



**STATE OF INDIANA**  
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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, 2017 to December 31, 2017. 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, 2017, 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

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

December 31, 2017

# DELAWARE MUNICIPAL AIRPORT AUTHORITY

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**SCHEDULE OF OFFICIALS**

<b>Office</b>	<b>Official</b>	<b>Term</b>
Airport Manager	Tim Baty	01-01-17 to 12-31-17
Bookkeeper (Contracted)	Cathy Cross	12-01-16 to 12-31-17
President of the Board	Dr. C. Kurt Alexander	04-01-15 to 12-31-17
Treasurer	Rhonda Small	01-01-17 to 12-31-17
Secretary	Andy Munson	01-01-17 to 12-31-17
Member	Ron Chambers	01-01-17 to 12-31-17
Attorney	James Schafer	01-01-17 to 12-31-17

*Independent Accountants' Report*

Board of Directors  
Delaware County Airport Authority

**Report on the Financial Statement**

We have audited the accompanying financial statement of the Delaware County Airport Authority (the Airport Authority), which comprises the statement of cash receipts, disbursements, and cash and investment balances – regulatory basis as of December 31, 2017, and for the year then ended, and the related notes to the financial statement.

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

Management is responsible for the preparation and fair presentation of this financial statement 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 a financial statement that is free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit 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 statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

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

As described in Note 1, the financial statement is 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 statement 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 Opinion on Accounting Principles Generally Accepted in the United States of America***

In our opinion, because of the matter discussed in the Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America paragraph, the financial statement 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, 2017, or the results of its operations and cash flows for the year then ended.

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

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the cash receipts, disbursements, and cash and investment balances of the Airport Authority as of December 31, 2017, and for the year 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 audit was conducted for the purpose of forming an opinion on the Airport Authority's financial statement. The combining schedule of cash receipts, disbursements, and cash and investment balances - regulatory basis, schedule of payables, receivables and accruals, and schedule of capital assets on pages 9 through 11, which are the responsibility of management, are presented for purposes of additional analysis and are not required parts of the basic financial statement. Such information has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it. The accompanying schedule of federal awards as required by Title 2 *U.S. Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* on pages 14 and 15 are presented for purposes of additional analysis and are not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statement taken as a whole in accordance with the financial reporting provisions of the Indiana State Board of Accounts as described in Note 1.

***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 STATEMENT**

**DELAWARE COUNTY AIRPORT AUTHORITY**

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

**For the Year Ended December 31, 2017**

	<u>Cash and Investments January 1, 2017</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments December 31, 2017</u>
General Fund	\$ 900,261	\$ 697,810	\$ 440,618	\$ 1,157,453
Rainy Day Fund	380,263			380,263
Cumulative Building Fund	1,718,459	148,791	207,676	1,659,574
Federal Projects Fund	(107,268)	1,677,757	1,667,943	(97,454)
State Projects Fund	756	63,118	87,311	(23,437)
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Totals	<u>\$ 2,892,471</u>	<u>\$ 2,587,476</u>	<u>\$ 2,403,548</u>	<u>\$ 3,076,399</u>

*See accompanying notes.*

# DELAWARE COUNTY AIRPORT AUTHORITY

## NOTES TO FINANCIAL STATEMENT December 31, 2017

### 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 statement is 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 statement. 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 statement. 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 statement for subsequent events occurring through January 25, 2019, the date the financial statement was 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 statement. 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, 2017**

