



Mary Taylor, CPA
Auditor of State

**BRILLIANT WATER AND SEWER DISTRICT
JEFFERSON COUNTY**

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Mary Taylor, CPA

Auditor of State

Brilliant Water and Sewer District
Jefferson County
706 Second Street
Brilliant, Ohio 43913

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Mary Taylor, CPA
Auditor of State

September 10, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Brilliant Water and Sewer District
Jefferson County
706 Second Avenue
Brilliant Ohio 43913

To the Board of Trustees:

We have audited the accompanying financial statements of the Brilliant Water and Sewer District, Jefferson County, (the District) as of and for the years ended December 31, 2006 and 2005. 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 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. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require the District to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2006 and 2005, or its changes in financial position or its cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of Brilliant Water and Sewer District, Jefferson County, as of December 31, 2006 and 2005, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although is not required to be part of , the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2007, 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 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.

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

Mary Taylor, CPA
Auditor of State

September 10, 2007

**BRILLIANT WATER AND SEWER DISTRICT
JEFFERSON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

| | <u>2006</u> | <u>2005</u> |
|--|--------------------------------|--------------------------------|
| Operating Cash Receipts: | | |
| Charges for Services | \$528,138 | \$503,562 |
| Miscellaneous | 2,182 | 4,303 |
| | <hr/> | <hr/> |
| Total Operating Cash Receipts | 530,320 | 507,865 |
| | <hr/> | <hr/> |
| Operating Cash Disbursements: | | |
| Personal Services | 175,797 | 170,323 |
| Utilities | 48,407 | 44,530 |
| Repairs and Maintenance | 91 | 575 |
| Testing and Licenses | 7,659 | 3,920 |
| Other Contractual Services | 44,887 | 44,143 |
| Chemicals and Operating Supplies | 63,054 | 77,737 |
| Office Supplies and Materials | 12,157 | 15,830 |
| Insurance | 17,638 | 18,483 |
| Capital Outlay | 13,063 | 103,234 |
| | <hr/> | <hr/> |
| Total Operating Cash Disbursements | 382,753 | 478,775 |
| | <hr/> | <hr/> |
| Operating Income/(Loss) | 147,567 | 29,090 |
| | <hr/> | <hr/> |
| Non-Operating Cash Receipts: | | |
| Intergovernmental Revenues | | 81,595 |
| Miscellaneous | 794 | 473 |
| | <hr/> | <hr/> |
| Total Non-Operating Cash Receipts | 794 | 82,068 |
| | <hr/> | <hr/> |
| Non-Operating Cash Disbursements: | | |
| Debt Service | 92,936 | 92,252 |
| Other Non-Operating Cash Disbursements | 5,821 | 5,543 |
| | <hr/> | <hr/> |
| Total Non-Operating Cash Disbursements | 98,757 | 97,795 |
| | <hr/> | <hr/> |
| Cash Balances, January 1 | 258,868 | 245,505 |
| | <hr/> | <hr/> |
| Cash Balances, December 31 | <u><u>\$308,472</u></u> | <u><u>\$258,868</u></u> |

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

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**BRILLIANT WATER AND SEWER DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges for the Brilliant Water and Sewer District, Jefferson County, (the District) as a body corporate and politic. There are 5 Board members. The District provides water and sewer services to residents of 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Budgetary Process

The Ohio Revised Code requires the District to budget annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function or object level of control, and appropriations may not exceed estimated resources. Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Board must annually approve appropriation measures and subsequent amendments. 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.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**BRILLIANT WATER AND SEWER DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

D. Property, Plant and Equipment

The accounting basis records acquisitions of property, plant, and equipment as capital outlay disbursements when paid. The accompanying financial statements do not include these assets.

E. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The District's accounting basis does not reflect a liability for unpaid leave.

2. CASH

The carrying amount of cash at December 31 follows:

| | | |
|-----------------|-----------|-----------|
| | 2006 | 2005 |
| Demand deposits | \$308,472 | \$258,868 |

Deposits: Deposits are 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, 2006 and 2005 follows:

| Budgeted vs. Actual Receipts | | |
|------------------------------|-----------|-----------|
| Fund Type | 2006 | 2005 |
| Actual Receipts | \$531,114 | \$589,933 |
| Budgeted Receipts | 510,130 | 551,000 |
| Variance | \$20,984 | \$38,933 |

| Budgeted vs. Actual Budgetary Basis Expenditures | | |
|--|-----------|-----------|
| Fund Type | 2006 | 2005 |
| Appropriation Authority | \$560,136 | \$667,480 |
| Budgetary Expenditures | 481,510 | 576,570 |
| Variance | \$78,626 | \$90,910 |

**BRILLIANT WATER AND SEWER DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. DEBT

Debt outstanding at December 31, 2006 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|---|------------------|----------------------|
| Ohio Water Development Authority (OWDA) | \$518,392 | 8.40% |

The Ohio Water Development Authority (OWDA) loan is for the construction of a wastewater treatment plant. The full faith, credit, and revenue of the District have been pledged to repay this debt. The amount payable at December 31, 2006 is expected to be repaid from a surcharge billed to customers on a monthly basis.

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

| <u>Year ending December 31:</u> | <u>OWDA Loan</u> |
|---------------------------------|------------------|
| 2007 | \$93,677 |
| 2008 | 94,480 |
| 2009 | 95,351 |
| 2010 | 96,296 |
| 2011 | 97,319 |
| 2012 - 2013 | 198,059 |
| Total | \$675,182 |

5. RETIREMENT SYSTEMS

The District's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as the Ohio Revised Code prescribes.

The Ohio Revised Code also prescribes contribution rates. For 2006 OPERS members contributed 9 percent of their gross salaries. For 2005, OPERS members contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.70 percent in 2006 and 13.55 percent in 2005 of participants' gross salaries through. The District has paid all contributions required through December 31, 2006.

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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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*

Brilliant Water and Sewer District
Jefferson County
706 Second Street
Brilliant Ohio 43913

To the Board of Trustees:

We have audited the financial statements of the Brilliant Water and Sewer District, Jefferson County, (the District) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated September 10, 2007, wherein we noted the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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 District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the District's management in a separate letter dated September 10, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the District'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 or other matters that we reported to the District's management in a separate letter dated September 10, 2007.

We intend this report solely for the information and use of the management and Board of Trustees. It is not intended for anyone other than these specified parties.

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Mary Taylor, CPA
Auditor of State

September 10, 2007

**BRILLIANT WATER AND SEWER DISTRICT
JEFFERSON 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> |
|----------------|---|------------------|--|
| 2004-001 | 5705.41(D) failure to certify purchases. | Yes | |
| 2004-002 | 5705.36 failure to file certificate of estimated resources. | Yes | |



Mary Taylor, CPA
Auditor of State

BRILLIANT WATER AND SEWER DISTRICT

JEFFERSON 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
NOVEMBER 8, 2007**