



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Brunersburg Water District
Defiance County
22485 Mill Street
Defiance, Ohio 43512-1211

To the Board of Trustees:

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

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the District 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 District as of December 31, 2001 and 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 May 16, 2002 on our consideration of the District'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 audits.

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

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

Jim Petro
Auditor of State

May 16, 2002

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

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

| | <u>Governmental Fund Types</u> | | <u>Fiduciary Fund Type</u> | Totals (Memorandum Only) |
|-----------------------------------------------------|------------------------------------|-----------------------------|--------------------------------|-----------------------------------------|
| | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Agency</u> | |
| Cash Receipts: | | | | |
| Special Assessments | \$35,507 | | \$27,231 | \$62,738 |
| Miscellaneous | | \$928 | | 928 |
| Total Cash Receipts | <u>35,507</u> | <u>928</u> | <u>27,231</u> | <u>63,666</u> |
| Cash Disbursements: | | | | |
| Debt Service | 39,912 | | | 39,912 |
| Miscellaneous | 25 | 12,250 | 27,081 | 39,356 |
| Total Cash Disbursements | <u>39,937</u> | <u>12,250</u> | <u>27,081</u> | <u>79,268</u> |
| Total Cash Receipts Over/(Under) Cash Disbursements | (4,430) | (11,322) | 150 | (15,602) |
| Fund Cash Balances, January 1 | <u>15,249</u> | <u>15,410</u> | <u>2,147</u> | <u>32,806</u> |
| Fund Cash Balances, December 31 | <u>\$10,819</u> | <u>\$4,088</u> | <u>\$2,297</u> | <u>\$17,204</u> |

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

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

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

| | Proprietary Fund Type |
|-------------------------------------------------|----------------------------------|
| | Enterprise |
| Operating Cash Receipts: | |
| Charges for Services | \$192,091 |
| Miscellaneous | 5,994 |
| Total Operating Cash Receipts | 198,085 |
| Operating Cash Disbursements: | |
| Personal Services | 42,212 |
| Travel Transportation | 470 |
| Contractual Services | 99,872 |
| Supplies and Materials | 17,670 |
| Capital Outlay | 21,825 |
| Miscellaneous | 133 |
| Total Operating Cash Disbursements | 182,182 |
| Operating Income | 15,903 |
| Non-Operating Cash Receipts: | |
| Intergovernmental Receipts | 387 |
| Other Non-Operating Receipts | 4,454 |
| Total Non-Operating Cash Receipts | 4,841 |
| Non-Operating Cash Disbursements: | |
| Debt Service | |
| Other Non-Operating Cash Disbursements | 4,349 |
| Excess of Cash Receipts Over Cash Disbursements | 16,395 |
| Fund Cash Balance, January 1 | 144,221 |
| Fund Cash Balance, December 31 | \$160,616 |

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

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

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

| | <u>Governmental Fund Types</u> | | <u>Fiduciary Fund Type</u> | Totals (Memorandum Only) |
|------------------------------------------------------------------------------------------------------------------------------|------------------------------------|-----------------------------|--------------------------------|-----------------------------------------|
| | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Agency</u> | |
| Cash Receipts: | | | | |
| Special Assessments | \$30,905 | \$273,486 | \$26,633 | \$331,024 |
| Miscellaneous | | 881 | | 881 |
| Total Cash Receipts | <u>30,905</u> | <u>274,367</u> | <u>26,633</u> | <u>331,905</u> |
| Cash Disbursements: | | | | |
| Debt Service | 33,271 | 180,307 | | 213,578 |
| Contractual Service | | 255,143 | | 255,143 |
| Miscellaneous | 50 | 8,200 | 26,542 | 34,792 |
| Total Cash Disbursements | <u>33,321</u> | <u>443,650</u> | <u>26,542</u> | <u>503,513</u> |
| Total Cash Receipts Over/(Under) Disbursements | <u>(2,416)</u> | <u>(169,283)</u> | <u>91</u> | <u>(171,608)</u> |
| Other Financing Receipts/(Disbursements): | | | | |
| Sale of Bonds or Notes | | 194,387 | | 194,387 |
| Advances-In | | 41,000 | | 41,000 |
| Advances-Out | | (76,000) | | (76,000) |
| Total Other Financing Receipts/(Disbursements) | | <u>159,387</u> | | <u>159,387</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (2,416) | (9,896) | 91 | (12,221) |
| Fund Cash Balances January 1 | <u>17,665</u> | <u>25,306</u> | <u>2,056</u> | <u>45,027</u> |
| Fund Cash Balances, December 31 | <u>\$15,249</u> | <u>\$15,410</u> | <u>\$2,147</u> | <u>\$32,806</u> |