	<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, 2017</b>	\$ 900,261	\$ 380,263	\$ 1,718,459	\$ (107,268)	\$ 756	\$ 2,892,471
Receipts:						
Taxes	453,452		138,385			591,837
Intergovernmental	19,593		7,751			27,344
Charges for services	193,204					193,204
Other receipts	31,561		2,655	1,677,757	63,118	1,775,091
Total Receipts	<u>697,810</u>	<u>-</u>	<u>148,791</u>	<u>1,677,757</u>	<u>63,118</u>	<u>2,587,476</u>
Disbursements:						
Personal services	220,290					220,290
Supplies	16,125					16,125
Other services and charges	204,203					204,203
Capital outlay			207,676	1,667,943	87,311	1,962,930
Total Disbursements	<u>440,618</u>	<u>-</u>	<u>207,676</u>	<u>1,667,943</u>	<u>87,311</u>	<u>2,403,548</u>
Excess (deficiency) of receipts over disbursements	<u>257,192</u>	<u>-</u>	<u>(58,885)</u>	<u>9,814</u>	<u>(24,193)</u>	<u>183,928</u>
<b>CASH AND INVESTMENTS AT DECEMBER 31, 2017</b>	<u>\$ 1,157,453</u>	<u>\$ 380,263</u>	<u>\$ 1,659,574</u>	<u>\$ (97,454)</u>	<u>\$ (23,437)</u>	<u>\$ 3,076,399</u>

**DELAWARE COUNTY AIRPORT AUTHORITY**  
**SCHEDULE OF PAYABLES, RECEIVABLES, AND ACCRUALS**  
**December 31, 2017**

Governmental Activities:

Accounts payable  
Account receivable  
Accrued liabilities

\$ 17,527

**DELAWARE COUNTY AIRPORT AUTHORITY**

**SCHEDULE OF CAPITAL ASSETS**

**December 31, 2017**

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.

Governmental Activities:

Land	\$ 2,868,526
Infrastructure	59,695
Building	12,351,328
Machinery, equipment, and vehicles	<u>1,760,218</u>
Total Governmental Activities	<u>17,039,767</u>

**TOTAL CAPITAL ASSETS**

\$ 17,039,767

**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 statement of the Delaware County Airport Authority (the Airport Authority), which comprises the statement of cash receipts, disbursements, and cash and investment balances – regulatory basis as of December 31, 2017, and for the year then ended and the related notes to the financial statement, and have issued our report thereon dated January 25, 2019, wherein we noted the financial statement is 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 audit of the financial statement, 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 statement, 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 statement 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 statement is 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.

*Katz, Sapper & Miller, LLP*

Indianapolis, Indiana  
January 25, 2019

**DELAWARE COUNTY AIRPORT AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
December 31, 2017

	<u>Federal CFDA Number</u>	<u>Federal Grant Number</u>	<u>Amount Provided to Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
Airport Improvement Program	20.106	AIP 3-18-0059 29		\$ 23,154
	20.106	AIP 3-18-0059 30		<u>1,654,603</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ -</u>	<u>\$ 1,677,757</u>

*See accompanying notes to schedule of expenditures of federal awards.*

## DELAWARE COUNTY AIRPORT AUTHORITY

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended December 31, 2017

#### NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Delaware County Airport Authority (the Airport Authority) for the year ended December 31, 2017. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Airport Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Airport Authority.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Expenditures** reported on the Schedule are presented in accordance with the regulatory basis of accounting used in the preparation of the financial statement. Accordingly, expenditures are included in the Schedule when the reimbursement is received from the awarding agency. Such expenditures are also recognized following the cost principles in the Uniform Guidance, where certain types of expenditures are not allowed or are limited as to reimbursement.

#### NOTE 3 - INDIRECT COST RATE

The Airport Authority has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

*Independent Auditor's Report on Compliance For  
Each Major Program and on the Internal Control Over Compliance  
Required by the Uniform Guidance*

The Officials of the Delaware County Airport Authority  
Delaware County, Indiana

**Report on Compliance for Each Major Federal Program**

We have audited the Delaware County Airport Authority (the Airport Authority's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Airport Authority's major federal programs for the year ended December 31, 2017. The Airport Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Airport Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Airport Authority's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on each major federal program is not modified with respect to this matter.

The Airport Authority's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Airport Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### ***Report on Internal Control Over Compliance***

Management of the Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-002 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-001 to be a significant deficiency.

