

DELAWARE COUNTY FINANCE
AUTHORITY
DELAWARE COUNTY, OHIO

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022



Rea & associates

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OHIO AUDITOR OF STATE
KEITH FABER



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Board of Directors
Delaware County Finance Authority
91 North Sandusky Street
Delaware, Ohio 43015

We have reviewed the *Independent Auditor's Report* of the Delaware County Finance Authority, Delaware County, prepared by Rea & Associates, Inc., for the audit period January 1, 2022 through December 31, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Delaware County Finance Authority is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

June 05, 2023

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**DELAWARE COUNTY FINANCE AUTHORITY
DELAWARE COUNTY, OHIO**

FOR THE YEAR ENDED DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Delaware County Finance Authority
Delaware County, Ohio
91 N. Sandusky Street
Delaware, Ohio 43015

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Delaware County Finance Authority, Delaware County, Ohio (the Authority), a component unit of Delaware County, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Delaware County Finance Authority, Delaware County, Ohio, as of December 31, 2022, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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 Authority's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
Gahanna, Ohio
May 15, 2023

**DELAWARE COUNTY FINANCE AUTHORITY, OHIO
(A COMPONENT UNIT OF DELAWARE COUNTY)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

The management's discussion and analysis of the Delaware County Finance Authority's (the "Authority") financial performance provides an overall review of the Authority's financial activities for the year ended December 31, 2022. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Authority's financial performance.

On April 24, 2006, the Board of Commissioners of Delaware County, Ohio created the Delaware County Finance Authority which became a legal entity pursuant to Ohio Revised Code Section 4582.21 through Section 4582.59.

Financial Highlights

Key financial highlights for 2022 are as follows:

- The Authority's net position was \$3,480,276 as of December 31, 2022 according to the Statement of Net Position. This represents an increase of \$1,167,805 from last year's net position of \$2,312,471.
- Operating revenues for 2022 were \$1,339,414, which represents an increase of \$736,276, or 122% from 2021.
- The overall cash position of the Authority increased \$828,939 from 2021.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the Authority as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. The statement of net position and statement of revenues, expenses, and changes in net position provide information about the activities of the Authority as a whole, presenting both an aggregate view of the Authority's finances and a longer-term view of those finances.

Reporting the Authority as a Whole

Statement of Net Position and the Statement of Revenues, Expenses and Change in Net Position

The Statement of Net Position and the Statement of Revenues, Expenses and Change in Net Position answer the question, "How did we do financially during 2022?" These statements present all assets and liabilities using the accrual basis of accounting and economic resource focus, which is similar to the accounting used by most private – sector companies.

The accrual basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid. These two statements report the Authority's net position and changes in overall financial position. This change in net position is important because it tells the reader that, for the Authority as a whole, the financial position of the Authority has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

**DELAWARE COUNTY FINANCE AUTHORITY, OHIO
(A COMPONENT UNIT OF DELAWARE COUNTY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022

Reporting the Authority's Most Significant Fund

Proprietary Fund

The Authority maintains one proprietary fund, an enterprise fund.

Summary of Net Position

The table below provides a summary of the Authority's net position for 2022 and 2021:

	2022	2021
<u>Assets</u>		
Current and noncurrent assets	\$ 9,441,698	\$ 8,385,142
Capital assets, net	549,547	549,547
Total assets	9,991,245	8,934,689
<u>Liabilities</u>		
Current liabilities	10,969	122,218
Long-term liabilities:		
Due to Delaware County - RLF	3,000,000	3,000,000
Program reserve bonds	3,500,000	3,500,000
Total liabilities	6,510,969	6,622,218
<u>Net position</u>		
Investment in capital assets	549,547	549,547
Restricted	6,880,672	6,799,545
Unrestricted	(3,949,943)	(5,036,621)
Total net position	\$ 3,480,276	\$ 2,312,471

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2022, the Authority's assets exceeded liabilities by \$3,480,276.

Current and noncurrent assets represented the largest portion of the Authority's net position and consisted primarily of cash and restricted cash. Long-term liabilities consisted of the Authority outstanding obligations to repay the funding of program reserve bond fund and also Delaware County for funding the revolving loan program.

