



**WASHINGTON TOWNSHIP  
AUGLAIZE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2001 - 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



WASHINGTON TOWNSHIP  
AUGLAIZE COUNTY

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza  
130 West Second Street  
Suite 2040  
Dayton, Ohio 45402  
Telephone 937-285-6677  
800-443-9274  
Facsimile 937-285-6688  
www.auditor.state.oh.us

## REPORT OF INDEPENDENT ACCOUNTANTS

Washington Township  
Auglaize County  
10631 Kettlersville Road  
New Knoxville, Ohio 45871

To the Board of Trustees:

We have audited the accompanying financial statements of Washington Township, Auglaize County, (the Township) as of and for the years ended December 31, 2001 and December 31, 2000. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township, as of December 31, 2001 and December 31, 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2002, 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 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.

Washington Township  
Auglaize County  
Report of Independent Accountants  
Page 2

This report is intended solely for the information and use of the management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

March 22, 2002

**WASHINGTON TOWNSHIP  
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$19,689	\$36,963	\$56,652
Intergovernmental	35,248	69,543	104,791
Licenses, Permits, and Fees	620	505	1,125
Earnings on Investments	5,295	1,570	6,865
Other Revenue	1,028	55	1,083
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	61,880	108,636	170,516
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
General Government	35,903		35,903
Public Safety	9,851		9,851
Public Works		66,911	66,911
Health	3,343	190	3,533
Capital Outlay	12,467		12,467
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	61,564	67,101	128,665
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	316	41,535	41,851
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	105,477	66,387	171,864
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$105,793</u></b>	<b><u>\$107,922</u></b>	<b><u>\$213,715</u></b>

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

**WASHINGTON TOWNSHIP  
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$19,287	\$35,895	\$55,182
Intergovernmental	83,747	69,328	153,075
Licenses, Permits, and Fees	460	240	700
Earnings on Investments	7,357	953	8,310
Other Revenue	439	5	444
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	111,290	106,421	217,711
<b>Cash Disbursements:</b>			
Current:			
General Government	36,526		36,526
Public Safety	22,397		22,397
Public Works		118,389	118,389
Health	2,190	1,170	3,360
Capital Outlay	72,747	62,913	135,660
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	133,860	182,472	316,332
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	(22,570)	(76,051)	(98,621)
<b>Other Financing Receipts:</b>			
Sale of Fixed Assets	26,500		26,500
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	3,930	(76,051)	(72,121)
Fund Cash Balances, January 1	101,547	142,438	243,985
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$105,477</u></b>	<b><u>\$66,387</u></b>	<b><u>\$171,864</u></b>

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



**WASHINGTON TOWNSHIP  
AUGLAIZE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Washington Township, Auglaize County, (the Township) is a body corporate and politic established 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 provides general government services, road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with the Village of New Knoxville, Van Buren Township, and Shelby County to provide fire services and with the City of St. Marys to provide emergency ambulance services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**WASHINGTON TOWNSHIP  
AUGLAIZE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Road and Bridge Fund** - This fund receives property tax money to construct, maintain and repair Township roads and bridges.

**Gasoline Tax Fund** - This fund receives gasoline tax money to construct, maintain and repair Township roads.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Township maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, was as follows:

	<u>2001</u>	<u>2000</u>
Demand Deposits	\$213,715	\$167,768
STAR Ohio		<u>4,096</u>
Total deposits and investments	<u>\$213,715</u>	<u>\$171,864</u>

**WASHINGTON TOWNSHIP  
AUGLAIZE COUNTY**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

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

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$51,624	\$61,880	\$10,256
Special Revenue	105,952	108,636	2,684
Total	\$157,576	\$170,516	\$12,940

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$161,842	\$61,564	\$100,278
Special Revenue	167,598	67,101	100,497
Total	\$329,440	\$128,665	\$200,775

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$46,368	\$137,790	\$91,422
Special Revenue	104,837	106,421	1,584
Total	\$151,205	\$244,211	\$93,006

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$147,915	\$133,860	\$14,055
Special Revenue	247,275	182,472	64,803
Total	\$395,190	\$316,332	\$78,858

Contrary to Ohio Law, purchase obligations were not always certified as having available appropriations prior to an obligation being incurred during 2000 and 2001.

**WASHINGTON TOWNSHIP  
AUGLAIZE COUNTY**

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

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**5. RETIREMENT SYSTEMS**

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equal to 13.55 percent of participants' gross salaries. PERS temporarily reduced the employer contribution rate to 8.13 percent, effective July 1, 2000. The contribution rate returned to 13.55 percent as of January 1, 2001. The Township has paid all contributions required through December 31, 2001.

**6. RISK MANAGEMENT**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA). OTARMA is a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty insurance for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**A. Casualty Insurance**

OTARMA retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**WASHINGTON TOWNSHIP  
AUGLAIZE COUNTY**

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

**6. RISK MANAGEMENT (Continued)**

**B. Property Insurance**

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**C. Financial Position**

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: (latest information available)

<b>Casualty Coverage</b>	<u>2000</u>	<u>1999</u>
Assets	\$22,684,383	\$18,172,222
Liabilities	<u>8,924,977</u>	<u>5,947,013</u>
Retained earnings	<u>\$13,759,406</u>	<u>\$12,225,209</u>
<b>Property Coverage</b>	<u>2000</u>	<u>1999</u>
Assets	\$4,156,784	\$3,544,437
Liabilities	<u>497,831</u>	<u>674,752</u>
Retained earnings	<u>\$3,658,953</u>	<u>\$2,869,685</u>

The Township also provides disability and cancer insurance to officials through a private carrier.

