



**Auditor of State
Betty Montgomery**

VILLAGE OF BURKETTSTVILLE
MERCER COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Burkettsville
Mercer County
P.O. Box 45
Burkettsville, Ohio 45310

To the Village Council:

We have audited the accompanying financial statements of the Village of Burkettsville, Mercer County (the Village), as of and for the years ended December 31, 2002 and December 31, 2001. These financial statements are the responsibility of the Village'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 Village 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 Village as of December 31, 2002 and December 21, 2002, 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 May 29, 2003, on our consideration of the Village'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.

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Village of Burkettsville
Mercer County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of the audit committee, management, Village Council 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 29, 2003

**VILLAGE OF BURKETTSVILLE
MERCER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

| | <u>Governmental Fund Types</u> | | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | |
| Property Tax and Other Local Taxes | \$3,812 | \$7,340 | | \$11,152 |
| Intergovernmental Receipts | 27,549 | 17,407 | | 44,956 |
| Earnings on Investments | 2,464 | | | 2,464 |
| Miscellaneous | 5,645 | 333 | | 5,978 |
| Total Cash Receipts | 39,470 | 25,080 | | 64,550 |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 6,063 | 6,807 | | 12,870 |
| Public Health Services | 1,051 | | | 1,051 |
| Leisure Time Activities | 5,812 | | | 5,812 |
| Transportation | | 2,562 | | 2,562 |
| General Government | 13,371 | | | 13,371 |
| Capital Outlay | | | 25,000 | 25,000 |
| Total Cash Disbursements | 26,297 | 9,369 | 25,000 | 60,666 |
| Total Receipts Over/(Under) Disbursements | 13,173 | 15,711 | (25,000) | 3,884 |
| Other Financing Receipts and (Disbursements): | | | | |
| Loan Proceeds | | | 40,000 | 40,000 |
| Transfers-In | | | 25,000 | 25,000 |
| Transfers-Out | (25,000) | | | (25,000) |
| Total Other Financing Receipts/(Disbursements) | (25,000) | | 65,000 | 40,000 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (11,827) | 15,711 | 40,000 | 43,884 |
| Fund Cash Balances, January 1 | 79,073 | 24,308 | 0 | 103,381 |
| Fund Cash Balances, December 31 | \$67,246 | \$40,019 | \$40,000 | \$147,265 |

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

**VILLAGE OF BURKETTSVILLE
MERCER 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> | | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | |
| Property Tax and Other Local Taxes | | \$617 | | \$617 |
| Intergovernmental Receipts | 25,671 | 18,327 | 40,213 | 84,211 |
| Earnings on Investments | 3,302 | 795 | | 4,097 |
| Miscellaneous | 2,044 | | | 2,044 |
| | | | | |
| Total Cash Receipts | <u>31,017</u> | <u>19,739</u> | <u>40,213</u> | <u>90,969</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 14,054 | 72 | | 14,126 |
| Public Health Services | 720 | | | 720 |
| Leisure Time Activities | 6,084 | | | 6,084 |
| Basic Utility Services | 60 | | | 60 |
| Transportation | 13,728 | 29,535 | | 43,263 |
| Capital Outlay | 5,701 | | 40,213 | 45,914 |
| | | | | |
| Total Cash Disbursements | <u>40,347</u> | <u>29,607</u> | <u>40,213</u> | <u>110,167</u> |
| Total Receipts (Under) Disbursements | (9,330) | (9,868) | | (19,198) |
| Fund Cash Balances, January 1 | <u>88,403</u> | <u>34,176</u> | <u>0</u> | <u>122,579</u> |
| Fund Cash Balances, December 31 | <u><u>\$79,073</u></u> | <u><u>\$24,308</u></u> | <u><u>\$0</u></u> | <u><u>\$103,381</u></u> |

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

**VILLAGE OF BURKETTSVILLE
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Burkettsville, Mercer County, (the Village), 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 Village is directed by a publicly-elected six-member Council. The Village provides park operations. The Mercer County Sheriff's department provides security of persons and property. The Village appropriates general fund and special revenue fund money to support a volunteer fire department.