Summary of Revenues and Expenses

The table on the next page provides a summary of the Authority's revenues and expenses for 2022 and 2021:

**DELAWARE COUNTY FINANCE AUTHORITY, OHIO
(A COMPONENT UNIT OF DELAWARE COUNTY)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	2022	2021
Operating Revenues:		
Conduit & other financing fees	\$ 1,189,142	\$ 592,270
Contributions and donations	150,000	-
Other Operating Revenues	272	10,868
Total Operating Revenues	1,339,414	603,138
Operating Expenses:		
Professional services	187,765	479,282
Other	14,973	193,025
Grants	10,000	70,000
Materials and Supplies	4,780	13,570
Total Operating Expenses	217,518	755,877
Operating Income (Loss)	1,121,896	(152,739)
Nonoperating Revenues (Expenses):		
Investment Earnings	105,033	27,903
Interest and Fiscal Services	(59,124)	(12,951)
Sale of an Asset	-	298,545
County Proceeds from asset sale	-	(298,545)
Total Nonoperating Revenues (Expenses)	45,909	14,952
Change in net position	1,167,805	(137,787)
Beginning Net Position	2,312,471	2,450,258
Ending Net Position	\$ 3,480,276	\$ 2,312,471

Operating revenues increased \$736,276 and operating expenses decreased \$538,359 from 2021. The increase in operating revenues is attributed to an increase in sales tax exemption projects as well as an operating contributing from Delaware County. The decrease in operating expenses is primarily attributed to the Authority analyzing professional services expenses and reducing unnecessary costs.

Capital Assets and Debt Administration

Capital Assets

At the end of 2022, the Authority's capital assets were limited to land in the amount of \$549,547. The following table shows 2022 balances compared to 2021:

	2022	2021
Land	\$ 549,547	\$ 549,547

**DELAWARE COUNTY FINANCE AUTHORITY, OHIO
(A COMPONENT UNIT OF DELAWARE COUNTY)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

See Note 5 to the basic financial statements for more detail on the Authority's capital assets.

Debt Administration

The Authority had the following long-term obligations outstanding at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Program Reserve Bond Fund	<u>\$3,500,000</u>	<u>\$3,500,000</u>

See Note 6 to the basic financial statements for more detail on the Authority's long-term debt obligations.

Economic Conditions and Outlook

The Authority has the ability to finance projects through its Bond Reserve Fund program which encompasses not only the surrounding Delaware county area but throughout central Ohio. The Authority's goals are to increase the number of projects financed and to increase the number of loans through the revolving loan fund program. Fees generated by financing projects are necessary to support the operations of the Authority.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Treasurer of the Delaware County Finance Authority, 91 North Sandusky Street, Delaware, Ohio 43015.

DELAWARE COUNTY FINANCE AUTHORITY, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUND
 DECEMBER 31, 2022

Assets:

Current assets:

Cash and cash equivalents	\$ 2,238,442
Receivables:	
Accounts	322,584
Total current assets	2,561,026

Noncurrent assets:

Capital assets:

Land	549,547
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Restricted assets:

Cash with fiscal agent - program bond reserve	3,513,443
Cash - revolving loan fund	3,367,229
Total noncurrent assets	7,430,219

Total assets	9,991,245
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Liabilities:

Current liabilities:

Accounts payable	5,200
Accrued interest payable	5,769
Total current liabilities	10,969

Noncurrent liabilities:

Due to Delaware County - RLF	3,000,000
Program reserve bonds	3,500,000
Total noncurrent liabilities	6,500,000

Total liabilities	6,510,969
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Net Position:

Investment in capital assets	549,547
Restricted	6,880,672
Unrestricted	(3,949,943)
	(3,949,943)

Total net position	\$ 3,480,276
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

DELAWARE COUNTY FINANCE AUTHORITY, OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

Operating revenues:	
Conduit financing and other fees	\$ 1,189,142
Contributions	150,000
Other operating revenues	<u>272</u>
Total operating revenues	<u>1,339,414</u>
Operating expenses:	
Professional services	187,765
Other	14,973
Grants	10,000
Material and supplies	<u>4,780</u>
Total operating expenses	<u>217,518</u>
Operating income	<u>1,121,896</u>
Nonoperating revenues (expenses):	
Investment earnings	105,033
Interest and fiscal charges	<u>(59,124)</u>
Total nonoperating revenues (expenses)	<u>45,909</u>
Change in net position	1,167,805
Net position at beginning of year	<u>2,312,471</u>
Net position at end of year	<u><u>\$ 3,480,276</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