The Airport Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Airport Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Katz, Sapper & Miller, LLP*

Indianapolis, Indiana  
January 25, 2019

**DELAWARE COUNTY AIRPORT AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2017**

**Summary of Auditors' Results**

*Financial Statement*

Type of auditors' report issued [*unmodified, qualified, adverse, or disclaimer*]: Adverse

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes  no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes  none reported

Noncompliance material to financial statement noted? \_\_\_\_\_ yes  no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  yes \_\_\_\_\_ no
- Significant deficiency(ies) identified?  yes \_\_\_\_\_ none reported

Type of auditors' report issued on compliance for major programs [*unmodified, qualified, adverse, or disclaimer*]: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?  yes \_\_\_\_\_ no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
20.106	U.S. Department of Transportation – Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes  no

**DELAWARE COUNTY AIRPORT AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended December 31, 2017**

**Financial Statement Findings**

None

**Federal Awards Findings and Questioned Costs**

**U.S. DEPARTMENT OF TRANSPORTATION**

**2017-001 Airport Improvement Program (CFDA #20.106)**

**Significant Deficiency in Internal Control Over Compliance and Noncompliance – Allowable Costs / Cost Principles – Written Policies**

*Criteria:* Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires non-Federal entities receiving Federal funds to have certain written policies, procedures, and standards of conduct (policies) in place.

*Condition and Context:* The Airport Authority does not have the written policies in place in accordance with §200.302 *Financial Management* paragraphs (b)(6) and (b)(7), §200.430 *Compensation - Personal Services* paragraphs (a) and (c), §200.431 *Compensation - Fringe Benefits* paragraphs (c), (g)(6), and (h)(6), and §200.474 *Travel Costs* paragraph (b).

*Cause and Effect:* Management was not aware of the requirements for these written policies, which resulted in noncompliance.

*Recommendation:* We recommend the policies in accordance with the paragraphs listed above be written by the Airport Authority, approved by the Board of Directors and included in the permanent files of the Airport Authority.

*Views of Responsible Officials:* Management agrees with the finding and recommendation.

**2017-002 Airport Improvement Program (CFDA #20.106)**

**Material Weakness in Internal Control Over Compliance – Special Tests and Provisions – Wage Rate Requirements**

*Criteria:* Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), subsection 200.303 states:

“The non-federal entity must:

- (a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the federal award.”

Title 2 U.S. Code of Federal Regulations Part 176, *Wage Rate Requirements Under Section 1606 of the American Recovery and Reinvestment Act of 2009*, subsection 190 states:

- (a) "Section 1606 of the Recovery Act requires that all laborers and mechanics employed by contractors and subcontractors on projects funded directly by or assisted in whole or in part by and through the Federal Government pursuant to the Recovery Act shall be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with subchapter IV of chapter 31 of title 40, United States Code.

Pursuant to Reorganization Plan No. 14 and the Copeland Act, 40 U.S.C. 3145, the Department of Labor has issued regulations at 29 CFR parts 1, 3, and 5 to implement the Davis-Bacon and related Acts. Regulations in 29 CFR 5.5 instruct agencies concerning application of the standard Davis-Bacon contract clauses set forth in that section. Federal agencies providing grants, cooperative agreements, and loans under the Recovery Act shall ensure that the standard Davis-Bacon contract clauses found in 29 CFR 5.5(a) are incorporated in any resultant covered contracts that are in excess of \$2,000 for construction, alteration or repair (including painting and decorating.)"

*Condition and Context:* An effective internal control system was not in place at the Airport Authority in order to ensure compliance with the grant agreement and the Special Tests and Provisions – Wage Rate Requirements compliance requirement. The Airport Authority hired a consultant to administer all of its grants. The consultant received certified payrolls from the contractors/subcontractors and forwarded them to the Airport Authority. However, no one at the Airport Authority was reviewing the submissions for compliance or ensuring all certified payrolls were obtained and maintained. The lack of controls was a systemic issue, occurring throughout the audit period. However, we were able to obtain all certified payrolls requested for compliance testing, and no noncompliance was noted.

