



Mary Taylor, CPA
Auditor of State

**DEERFIELD REGIONAL STORM WATER DISTRICT
WARREN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Statement of Net Assets.....	7
Statement of Receipts, Disbursements and Changes in Net Assets – Cash Basis	8
Notes to the Basic Financial Statements.....	9
Independent Accountants' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required By <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings	21

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Deerfield Regional Storm Water District
Warren County
P.O. Box 244
Kings Mills, Ohio 45034

To the Board of Trustees:

We have audited the accompanying financial statements of the Deerfield Regional Storm Water District, Warren County, Ohio (the District), as of and for the years ended December 31, 2009 and 2008, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note B, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the Deerfield Regional Storm Water District, Warren County, Ohio, as of December 31, 2009 and 2008, and the respective changes in cash financial position for the years then ended in conformity with the basis of accounting Note B describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2010, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

September 8, 2010

Deerfield Regional Storm Water District
Warren County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2009 and 2008
(Unaudited)

This discussion and analysis, along with the accompanying financial reports, of Deerfield Regional Storm Water District ("the District") is designed to provide our customers, creditors and other interested parties with a general overview of the District and its financial activities.

FINANCIAL HIGHLIGHTS

The District's net cash assets increased by \$103,935 in 2009 and \$74,603 in 2008.

The District had operating cash receipts of \$526,174 in 2009 and \$526,227 in 2008. Operating cash disbursements decreased by \$31,239 from 2008 to 2009 and increased by \$300,779 from 2007 to 2008. Non-operating cash receipts decreased by \$1,854 from 2008 to 2009 and by \$246 from 2007 to 2008.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The District is a single enterprise fund using proprietary fund accounting, similar to private sector business. The Basic Financial Statements are presented using the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The Statements of Net Assets-Cash Basis and the Statements of Cash Receipts, Disbursements and Changes in Net Assets-Cash Basis provide information on the District's cash basis operations over the past two years and the success of recovering all its costs through user fees, charges, and other income. Receipts are reported when received in cash and disbursements are reported when paid.

The notes to the financial statements are an integral part of the basic financial statements and provide expanded explanation and detail regarding the information reported in the basic financial statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on the cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the basic financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Deerfield Regional Storm Water District
Warren County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2009 and 2008
(Unaudited)

STATEMENTS OF NET ASSETS-CASH BASIS

Table 1 summarizes the Statements of Net Assets of the District.

TABLE 1	<u>2009</u>	<u>2008</u>	<u>Change Amount</u>	<u>2007</u>	<u>Change Amount</u>
Cash and Cash Equivalents	\$ 534,068	\$ 430,133	\$ 103,935	\$ 355,530	\$ 74,603
Total Assets	<u>\$ 534,068</u>	<u>\$ 430,133</u>	<u>\$ 103,935</u>	<u>\$ 355,530</u>	<u>\$ 74,603</u>
Net Assets -					
Unrestricted	\$ 534,068	\$ 430,133	\$ 103,935	\$ 355,530	\$ 74,603
Total Net Assets	<u>\$ 534,068</u>	<u>\$ 430,133</u>	<u>\$ 103,935</u>	<u>\$ 355,530</u>	<u>\$ 74,603</u>

The District's net assets increased by \$103,935 in 2009 and by \$74,603 in 2008. The increase in 2009 was primarily the result of decreases in cash disbursements for engineering and auditing fees. The increase in 2008 was primarily the result of an increase in cash receipts for storm water fees while cash disbursements did not increase by the same amounts.

STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET ASSETS – CASH BASIS

Table 2 below summarizes the changes in Cash Receipts, Cash Disbursements and the resulting change in Net Assets – Cash Basis.

TABLE 2	<u>2009</u>	<u>2008</u>	<u>Change Amount</u>	<u>2007</u>	<u>Change Amount</u>
Operating Cash Receipts	\$526,174	\$526,227	\$ (53)	\$ 511,959	\$ 14,268
Operating Cash Disbursements	<u>423,376</u>	<u>454,615</u>	<u>(31,239)</u>	<u>153,836</u>	<u>300,779</u>
Operating Receipts Over/ (Under) Operating Disbursements	102,798	71,612	31,186	358,123	(286,511)
Non-Operating Cash Receipts	1,137	2,991	(1,854)	3,237	(246)
Non-Operating Cash Disbursements	-	-	-	(20,000)	20,000
Changes in Net Assets	<u>103,935</u>	<u>74,603</u>	<u>29,332</u>	<u>341,360</u>	<u>(266,757)</u>
Net Assets, January 1	<u>430,133</u>	<u>355,530</u>	<u>74,603</u>	<u>14,170</u>	<u>341,360</u>
Net Assets, December 31	<u>\$534,068</u>	<u>\$430,133</u>	<u>\$ 103,935</u>	<u>\$ 355,530</u>	<u>\$ 74,603</u>

Operating cash receipts remained fairly stable from 2008 to 2009 decreasing \$53. The decrease of \$31,239 in operating cash disbursements was primarily the result of decreases in cash disbursements for engineering and auditing services. These decreases were partially offset by an increase in cash disbursements for legal fees.