DELAWARE COUNTY FINANCE AUTHORITY, OHIO

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2022**

Cash flows from operating activities:	
Cash received from conduit financing and other fees	\$ 961,525
Cash received from contributions	150,000
Cash received from other operating receipts	272
Cash payments to professional and contractual services	(316,922)
Cash payments to supplies for goods and services	<u>(4,663)</u>
Net cash provided by operating activities	<u>790,212</u>
Cash flows from capital and related financing activities:	
Interest payments	<u>(66,306)</u>
Net cash used in capital and related financing activities	<u>(66,306)</u>
Cash flows from investing activities:	
Interest received	<u>105,033</u>
Net cash provided by investing activities	<u>105,033</u>
Net increase in cash and cash equivalents	828,939
Cash and cash equivalents at beginning of year - See Note 2	<u>8,290,175</u>
Cash and cash equivalents at end of year	<u><u>\$ 9,119,114</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,121,896
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in accounts receivable	(322,584)
(Increase) decrease in intergovernmental receivable	94,967
Increase (decrease) in accounts payable	(94,955)
Increase (decrease) in due to other governments	<u>(9,112)</u>
Net cash provided by operating activities	<u><u>\$ 790,212</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**DELAWARE COUNTY FINANCE AUTHORITY, OHIO
(A COMPONENT UNIT OF DELAWARE COUNTY)**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Delaware County Finance Authority (the "Authority") was created on April 24, 2006 under the authority of Ohio Revised Section 4582.21 through 4582.59 for the purpose of engaging in activities that enhance, foster, aid, provide, or promote transportation, economic development, housing, recreation, education, governmental operations, culture, or research within Delaware County, Ohio.

The Board of Directors (the Board) is the governing body of the Authority. The Board consists of seven members each of whom shall serve for a term of four years and are appointed by the Board of Delaware County Commissioners. The officers of the Board consist of the Chair, Vice-chair, Treasurer/CFO and Secretary. The officers are elected annually by the Board. All the powers of the Authority are exercised at the discretion of an by or under the direction of the Board. The Board promulgates and approves, all polices and enters into contracts, intergovernmental agreements, and other agreements that further the authorized purposes of the Authority.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" as amended by GASB Statement No. 61, The Financial Reporting Entity: Omnibus. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Authority.

Component units are legally separate organizations for which the Authority is financially accountable. The Authority is financially accountable for an organization if the Authority appoints a voting majority of the organization's Governing Board and (1) the Authority is able to significantly influence the programs or services performed or provided by the organization; or (2) the Authority is legally entitled to or can otherwise access the organization's resources; or (3) the Authority is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Authority is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Authority in that the Authority approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the Authority is a component unit of Delaware County, Ohio.

B. Basis of Presentation

The Authority operates as a self-supporting governmental enterprise and uses accounting policies applicable to governmental enterprise funds. All transactions are accounted for in a single enterprise fund.

The financial statements are presented as of December 31, 2022 and for the year then ended and have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting: and Financial Reporting: Standards (GASB Codification).

**DELAWARE COUNTY FINANCE AUTHORITY, OHIO
(A COMPONENT UNIT OF DELAWARE COUNTY)**

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of net position.

The statement of revenues, expenses and change in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

The Authority uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

E. Budgetary Process

The budgetary process is prescribed by the provisions of Ohio Revised Code Section 4582.39. The major document prepared is the appropriation resolution which is prepared on the budgetary basis of accounting.

The appropriation resolution is subject to amendment throughout the year. All funds are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within its fund. Budgetary modifications may only be made by resolution of the Board of Directors.

1. Budget

The Treasurer will submit an annual budget and appropriations resolution for the following year to the Board of Trustees for consideration and passage. The adopted budget shall not exceed the total of the estimated revenues available for expenditure.

2. Estimated Resources

The Treasurer will prepare estimated revenues prior to consideration of the annual appropriation resolution. The Authority must revise its budget so that the total contemplated expenditures during the ensuing year do not exceed the amount of estimated resources. The revised budget then serves as the basis for the annual appropriations measure.

3. Appropriations

An annual appropriation resolution must be passed by the Board of Trustees for the following year. The appropriation resolution establishes spending controls at the fund and object level (i.e. materials and supplies, contractual services, and capital outlay). The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources. The allocation of appropriations among objects within the fund may be modified during the year by a resolution of the Board of Trustees.

