Actual Expenses	Variance
<u>\$498,065</u>	<u>\$505,055</u>	<u>\$(6,990)</u>

5. ACCOUNTS RECEIVABLE

Receivables, at December 31, 2001 and 2000, consisted of outstanding balances on customer accounts. Auglaize Industries grants credit to customers, substantially all of whom reside in Auglaize County. Consequently, Auglaize Industries ability to collect amounts due from customers may be effected by economic fluctuations in the local economy.

Management has elected to write off 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. FEDERAL TAXES

A. Federal Income Tax

Auglaize 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.

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.

**AUGLAIZE INDUSTRIES, INC.
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. RISK MANAGEMENT

Auglaize 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. Auglaize Industries has contracted with several companies for various types of insurance as follows:

Company	Type of Coverage	Maximum Deductible	
Nationwide/Wausau	Education Liability (Sheltered Workshop):		
	General Liability (Aggregate)	\$5,000,000	None
	(Each Occurrence)	2,000,000	None
	Fire Damage	100,000	None
	Medical Expense	5,000	None
	Fleet Insurance (Aggregate)	2,000,000	None
	(Per Claim)	1,000,000	None
Cincinnati Insurance	Property and General Liability:		
	Building	30,000	None
	General Liability (Aggregate)	1,000,000	None
	(Each Occurrence)	1,000,000	None
	Fire Damage	100,000	None
	Medical	5,000	None
	Equipment	75,000	250
	Employee Dishonesty	20,000	None
Faithful Performance	150,000	None	
Midwest Pool Management Agency	Auglaize County Property:		
	Building and Contents	1,000,000	None
	Vehicle Liability (Uninsured)	1,000,000	None
	(Personal Property)	5,000	None
	(Per Occurrence)	1,000,000	None
Erie Insurance Company	Public Official Liability	1,000,000	None
	Business Personal Property	15,500	None
	Personal Injury Liability		
	(Aggregate)	2,000,000	None
	(Each Occurrence)	1,000,000	None
	Property Damage Liability		
(Aggregate)	2,000,000	None	
(Each Occurrence)	1,000,000	None	
Medical Payment (Each Person)	5,000	None	

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reductions in this coverage in the past two years.

8. COMPENSATED ABSENCES

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

**AUGLAIZE INDUSTRIES, INC.
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

9. EMPLOYEE PROGRAMS

Auglaize Industries provides a hot lunch program, recreational outings and other miscellaneous items to the employees of the workshop. The programs operate on a reimbursement basis, with the employee reimbursing for goods or services received. The transactions for these activities are reported as non-operating revenue and expenses on the financial statements.

10. RELATED PARTY TRANSACTIONS

Auglaize Industries has entered into a contract with the Auglaize County Board of Mental Retardation and Developmental Disabilities (ACMRDD), whereby the ACMRDD has agreed to pay specified overhead expenses for the workshop. The additional income and related expenses are reported on the income statement as Unrestricted Support. The unaudited operating expenses paid by the ACMRDD on behalf of Auglaize Industries amounted to \$181,882, for the year ended December 31, 2001, and \$140,436, for the year ended December 31, 2000.

11. INVESTMENT SECURITIES

Auglaize Industries has adopted GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Following is the effect of the implementation of this reporting standard:

	2001	2000
Fair Value at End of Year	\$ 421,204	\$373,251
Add: Proceeds of Investments Sold	7,000	7,942
Less: Cost of Investments Purchased	(91,032)	(45,641)
Fair Value At Beginning of Year	<u>(373,251)</u>	<u>(377,840)</u>
Change in Fair Value of Investments	<u>\$ (36,079)</u>	<u>\$ (42,288)</u>
Investment income consists of the following components		
Interest and Dividends	\$14,988	\$43,525
Change in Fair Value of Investments	<u>(36,079)</u>	<u>(42,288)</u>
Total Investment Income	<u>\$ (21,091)</u>	<u>\$ 1,237</u>

12. SALE OF REAL ESTATE

Auglaize Industries formerly owned residential properties for individuals employed in the workshop. During 2001, Auglaize Housing Development, a 501(c) (3) entity, was formed to provide housing for these individuals. Auglaize Housing Development, an independent entity, acquired the residential properties from Auglaize Industries on November 8, 2001. This sale resulted in a gain to Auglaize Industries of \$47,299. As part of this transaction, Auglaize Industries agreed to turn over to Auglaize Housing Development funds amounting to \$126,563 that Auglaize Industries had received to acquire the properties.

**AUGLAIZE INDUSTRIES, INC.
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

13. LONG TERM DEBT

Long-term debt consists of the following:

	2001	2000
Home Savings and Loan Association of Wapakoneta Original Amount - \$120,000 Interest Rate 7.25% Security – Residential property mortgage -Due June 1, 2013	-	\$55,293
Home Savings and Loan Association of Wapakoneta Original Amount - \$63,920 Interest Rate 8.0% Security – Residential property mortgage - Due May 1, 2025	-	62,488
Community First Bank and Trust Original Amount - \$61,520 Interest Rate 8.25% Security – Residential property mortgage – Due October 1,2029	-	60,946
Minster Bank Original Amount - \$95,000 Interest Rate 8.0% Security – Residential property mortgage – Due March 21, 2020	-	<u>93,264</u>
Total Principal		<u>\$271,991</u>
Current Principal Due		<u>13,078</u>
Long-term Portion		<u>\$258,913</u>

Interest expense amounted to \$18,522 and \$20,702 for the years ended December 31, 2001 and 2000, respectively.

14. MAJOR CUSTOMERS

Substantially all of the production of Auglaize Industries, Inc. is purchased by three major customers. Sales to these customers amounted to 68 percent of total sales with each customer individually accounting for 14, 26 and 27 percent of total sales, respectively.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
ON INTERNAL CONTROL 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 financial statements of Auglaize Industries, Inc., Auglaize County, as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated May 31, 2002. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Auglaize Industries' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of Auglaize Industries in a separate letter dated May 31, 2002.

Auglaize Industries, Inc.
Auglaize County
Report Of Independent Accountants On Compliance And
on Internal Control Required By *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

May 31, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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AUGLAIZE INDUSTRIES

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 16, 2002**