**7. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any would not be material.

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza  
130 West Second Street  
Suite 2040  
Dayton, Ohio 45402  
Telephone 937-285-6677  
800-443-9274  
Facsimile 937-285-6688  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND  
ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Washington Township  
Auglaize County  
10631 Kettlersville Road  
New Knoxville, Ohio 45871

To the Board of Trustees:

We have audited the accompanying financial statements of Washington Township, Auglaize County, (the Township) as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated March 22, 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 the Township's 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2001-40206-001 through 2001-40206-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated March 22, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's 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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated March 22, 2002.

Washington Township  
Auglaize County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

**Jim Petro**  
Auditor of State

March 22, 2002



**WASHINGTON TOWNSHIP  
AUGLAIZE COUNTY  
  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER - 2001-40206-001**

**Ohio Rev. Code Section 505.24**, states that trustees shall be paid from the township general fund, or from such other township funds in such proportions, according to the kinds of services performed, as the board may specify by resolution.

The Trustees' salaries and related benefits were paid from the Gasoline Tax Fund, Special Revenue Fund Type, in fiscal years 2001 and 2000, in the amount of \$24,233 and \$23,705, respectively. These amounts represented 47 percent of the revenue of the Gasoline Tax Fund in both years.

There was no resolution adopted approving the payment of the salaries from the Gasoline Tax Fund, nor for the payment from the various Township funds in proportion to the work performed as required by law. The absence of a resolution defining the amounts to be paid from each fund and the reasoning for the allocation among funds could lead to improper or excessive payments from some funds.

The Township adopted a retroactive resolution that allocated the time worked at 20 percent for administrative time to be paid from the general fund, and 80 percent of time worked related to roads and ditches and to be paid from the gasoline tax fund.

Based on this allocation, an adjustment has been made to the financial statements in favor of the gasoline tax fund in the amount of \$4,847 for the year 2001, and \$4,741 for the year 2000, from the general fund.

A resolution should be adopted annually, approving the payment of the salaries and related payroll expenditures from each Township fund based on the amount of time spent on activities relating to the fund that will be charged.

**FINDING NUMBER 2000-40206-002**

**Ohio Rev. Code Sections 153.50, 153.51, and 153.52**, require separate bids and contracts for each class of work on buildings and other structures. The contract must be made directly with the contractor(s) upon the terms, conditions, and limitations of the bid.

A bid was accepted, in fiscal year 2000, for the construction of a storage building, and a formal written contract was not issued. Payments on the building were made from the general fund and the special revenue road and bridge fund in the amounts of \$47,784 and \$48,250, respectively. Only the bid document and an oral agreement existed.

Commitments may not be binding without a written contract. In addition, expenditures could be made that are not appropriate, or expenditures could be made for fictitious obligations. Also, the Township could be responsible for unanticipated liabilities, and issues related to prevailing wages.

For the protection of the Township, a valid, written contract for any construction commitment in excess of \$15,000 should be in writing, in accordance with the terms of the bid.

WASHINGTON TOWNSHIP  
AUGLAIZE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000  
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS  
(Continued)

FINDING NUMBER 2001-40206-003

**Ohio Rev. Code Section 5705.41(D)**, states that no subdivision shall make any contract or order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer that the amount required to meet such commitment has been lawfully appropriated and is in the treasury or in the process of collection to the appropriate fund free from any previous encumbrance. Further, contracts lacking prior certification are to be considered null and void.

An exception to this requirement provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that the certification is being completed, sufficient funds were available or were in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of the warrant ("then and now"). The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$1,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

For the year 2001, twenty-seven percent of transactions, and for the year 2000, twenty percent of transactions lacked prior certification. In addition, there was no evidence of certification that funds were available at the time of making the obligation and at the time of payment ("then and now").

Blanket purchase orders and specific purchase orders were being issued and available funds certified, but these were issued after the commitments were made. Blanket purchase orders were issued for a period of three months as required, however, when canceling one blanket purchase order, another blanket purchase order was not issued timely. As a result, commitments were still outstanding, or made in the interim between the closing and subsequent issuance of the next blanket purchase order.

The lack of proper certification could result in the obligation of funds in excess of fund balances resulting in a deficit spending situation. Certification that funds are available should be obtained prior to purchasing goods and services to prevent possible overspending of resources and/or the obligation of amounts in excess of specific line item appropriations. Procedures should be established for obtaining certification prior to incurring an obligation, or for subsequent certification and approval as provided by the exception noted above.

In addition, when utilizing blanket purchase orders, the subsequent purchase order should be issued when the existing purchase order is closed to ensure that all commitments are certified and encumbered.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**WASHINGTON TOWNSHIP**

**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  
APRIL 18, 2002**