**DELAWARE COUNTY FINANCE AUTHORITY, OHIO
(A COMPONENT UNIT OF DELAWARE COUNTY)**

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

Cash balances of the Authority's funds are pooled and invested in investments in order to provide improved cash management. Individual fund integrity is maintained through the Authority's records and is presented as "Cash and Cash Equivalents" on the financial statements.

During 2022, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as the certificate of deposit and sweep account are reported at cost.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Authority measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Interest revenue earned and credited during 2022 amounted to \$105,033.

For purpose of the statement of cash flows and for presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Authority are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

G. Fair Value

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All investments of the Authority are reported at cost.

H. Restricted Assets

Restricted cash represents monies associated with the Program Reserve Bond Program debt indenture and the revolving loan fund program.

**DELAWARE COUNTY FINANCE AUTHORITY, OHIO
(A COMPONENT UNIT OF DELAWARE COUNTY)**

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Capital Assets and Depreciation

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000. Property, plant and equipment acquired by the enterprise funds are stated at cost (or estimated historical cost), including architectural and engineering fees where applicable. Donated capital assets are recorded at their acquisition value at the date received.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (in years)</u>
Infrastructure	20 – 50
Buildings	20 – 50
Building Improvements	10 – 50
Improvements Other than Buildings	10 – 20
Vehicles	3 – 15
Furniture & Equipment	3 – 25
Computer Equipment	3 – 15

J. Net Position

Net position represents the difference between assets and liabilities. Investment in capital assets is reported at the cost of the asset based on no accumulated depreciation or reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Restricted net position would consist of monies and other resources, which are restricted to satisfy debt service requirements as specified in debt agreements. The Authority applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

K. Operating Revenues & Expenses

Operating revenues consist primarily of fees for services, contributions, and other revenue. Operating expenses include the cost of providing these services, including professional services and other expenses.

Nonoperating revenues and expenses are all revenues and expenses not meeting the definition of operating revenues and expenses. Nonoperating revenues include interest from investments. Nonoperating expenses include interest expense on long-term debt.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of the Authority are combined to form a pool of cash and investments. The Authority follows Ohio Revised Code Chapter 135 and applies the prudent person standard. The prudent person standard requires the Authority to exercise the care, skill and experience that a prudent person would use to manage his/her personal financial affairs and to seek investments that will preserve principal while maximizing income. Statutes require the classification of funds held by the Authority into three categories.

**DELAWARE COUNTY FINANCE AUTHORITY, OHIO
(A COMPONENT UNIT OF DELAWARE COUNTY)**

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "near cash" status for immediate use by the Authority. Such funds must be maintained either as cash in the Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- 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;
- 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;
- Bonds and other obligations of the State of Ohio; and with certain limitations including a requirement for maturity within a ten year form the date of settlement, bonds and other obligations of a political subdivision of the State of Ohio, if training requirements have been met;
- Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
- No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2, above, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio), and
- Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty and two hundred seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one period.

**DELAWARE COUNTY FINANCE AUTHORITY, OHIO
(A COMPONENT UNIT OF DELAWARE COUNTY)**

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Deposits

Custodial credit risk is the risk that, in the event of bank failure, the Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Authority has no deposit policy for custodial credit risk beyond the requirements of State statute.

Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the Authority's and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2022, the Authority's financial institution was approved for a collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Authority to a successful claim by the FDIC.

At year end the carrying amount of the Authority's deposits was \$7,697,858 and based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of December 31, 2022, \$3,841,340 of the Authority's bank balance of \$7,708,251 was exposed to custodial risk as discussed below, while \$3,866,911 was covered by the FDIC.

Investments

The Authority invested in STAR Ohio that was reported at amortized cost of \$1,421,257.

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Authority's investment policy limits investment portfolio maturities to five years or less.

