



Dave Yost • Auditor of State



**BRILLIANT WATER AND SEWER DISTRICT  
JEFFERSON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Brilliant Water and Sewer District, Jefferson County, (the District) as of and for the years ended December 31, 2014 and 2013.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, are presumed they are material.

Though the District does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Brilliant Water and Sewer District, Jefferson County as of December 31, 2014 and 2013, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Government's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

July 9, 2015

**BRILLIANT WATER AND SEWER DISTRICT  
JEFFERSON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCE (CASH BASIS)  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<b>2014</b>	<b>2013</b>
<b>Operating Cash Receipts:</b>		
Charges for Services	\$592,289	\$544,433
Earning of Investments	89	76
Miscellaneous	4,528	22,280
	<b>596,906</b>	<b>566,789</b>
<b>Operating Cash Disbursements:</b>		
Personal Services	167,005	149,608
Fringe Benefits	73,899	69,580
Utilities	69,660	63,035
Repairs and Maintenance	28,269	27,015
Other Contractual Service	11,311	6,164
Chemicals and Operating Supplies	52,708	35,473
Office Supplies and Materials	11,965	13,260
Insurance	13,333	12,708
Capital Outlay	47,047	62,185
	<b>475,197</b>	<b>439,028</b>
Total Operating Cash Disbursements	<b>475,197</b>	<b>439,028</b>
Operating Income/(Loss)	<b>121,709</b>	<b>127,761</b>
<b>Non-Operating Cash Disbursements:</b>		
Debt Service	16,788	135,257
Other Non-Operating Cash Disbursements	7,853	10,041
	<b>24,641</b>	<b>145,298</b>
Total Non-Operating Cash Disbursements	<b>24,641</b>	<b>145,298</b>
Net Receipts Over/(Under) Disbursements	<b>97,068</b>	<b>(17,537)</b>
Cash Balance, January 1	<b>244,585</b>	<b>262,122</b>
<b>Cash Balance, December 31</b>	<b>\$341,653</b>	<b>\$244,585</b>

*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, 2014 AND 2013**

**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. The District is directed by an elected five member Board of Trustees. 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. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits**

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**D. Budgetary Process**

The Ohio Revised Code requires the Board 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). 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.

**BRILLIANT WATER AND SEWER DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

GA 5 FM C: G B = 7 5 BH 577 CI BHB; DC @ 7 9 G (Continued)

**3. Encumbrances**

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

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**E. Property, Plant, and Equipment**

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**F. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. EQUITY IN POOLED DEPOSITS**

The carrying amount of deposits and investments at December 31 was as follows:

	2014	2013
Demand deposits	\$341,653	\$244,585
Total deposits	\$341,653	\$244,585

**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, 2014 and December 31, 2013 follows:

2014 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$569,558	\$596,906	\$27,348

2014 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$569,200	\$499,838	\$69,362

**BRILLIANT WATER AND SEWER DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**2013 Budgeted vs. Actual Receipts (Continued)**

2013 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$566,163	\$566,789	\$626

2013 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$565,089	\$584,326	(\$19,237)

**4. DEBT**

Debt outstanding at December 31, 2014 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
OWDA #5876 New Well	\$132,057	2%
OWDA # 5890 Waterline Project	392,123	2%
OPWC CN28N Waterline Replacement	46,666	
Total	<u>\$570,846</u>	

Ohio Water Development Authority (OWDA) Loan #5876 was issued to construct a new well in the amount of for \$138,425 for 30 years. Semiannual payments of \$3,091 due January 1 and July 1 of each year until maturity date of July 1, 2042. The full faith, credit and revenue of the District have been pledged to repay this loan through future sewer revenues of the District.

Ohio Water Development Authority (OWDA) Loan #5890 was issued for a waterline project in the amount of for \$412,638 for 30 years. Semiannual payments of \$9,180 due January 1 and July 1 of each year until maturity date of July 1, 2042. The full faith, credit and revenue of the District have been pledged to repay this loan through future sewer revenues of the District.

Ohio Public Works Commission (OPWC) Loan CN28N was issued to replace a water main in the amount of for \$49,999 for 30 years. Semiannual payments of \$833 due January 1 and July 1 of each year until maturity date of July 1, 2042. The full faith, credit and revenue of the District have been pledged to repay this loan through future sewer revenues of the District.

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

**BRILLIANT WATER AND SEWER DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**4. DEBT (Continued)**

Year ending December 31:	OWDA		OPWC
	<u>#\$5876</u>	<u>OWDA #5890</u>	<u>CN28N</u>
2015	\$6,182	\$18,358	\$1,667
2016	6,182	18,358	1,667
2017	6,182	18,358	1,667
2018	6,182	18,358	1,667
2019	6,182	18,358	1,667
2020-2024	30,912	91,789	8,333
2025-2029	30,912	91,789	8,333
2030-2034	30,912	91,789	8,333
2035-2039	30,912	91,789	8,333
2040-2044	18,546	55,073	4,999
Total	<u>\$173,104</u>	<u>\$514,019</u>	<u>\$46,666</u>

**) "\*\*\*\*\*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. The Ohio Revised Code prescribes the Plan's retirement benefits, including postretirement healthcare and survivor and disability benefits to participants.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10%, respectively, of their gross salaries and the District contributed an amount equaling 14%, respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2014.

**\*. \*\*\*\*\*RISK MANAGEMENT**

**Commercial Insurance**

The District has obtained commercial insurance for the following risks:

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

**7. CONTINGENT LIABILITIES**

The District is defendant in a lawsuit. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the District's financial condition.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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 in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Brilliant Water and Sewer District, Jefferson County, (the District) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated July 9, 2015 wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

July 9, 2015



# Dave Yost • 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  
AUGUST 20, 2015**