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March 12, 2019

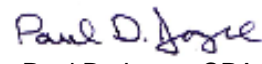
Board of Directors  
Delaware County Airport Authority  
311 W Terminal Drive  
Muncie, IN 47303

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of Delaware County Airport Authority. We have reviewed the audit report opined upon by Katz, Sapper & Miller, Independent Public Accountants, for the period January 1, 2014 to December 31, 2016. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of Delaware County Airport Authority as of December 31, 2014, 2015 and 2016, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Katz, Sapper & Miller prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Report for Delaware County Airport Authority was prepared in accordance with the guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

  
Paul D. Joyce, CPA  
State Examiner

# DELAWARE COUNTY AIRPORT AUTHORITY

STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS, AND CASH AND  
INVESTMENT BALANCES – REGULATORY BASIS  
AND  
INDEPENDENT AUDITORS' REPORT WITH OTHER INFORMATION

December 31, 2016, 2015, and 2014

# DELAWARE MUNICIPAL AIRPORT AUTHORITY

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**SCHEDULE OF OFFICIALS**

<b>Office</b>	<b>Official</b>	<b>Term</b>
Airport Manager	Tim Baty	04-01-16 to 12-31-17
Bookkeeper (Contracted)	Cathy Cross	12-01-16 to 12-31-17
President of the Board	Joe Evans	01-01-13 to 04-01-15
	Dr. C. Kurt Alexander	04-01-15 to 12-31-17
Treasurer	Andy Munson	01-01-13 to 12-31-14
	Rhonda Small	01-01-15 to 12-31-17
Secretary	Andy Munson	01-01-14 to 12-31-14
Member	Jacob Ludwick	01-01-14 to 12-31-16
	Aaron Kidder	01-01-14 to 12-31-14
	Dr. C. Kurt Alexander	01-01-15 to 04-01-15
	Joe Evans	04-01-15 to 12-31-16
Attorney	Ray Brassart	01-01-14 to 12-31-16

*Independent Accountants' Report*

Board of Directors  
Delaware County Airport Authority

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Delaware County Airport Authority (the Airport Authority), which comprise the statements of cash receipts, disbursements, and cash and investment balances – regulatory basis as of December 31, 2016, 2015, and 2014, and for the years then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Indiana State Board of Accounts as permitted by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible 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.

***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Uniform Compliance Guidelines for Audit of Hospitals and State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts. Those standards and guidelines require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Basis for Adverse Opinions on Accounting Principles Generally Accepted in the United States of America***

As described in Note 1, the financial statements are prepared by the Airport Authority on the financial reporting provisions of the Indiana State Board of Accounts as permitted by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of American, although not reasonably determinable, are presumed to be material.

***Adverse Opinions on Accounting Principles Generally Accepted in the United States of America***

In our opinion, because of the matter discussed in the Basis for Adverse Opinions on Accounting Principles Generally Accepted in the United States of America paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Airport Authority as of December 31, 2016, 2015, and 2014, or the results of its operations and cash flows for the years then ended.

***Opinions on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash receipts, disbursements, and cash and investment balances of the Airport Authority as of December 31, 2016, 2015, and 2014, and for the years then ended in accordance with the financial reporting provisions of the Indiana State Board of Accounts as described in Note 1.

***Other Supplementary Information***

Our audits were conducted for the purpose of forming opinions on the Airport Authority's financial statements. The combining schedules of cash receipts, disbursements, and cash and investment balances - regulatory basis, schedules of payables, receivables, and accruals, and schedules of capital assets on pages 9 through 13, which are the responsibility of management, are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2019, on our consideration of the Airport 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 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 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 Airport Authority's internal control over financial reporting and compliance.

*Katz, Sapper & Miller, LLP*

Indianapolis, Indiana  
January 25, 2019

## **FINANCIAL STATEMENTS**

**DELAWARE COUNTY AIRPORT AUTHORITY**

**STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS**

**For the Years Ended December 31, 2016, 2015, and 2014**

	<u>Cash and Investments January 1, 2014</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments December 31, 2014</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments December 31, 2015</u>
General Fund	\$ 837,956	\$ 528,982	\$ 541,325	\$ 825,613	\$ 626,144	\$ 622,097	\$ 829,660
Rainy Day Fund	202,933	85,220		288,153	84,358		372,511
Cumulative Building Fund	1,344,219	170,268	119,688	1,394,799	173,422	9,818	1,558,403
Federal Projects Fund	(221,783)	165,281	42,637	(99,139)	59,695	89,713	(129,157)
State Projects Fund	(9,083)	11,506	1,517	906	3,817	4,984	(261)
Totals	<u>\$ 2,154,242</u>	<u>\$ 961,257</u>	<u>\$ 705,167</u>	<u>\$ 2,410,332</u>	<u>\$ 947,436</u>	<u>\$ 726,612</u>	<u>\$ 2,631,156</u>

*See accompanying notes.*

**DELAWARE COUNTY AIRPORT AUTHORITY**

**STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS (CONTINUED)  
For the Years Ended December 31, 2016, 2015, and 2014**