Concentration of Credit Risk – STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Authority's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

DELAWARE COUNTY FINANCE AUTHORITY, OHIO
(A COMPONENT UNIT OF DELAWARE COUNTY)

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Cash associated with the Authority’s Program Reserve Bond Fund was previously reported as cash with fiscal agent, however, it was determined that these deposits were in the name of the Authority. Therefore, cash and cash equivalents reported at January 1, 2022 was \$8,290,175.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For 2022, Authority implemented GASB Statement No. 87, “Leases”, GASB Implementation Guide 2019-3, “Leases”, GASB Statement No. 89, “Accounting for Interest Cost Incurred before the End of a Construction Period”, GASB Implementation Guide 2020-1, “Implementation Guide Update - 2020”, GASB Statement No. 92, “Omnibus2020”, GASB Statement No. 93, “Replacement of Interbank Offered Rates”, GASB Statement No. 97, “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32” and certain paragraphs of GASB Statement No. 99, “Omnibus 2022”.

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The implementation of GASB Statement No. 87 did not have an effect on the financial statements of Authority.

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB Statement No. 89 also reiterates that financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of Authority.

GASB Implementation Guide 2020-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2020-1 did not have an effect on the financial statements of Authority.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of Authority.

GASB Statement No. 93 establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The implementation of GASB Statement No. 93 did not have an effect on the financial statements of Authority.

**DELAWARE COUNTY FINANCE AUTHORITY, OHIO
(A COMPONENT UNIT OF DELAWARE COUNTY)**

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES (Continued)

GASB Statement No. 97 is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of Authority.

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of Authority.

NOTE 4 – RECEIVABLES

Receivables at December 31, 2022 consisted of intergovernmental receivable totaling \$322,584 related to conduit and financing fees. This receivable is considered collectible in full.

NOTE 5 - CAPITAL ASSETS

A summary of capital assets at December 31, 2022:

	Balance 12/31/2021	Additions	Deletions	Balance 12/31/2022
Nondepreciable Capital Assets				
Land	\$549,547	\$0	\$0	\$549,547
Total Nondepreciable Capital Assets	\$549,547	\$0	\$0	\$549,547

NOTE 6 – PROGRAM BOND RESERVE FUND

The Authority has established a Bond Fund Program to provide long-term, fixed interest rate financing for qualified industrial, commercial and public projects. The primary objective of the Program Reserve Bond Fund is to further economic development efforts and investment in Delaware and throughout central Ohio.

To fund the Program Reserve Bond Fund, the Authority issued \$3,500,000 taxable revenue bonds which were purchased by the Delaware County Treasurer. The bond proceeds were deposited into the Program Reserve Bond Fund and are reported as restricted assets on the statement of net position. Interest earned on investments purchased by the grant proceeds is not required to be maintained in the Program Reserve Bond Fund and may be used by the Authority for general operations.

**DELAWARE COUNTY FINANCE AUTHORITY, OHIO
(A COMPONENT UNIT OF DELAWARE COUNTY)**

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 6 – PROGRAM BOND RESERVE FUND (Continued)

Under the Program Reserve Bond Fund, debt service requirements on each bond issue are secured by a pledge of amounts to be received under financing agreements, leases, or loan agreements with borrowers who utilize the financed facilities. In addition, all borrowers are required to provide 10% of the bond premium in a reserve (which is used to make the final payment on the bonds). Amounts in the Program Reserve Bond Fund may be used for debt service in the event the borrower is unable to make the required payments under the lease or loan agreements.

<i>Direct Borrowings:</i>	Outstanding 12/31/21	Additions	Reductions	Outstanding 12/31/22	Due in One Year
Program Reserve Bond Fund	\$ 3,500,000	\$ -	\$ -	\$ 3,500,000	\$ -
Total Long-Term Obligations	<u>\$ 3,500,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,500,000</u>	<u>\$ -</u>

The Authority issued \$3,500,000 Taxable Revenue Bonds, Series 2021, on December 20, 2021 for the purpose of funding a program reserve for the Authority’s Program Reserve Bond Fund. These taxable revenue bonds constitute a special obligation of the Authority and the principal and interest is payable from and secured solely by the general revenues of the Authority. The bonds were issued at an interest rate of 2% with interest payment due semi-annually while principal is due in full on December 1, 2031.