*Cause and Effect:* The Airport Authority had not established an effective internal control structure to ensure compliance with the grant agreement and the Special Tests and Provisions – Wage Rate Requirements compliance requirement. The failure to establish an effective internal control system could have enabled noncompliance to go undetected. Noncompliance with grant agreement and the compliance requirement could have resulted in the loss of federal funds to the Airport Authority.

*Recommendation:* We recommend that the Airport Authority's management establish controls to ensure compliance with the Special Tests and Provisions – Wage Rate Requirements compliance requirement.

*Views of Responsible Officials:* Management agrees with the finding and recommendation.



## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**Year Ended December 31, 2017**

### **Findings – Financial Statement Findings**

#### **2013-001 Airport Improvement Program – Internal Controls Over Financial Transactions and Reporting**

*Condition:* Management had not established an effective internal control system allowing for the proper segregation of duties, accurate preparation of financial statements, and monitoring of internal controls.

*Status:* Per § 200.511(b)(3)(i), an update on the status is not considered necessary since over two years has passed since the findings were submitted to the Federal Audit Clearinghouse (FAC).

### **Findings – Federal Award Findings and Questioned Costs**

#### **2013-002 Airport Improvement Program – Internal Controls Over Compliance Requirements That Have a Direct And Material Effect To Airport Improvement Program**

*Condition:* Management had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect to the program.

*Status:* Per § 200.511(b)(3)(i), an update on the status is not considered necessary since over two years has passed since the findings were submitted to the Federal Audit Clearinghouse (FAC).



## CORRECTIVE ACTION PLAN

Year Ended December 31, 2017

U.S. Department of Transportation

Delaware County Airport Authority respectfully submits the following corrective action plan for the year ended December 31, 2017.

Name and address of independent public accounting firm:

Katz, Sapper & Miller, LLP  
800 East 96<sup>th</sup> Street, Suite 500  
Indianapolis, IN 46240

Audit period: Year ended December 31, 2017

The findings from the schedule of findings and questioned costs for the year ended December 31, 2017, are discussed below. The findings are numbered consistently with the numbers assigned in the Schedule.

### **Federal Awards Findings and Questioned Costs**

**2017-001 Airport Improvement Program (CFDA #20.106)**



**Significant Deficiency in Internal Control Over Compliance and Noncompliance – Allowable Costs / Cost Principles – Written Policies**

*Recommendation:* The policies in accordance with the paragraphs listed in the finding should be written by the Airport Authority, approved by the Board of Directors and included in the permanent files of the Airport Authority.

*Planned Corrective Action:* The Delaware County Regional Airport Authority will draft and adopt a fiscal policy segregating the duties of all receipts and expenses for the Authority including the duties of the Airport Consulting Firm in presenting Estimates and Pay requests to the board in regards to AIP Grants. As in the past the Consultant receives, reviews and checks for accuracy all invoices from contractors involved in the Grant Program, After a Favorable recommendation and a motion from the Authority, Pay requests and Estimates will be handled as described in the Fiscal Plan.

*Anticipated Completion Date:* February 11, 2019



**2017-002 Airport Improvement Program (CFDA #20.106)**

**Material Weakness in Internal Control Over Compliance and Noncompliance – Special Tests and Provisions – Wage Rate Requirements**

*Recommendation:* The Airport Authority's management should establish controls to ensure compliance with the Special Tests and Provisions – Wage Rate Requirements compliance requirement.

*Planned Corrective Action:* A written policy with internal control will be established to provide redundant reviews of certified payroll submitted with monthly progress estimates on projects funded under the AIP Grant Program.

Contractors will be required to submit monthly certified payroll which along with all progress estimates. Payroll will be verified by the airport consultant as well as the airport staff prior to issuance of any payments.

*Anticipated Completion Date: February 11, 2019*