



Mary Taylor, CPA
Auditor of State

**AUGLAIZE TOWNSHIP
PAULDING COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Auglaize Township
Paulding County
22490 Road 178
Oakwood, Ohio 45873-9008

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Auglaize Township, Paulding County, Ohio (the Township), as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Auglaize Township, Paulding County, Ohio, as of December 31, 2006, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Fire District, and FEMA Grant funds thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

Management's discussion and analysis is not a required part of the basic financial statements but are supplementary information the Governmental Accounting Standards Board 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 1, 2007

**AUGLAIZE TOWNSHIP
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

This discussion and analysis of the Auglaize Township's (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2006, within the limitations of the Township's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2006 are as follows:

- Net assets of governmental activities increased \$19,956, a slight change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Gasoline Fund, which realized the greatest increase in revenue in 2006; however, cost increases affected most funds.
- The Township received Issue II for 2006 with the total project being \$128,359 with the township providing 50% of the funding or \$56,944.
- The Fire Department was awarded a \$43,000 FEMA Grant for 2005/2006 with the township providing 5% of the funding. The total funding was FEMA \$40,850/Township \$2,150. The Fire Department spent \$34,000 of the grant in 2006. This provided for replacement of obsolete/updated protective equipment for the Fire Dept.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**AUGLAIZE TOWNSHIP
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2006, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and taxes.

In the statement of net assets and the statement of activities, we report Governmental activities which include fire, EMS, cemeteries and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are reported in governmental funds.

The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Gasoline Tax Fund, Fire District Fund, FEMA Grant Fund, and the Public Works Project Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**AUGLAIZE TOWNSHIP
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2006 compared to 2005 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2006	2005
Assets		
Cash and Cash Equivalents	\$256,713	\$236,757
Total Assets	256,713	236,757
Net Assets		
Restricted for:		
Other Purposes	171,951	161,222
Unrestricted	84,762	75,535
Total Net Assets	\$256,713	\$236,757

As mentioned previously, net assets of governmental activities increased \$ 19,956 during 2006 due to an increase in interest receipts in 2006 and a purchase of a Fire Truck in 2005.

Table 2 reflects the changes in net assets on a modified cash basis in 2006 and 2005 for governmental activities, and total primary Government.

**AUGLAIZE TOWNSHIP
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2006	2005
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$11,511	\$9,071
Operating Grants and Contributions	94,616	93,618
Capital Grants and Contributions	90,794	15,000
Total Program Receipts	196,921	117,689
General Receipts:		
Property and Other Local Taxes	88,014	86,749
Sale of Capital Assets		11,935
Grants and Entitlements Not Restricted to Specific Programs	23,377	24,694
Interest	12,232	4,819
Miscellaneous	3,602	2,497
Total General Receipts	127,225	130,694
Total Receipts	324,146	248,383
Disbursements:		
General Government	41,260	42,175
Public Safety	41,669	52,368
Public Health Services	1,409	1,141
Leisure Time Activities	2,142	1,100
Public Works	51,129	96,630
Capital Outlay	166,581	44,615
Total Disbursements	304,190	238,029
Increase in Net Assets	19,956	10,354
Net Assets, January 1	236,757	226,403
Net Assets, December 31	256,713	236,757

Program receipts represent a small percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and charges to the Village of Oakwood for emergency medical services provided under contract.

General receipts represent a large percent of the Township's total receipts, with local taxes being the largest amount. State and federal grants and entitlements make up the balance of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

**AUGLAIZE TOWNSHIP
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of operating the cemetery and park and zoning, and, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs of General Fund unrestricted receipts.