The total principal and interest requirements to retire the Authority’s outstanding debt:

Year Ending December 31,	Taxable Revenue Bonds		
	Principal	Interest	Total
2023	\$0	\$ 70,000	\$ 70,000
2024	0	70,000	70,000
2025	0	70,000	70,000
2026	0	70,000	70,000
2027	0	70,000	70,000
2028-2031	<u>3,500,000</u>	<u>280,000</u>	<u>3,780,000</u>
Total	<u>\$ 3,500,000</u>	<u>\$ 630,000</u>	<u>\$ 4,130,000</u>

NOTE 7 – REVOLVING LOAN FUND

On June 18, 2020, the Authority entered the Delaware County Revolving Loan Fund Cooperative Agreement by and between the Delaware County and Buckeye State Bank. During 2020, the County contributed \$2,500,000 and received contributions to the fund from Liberty Township and Orange Township, each in the amount of \$250,000 to assist small businesses experiencing significant cash flow and operating fund shortages and struggling to remain in operation. The Buckeye State Bank administered loans to recipients. Terms of the loans are 6 monthly interest only payments followed by 54 monthly principal and interest payments.

**DELAWARE COUNTY FINANCE AUTHORITY, OHIO
(A COMPONENT UNIT OF DELAWARE COUNTY)**

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 7 – REVOLVING LOAN FUND (Continued)

As of December 31, 2022, there is no expected loan loss. On the basic financial statements, the Authority reports a non-current liability “Due to Delaware County – RLF Payable” in the amount of \$3,000,000 as the Authority does not expect to repay Delaware County for at least five years from the date of issuance.

Based on the terms of the Cooperative Agreement, the Authority is not responsible for management of the Revolving Loan Program which also includes investing available cash and accounting for new and outstanding loans.

NOTE 8 - RISK MANAGEMENT – RISK POOL MEMBERSHIP

The County Risk Sharing Authority, Inc., (CORSA) is an Ohio not-for-profit corporation established by sixty-one counties for establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in the coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the Board. No county may have more than one representative on the Board at any time. Each member county’s control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees.

Through Delaware County, the Authority participates in this risk-sharing pool, for property, casualty, and public officials’ insurance coverage. The Authority retains the risk for property, casualty, and public officials’ insurance coverage for up to \$100,000 per occurrence. Following these deductibles, the pool retains the risk per occurrence up to \$1,000,000. An excess policy insures claims exceeding this self-insured retention up to \$10,000,000. The Authority would retain any losses above the excess policy level. Settlement amounts have not exceeded insurance coverage for the last three years. Coverage remains consistent with the previous years.

NOTE 9 - CONDUIT DEBT

Conduit financing represent bonds and notes for project financings which are collateralized by the related amounts to be received. In accordance with GASB Interpretation No. 91 “Conduit Debt Obligations”, the bonds issued by the Authority under the conduit financing program may or may not create a liability to the Authority and therefore are not presented on the Authority’s financial statements.

In December 2017, the Authority issued Community Facilities Revenue Bonds pursuant to a Trust Indenture dated as of December 1, 2017 between the Authority and U.S. Bank National Association as Trustee (Trustee). Principal and interest on the Series 2017 Bonds will be payable solely by the Authority from the revenues received pursuant to the Cooperative Agreement among the Authority, the Berkshire Landing New Community Authority, Delaware County, Berkshire Township, and the Developer. The Series 2017 Bonds are payable from revenues consisting solely of financing payments as defined in the Cooperative Agreement and pursuant to the Cooperative Agreement, the Berkshire Landing New Community Authority is obligated to make financing payments, solely from the TIF Payments received by the Authority.

**DELAWARE COUNTY FINANCE AUTHORITY, OHIO
(A COMPONENT UNIT OF DELAWARE COUNTY)**

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 9 - CONDUIT DEBT (Continued)

On December 13, 2021, the Authority issued tax-exempt private placement lease revenue bonds to provide capital financing for a local government's administration office. On February 1, 2022 and February 10, 2022, the Authority issued tax-exempt private placement lease revenue bonds to provide capital financing for a local government's replacement fire station and maintenance facility, respectively. Each respective building is pledged as collateral for the bonds. The bonds are payable from payments received from the local government and the Authority has an additional commitment to appropriate its bond reserve fund in the event the local government defaults on its obligations.

As of December 31, 2022, the likelihood the local government defaults on its obligations is remote and therefore the Authority has not recorded a liability or expense, accordingly. Conduit debt obligations totaled \$15,825,000.

NOTE 10 – RELATED PARTY TRANSACTION

The Delaware County Treasurer purchased the Authority's Program Reserve Bonds totaling \$3,500,000 as an investment. In addition, Delaware County contributed \$150,000 which was used for Authority operations.