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

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

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

| | Proprietary Fund Type |
|------------------------------------------------------------------------------|----------------------------------|
| | Enterprise |
| Operating Cash Receipts: | |
| Charges for Services | \$224,315 |
| Miscellaneous | 2,969 |
| | 227,284 |
| Operating Cash Disbursements: | |
| Personal Services | 37,183 |
| Fringe Benefits | 340 |
| Contractual Services | 82,913 |
| Supplies and Materials | 13,379 |
| Capital Outlay | 62,835 |
| Miscellaneous | 48 |
| | 196,698 |
| Operating Income | 30,586 |
| Non-Operating Cash Receipts: | |
| Intergovernmental Receipts | 19,974 |
| Other Non-Operating Receipts | 9,034 |
| | 29,008 |
| Non-Operating Cash Disbursements: | |
| Other Non-Operating Cash Disbursements | 730 |
| Excess of Cash Receipts Over Cash Disbursements Before Interfund Advances | 58,864 |
| Advances-In | 76,000 |
| Advances-Out | (41,000) |
| | 93,864 |
| Net Cash Receipts Over Cash Disbursements | 93,864 |
| Fund Cash Balance, January 1 | 50,357 |
| Fund Cash Balance, December 31 | \$144,221 |

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

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Brunersburg Water District, Defiance County, (the District) 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 District is directed by a seven-member Board of Trustees appointed by the Noble Township Board of Trustees. The District maintains and operates a water system for individuals living in the District.

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

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

C. Cash and Investments

Investments are reported as assets and are valued at cost. 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.

D. Fund Accounting

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

1. Enterprise Funds

These funds are used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The District maintained one enterprise fund. The Water fund is used to account for receipts of charges for services from residents to cover the cost of providing water service.

2. Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The District had the following significant debt service funds:

The OWDA Loan fund is used to account for special assessment revenue and the subsequent payments of the OWDA loan.

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

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

The Sky Bank Loan fund is used to account for the special assessment revenue and the subsequent payments of the loan to Sky Bank.

3. Capital Project Funds

This fund is 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). The District had the following significant capital project fund:

Utility Improvement Fund - This fund is to account for the construction of water lines.

4. Fiduciary Funds (Agency Funds)

Funds for which the District is acting in an agency capacity are classified as agency funds. The District had the following significant fiduciary fund:

Special Assessment Fund - This fund is to account for the special assessments the District is collecting for Defiance County.

E. Budgetary Process

The Ohio Revised Code requires the District to adopt an annual budget.

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 District must annually approve appropriation measures and subsequent amendments. Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year (if any). 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.

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The District did not use the encumbrance method of accounting.

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

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

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

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investments pool used by all funds. The carrying amount of cash and investments at December 31 was as follows:

| | 2001 | 2000 |
|-----------------|-------------|-------------|
| Demand deposits | \$177,820 | \$177,027 |

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

3. BUDGETARY ACTIVITY

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

| 2001 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|-------------------|-----------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| Debt Service | \$34,869 | \$35,507 | \$638 |
| Capital Projects | 900 | 928 | 28 |
| Enterprise | 140,131 | 202,926 | 62,795 |
| Total | \$175,900 | \$239,361 | \$63,461 |

| 2001 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|-------------------------------------------------------|-------------------------|------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| Debt Service | \$50,118 | \$39,936 | \$10,182 |
| Capital Projects | 16,310 | 12,250 | 4,060 |
| Enterprise | 284,352 | 186,531 | 97,821 |
| Total | \$350,780 | \$238,717 | \$112,063 |

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

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

| 2000 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| Debt Service | \$31,000 | \$30,905 | (\$95) |
| Capital Projects | 478,228 | 468,754 | (9,474) |
| Enterprise | 221,000 | 256,292 | 35,292 |
| Total | <u>\$730,228</u> | <u>\$755,951</u> | <u>\$25,723</u> |

| 2000 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|-------------------------------------------------------|----------------------------|---------------------------|------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| Debt Service | \$48,664 | \$33,321 | \$15,343 |
| Capital Projects | 458,206 | 443,650 | 14,556 |
| Enterprise | 306,357 | 197,428 | 108,929 |
| Total | <u>\$813,227</u> | <u>\$674,399</u> | <u>\$138,828</u> |

The District did not certify any expenditures in 2001 or 2000 contrary to Ohio Revised Code § 5705.41 (D)

4. DEBT

Debt outstanding at December 31, 2001 was as follows:

| | Principal | Interest Rate |
|---------------------------------------|------------------|------------------|
| Ohio Water Development Authority Loan | \$164,256 | 7.77% |
| Sky Bank Loan- Switzer Road Project | 72,864 | 5.35% |
| Sky Bank Loan- Tinora Project | 14,961 | 6.2% |
| Total | <u>\$252,081</u> | |

The Ohio Water Development Authority (OWDA) loan relates to a water line installation project. The principal amount borrowed from OWDA was \$259,924 on January 1, 1991. The loan will be repaid in semiannual installments of \$13,022 including interest, over 20 years.

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

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

The Sky Bank Switzer Road project loan relates to the financing of the Switzer Road water project. The loan was financed on August 2, 1999 with a principal amount of \$81,470. The District has begun paying over the minimum semiannual interest installments. As of December 31, 2001 the loans balloon payment of \$72,864, including interest would be due on August 2, 2004.

The Sky Bank Tinora project loan relates to the financing of the Tinora water project. The loan was financed on August 29, 2000 with a principal amount of \$17,840. The loan will be repaid through semiannual installments of \$1,935 through February 2, 2006.

Amortization of the above debt, including interest, is scheduled as follows:

| Year ending December 31: | OWDA Loan | Sky Bank Switzer Road Loan | Sky Bank Tinora Project Loan |
|--------------------------|------------------|----------------------------------|------------------------------------|
| 2002 | \$26,043 | \$3,952 | \$3,869 |
| 2003 | 26,043 | 3,952 | 3,869 |
| 2004 | 26,043 | 74,840 | 3,869 |
| 2005 | 26,043 | | 3,869 |
| 2006 | 26,043 | | 1,936 |
| 2007 – 2011 | 104,172 | | |
| Total | <u>\$234,387</u> | <u>\$82,744</u> | <u>\$17,412</u> |

5. RETIREMENT SYSTEMS

The District's part-time 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 postretirement 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. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries through June 30, 2000. PERS temporarily reduced employer contributions to 8.13% effective July 1, 2000. The District has paid all contributions required through December 31, 2001.

6. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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

Brunersburg Water District
Defiance County
22485 Mill Street
Defiance, Ohio 43512-1211

To the Board of Trustees:

We have audited the accompanying financial statements of Brunersburg Water District (the District) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated May 16, 2002. We conducted our audits 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 District'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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-30120-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated May 16, 2002.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the District'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 District in a separate letter dated May 16, 2002.

Brunersburg Water District
Defiance 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 audit committee, management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

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

Jim Petro
Auditor of State

May 16, 2002

**BRUNERSBURG WATER DISTRICT
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-30120-001

Noncompliance Citation

Ohio Revised Code § 5705.41 (D) states that no order or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

- A. Then and Now Certificate: This exception 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 he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from an any previous encumbrance, the taxing authority can authorize the drawing of a warrant. 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.

- B. Amounts less than \$100 for counties, or less than \$1,000 for other political subdivisions may be paid by the fiscal officer without such certificate 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.

None of the transactions tested were certified at the time the commitment was incurred nor, were then and now certificates issued.

We recommend the Clerk certify the amount required to meet a 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 prior to placing an order. In instances where prior certification is not practical, we recommend issuance of a "then and now" certificate.



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BRUNERSBURG WATER DISTRICT

DEFIANCE 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
JUNE 25, 2002**