Security of Persons and Property are the costs of fire protection; Public Health Services is the health department; Conservation-Recreation are the costs of maintaining the parks and playing fields.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Government. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for transportation and capital outlay, which account for 17 and 55 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 14 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Government that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$41,260	\$38,848	\$42,175	\$41,692
Public Safety	41,669	27,379	52,368	30,434
Public Works	51,129	32,417	96,630	8,358
Conservation-Recreation	2,142	2,142	1,100	1,100
Health	1,409	1,409	1,141	1,141
Capital Outlay	166,581	5,074	44,615	37,615
Total Expenses	\$304,190	\$107,269	\$238,029	\$120,340

The dependence upon property tax receipts is apparent as over 29 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$324,146 and disbursements of \$304,190. The greatest change within governmental funds occurred within the Gasoline Fund. The fund balance of the Gasoline Fund decreased \$15,211 as the result of the rising cost of petroleum affected the Issue II project.

General Fund receipts were more than disbursements by \$9,227 indicating that the General Fund is not in a deficit spending situation.

**AUGLAIZE TOWNSHIP
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2006, the difference between final budgeted receipts and actual receipts was 15% due to an increase in interest receipts.

Final budgeted disbursements for 2006 were \$122,936 while actual disbursements were \$45,314. Actual receipts were higher than expected due to increases in interest earnings although appropriations were not increased. The Township kept spending lower than budgeted due to increases in interest earnings amounts as demonstrated by the reported variances.

Capital Assets and Debt Administration

Capital Assets

The Township does not record capital assets in the accompanying financial statements, but records payments for capital assets as disbursements.

Debt

At December 31, 2006, the Township had no outstanding debt.

Current Issues

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and intergovernmental revenues. We reviewed our sources of revenue and determined that increases were unlikely.

The Fire Department was awarded a FEMA grant in the amount of \$43,000. This grant helped update obsolete equipment. The Federal share provided \$40,850 along with the township providing 5% or \$2,150 of the funding. The performance period is September 2, 2005 to September 1, 2006. The FEMA grant money was restricted for pagers, turnout gear, self contained breathing apparatuses, and a fixed station generator.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Sue A. Becher, Fiscal Officer, 22490 Rd 178 Oakwood, Ohio 45873-9008.

**AUGLAIZE TOWNSHIP
PAULDING COUNTY**

*Statement of Net Assets - Modified Cash Basis
December 31, 2006*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$256,713</u>
<i>Total Assets</i>	<u><u>\$256,713</u></u>
Net Assets	
Restricted for:	
Other Purposes	171,951
Unrestricted	<u>84,762</u>
<i>Total Net Assets</i>	<u><u>\$256,713</u></u>

See accompanying notes to the basic financial statements

**AUGLAIZE TOWNSHIP
PAULDING COUNTY**

*Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2006*

	Program Cash Receipts			
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Assets
Governmental Activities				
General Government	\$41,260	\$2,412		(\$38,848)
Public Safety	41,669	9,099	5,191	(27,379)
Public Works	51,129		18,712	(32,417)
Health	1,409			(1,409)
Conservation-Recreation	2,142			(2,142)
Capital Outlay	166,581		70,713	90,794
<i>Total Governmental Activities</i>	304,190	11,511	94,616	90,794
		General Receipts		
				88,014
				23,377
				12,232
				3,602
				<i>Total General Receipts</i>
				127,225
				19,956
				<i>Net Assets Beginning of Year</i>
				236,757
				<i>Net Assets End of Year</i>
				\$256,713

See accompanying notes to the basic financial statements

**AUGLAIZE TOWNSHIP
PAULDING COUNTY**

*Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006*

	General	Gasoline Tax	Fire District	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$84,762	\$74,428	\$52,880	\$44,643	\$256,713
<i>Total Assets</i>	<u>\$84,762</u>	<u>\$74,428</u>	<u>\$52,880</u>	<u>\$44,643</u>	<u>\$256,713</u>
Fund Balances					
Unreserved:					
Undesignated, Reported in:					
General Fund	84,762				84,762
Special Revenue Funds		74,428	52,880	44,643	171,951
<i>Total Fund Balances</i>	<u>\$84,762</u>	<u>\$74,428</u>	<u>\$52,880</u>	<u>\$44,643</u>	<u>\$256,713</u>