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Delaware County Finance Authority
Delaware County, Ohio
91 N. Sandusky Street
Delaware, Ohio 43015

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of Delaware County Finance Authority, Delaware County, Ohio (the Authority), a component unit of Delaware County, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 15, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective

Delaware County Finance Authority
Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*
Page 2 of 2

of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2022-001 and 2022-002.

The Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's responses to the findings identified in our audit and described in the accompanying schedule of findings. The Authority's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Rea & Associates, Inc.
Gahanna, Ohio
May 15, 2023

Delaware County Finance Authority
Delaware County, Ohio
Schedule of Findings and Responses
December 31, 2022

Finding Number: 2022-001
Material Noncompliance – Internal Controls Over Expenditures

Criteria: Ohio Rev. Code § 5705.41(D)(1) provides that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required meet the obligation or, the case of continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made 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. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that treasurer’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 Ohio Rev. Code §§ 5705.41(D)(1) and 5705.41(D)(3), respectively.

1. “Then and Now” certificate – If the chief fiscal officer can certify both at the time the contract or order was made (“then”), and at the time the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collections, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board of Directors can authorize the drawing of a warrant for the payment of the amount due. The Board of Directors has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts less than \$100 in counties and less than \$3,000 in all other subdivisions or taxing units 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 Authority.
2. Blanket Certificate – The auditor or fiscal officer 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 Board of Directors 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, gasoline, food items, roadway materials, utilities, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current fiscal year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Condition: The Authority does not have a process in place for the treasurer or fiscal officer to certify expenditures prior to incurring the commitment to purchase.

Context: Through our review of the purchasing process, we identified that the Authority did not adhere to the requirements above and there was no evidence that the Authority followed the allowed exceptions above.

Delaware County Finance Authority
Delaware County, Ohio
Schedule of Findings and Responses (Continued)
December 31, 2022

Finding Number: 2022-001 (Continued)
Material Noncompliance – Internal Controls Over Expenditures

Cause: The Authority has not implemented processes to be compliant with the Ohio Revised Code.

Effect: Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Prior certification is not only required by statute but is a key control in the disbursement process to help ensure purchase commitments receive prior approval.

Recommendation: To improve processes over disbursements and to help reduce the possibility of the Authority’s funds exceeding budgetary spending limitations, the Treasurer should certify the funds are or will be available prior to obligation by the Authority. When prior certification is not possible, “then and now” certification should be used and properly documented.

Management’s Response: Upon converting to a new accounting software in August 2022, the Authority issued signed purchase orders with the appropriate certificate verbiage for any expenditure incurred for the period September 1, 2022-December 31, 2022, which were provided and subject to audit. Furthermore, the Board of Directors, aware of the requirements of Ohio Revised Code Section 5705.41(D), approved Resolution 2023-001 “Certifying 2022 Expenditures” to address the prior period to the software implementation. All expenditures incurred for 2022 were in compliance with approved budgets and spending authority. With the adoption of the new accounting system in 2022, we will ensure that all expenditures include the appropriate certificate verbiage.

Finding Number: 2022-002
Material Noncompliance – Appropriation and Expenditure of Money

Criteria: Ohio Revised Code §5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources.

Condition: The Authority had appropriations in excess of estimated resources of \$155,006 as of December 31, 2022.

Context/Cause: The Authority did not have proper controls in place for budgeting to ensure that the total appropriations did not exceed the total estimated resources.

Effect: Failure to properly budget appropriations and estimated resources could cause expenditures to exceed available resources, further resulting in deficit spending practices.

Recommendation: We recommend the Authority closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of appropriations exceeding estimated resources.

Management’s Response: This finding is the result of the 2022 budget adopted by the Board of Directors inadvertently omitting carryover cash balances of \$4,790,175, which is sufficient to cover the identified excess of \$155,006. Deficit spending did not occur as the net increase in cash was \$828,939 at December 31, 2022. Finally, the 2023 budget adopted by the Board of Directors includes carryover fund equity to address potential budgeted deficit spending. We will ensure that future budgets include all appropriate carryover balances to be in compliance with the Ohio Revised Code.

OHIO AUDITOR OF STATE KEITH FABER



DELAWARE COUNTY FINANCE AUTHORITY

DELAWARE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 6/15/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov