McPHERSON AIRPORT AUTHORITY

FINANCIAL STATEMENT

FOR THE YEAR ENDED
DECEMBER 31, 2021



LOYD GROUP, LLC

Certified Public Accountants

MCPHERSON AIRPORT AUTHORITY

MCPHERSON, KANSAS

For the Year Ended December 31, 2021

Cynthia Peterson, Airport Manager

BOARD OF DIRECTORS

Larry B. Kavouras

Norlan L. Ferguson

Kennard Boldt

Joe Harkins

Dale Sprague

MCPHERSON AIRPORT AUTHORITY

For the Year Ended December 31, 2021

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LOYD GROUP, LLC

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
McPherson Airport Authority
McPherson, Kansas 67460

Adverse and Unmodified Opinions

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the McPherson Airport Authority, Kansas (Municipality), a Municipal Financial Reporting Entity, as of and for the year ended December 31, 2021 and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Municipality as of December 31, 2021, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Municipality as of December 31, 2021, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the *Kansas Municipal Audit and Accounting Guide*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Municipality, 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 adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the financial statement is prepared by the Municipality on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, 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 America, although not reasonably determinable, are presumed to be material.

Other Matter

The prior year's financial statement for the year ended December 31, 2020, was audited by another auditor, who expressed an unmodified opinion on regulatory basis of accounting, on September 30, 2021.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Municipality'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 Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is 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 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 statement.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, 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 statement.
- 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 Municipality'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 statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Municipality'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts, expenditures-actual and budget, schedule of regulatory basis receipts and disbursements-agency funds and schedules of regulatory basis receipts and expenditures-actual-related municipal entity (Schedules 1, 2, 3 and 4 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. 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 basic financial statement. The 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 accompanying supplementary information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Another auditor previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of McPherson Airport Authority, Kansas as of and for the year ended December 31, 2020 (not presented herein), and have issued their report thereon dated September 30, 2021, which contained an unmodified opinion on the basic financial statement. The 2020 basic financial statement and their accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link https://admin.ks.gov/offices/oar/municipalservices. The 2020 actual column (2020 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget for the year ended December 31, 2021 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2020 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2020 basic financial statement. The 2020 comparative information was subjected to the auditing procedures applied in the audit of the 2020 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 2020 basic financial statement or to the 2020 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 2020 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2020, on the basis of accounting described in Note 1.

Loyd Group, LLC

Loyd Group, LLC
Galva, KS
July 13, 2022

MCPHERSON AIRPORT AUTHORITY

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
Regulatory Basis
For the Year Ended December 31, 2021

	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	$ 234,779	$ 524,026	$ 383,040	$ 375,765	$ 18,701	$ 394,466

COMPOSITION OF CASH:	
Cash on Hand	5,019
Checking account (operations) - Home State Bank	156,552
Checking account (fuel) - Home State Bank	71,400
Checking account - Home State Bank	161,495
Total composition of cash	$ 394,466

The notes to the financial statement are an integral part of this statement.

MCPHERSON AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENT

For the Year Ended December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Municipal Financial Reporting Entity

The McPherson Airport Authority is a municipal corporation governed by a five-member board of directors. The financial statement presents the McPherson Airport Authority (the municipality). The Airport does not have any related municipal entities. The municipality was created July 8, 1998, through an interlocal cooperation agreement between the City of McPherson, Kansas and McPherson County, Kansas. The purpose of the municipality is for management and operation of the McPherson Airport.

(b) Regulatory Basis Fund Types

General Fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Fund – used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Bond and Interest Fund – used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Capital Project Fund – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business Fund – funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund, etc.).

Trust Fund – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).

Agency Fund – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (i.e. payroll clearing fund, county treasurer tax collection accounts, etc.).

(c) Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Airport has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Airport to use the regulatory basis of accounting.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(d) Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the General Fund, Special Purpose Funds (unless specifically exempted by statute), Bond and Interest Funds and Business Funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1) Preparation of the budget for the succeeding calendar year on or before August 1st.
2) Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3) Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4) Adoption of the final budget on or before August 25th.

Senate Bill 13 repealed the tax lid law and introduced the use of a revenue neutral rate with an additional budget hearing required if the proposed tax levy exceeds the revenue neutral rate. These policy changes apply to the 2022 budget cycle. Additional information can be found in the Memo to State of Kansas Taxing Subdivisions (2021) at https://admin.ks.gov/offices/oar/municipal-services.

If the municipality is holding a revenue neutral rate hearing, the budget timeline for adoption of the final budget has been adjusted to on or before September 20th. The municipality did not hold a revenue neutral rate hearing for the year.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for 2021.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budget expenditure authority lapses at year end.

A legal operating budget is not required for Capital Project Funds, Agency Funds, Trust Funds and certain Special Purpose Funds as noted in the presentation of Schedule 2.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Kansas Statutes

Expenditures exceeded budget by $92,265 at December 31, 2021, however, a budget violation did not occur at December 31, 2021 due to $96,750 in state and federal grants that are exempt from budget law and therefore do not apply to K.S.A. 79-2935.

3. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the Airport. The statute requires banks eligible to hold the Airport's funds have a main or branch bank in the county in which the Airport is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Airport has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Airport's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Airport has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the Airport may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Airport's deposits may not be returned to it. State statutes require the Airport's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas Airport, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2021.

At December 31, 2021, the Airport's carrying amount of deposits was $389,448 and the bank balance was $393,813. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, $250,000 was covered by federal depository insurance and the remaining $143,913 was collateralized with securities held by the pledging financial institution's agents in the Airport's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Airport will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

4. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Other Employee Benefits

Vacation – Vacation leave if not taken shall not accrue from year to year. No vacation leave shall be taken until a new employee has completed one year of continuous service.