The increase of \$14,268 in operating cash receipts in 2008 was due to an increase in cash receipts for storm water fees. The increase of \$300,779 in operating cash disbursements was primarily the result of increases in cash disbursements for engineering services and legal fees. The decrease in non-operating cash disbursements was due to the repayment of a loan to Deerfield Township in 2007.

Deerfield Regional Storm Water District
Warren County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2009 and 2008
(Unaudited)

CAPITAL ASSETS

The District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The District had capital outlay disbursements of \$0 and \$214 during 2009 and 2008, respectively.

DEBT

As of December 31, 2009 and 2008 the District had no debt outstanding.

CASH

Cash balances as of December 31, 2009 and 2008 were \$534,068 and \$430,133, respectively.

CURRENT ISSUES

The District is a board of volunteers and actively seeks out public input into District programs.

CONTACT INFORMATION

Questions regarding this report and requests for additional information should be forwarded to the Deerfield Regional Storm Water District, P.O. Box 244, Kings Mills, Ohio 45034.

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Deerfield Regional Storm Water District
Warren County
Statement of Net Assets
For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash and Cash Equivalents	\$ 534,068	\$ 430,133
<i>Total Assets</i>	<u>\$ 534,068</u>	<u>\$ 430,133</u>
Net Assets		
Unrestricted	\$ 534,068	\$ 430,133
<i>Total Net Assets</i>	<u>\$ 534,068</u>	<u>\$ 430,133</u>

See accompanying notes to the basic financial statements.

Deerfield Regional Storm Water District
Warren County
Statements of Cash Receipts, Disbursements and
Changes in Net Assets - Cash Basis
For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating Cash Receipts	\$ 526,174	\$ 526,227
Operating Cash Disbursements		
Legal fees	106,639	92,676
Accounting fees	1,805	1,000
Auditing fees	580	6,416
Billing fees	14,177	12,296
Insurance	2,538	300
Engineering - Greenfield Place Stormwater Repair	78,025	10,813
Engineering - Private Drainage Problem Investigation	35,858	83,573
Engineering - General Support	50,173	34,633
Engineering - Stormwater Modeling & System Evaluation	84,050	153,649
Capital outlay - Equipment	-	214
Phase II - Illicit discharge inspection fees	2,000	2,000
Phase II - Public education	5,468	2,601
Phase II - Public involvement	-	500
Phase II - Engineering	30,915	41,330
License and permit fees	200	-
Contracted office expense	8,841	10,215
Postage	89	144
Office expense	1,431	1,451
Mileage	587	720
Advertising	-	84
<i>Total operating cash disbursements</i>	<u>423,376</u>	<u>454,615</u>
<i>Operating Cash Receipts Over Operating Cash Disbursements</i>	<u>102,798</u>	<u>71,612</u>
Non-Operating Cash Receipts		
Interest earnings	<u>1,137</u>	<u>2,991</u>
<i>Total non-operating cash receipts</i>	<u>1,137</u>	<u>2,991</u>
<i>Changes in net assets</i>	103,935	74,603
<i>Net assets, January 1</i>	<u>430,133</u>	<u>355,530</u>
<i>Net assets, December 31</i>	<u>\$ 534,068</u>	<u>\$ 430,133</u>

See accompanying notes to the basic financial statements.

**Deerfield Regional Storm Water District
Warren County, Ohio**

Notes to the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008

NOTE A - NATURE OF ORGANIZATION

The Deerfield Regional Storm Water District, Warren 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 was created on October 31, 2003 by the Warren County Court of Common Pleas to provide storm water management services to the residents of Deerfield Township in accordance with the provisions of Ohio Revised Code Section 6119 et.seq. A three (3) member Board of Trustees who are appointed by the Trustees of Deerfield Township manage the District. Deerfield Township is a related organization to the Deerfield Regional Storm Water District, see Note F.

In accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* (an amendment of GASB Statement No. 14), the accompanying financial statements include only the accounts and transactions of the District. Under the criteria specified in these GASB Statements, the District has no component units nor is it considered a component unit of the State of Ohio. The District is considered, however, a political subdivision of the State of Ohio. These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The District is not financially accountable for any other organizations. This is evidenced by the fact that the District is a legally and fiscally separate and distinct organization. The District is solely responsible for its finances. The District is empowered to issue debt payable solely from District revenues.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if it appoints a voting majority of the organization's governing board and (1) is able to significantly influence the programs or services performed or provided by the organization; or (2) is legally entitled to or can otherwise access the organization's resources; is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or is obligated for the debt of the organization. Based upon the application of these criteria, the District has no component units.

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Under the guidelines of GASB Statement No. 20, the District has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 to its proprietary activities. A summary of the significant accounting policies applied in preparation of the accompanying financial statements follows:

1. **Basis of Accounting**

These financial statements follow the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting as described above, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

These statements include adequate disclosure of material matters in accordance with the cash basis of accounting as described above.

Deerfield Regional Storm Water District
Warren County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008
(Continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. **Cash and Cash Equivalents**

For reporting purposes, the District considers “Net Assets” and “Cash and Cash Equivalents” to be cash on hand, demand deposits, and all investments held by the District with a maturity date less than or equal to three months from the date of purchase.

3. **Basis of Presentation - Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The District has created a single fund type and a single fund within that fund type. The fund accounts for the governmental resources allocated to it and the segregation of cash and investments for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions.

The fund type which the Deerfield Regional Storm Water District uses is described below:

Proprietary Fund Type – This fund type accounts for operations that are organized to be self-supporting through user charges. The fund included in this category used by the District is the Enterprise Fund.

Enterprise Fund – This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing certain goods or services to the general public on a continuing basis are financed or received primarily through user charges. This fund is used by the District to account for storm water management services.

4. **Budgetary Process**

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

Appropriations – Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control, and appropriations may not exceed estimated resources. The District must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

Estimated Resources – Estimated resources include estimates of cash to be received (budgeted receipts) plus cash balances as of January 1.

Encumbrances – The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made.

A summary of 2009 and 2008 budgetary activity appears in Note D.

5. **Capital Assets**

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

6. **Long-Term Obligations**

In general, bonds and loans are recorded as cash disbursements in the basic financial statements when paid and are not recorded as liabilities in the accompanying basic financial statements.

7. **Net Assets**

Net assets represent the difference between assets and liabilities. Since under the District’s current basis of accounting, the District does not record any other assets other than cash and investments and does not record any liabilities, net assets is equivalent to cash and investments. The District currently does not record any restrictions on their net assets.

**Deerfield Regional Storm Water District
Warren County, Ohio**

Notes to the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008
(Continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Operating Cash Receipts and Cash Disbursements

Operating cash receipts are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these cash receipts are charges for storm water management services provided. Operating cash disbursements are necessary costs incurred to provide the goods and/or services that are the primary activity of the fund.

NOTE C – CASH AND INVESTMENTS – LEGAL REQUIREMENTS FOR DEPOSITS WITH FINANCIAL INSTITUTIONS

Monies held by the District are classified by state statute into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts, including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) and (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;

**Deerfield Regional Storm Water District
Warren County, Ohio**

Notes to the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008
(Continued)

NOTE C – CASH AND INVESTMENTS – LEGAL REQUIREMENTS FOR DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio; and
10. Bankers' acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's average portfolio.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as a security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. The District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds.

Deposits: As of December 31, 2009, the District's bank balance of \$534,068 is either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above. As of December 31, 2008, the District's bank balance of \$430,133 is either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above.

NOTE D – BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2009 and 2008 was as follows:

Budgeted vs. Actual Receipts

	2009	2008
Budgeted Receipts	\$ 528,000	\$ 503,000
Actual Receipts	527,311	529,218
Variance	\$ (689)	\$ 26,218

Budgeted vs. Actual Budgetary Basis Expenditures

	2009	2008
Appropriation Authority	\$ 938,320	\$ 823,500
Budgetary Expenditures	423,376	454,615
Variance	\$ 514,944	\$ 368,885

**Deerfield Regional Storm Water District
Warren County, Ohio**

Notes to the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008
(Continued)

NOTE E – RISK MANAGMENT

The District is exposed to various risks of loss due to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District contracts with Municipal Insurance Alliance of Ohio for all their risk management needs. Settlement amounts did not exceed insurance coverage for the past three fiscal years and there were no significant reductions in coverage from the prior year.

NOTE F – RELATED ORGANIZATIONS

Deerfield Township is a related organization to the Deerfield Regional Storm Water District. The Township Trustees are responsible for appointing the Trustees of the Deerfield Regional Storm Water District, however, the Township Trustees cannot influence the District's operation nor does the Township represent a potential financial benefit or burden to the District.

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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*

Deerfield Regional Storm Water District
Warren County
P.O. Box 244
Kings Mills, Ohio 45034

To the Board of Trustees:

We have audited the financial statements of the business-type activities of Deerfield Regional Storm Water District, Warren County, Ohio (the District), as of and for the years ended December 31, 2009 and 2008, which comprise the District's basic financial statements and have issued our report thereon dated September 8, 2010 wherein, we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 *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 deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

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 deficiencies in internal control that might be deficiencies, 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2009-001 to be a significant deficiency. 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.

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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated September 8, 2010.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

September 8, 2010

**DEERFIELD REGIONAL STORM WATER DISTRICT
WARREN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Significant Deficiency/Material Noncompliance

Purchase Order Certification

Per the “Deerfield Regional Storm Water District Code of Regulations” Chapter V: Purchasing Policy, “Purchase orders shall be used to approve purchase commitments and to encumber funds against the available appropriation account(s) according to Administrative Rule. In addition, Ohio Revised Code Section 5705.41, states that no contracts or orders involving the expenditure of money may be made unless the treasurer has certified that “the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances” The vehicle normally used to present this certification is the purchase order.”

The Budget process described in Chapter 5705 of the Ohio Revised Code applies to a Regional Water and Sewer District, regardless of whether the District levies taxes. See Attorney General Opinion 99-020. According to Ohio Rev. Code § 5705.28(B)(2)(b), although a taxing unit that does not levy a tax is not a taxing unit for purposes for Ohio Rev. Code Chapter 5705, a regional water and sewer district is still required to follow these Ohio Rev. Code sections: 5705.36, 5705.38, 5705.40, 5705.41, 5705.43, 5705.44 and 5705.45. These sections separately require the District to, in part: certify beginning balances on or about the first day of each fiscal year, certify revenue available for appropriation, adopt appropriations within available resources, certify the availability of funds prior to incurring obligations, and limit expenditures to appropriations for each fund. However, documents prepared in accordance with such sections are not required to be filed with the county auditor or county budget commission.

Ohio Rev. Code, § 5705.41(D)(1) ,prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now” certificate – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

**FINDING NUMBER 2009-001
(Continued)**

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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 District.

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Of the transactions tested in 2008 and 2009 there were sixteen (fifty-three percent) encumbering errors. In 2008, for three expenditures we were unable to locate certified purchase orders by the Treasurer to determine proper encumbrance. Five purchase certifications (purchase orders or Then and Now Certificates) were not properly signed by the Treasurer and one expenditure was not properly encumbered due to the invoice date preceding the purchase order date. In 2009, five purchase certifications were not signed by the Treasurer prior to incurring the expenditure and we were unable to locate certified purchase orders for two expenditures.

Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District’s funds exceeding budgetary spending limitations, we recommend that the Treasurer certify that funds are or will be available prior to obligation by the District. When prior certification is not possible, “then and now” certification should be used and signed by the Treasurer.

We recommend the District certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Treasurer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2009-001
(Continued)**

Outstanding Encumbrances

No outstanding encumbrances were reported on the 2008 or 2009 annual financial reports. However, there were unrecorded encumbrances of \$18,315 at December 31, 2008. This was immaterial and did not require an adjustment to the financial statements. Failure to properly report outstanding encumbrances could result in misleading financial statements. We recommend that outstanding encumbrances at year end be reported on the annual financial reports.

Official's Response:

It is important to note that the District did properly authorize the expenditure of all monies through the approval of our budget. We recognize that it is imperative that we have controls in place so that all disbursements either have prior certification of funds through the use of purchase orders or "Then and Now" certification in those cases where it may not be practicable to obtain prior certification. We had originally implemented some controls where the Treasurer was handling this responsibility. However, during the course of the audit period we had three different treasurers. During the transition periods, we had some situations where the controls did not work as effectively as we had originally planned.

In regards to the reporting of encumbrances, we did not believe that the amount of encumbrances was significant so it was not reported. However, we will ensure that any such encumbrances in the future are reported in the financial statements. The District has hired an independent public accounting firm to provide assistance in ensuring that the proper controls are in place and operating effectively. We have taken all steps to ensure that this finding has been effectively addressed.

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**DEERFIELD REGIONAL STORM WATER DISTRICT
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Revised Code Section 5705.41(D), failure to properly certify purchases.	No	Not corrected. Reissued as Finding Number 2009-001
2007-002	Lack of Internal control/reconciliation of Storm Water fees and lack of performing monthly bank reconciliations	Yes	

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Mary Taylor, CPA
Auditor of State

DEERFIELD REGIONAL STORM WATER DISTRICT

WARREN 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
OCTOBER 5, 2010**