See accompanying notes to the basic financial statements

**AUGLAIZE TOWNSHIP
PAULDING COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006*

	General	Gasoline Tax	Fire District	FEMA Grant	Public Works Project	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$26,513		\$32,125			\$29,376	\$88,014
Charges for Services						9,099	9,099
Licenses, Permits and Fees	2,212						2,212
Fines and Forfeitures	200						200
Intergovernmental	16,188	\$81,542	3,608	\$33,850	\$56,944	16,655	208,787
Interest	7,135	4,700				397	12,232
Other	2,293		1,309				3,602
<i>Total Receipts</i>	<u>54,541</u>	<u>86,242</u>	<u>37,042</u>	<u>33,850</u>	<u>56,944</u>	<u>55,527</u>	<u>324,146</u>
Disbursements							
Current:							
General Government	41,260						41,260
Public Safety			22,307			19,362	41,669
Public Works		30,740				20,389	51,129
Health	1,409						1,409
Conservation-Recreation	2,142						2,142
Capital Outlay	503	70,713	4,571	33,850	56,944		166,581
<i>Total Disbursements</i>	<u>45,314</u>	<u>101,453</u>	<u>26,878</u>	<u>\$33,850</u>	<u>\$56,944</u>	<u>39,751</u>	<u>304,190</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>9,227</u>	<u>(15,211)</u>	<u>10,164</u>			<u>15,776</u>	<u>19,956</u>
<i>Fund Balances Beginning of Year</i>	<u>75,535</u>	<u>89,639</u>	<u>42,716</u>			<u>28,867</u>	<u>236,757</u>
<i>Fund Balances End of Year</i>	<u>\$84,762</u>	<u>\$74,428</u>	<u>\$52,880</u>			<u>\$44,643</u>	<u>\$256,713</u>

See accompanying notes to the basic financial statements

**AUGLAIZE TOWNSHIP
PAULDING COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$26,065	\$26,065	\$26,513	\$448
Licenses, Permits and Fees			2,212	2,212
Fines and Forfeitures			200	200
Intergovernmental	18,275	18,275	16,188	(2,087)
Interest	3,061	3,061	7,135	4,074
Other			2,293	2,293
<i>Total receipts</i>	47,401	47,401	54,541	7,140
Disbursements				
Current:				
General Government	52,259	52,259	41,260	10,999
Health	3,050	3,050	1,409	1,641
Conservation-Recreation	7,140	7,140	2,142	4,998
Capital Outlay	60,487	60,487	503	59,984
<i>Total Disbursements</i>	122,936	122,936	45,314	77,622
<i>Excess of Receipts Over (Under) Disbursements</i>	(75,535)	(75,535)	9,227	84,762
<i>Fund Balance Beginning of Year</i>	\$75,535	\$75,535	75,535	
<i>Fund Balance End of Year</i>			\$84,762	\$84,762

See accompanying notes to the basic financial statements

**AUGLAIZE TOWNSHIP
PAULDING COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$77,233	\$77,233	\$81,542	\$4,309
Interest	1,671	1,671	4,700	3,029
<i>Total receipts</i>	78,904	78,904	86,242	7,338
Disbursements				
Current:				
Public Works	95,502	95,502	30,740	64,762
Capital Outlay	73,041	73,041	70,713	2,328
<i>Total Disbursements</i>	168,543	168,543	101,453	67,090
<i>Excess of Receipts Under Disbursements</i>	(89,639)	(89,639)	(15,211)	74,428
<i>Fund Balance Beginning of Year</i>	\$89,639	\$89,639	89,639	
<i>Fund Balance End of Year</i>	\$74,428	\$74,428	\$74,428	\$74,428