Each permanent full-time employee will accrue vacation leave as follows:

Years of Service	Per Year
After 1 year	40 working hours
After 2 - 9 years	80 working hours
After 10+ years	120 working hours

Other employees shall not receive vacation leave.

5. OTHER RELATIONSHIPS

McPherson City/County Airport

The McPherson Airport Authority was established as provided for by applicable State Statutes. The property and business of the Airport is managed by its Board of Directors. The Board consists of five directors. Four directors are selected by the governing bodies of the City and County, two by the City and two by the County, and one at-large director is selected by the other four. Each entity provides ongoing financial responsibility through annual appropriations for the operation of the airport on an equal basis, as determined through the preparation of an annual operating budget. The City of McPherson levies property taxes for its allocation and McPherson County funding is provided from the County's General Fund.

5. OTHER RELATIONSHIPS (CONT.)

The Airport is authorized only to issue revenue bonds, notes or other evidence of indebtedness payable from airport revenues. Title to the airport property remains with the City and County as equal co-owners. Title to all real and personal property purchased with funds of the Airport will be acquired, held and disposed of in the name of the Airport unless otherwise required by law or by the terms of a gift or grant. The Airport may be dissolved by vote of at least two-thirds (2/3) of the respective governing body members of each owner. The Board of Directors of the Airport shall liquidate the assets of the Airport and distribute the assets of the Airport or the net proceeds thereof to the City and County in a manner to be determined by it pursuant to law. Full possession and use of the Airport shall revert to the owners as equal tenants in common upon termination of the

6. CLAIMS AND JUDGMENTS

The Airport participates in federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Airport may be required to reimburse the grantor government. As of the date of this report, the grant expenditures have not been audited, but the Airport believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Airport.

The Airport is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injures to employees and natural disasters. The Airport has purchased commercial insurance for these potential risks. There have been no significant reductions in insurance coverage from 2021 to 2020 and there were no settlements that exceeded insurance coverage in the past three years.

During the ordinary course of its operations, the Airport is a party to various claims, legal actions and complaints. It is the opinion of the Airport's management and legal counsel that these matters are not anticipated to have a material impact on the Airport.

7. COVID-19 NOTE

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Airport's financial condition, liquidity and future results of operations. Management is actively monitoring the global and local situation on its financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Airport is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity for fiscal year 2021. Future potential impacts may include a decrease in certain revenues, reduced customer traffic and the temporary closure of operating hours of our offices.

As a result of COVID-19, the State of Kansas has received Coronavirus State and Local Fiscal Recovery Funds (SLFRF) under the American Rescue Plan Act (ARPA). The SLFRF was received from the U.S. Department of Treasury. The Airport received SLFRF in the amount of $0 during 2021. The SLFRF are to be used to strengthen and improve infrastructure and continue to support the recovery related to the public health emergency. Additional information and updates on ARPA SLFRF, which includes audit requirements, can be found at https://home.treasury.gov/.

8. SUBSEQUENT EVENTS

Management has evaluated the effects on the financial statement of subsequent events occurring through the date of this report, which is the date at which the financial statement was available to be issued.

MCPHERSON AIRPORT AUTHORITY

REGULATORY - REQUIRED

SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2021

MCPHERSON AIRPORT AUTHORITY

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
(Budgeted Funds Only)
For the Year Ended December 31, 2021

	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
General Fund	$ 290,775	$ 156,785	$ 447,560	$ 383,040	$ (64,520)

MCPHERSON AIRPORT AUTHORITY

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

		2021		
	2020 Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Fuel	$ 112,425	$ 102,146	$ 90,000	$ 12,146
Hangars/tie down/rents	38,946	40,806	40,000	806
Sales	1,026	1,803	750	1,053
Land lease	2,495	2,495	2,300	195
Appropriations	122,480	122,480	122,480	-
Grants	278,382	96,750	-	96,750
Interest income	480	461	200	261
Donations	-	100	-	100
Insurance reimbursement	-	156,785	-	156,785
Other income	808	200	380	(180)
Total receipts	557,042	524,026	$ 256,110	$ 267,916
Expenditures				
Fuel	81,422	78,127	69,700	8,427
Oil	553	190	400	(210)
Maps	366	433	500	(67)
Advertising	57	469	250	219
Auto expense	472	142	1,000	(858)
Catering	-	583	800	(217)
Credit card fees	1,519	2,063	1,600	463
Dues	339	343	400	(57)
Dyed diesel	775	1,344	1,400	(56)
Other fees	-	58	100	(42)
Insurance	22,433	15,561	18,500	(2,939)
Licenses and permits	20	50	50	-
Mail and shipping	877	457	575	(118)
Maintenance	236,973	51,578	60,000	(8,422)
Office supplies	3,347	1,998	5,000	(3,002)
Payroll expenses	86,675	90,389	85,000	5,389
Personal property taxes	533	531	1,200	(669)
Professional fees	90,716	110,490	10,000	100,490
Rentals	-	-	600	(600)
Sales tax	9,190	8,559	9,000	(441)
Snow removal	408	-	2,000	(2,000)
Special events	-	116	1,500	(1,384)
Subscriptions	24	648	900	(252)
Travel and conferences	-	445	1,000	(555)
Utilities	16,364	17,984	19,000	(1,016)
Other expense	123	482	300	182
Total expenditures	553,186	383,040	290,775	92,265
Budget credit for insurance reimbursement	-	-	156,785	(156,785)
Total expenditures subject to budget	553,186	383,040	$ 447,560	$ (64,520)
Receipts Over (Under) Expenditures	3,856	140,986		
Unencumbered Cash, Beginning	230,923	234,779		
Unencumbered Cash, Ending	$ 234,779	$ 375,765		