



**DELAWARE COUNTY FINANCE AUTHORITY  
DELAWARE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**OHIO AUDITOR OF STATE  
KEITH FABER**





**DELAWARE COUNTY FINANCE AUTHORITY  
DELAWARE COUNTY  
DECEMBER 31, 2021 AND 2020**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

### **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 years ended December 31, 2021 and 2020, 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, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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. 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 opinions.

#### ***Emphasis of Matter***

As discussed in Note 11 to the December 31, 2021 financial statements and Note 9 to the December 31, 2020 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Authority. We did not modify our opinion regarding this matter.

#### ***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.

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Efficient • Effective • Transparent

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 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 auditing standards generally accepted in the United States of America, 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 August 24, 2022, on our consideration of the Authority'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. 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 the Authority's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

August 24, 2022

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(UNAUDITED)**

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, 2021. 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 2021 are as follows:

- The Authority’s net position was \$2,312,471 as of December 31, 2021 according to the Statement of Net Position. This represents a decrease of \$137,787 from last year’s net position of \$2,450,258.
- Operating revenues for 2021 were \$603,138, which represents a decrease of \$203,649, or 25% from 2020.
- The overall cash position of the Authority increased \$134,037 from 2020.

**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 2021?” 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, 2021  
(UNAUDITED)

**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 2021 and 2020:

	2021	2020
<b><u>Assets</u></b>		
Current and noncurrent assets	\$ 8,385,142	\$ 4,977,288
Capital assets, net	549,547	549,547
<b>Total assets</b>	<b>8,934,689</b>	<b>5,526,835</b>
<b><u>Liabilities</u></b>		
Current liabilities	122,218	76,577
Long-term liabilities:		
Due to Delaware County - RLF	3,000,000	3,000,000
Program reserve bonds	3,500,000	0
<b>Total liabilities</b>	<b>6,622,218</b>	<b>3,076,577</b>
<b><u>Net position</u></b>		
Investment in capital assets	549,547	549,547
Restricted	6,799,545	3,262,124
Unrestricted	(5,036,621)	(1,361,413)
<b>Total net position</b>	<b>\$ 2,312,471</b>	<b>\$ 2,450,258</b>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2021, the Authority's assets exceeded liabilities by \$2,312,471.

Current and noncurrent assets represented the largest portion of the Authority's net position and consisted 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 2021 and 2020:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(UNAUDITED)

	2021	2020
<b>Operating Revenues:</b>		
Conduit & other financing fees	\$ 592,270	\$ 601,787
Contributions and donations	-	205,000
Other Operating Revenues	10,868	-
Total Operating Revenues	603,138	806,787
<b>Operating Expenses:</b>		
Professional services	479,282	582,868
Other	193,025	1,782
Grants	70,000	21,000
Materials and Supplies	13,570	21,914
Total Operating Expenses	755,877	627,564
Operating Loss	(152,739)	179,223
<b>Nonoperating Revenues (Expenses):</b>		
Investment Earnings	27,903	21,025
Reimbursements	-	549,547
Other Nonoperating Revenues	-	1,010
Interest and Fiscal Services	(12,951)	-
Sale of an Asset	298,545	-
County Proceeds from asset sale	(298,545)	-
Total Nonoperating Revenues (Expenses)	14,952	571,582
Change in net position	(137,787)	750,805
Beginning Net Position	2,450,258	1,699,453
Ending Net Position	\$ 2,312,471	\$ 2,450,258

Operating revenues decreased \$203,649 and operating expenses increased \$128,313 from 2020. The increase in operating revenues is attributed to other revenues associated with programs administered by the Authority. The increase in operating expenses is primarily attributed to increases in miscellaneous contractual related services which is included in the "other" expense category.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of 2021, the Authority's capital assets were limited to land in the amount of \$549,547. The following table shows 2021 balances compared to 2020:

	2021	2020
Land	\$ 549,547	\$ 549,547

See Note 5 to the basic financial statements for more detail on the Authority's capital assets. The Authority sold an asset during 2021 which was subsequently reimbursed by Delaware County.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(UNAUDITED)**

***Debt Administration***

The Authority had the following long-term obligations outstanding at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Program Reserve Bond Fund	<u>\$3,500,000</u>	<u>\$0</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. At year-end, there was one project financed through the Authority's Bond Reserve Fund program and 3 others for the beginning of 2022. 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, 2021

<b>Assets:</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 1,490,630
Receivables:	
Intergovernmental	94,967
Total current assets	1,585,597
<b>Noncurrent assets:</b>	
Capital assets:	
Land	549,547
Restricted assets:	
Cash with fiscal agent - program bond reserve	3,500,000
Cash - revolving loan fund	3,299,545
Total noncurrent assets	7,349,092
Total assets	8,934,689
<b>Liabilities:</b>	
<b>Current liabilities:</b>	
Accounts payable	100,155
Due to other governments	9,112
Accrued interest payable	12,951
Total current liabilities	122,218
<b>Noncurrent liabilities:</b>	
Due to Delaware County - RLF	3,000,000
Program reserve bonds	3,500,000
Total noncurrent liabilities	6,500,000
Total liabilities	6,622,218
<b>Net Position:</b>	
Investment in capital assets	549,547
Restricted	6,799,545
Unrestricted	(5,036,621)
Total net position	\$ 2,312,471

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, 2021

<b>Operating revenues:</b>	
Conduit financing and other fees	\$ 592,270
Other operating revenues	10,868
	<hr/>
Total operating revenues	603,138
	<hr/>
<b>Operating expenses:</b>	
Professional services	479,282
Other	193,025
Grants	70,000
Material and supplies	13,570
	<hr/>
Total operating expenses	755,877
	<hr/>
Operating loss	(152,739)
	<hr/>
<b>Nonoperating revenues (expenses):</b>	
Investment earnings	27,903
Interest and fiscal charges	(12,951)
Sale of an asset	298,945
County Proceeds from asset sale	(298,945)
Total nonoperating revenues (expenses)	14,952
	<hr/>
Change in net position	(137,787)
	<hr/>
<b>Net position at beginning of year</b>	2,450,258
	<hr/>
<b>Net position at end of year</b>	<u><u>\$ 2,312,471</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, 2021**

<b>Cash flows from operating activities:</b>	
Cash received from conduit financing and other fees	\$ 817,633
Cash received from other operating receipts	11,688
Cash payments to professional and contractual services	(708,844)
Cash payments to supplies for goods and services	<u>(14,343)</u>
Net cash provided by operating activities	<u>106,134</u>
<b>Cash flows from investing activities:</b>	
Interest received	<u>27,903</u>
<b>Cash flows from capital and related financing activities</b>	
Cash received from Sale of an Asset	298,945
Cash Payment to Delaware County	<u>(298,945)</u>
Net cash provided by capital and related financing activities	<u>-</u>
Net increase in cash and cash equivalents	134,037
<b>Cash and cash equivalents at beginning of year</b>	<u>4,656,138</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 4,790,175</u></u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss	\$ (152,739)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
(Increase) decrease in accounts receivable	321,150
(Increase) decrease in intergovernmental receivable	(94,967)
Increase (decrease) in accounts payable	23,578
Increase (decrease) in due to other governments	<u>9,112</u>
Net cash provided by operating activities	<u><u>\$ 106,134</u></u>
<b>Noncash capital and related financing activities:</b>	
The Authority issued \$3,500,000 Program Reserve Bond debt proceeds during 2021.	

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, 2021

**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, 2021 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, 2021

**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, 2021

**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 2021, 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 2021, 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 2021 amounted to \$27,903.

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. The cash held by the Authority's fiscal agent is not reported on the statement of cash flows as the monies are held in trust accounts related to bond indentures.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2021

**H. Restricted Assets**

Restricted cash with fiscal agent include monies held by the Delaware County Treasurer in accordance with the Program Reserve Bond Program debt indenture. Restricted cash represents the revolving loan fund program.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2021

**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

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

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.

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;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2021

- 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.

**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 2021, 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, excluding cash with fiscal agent, the Authority's deposits was \$3,392,824 and based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of December 31, 2021, \$212 of the Authority's bank balance of \$3,408,667 was exposed to custodial risk as discussed below, while \$3,408,455 was covered by the FDIC.

**Investments**

The Authority invested in STAR Ohio that was reported at amortized cost of \$1,397,351.

***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, 2021

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

The following schedule of deposits and investments reconciles cash and investments as reported on the statement of net position. As noted prior, the cash held by the Authority’s fiscal agent is not reported on the statement of cash flows as the monies are held in trust accounts related to bond indentures.

	Deposits	Investments	Total
Unrestricted:			
Cash and cash equivalents	\$93,279	\$1,397,351	\$1,490,630
Restricted:			
Revolving loan fund program	3,299,545	0	3,299,545
Total	3,392,824	1,397,351	4,790,175
Restricted:			
Program reserve bond fund	3,500,000	0	3,500,000
Total	\$ 6,892,824	\$ 1,397,351	\$ 8,290,175

**NOTE 3 – ACCOUNTABILITY**

The Authority has implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period.

Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement 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.

As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The implementation of this pronouncement had no effect on net position.

The Authority has also applied GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*” to GASB Statement No. 87, which were originally due to be implemented in 2020. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The Authority has elected delaying implementation until the year ended December 31, 2022; 1) Statement No. 87, *Leases*; and 2) Implementation Guide No. 2019-3, *Leases*.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2021

**NOTE 4 – RECEIVABLES**

Receivables at December 31, 2021 consisted of intergovernmental receivable totaling \$94,967 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, 2021:

	Balance 12/31/2020	Additions	Deletions	Balance 12/31/2021
<b>Nondepreciable Capital Assets</b>				
Land	\$549,547	\$0	\$0	\$549,547
Total Nondepreciable Capital Assets	<u>\$549,547</u>	<u>\$0</u>	<u>\$0</u>	<u>\$549,547</u>

**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.

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><b>Direct Borrowings:</b></i>	Outstanding 12/31/20	Additions	Reductions	Outstanding 12/31/21	Due in One Year
Program Reserve Bond Fund	\$ -	\$ 3,500,000	\$ -	\$ 3,500,000	\$ -
Total Long-Term Obligations	<u>\$ -</u>	<u>\$ 3,500,000</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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2021

**NOTE 6 – PROGRAM BOND RESERVE FUND (Continued)**

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
2022	\$0	\$ 66,306	\$ 66,306
2023	0	70,000	70,000
2024	0	70,000	70,000
2025	0	70,000	70,000
2026	0	70,000	70,000
2027-2031	3,500,000	350,000	3,850,000
Total	\$ 3,500,000	\$ 696,306	\$ 4,196,306

**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 Authority and 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. As of December 31, 2021, 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.

**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.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2021

**NOTE 8 - RISK MANAGEMENT – RISK POOL MEMBERSHIP (Continued)**

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. 2 "Disclosure of Conduit Debt Obligations", the bonds issued by the Authority under the conduit financing program do not create a liability to the Authority and therefore are not presented on the Authority's financial statements. The Authority has no responsibility for the payment of the debt issued as the repayment is supported solely by the credit of the borrowing entity. Under the conduit financing program, there is no credit exposure to the Authority. The total amount of conduit debt issued and the outstanding at December 31, 2021 is \$1,970,000.

**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, the Authority sold an asset and remitted the proceeds to Delaware County in the amount of \$298,945.

**NOTE 11 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Authority. The Authority's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Authority's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

**NOTE 12 – SUBSEQUENT EVENT**

The Authority entered into conduit financing agreements with Liberty Township and the City of Delaware in the amounts of \$8,740,000 and \$8,425,000, respectively. The purpose of these financing arrangements is for the construction of new Liberty Township replacement Fire Station #321 and Road Buildings while the financing for the City of Delaware is for roadway improvements at U.S. 36 and State Route 37.

**NOTE 13 – COMPLIANCE**

The Authority did not properly certify expenses contrary to Ohio Revised Code Section 5705.41(D) and also had expenses which exceeded appropriations contrary to Ohio Revised Code Section 5705.41(B).

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## DELAWARE COUNTY FINANCE AUTHORITY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)

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, 2020. 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 2020 are as follows:

- The Authority's net position was \$2,450,258 as of December 31, 2020 according to the Statement of Net Position. This represents an increase of \$750,805 from last year's net position of \$1,699,453.
- Operating revenues and expenses for 2020 were \$806,787 and \$627,634, respectively.
- The overall cash position of the Authority increased \$2,956,685 from 2019.

#### **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 2020?" 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**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(UNAUDITED)**

**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 2020. Comparative information will be provided in future years as the information becomes available:

	<u>2020</u>
<b><u>Assets</u></b>	
Current and noncurrent assets	\$ 4,977,288
Capital assets, net	<u>549,547</u>
Total assets	<u>5,526,835</u>
<b><u>Liabilities</u></b>	
Current liabilities	76,577
Long-term liabilities:	
Due to Delaware County - RLF	<u>3,000,000</u>
Total liabilities	<u>3,076,577</u>
<b><u>Net position</u></b>	
Investment in capital assets	549,547
Restricted	3,262,124
Unrestricted	<u>(1,361,413)</u>
Total net position	<u>\$ 2,450,258</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2020, the Authority's assets exceeded liabilities by \$2,450,258.

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

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## DELAWARE COUNTY FINANCE AUTHORITY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)

#### Summary of Revenues and Expenses

The table below provides a summary of the Authority's revenues and expenses for 2020. Comparative information will be provided in future years as the information becomes available:

	<u>2020</u>
<b>Operating Revenues:</b>	
Conduit & other financing fees	\$ 601,787
Contributions and donations	<u>205,000</u>
Total Operating Revenues	<u>806,787</u>
<b>Operating Expenses:</b>	
Professional services	582,868
Materials and supplies	21,914
Grants	21,000
Other	<u>1,782</u>
Total Operating Expenses	<u>627,564</u>
Operating Income	<u>179,223</u>
<b>Nonoperating Revenues (Expenses):</b>	
Investment earnings	21,025
Reimbursements	549,547
Other nonoperating revenues	<u>1,010</u>
Total Nonoperating Revenues (Expenses)	<u>571,582</u>
Change in net position	750,805
Beginning Net Position	<u>1,699,453</u>
Ending Net Position	<u>\$ 2,450,258</u>

Operating revenues consisted of conduit and other financing fees while the largest operating expense consisted of professional services (i.e. legal fees and program fees).

#### Capital Assets and Debt Administration

##### *Capital Assets*

At the end of 2020, the Authority's capital assets were limited to land in the amount of \$549,547. As future information becomes available, comparisons will be provided.

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

##### *Debt Administration*

The Authority did not report long-term debt at December 31, 2020.

**DELAWARE COUNTY FINANCE AUTHORITY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(UNAUDITED)**

**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.

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**DELAWARE COUNTY FINANCE AUTHORITY, OHIO**

STATEMENT OF NET POSITION  
 PROPRIETARY FUND  
 DECEMBER 31, 2020

<b>Assets:</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 1,394,014
Receivables:	
Accounts	321,150
Total current assets	<u>1,715,164</u>
<b>Noncurrent assets:</b>	
Capital assets:	
Land	549,547
Restricted assets:	
Cash - revolving loan fund	3,262,124
Total noncurrent assets	<u>3,811,671</u>
Total assets	<u>5,526,835</u>
<b>Liabilities:</b>	
<b>Current liabilities:</b>	
Accounts payable	76,577
Total current liabilities	<u>76,577</u>
<b>Noncurrent liabilities:</b>	
Due to Delaware County - RLF	3,000,000
Total noncurrent liabilities	<u>3,000,000</u>
Total liabilities	<u>3,076,577</u>
<b>Net Position:</b>	
Investment in capital assets	549,547
Restricted	3,262,124
Unrestricted	<u>(1,361,413)</u>
Total net position	<u>\$ 2,450,258</u>

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, 2020

<b>Operating revenues:</b>	
Conduit financing and other fees	\$ 601,787
Contributions and donations	205,000
	<hr/>
Total operating revenues	806,787
	<hr/>
<b>Operating expenses:</b>	
Professional services	582,868
Material and supplies	21,914
Grants	21,000
Other	1,782
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Total operating expenses	627,564
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Operating income	179,223
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<b>Nonoperating revenues (expenses):</b>	
Investment earnings	21,025
Reimbursements	549,547
Other non-operating revenues	1,010
Total nonoperating revenues (expenses)	571,582
	<hr/>
Change in net position	750,805
	<hr/>
<b>Net position at beginning of year</b>	1,699,453
	<hr/>
<b>Net position at end of year</b>	<u><u>\$ 2,450,258</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, 2020**

<b>Cash flows from operating activities:</b>	
Cash received from conduit financing and other fees	\$ 486,457
Cash received from other operating receipts	190
Cash payments to professional and contractual services	(530,067)
Cash payments to supplies for goods and services	<u>(20,920)</u>
Net cash provided by operating activities	<u>(64,340)</u>
<b>Cash flows from noncapital financing activities:</b>	
Revolving loan receipt	<u>3,000,000</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition and construction of capital assets	(549,547)
Reimbursement for the acquisition of capital assets	<u>549,547</u>
Net cash used in capital and related financing activities	<u>-</u>
<b>Cash flows from investing activities:</b>	
Interest received	<u>21,025</u>
Net increase in cash and cash equivalents	2,956,685
<b>Cash and cash equivalents at beginning of year</b>	<u>1,699,453</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 4,656,138</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 179,223
Adjustments:	
Other non-operating receipts	1,010
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in accounts receivable	(321,150)
Increase (decrease) in accounts payable	<u>76,577</u>
Net cash provided by operating activities	<u><u>\$ (64,340)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

## DELAWARE COUNTY FINANCE AUTHORITY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

#### 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.

#### **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, 2020 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**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 2020, 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 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Interest revenue earned and credited during 2020 amounted to \$21,025.

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 funds that must be used toward the Authority's the revolving loan fund program.

**DELAWARE COUNTY FINANCE AUTHORITY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2020

**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 and contributions and donations. 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, reimbursements and other revenues.

**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.

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.

## DELAWARE COUNTY FINANCE AUTHORITY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED DECEMBER 31, 2020

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

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.

#### 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.

**DELAWARE COUNTY FINANCE AUTHORITY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

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 2021, 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 \$3,409,887 and based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of December 31, 2020, \$212 of the Authority's bank balance of \$3,411,182 was exposed to custodial risk as discussed below, while \$3,410,970 was covered by the FDIC.

**Investments**

The Authority invested in STAR Ohio that was reported at amortized cost of \$1,246,251.

***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.

**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE**

**A. ACCOUNTABILITY**

For 2020, the Authority has applied GASB Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*" to GASB Statement Nos. 87 and 89, which were originally due to be implemented in 2020. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

**DELAWARE COUNTY FINANCE AUTHORITY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2020

**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE (Continued)**

The following pronouncement is postponed by one year and the Authority has elected delaying implementation until the fiscal year ended December 31, 2021:

- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

The following pronouncements are postponed by eighteen months and the Authority has elected delaying implementation until the fiscal year ended December 31, 2022:

- Statement No. 87, *Leases*;
- Implementation Guide No. 2019-3, *Leases*.

For the year ended December 31, 2020, the Authority’s financial statements were reported in accordance with the accounting principles generally accepted in the United States of America. There were no material adjustments necessary to report beginning net position from the cash basis to the accrual basis of accounting.

**B. COMPLIANCE**

The Authority did not properly certify expenses contrary to Ohio Revised Code Section 5705.41(D).

**NOTE 4 – RECEIVABLES**

Receivables at December 31, 2020 consisted of accounts receivable totaling \$321,150 which related to conduit and financing fees and other revenues. This receivable is considered collectible in full.

**NOTE 5 - CAPITAL ASSETS**

A summary of capital assets at December 31, 2020:

	Balance 12/31/2019	Additions	Deletions	Balance 12/31/2020
<b>Nondepreciable Capital Assets</b>				
Land	\$0	\$549,547	\$0	\$549,547
Total Nondepreciable Capital Assets	<u>\$0</u>	<u>\$549,547</u>	<u>\$0</u>	<u>\$549,547</u>

**NOTE 6 – 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 Authority and 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. As of December 31, 2020, 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.



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

### **NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED DECEMBER 31, 2020**

#### **NOTE 7 - 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 8 – RELATED PARTY TRANSACTION**

The Authority entered into an agreement with the Delaware County Commissioners to purchase land totaling \$549,547 during calendar year 2020 and to be reimbursed for the land purchase by Delaware County.

#### **NOTE 9 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Authority. The Authority's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Authority's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

#### **NOTE 10 – SUBSEQUENT EVENT**

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. 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.

On December 13, 2021, conduit debt financing was issued at 1.75%-1.87% in the amount of \$1,970,000.

During January 2022, the Authority entered into conduit financing agreements with Liberty Township and the City of Delaware in the amounts of \$8,740,000 and \$8,425,000, respectively. The purpose of these financing arrangements is for the construction of new Liberty Township replacement Fire Station #321 and Road Buildings while the financing for the City of Delaware is for roadway improvements at U.S. 36 and State Route 37.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Delaware County Finance Authority, Delaware County, (the Authority), a component unit of Delaware County, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated August 24, 2022, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Authority.

***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 purposes of expressing our opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as item 2021-004 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings as item 2021-003 to be a significant deficiency.

### ***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 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 as items 2021-001 and 2021-002.

### ***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***

This 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

August 24, 2022

**DELAWARE COUNTY FINANCE AUTHORITY  
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2021 AND 2020**

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

**FINDING NUMBER 2021-001**

**Material Noncompliance**

**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.

Due to deficiencies in internal controls, 100% of the transactions tested at year-end for both fiscal year 2021 and 2020, were not certified by the Treasurer at the time the commitment was incurred, and there was no evidence the Authority followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**DELAWARE COUNTY FINANCE AUTHORITY  
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2021 AND 2020  
(CONTINUED)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2021-001 (Continued)**

**Material Noncompliance (Continued)**

Unless the exceptions noted above are used, 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. To improve controls 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.

**Officials' Response:** The Authority will develop procedures to ensure that disbursements are properly certified at the time the commitment was incurred.

**FINDING NUMBER 2021-002**

**Material Noncompliance**

**Ohio Rev. Code § 5705.41(B)** prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Authority had expenditures in excess of appropriations of \$296,508 as of December 31, 2021.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Board of Directors should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Treasurer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

**Officials' Response:** The Authority will monitor and amend future budgets in order to avoid expenditures exceeding appropriations.

**FINDING NUMBER 2021-003**

**Significant Deficiency**

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft, and fraud to occur without timely detection.

**DELAWARE COUNTY FINANCE AUTHORITY  
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2021 AND 2020  
(CONTINUED)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)---</b>
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**FINDING NUMBER 2021-003 (Continued)**

**Significant Deficiency (Continued)**

The Treasurer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board of Directors are responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were not prepared or reviewed in either fiscal year 2020 or 2021. Additionally, the Authority failed to establish a policy on how to treat stale checks. No errors were noted in the year-end cash and cash equivalents reported on the December 31, 2021 and 2020 Statements of Net Position and Statements of Cash Flows.

Failure to reconcile monthly increases the possibility that the Authority will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Treasurer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Board should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews. Lastly, the Authority should establish a policy over stale checks. The Authority should refer to Auditor of State technical bulletin 91-11 which addresses the accounting procedures to follow regarding outstanding, stale-dated warrants/checks issued by governmental entities. The Authority should also review their internal controls to help ensure all transactions are recorded within their accounting records, and develop a policy/procedures for how to account for stale dated checks.

**Officials' Response:** A process beginning for the year-to-date ended June 30, 2022 has been implemented to reconcile book (fund) balance to the total bank balance on a monthly basis. Reconciliations will be performed monthly and submitted to the Board of Director's for review and approval.

**DELAWARE COUNTY FINANCE AUTHORITY  
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2021 AND 2020  
(CONTINUED)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)---</b>
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**FINDING NUMBER 2021-004**

**Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

We noted the following errors in financial statement presentation:

- The Authority did not correctly account for the sale of property on behalf of Delaware County on the December 31, 2021 Statement of Revenues, Expenses, and Change in Net Position and Statement of Cash Flows. The \$298,945 amount that was received and subsequently paid to Delaware County should have been reported as Sale of Assets and County Proceeds from Asset Sale, rather than Other Operating Revenues and Other Operating Expenses.
- The Authority did not record \$86,592 of Intergovernmental Receivables and Conduit Financing and Other Fees on the December 31, 2021 Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position.
- On the December 31, 2020 Statement of Revenues, Expenses, and Change in Net Position, the Authority incorrectly classified Contributions and Donations of \$205,000 as Conduit and Other Fees.
- On the December 31, 2020 Statement of Cash Flows, the Authority incorrectly classified cash flows from capital and related financing activities related to reimbursements for the acquisition of Capital Assets of \$549,547 as cash received from other operating receipts.

These reclassifications are reflected in the financial statements.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Authority should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds. Additionally, reporting inaccuracies can impact the decision-making of those charged with governance and the general public.

To help reduce errors and to increase the reliability of the financial data, we recommend the Authority review internal controls over the reporting compilation process and review the identified errors to help prevent similar errors from occurring in subsequent years.

**Officials' Response:** Internal controls have been developed over the reporting compilation process to reduce and prevent similar errors from occurring in subsequent years.



# 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 8/30/2022**

88 East Broad Street, Columbus, Ohio 43215  
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