See accompanying notes to the basic financial statements

**AUGLAIZE TOWNSHIP
PAULDING COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire District Fund
For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$31,637	\$31,637	\$32,125	\$488
Intergovernmental	3,833	3,833	3,608	(225)
Other			1,309	1,309
<i>Total receipts</i>	<u>35,470</u>	<u>35,470</u>	<u>37,042</u>	<u>1,572</u>
Disbursements				
Current:				
Public Safety	31,180	31,180	22,307	8,873
Capital Outlay	47,006	47,006	4,571	42,435
<i>Total Disbursements</i>	<u>78,186</u>	<u>78,186</u>	<u>26,878</u>	<u>51,308</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(42,716)</u>	<u>(42,716)</u>	<u>10,164</u>	<u>52,880</u>
<i>Fund Balance Beginning of Year</i>	<u>\$42,716</u>	<u>\$42,716</u>	<u>42,716</u>	
<i>Fund Balance End of Year</i>			<u><u>\$52,880</u></u>	<u><u>\$52,880</u></u>

See accompanying notes to the basic financial statements

**AUGLAIZE TOWNSHIP
PAULDING COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
FEMA Grant Fund
For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Intergovernmental	<u>\$33,850</u>	<u>\$33,850</u>	<u>\$33,850</u>	<u> </u>
Disbursements				
Capital Outlay	<u>\$33,850</u>	<u>\$33,850</u>	<u>\$33,850</u>	<u> </u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Fund Balance Beginning of Year</i>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Fund Balance End of Year</i>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

See accompanying notes to the basic financial statements

**AUGLAIZE TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 1 – REPORTING ENTITY

Auglaize Township, Paulding County, Ohio (the Township), is a body politic and corporate established in Ohio to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Fiscal Officer.

The reporting entity is comprised of the primary government.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, fire protection, maintenance/repair of township roads and bridges, and cemetery and park maintenance. The Township contracts with the Village of Oakwood for emergency medical services.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

Based on this criteria, the Township has no component units.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Township does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Township's accounting policies.

**AUGLAIZE TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash and investment balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are classified as governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are as follows:

**AUGLAIZE TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

1. General Fund

The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

2. Gasoline Tax Fund

The Gasoline Tax Fund receives state fuel excise taxes to pay for constructing, maintaining, and repairing Township roads.

3. Fire District Fund

The Fire District Fund receives property tax monies for its fire department operations.

4. FEMA Fund

The FEMA Fund receives grant money for updating the fire department's equipment.

5. Public Works Project Fund

The Public Works Project Fund receives grant money for the repair of Township roads.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

**AUGLAIZE TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund-function-object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

During 2006, the Township invested in STAR Ohio and a Max Saver Account. The Township's Max Saver investment is recorded at the amount reported by Fifth Third Bank on December 31, 2006.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 was \$7,135 which includes \$2,964 assigned from other Township funds.

F. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**AUGLAIZE TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

I. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for Motor Vehicle License, Gasoline, Road & Bridge, Fire and EMS.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and major special revenue funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the *modified* cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (*modified* cash basis). There are no outstanding year end encumbrances.

NOTE 4 – DEPOSITS AND INVESTMENTS

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**AUGLAIZE TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 4 – DEPOSITS AND INVESTMENTS – (CONTINUED)

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions.

**AUGLAIZE TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 4 – DEPOSITS AND INVESTMENTS – (CONTINUED)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$48,138 of the Township bank balance of \$248,138 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements of the deposit of money had been followed; noncompliance with federal requirements could potentially subject the Township to a successful claim by the FDIC.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township; or collateralized by the financial institution's public entity deposit pool.

As of December 31, 2006, the Township had the following investments.

Investments

	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio	\$89,595	Less than 1 year

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township's investment policy is limited to requiring compliance with state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

NOTE 5 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**AUGLAIZE TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 5 – PROPERTY TAXES – (CONTINUED)

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2006, was \$53 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	<u>2006</u>
Residential	\$14,307,160
Agricultural	2,680,930
Commercial/Industrial/Mineral	762,410
Tangible Personal Property	810,860
Public Utility	757,770
Total Assessed Value	<u><u>\$19,319,130</u></u>

NOTE 6 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006, the Township contracted with two companies for various types of insurance coverage as follows:

Company	Type of Coverage	Amount of Coverage
American Alternative Ins. Corp.	Commercial Property	\$720,703
	General Liability	\$1,000,000 per occurrence \$3,000,000 Aggregate
	Inland Marine	\$58,000 plus guaranteed replacement without limit on all fire equipment.
	Vehicle	\$1,000,000/\$250 deductible
	Errors and Omissions	\$1,000,000 per occurrence/\$11,000,000 aggregate
Auto Owners Insurance	Public Officials	Clerk \$10,000/Trustees \$5,000
	Bonds	Zoning Inspector \$5,000
	Excess Liability	\$4,000,000 per occurrence \$4,000,000 Aggregate

**AUGLAIZE TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 6 – RISK MANAGEMENT – (CONTINUED)

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

NOTE 7 – DEFINED BENEFIT PENSION PLAN

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.0 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 13.70 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004, were \$9,610, \$8,390 and \$8,244 respectively. The full amount has been contributed for 2006, 2005, and 2004. Contributions to the member-directed plan for 2006 were \$5,800 made by the Township and \$3,810 made by the plan members.

**AUGLAIZE TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 8 - POSTEMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70 percent of covered payroll 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$2,806. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion.

The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2008. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.



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 Township
Paulding County
22490 Road 178
Oakwood, Ohio 45873-9008

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Auglaize Township, Paulding County (the Township) as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 1, 2007, wherein we noted the Township uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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 Township's 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 Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be significant deficiency in internal control over financial reporting: 2006-001.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do not believe the significant deficiency described above is a material weakness.

We also noted a certain internal control matter that we reported to the Township's management is a separate letter dated August 1, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Township's 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 certain noncompliance that we reported to the Township's management in a separate letter dated August 1, 2007.

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



Mary Taylor, CPA
Auditor of State

August 1, 2007

**AUGLAIZE TOWNSHIP
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2006-001

Significant Deficiency - Financial Reporting

The Township has elected to present its financial statements according to the American Institute of Certified Public Accountant's interpretation; it must adjust its financial statements to substantially conform to the display and now applicable disclosure requirements of Generally Accepted Accounting Principles (GAAP). According to the interpretation, the cash basis financial statement presentation must "look like" a GAAP presentation (i.e., GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, once it became effective).

The presentation requires that a statement of activities is presented in a format that reports the net (disbursements) receipts of the Township's individual functions (General Government, Public safety, etc) with the objective to report the relative financial burden of the Township's functions to its taxpayers.

In order to achieve this, certain revenues that derive directly from the function itself or from parties outside the Township's taxpayers or citizenry and help to reduce the net cost of the function are presented as program revenues.

The following program revenues were not presented against the appropriate governmental function on the statement of activities:

1. Ohio Public Works Grant activity was reported in the capital outlay function. The program revenues of \$56,944 were netted against the public works function.
2. Zoning activity was reported as a general government function. Its related revenues of \$2,412 were netted against other expenditures.
3. Federal Emergency Management Agency (FEMA) Grant revenues of \$33,850 were posted as general receipts. These revenues are program revenues related to capital outlay function.
4. EMS and Fire activity is reported in the public safety function. Homestead and Rollback receipts of \$5,191 were reported as program revenues of the public works function.
5. Expenditures from Gasoline Tax monies were reported in the capital outlay function. Program receipts of \$70,713 were posted to the public works function.

In addition, monies held in Star Ohio and a savings account totaling \$229,090 were reported on the Statement of Net Assets and Statement of Cash and Fund Balances as investments instead of pooled cash.

Audit adjustments were made to correct these errors in the financial statements.

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

**FINDING NUMBER 2006-001
(Continued)**

We recommend the Fiscal Officer reconsider how program revenues are mapped to its governmental functions on the statement of net assets.

Officials' Response:

The Township did not respond to this finding.

**AUGLAIZE TOWNSHIP
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Revised Code § 5705.36 and 39 – Appropriations in the FEMA Fund exceeded actual resources.	Yes	



Mary Taylor, CPA
Auditor of State

AUGLAIZE TOWNSHIP

PAULDING 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
SEPTEMBER 4, 2007**