The Village's management believes these financial statements present all activities for which the Village 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

Cash deposits and certificates of deposit are valued at cost

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village 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 Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds).

**VILLAGE OF BURKETTSVILLE
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sewer System Fund – This fund received money from the Ohio Water Development Authority in 2002 and transfers from the General fund for the planning and future construction of a sewer system within the Village.

Ohio Public Works Commission Fund – This fund received money in 2001 from the Ohio Public Works Commission for the reconstruction of Church Street.

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 object level of control, and appropriations may not exceed estimated resources. The Council 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 Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2002 and 2001 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 Village maintains a cash and investments 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>2002</u> | <u>2001</u> |
|-------------------------|------------------|------------------|
| Demand deposits | \$105,971 | \$63,882 |
| Certificates of deposit | 41,294 | 39,499 |
| Total deposits | <u>\$147,265</u> | <u>\$103,381</u> |

**VILLAGE OF BURKETTSTVILLE
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Village.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and December 31 2001 follows:

| 2002 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$33,949 | \$39,470 | \$5,521 |
| Special Revenue | 27,346 | 25,080 | (2,266) |
| Capital Projects | 25,000 | 65,000 | 40,000 |
| Total | \$86,295 | \$129,550 | \$43,255 |

| 2002 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$110,210 | \$51,297 | \$58,913 |
| Special Revenue | 42,846 | 9,369 | 33,477 |
| Capital Projects | 25,000 | 25,000 | 0 |
| Total | \$178,056 | \$85,666 | \$92,390 |

| 2001 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$28,379 | \$31,017 | \$2,638 |
| Special Revenue | 50,502 | 19,739 | (30,763) |
| Capital Projects | 0 | 40,213 | 40,213 |
| Total | \$78,881 | \$90,969 | \$12,088 |

| 2001 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$104,030 | \$40,347 | \$63,683 |
| Special Revenue | 39,072 | 29,607 | 9,465 |
| Capital Projects | 0 | 40,213 | (40,213) |
| Total | \$143,102 | \$110,167 | \$32,935 |

The Village did not comply with Ohio Revised Code Section 5705.41 (B). The expenditures for the capital projects fund exceeded appropriations during 2001. Also, there were several expenditures exceeding appropriations at the legal of level control throughout the year.

The Village did not comply with Ohio Revised Code Section 5705.40. The Village Council did not approve the appropriations entered into the Village's budgetary system for the capital projects fund during 2001.

**VILLAGE OF BURKETTSTVILLE
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. 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 payments, the first half is due December 31. The second half payment is due the following June 20.

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 Village.

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

| | Principal | Interest Rate |
|--|-----------|---------------|
| Ohio Water Development Authority Loan - EV0555 | \$20,000 | 0.00% |
| Ohio Water Development Authority Loan - EV0545 | 25,000 | 0.00% |
| Total | \$45,000 | |

The Ohio Water Development Authority (OWDA) loans were obtained to assist with costs incurred for drawing up the preliminary and detailed engineering plans for a new wastewater treatment plant. The OWDA has approved up to \$75,000 in loans to the Village for this project. The loans will be repaid in annual installments of \$5,000 and \$2,500 respectively, over 10 years. The scheduled payment amount below assumes that \$75,000 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by the general fund.

Amortization of the above debt is scheduled as follows:

| | OWDA Loan - EV0545 | OWDA Loan - EV055 |
|--------------------------|-----------------------|----------------------|
| Year ending December 31: | | |
| 2004 | \$2,500 | \$0 |
| 2005 | 2,500 | 5,000 |
| 2006 | 2,500 | 5,000 |
| 2007 | 2,500 | 5,000 |
| 2008 | 2,500 | 5,000 |
| 2009 - 2013 | 12,500 | 25,000 |
| 2014 | 0 | 5,000 |
| Total | \$25,000 | \$50,000 |

**VILLAGE OF BURKETTSTVILLE
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. RETIREMENT SYSTEMS

The Village's Clerk and Mayor belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. The other elected officials belong to social security.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. For social security, both the elected officials and the Village contribute 6.2% of the elected official's wages. The Village has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; and
- Vehicles.