	<u>Cash and Investments December 31, 2015</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments December 31, 2016</u>
General Fund	\$ 829,660	\$ 643,030	\$ 572,429	\$ 900,261
Rainy Day Fund	372,511	7,752		380,263
Cumulative Building Fund	1,558,403	175,778	15,722	1,718,459
Federal Projects Fund	(129,157)	45,139	23,250	(107,268)
State Projects Fund	(261)	2,261	1,244	756
Totals	<u>\$ 2,631,156</u>	<u>\$ 873,960</u>	<u>\$ 612,645</u>	<u>\$ 2,892,471</u>

*See accompanying notes.*

# DELAWARE COUNTY AIRPORT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS December 31, 2016, 2015, and 2014

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Delaware County Airport Authority (the Airport Authority) was established under the laws of the State of Indiana. The Airport Authority operates under an appointed governing board. The Airport Authority provides aviation services in Muncie, Indiana.

**Basis of Accounting:** The accompanying financial statements are reported on a regulatory basis of accounting in accordance with the financial reporting provisions of the Indiana State Board of Accounts as permitted by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred. The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred. In addition, certain disclosures required by accounting principles generally accepted in the United States of America are not required to be presented in accordance with the regulatory basis.

**Estimates:** The Airport Authority uses estimates and assumptions in preparing financial statements in accordance with the regulatory basis of accounting. These estimates and assumptions affect the reported amounts of cash and investments and cash receipts and disbursements. Actual results could vary from these estimates.

**Investments** are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of investment.

**Receipts** are presented in the aggregate on the financial statements. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Airport Authority.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: rental of property and airport operating receipts received from the City of Muncie and Delaware County.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Disbursements** are presented in the aggregate on the financial statements. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

**Interfund Transfers:** The Airport Authority may, from time to time, make transfers from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

**Fund Accounting:** Separate funds are established, maintained, and reported by the Airport Authority. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Airport Authority. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the Airport Authority in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

**Income Taxes:** The Airport Authority is exempt from federal income taxes under Internal Revenue Code Section 115.

**Subsequent Events:** The Airport Authority has evaluated the financial statements for subsequent events occurring through January 25, 2019, the date the financial statements were available to be issued.

## NOTE 2 - BUDGETS

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Airport Authority submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**NOTE 3 - PROPERTY TAXES**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Airport Authority in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

Deposits, made in accordance with the state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the Airport Authority to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**NOTE 5 - RISK MANAGEMENT**

The Airport Authority may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the Airport Authority to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

**NOTE 6 - PENSION PLAN**

***Plan Description***

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Airport Authority the authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

***Funding Policy and Annual Pension Cost***

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

**OTHER SUPPLEMENTARY INFORMATION – UNAUDITED**

**DELAWARE COUNTY AIRPORT AUTHORITY**

**COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS**

**For the Year Ended December 31, 2016**

	<u>General Fund</u>	<u>Rainy Day Fund</u>	<u>Cumulative Building Fund</u>	<u>Federal Projects Fund</u>	<u>State Projects Fund</u>	<u>Totals</u>
<b>CASH AND INVESTMENTS AT DECEMBER 31, 2015</b>	\$ 829,660	\$ 372,511	\$ 1,558,403	\$ (129,157)	\$ (261)	\$ 2,631,156
Receipts:						
Taxes	340,629		162,204			502,833
Intergovernmental	97,488	7,752	11,996			117,236
Charges for services	203,578					203,578
Other receipts	1,335		1,578	45,139	2,261	50,313
Total Receipts	<u>643,030</u>	<u>7,752</u>	<u>175,778</u>	<u>45,139</u>	<u>2,261</u>	<u>873,960</u>
Disbursements:						
Personal services	255,639					255,639
Supplies	17,146					17,146
Other services and charges	299,644					299,644
Capital outlay			14,420	23,250	1,244	38,914
Other disbursements			1,302			1,302
Total Disbursements	<u>572,429</u>	<u>-</u>	<u>15,722</u>	<u>23,250</u>	<u>1,244</u>	<u>612,645</u>
Excess of receipts over disbursements	<u>70,601</u>	<u>7,752</u>	<u>160,056</u>	<u>21,889</u>	<u>1,017</u>	<u>261,315</u>
<b>CASH AND INVESTMENTS AT DECEMBER 31, 2016</b>	<u>\$ 900,261</u>	<u>\$ 380,263</u>	<u>\$ 1,718,459</u>	<u>\$ (107,268)</u>	<u>\$ 756</u>	<u>\$ 2,892,471</u>

**DELAWARE COUNTY AIRPORT AUTHORITY**

**COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS**

**For the Year Ended December 31, 2015**

	<u>General Fund</u>	<u>Rainy Day Fund</u>	<u>Cumulative Building Fund</u>	<u>Federal Projects Fund</u>	<u>State Projects Fund</u>	<u>Totals</u>
<b>CASH AND INVESTMENTS AT DECEMBER 31, 2014</b>	\$ 825,613	\$ 288,153	\$ 1,394,799	\$ (99,139)	\$ 906	\$ 2,410,332
Receipts:						
Taxes	324,479		157,006			481,485
Intergovernmental	92,741		16,416			109,157
Charges for services	206,750					206,750
Other receipts	2,174	84,358		59,695	3,817	150,044
Total Receipts	<u>626,144</u>	<u>84,358</u>	<u>173,422</u>	<u>59,695</u>	<u>3,817</u>	<u>947,436</u>
Disbursements:						
Personal services	224,831					224,831
Supplies	44,610					44,610
Other services and charges	269,760					269,760
Capital outlay			9,818	89,713	4,984	104,515
Other disbursements	82,896					82,896
Total Disbursements	<u>622,097</u>	<u>-</u>	<u>9,818</u>	<u>89,713</u>	<u>4,984</u>	<u>726,612</u>
Excess (deficiency) of receipts over disbursements	<u>4,047</u>	<u>84,358</u>	<u>163,604</u>	<u>(30,018)</u>	<u>(1,167)</u>	<u>220,824</u>
<b>CASH AND INVESTMENTS AT DECEMBER 31, 2015</b>	<u>\$ 829,660</u>	<u>\$ 372,511</u>	<u>\$ 1,558,403</u>	<u>\$ (129,157)</u>	<u>\$ (261)</u>	<u>\$ 2,631,156</u>

**DELAWARE COUNTY AIRPORT AUTHORITY**

**COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS**

**For the Year Ended December 31, 2014**

	<u>General Fund</u>	<u>Rainy Day Fund</u>	<u>Cumulative Building Fund</u>	<u>Federal Projects Fund</u>	<u>State Projects Fund</u>	<u>Totals</u>
<b>CASH AND INVESTMENTS AT JANUARY 1, 2014</b>	\$ 837,956	\$ 202,933	\$ 1,344,219	\$ (221,783)	\$ (9,083)	\$ 2,154,242
Receipts:						
Taxes	225,369		153,572			378,941
Intergovernmental	91,163		16,696			107,859
Charges for services	212,150					212,150
Other receipts	300	85,220		165,281	11,506	262,307
Total Receipts	<u>528,982</u>	<u>85,220</u>	<u>170,268</u>	<u>165,281</u>	<u>11,506</u>	<u>961,257</u>
Disbursements:						
Personal services	234,900					234,900
Supplies	28,304					28,304
Other services and charges	219,924					219,924
Capital outlay			94,410	42,637	1,517	138,564
Other disbursements	58,197		25,278			83,475
Total Disbursements	<u>541,325</u>	<u>-</u>	<u>119,688</u>	<u>42,637</u>	<u>1,517</u>	<u>705,167</u>
Excess (deficiency) of receipts over disbursements	<u>(12,343)</u>	<u>85,220</u>	<u>50,580</u>	<u>122,644</u>	<u>9,989</u>	<u>256,090</u>
<b>CASH AND INVESTMENTS AT DECEMBER 31, 2014</b>	<u>\$ 825,613</u>	<u>\$ 288,153</u>	<u>\$ 1,394,799</u>	<u>\$ (99,139)</u>	<u>\$ 906</u>	<u>\$ 2,410,332</u>

**DELAWARE COUNTY AIRPORT AUTHORITY**  
**SCHEDULES OF PAYABLES, RECEIVABLES, AND ACCRUALS**  
**December 31, 2016, 2015, and 2014**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Governmental Activities:			
Accounts payable	\$ 11,803	\$ 11,703	\$ 11,803
Account receivable	6,031		250
Accrued liabilities	14,663	13,257	9,913

**DELAWARE COUNTY AIRPORT AUTHORITY**

**SCHEDULES OF CAPITAL ASSETS  
December 31, 2016, 2015, and 2014**

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Governmental Activities:			
Land	\$ 2,868,526	\$ 2,868,526	\$ 2,868,526
Infrastructure	59,695	59,695	165,281
Building	12,351,329	12,351,329	12,348,984
Machinery, equipment, and vehicles	1,790,218	1,650,218	1,637,629
Total Governmental Activities	<u>17,069,768</u>	<u>16,929,768</u>	<u>17,020,420</u>
<b>TOTAL CAPITAL ASSETS</b>	<u><u>\$ 17,069,768</u></u>	<u><u>\$ 16,929,768</u></u>	<u><u>\$ 17,020,420</u></u>

**OTHER INFORMATION**

*Independent Auditors' Report on Internal Control  
Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of the Financial Statement  
Performed in Accordance with Government Auditing Standards*

Board of Directors  
Delaware County Airport Authority

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 Airport Authority (the Airport Authority), which comprise the statements of cash receipts and disbursements, and cash and investment balances – regulatory basis as of December 31, 2016, 2015, and 2014, and for the years then ended and the related notes to the financial statements, and have issued our report thereon dated January 25, 2019, wherein we noted the financial statements are prepared by the Airport Authority on the financial reporting provisions of the Indiana State Board of Accounts as permitted by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

***Internal Control Over Financial Reporting***

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Airport Authority's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of This Report**

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

*Katy, Sapper & Miller, LLP*

Indianapolis, Indiana  
January 25, 2019