The Village is uninsured for the following risks:

- Errors and omissions.

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**Auditor of State
Betty Montgomery**

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

Village of Burkettsville
Mercer County
P.O. Box 45
Burkettsville, Ohio 45310

To the Village Council:

We have audited the accompanying financial statements of the Village of Burkettsville, Mercer County (the Village), as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated May 29, 2003. 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 Village'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 2002-001 through 2002-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 29, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village'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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 29, 2003.

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Village of Burkettsville
Mercer County
Independent Accountants' Report 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 audit committee, management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 29, 2003

VILLAGE OF BURKETTSVILLE
MERCER COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001

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

Finding Number 2002-001

Ohio Rev. Code Section 731.13 states the legislative authority of a village shall fix the compensation of all officers, clerks and employees of the village. The legislative authority shall, in the case of elective officers, fix their compensation for the ensuing term of office at a meeting held not later than five days prior to the last day fixed by law for filing as a candidate for such office. The compensation so fixed shall not be increased or diminished during the term for which any officer is elected or appointed. **Ohio Revised Code Section 102.03 (E)** and **Ethics Opinion 93-006**, prohibit a village mayor from accepting, for the duration of his current term, an increase in compensation enacted by council while he was mayor, regardless of whether he voted in favor of the increase in order to break a tie on council.

Council passed Ordinance No. 211 on July 2, 2001 to set the salary of the Mayor at \$1,000 per year, effective for mayors appointed to, elected to, or reelected to the position after the effective date of the legislation. Prior to the passage of this ordinance, Ordinance No. 191, passed January 2, 1990, set the salary of the Mayor at \$750 per year.

James Garke, Mayor, was reelected for the term 1/1/00 to 12/31/03 and is subject to the salary of \$750 per year rather than the \$1,000 per year authorized by Ordinance No. 211 as this was an in term increase. During 2002, the mayor was paid \$1,000 per year resulting in an overpayment of \$250.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies being illegally expended is hereby issued against James Garke, Mayor, in the amount of \$250, in favor of the Village General fund.

Finding Number 2002-002

Ohio Rev. Code Section 5705.40 states any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them. Transfers may be made by resolution or ordinance from one appropriation item to another. Subject to certain limitations, the annual appropriation measure may contain an appropriation for contingencies.

The Village increased the appropriations for the Street Construction, Maintenance, and Repair Fund during 2001 by \$42,930, but there was no approval by Council.

The Village Clerk should present all increases or decreases in appropriations to the Village Council for approval in order to be in compliance with the Ohio Revised Code.

| | |
|-------------------------|--|
| Finding Number 2002-003 | |
|-------------------------|--|

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures exceeded appropriations by \$40,213 in the Capital Projects Fund during 2001 and by \$1,461 in the Fire Levy Fund during 2002. There were two instances noted where the expenditures exceeded the appropriations at the legal level of control. They are as follows:

2001

Capital Projects Fund, Capital Outlay - \$40,213

2002

Fire Levy Fund, Security of Persons and Property, Contractual Services - \$1,461

The Clerk should periodically review the appropriations ledger to determine if the expenditures are within appropriations at the legal level of control. If they are not, then appropriate amendments should be made to increase appropriations.

**VILLAGE OF BURKETTSTVILLE
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND DECEMBER 31, 2001**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|--|------------------|---|
| 2000-30254-001 | ORC Sec. 5705.41 (D) - Prior certification was not obtained for all expenditures. | Yes | |



**Auditor of State
Betty Montgomery**

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VILLAGE OF BURKETTSVILLE

MERCER 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 1, 2003**