COFFEY COUNTY AIRPORT AUTHORITY

Burlington, Kansas

Independent Auditors' Report and
Financial Statement with
Supplementary Information

For the Year Ended December 31, 2018

COFFEY COUNTY AIRPORT AUTHORITY
Burlington, Kansas

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JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Coffey County Airport Authority
Burlington, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Coffey County Airport Authority, Burlington, Kansas, a related municipal entity of the Coffey County, Kansas, as of and for the year ended December 31, 2018, 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 *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.

Auditors' Responsibility
Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require 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 auditor's 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 auditor considers internal control relevant to the Authority'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 Authority'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 U.S. Generally Accepted Accounting Principles
As described in Note 1 of the financial statement, the financial statement is prepared by the Coffey County Airport Authority 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.

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 Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the 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 Coffey County Airport Authority as of December 31, 2018, 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 financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Coffey County Airport Authority as of December 31, 2018, 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.

Other Matters
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 individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedule 1 as listed in the table of contents) is presented for analysis and is 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 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.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the Coffey County Airport Authority as of and for the year ended December 31, 2017 (not presented herein), and have issued our report theron dated May 4, 2018, which contained an unmodified opinion on the basic financial statement. The 2017 basic financial statement and our 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 http://admin.ks.gov/offices/chief-financial-officer/municipal-services. The 2017 actual column (2017 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget for the year ended December 31, 2018 (Schedule 1 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 2017 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 2017 basic financial statement. The 2017 comparative information was subjected to the auditing procedures applied in the audit of the 2017 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 2017 basic financial statement or to the 2017 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 2017 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, 2017, on the basis of accounting described in Note 1.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

April 16, 2019
Chanute, Kansas

COFFEY COUNTY AIRPORT AUTHORITY

Burlington, Kansas
Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2018

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Cash Balances December 31, 2018
General	$ 132,093.15	$ 826,967.17	$ 795,570.27	$ 163,490.05	$ 29,466.55	$ 192,956.60
Total Reporting Entity	$ 132,093.15	$ 826,967.17	$ 795,570.27	$ 163,490.05	$ 29,466.55	$ 192,956.60

Composition of Cash	
Cash on Hand	$ 241.82
Operating Account	(700.30)
Money Market	192,068.09
Petty Cash	1,346.99
Total Cash	$ 192,956.60

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

COFFEY COUNTY AIRPORT AUTHORITY
Burlington, Kansas

Notes to Financial Statement
For the Year Ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement and schedules of the Coffey County Airport Authority, Burlington, Kansas, have been prepared in order to show compliance with the cash basis laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Airport Authority's accounting policies follow. Note 1 describes how the Airport Authority's accounting policies differ from generally accepted accounting policies.

Financial Reporting Entity
The Coffey County Airport Authority (Airport Authority) is a municipality of the State of Kansas organized under K.S.A. 12-1219, with an elected five-member Board of Commissioners. The Airport Authority is a related municipal entity of Coffey County, Kansas.

Related Municipal Entities: A related municipal entity is determined by the following criteria. Whether the Airport Authority exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of the public service, and significant operational or financial relationships with the Airport Authority. Related municipal entities are not required to be included in the Airport Authority's audit by the Kansas Municipal Audit and Accounting Guide (KMAAG). Based upon the application of this criterion, there were not such related municipal entities.

Regulatory Basis Fund Types
A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following types of funds comprise the financial activities of the Coffey County Airport Authority, for the year of 2018:

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

Basis of Presentation – Regulatory Basis of Accounting
Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The (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 revenues 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The municipality 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 municipality to use the regulatory basis of accounting.

Reimbursed Expenses

K.S.A. 79-2934 provides that reimbursed expenditures, in excess of those budgeted, should be recorded as reductions in expenditures rather than revenues. In the financial statement and budget schedule comparisons presented in this report, reimbursements and refunds are recorded as revenues. The reimbursements are recorded as receipts when received by the Airport Authority treasurer and are often difficult to identify the exact expenditure which they are reimbursing. In funds showing expenditures in excess of the original adopted budget, reimbursements are added to the adopted budget as budget credits for comparison with the actual expenditures.

Budgetary Information

The Airport Authority is not subject to the Kansas budget laws as they are not the primary taxing authority for the Airport Authority. Coffey County, Kansas holds the taxing authority for the Airport Authority. The Airport Authority adopts an annual budget for the General Fund for managerial purposes. The budget comparison on Schedule 1 reflects this internal managerial budget.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Kansas Statutes

Statement 1 has been prepared in order to show compliance with the cash basis laws of Kansas. As shown in Statement 1, the Airport Authority was in compliance with the cash basis laws of Kansas.

3. DEPOSITS AND INVESTMENTS

K.S.A 9-1401 establishes the depositories which may be used by the Airport Authority. The statute requires banks eligible to hold the Airport Authority's funds have a main branch or branch bank in the county in which the Airport Authority 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 Authority has no other policies that would further limit interest rate risk.

K.S.A 12-1675 limits the Airport Authority'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 Authority 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 Authority may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

3. DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk – deposits: Custodial credit risk is the risk that in the event of a bank failure, the Airport Authority's deposits may not be returned to it. State statutes require the Airport Authority'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 City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2018.

At year-end, the Airport Authority's carrying amount of deposits was $192,714.78 and the bank balance was $195,800.90. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, $195,800.90 was covered by FDIC insurance.

4. RISK MANAGEMENT

The Airport Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The Airport Authority manages these risks of loss through the purchase of various insurance policies.

5. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Health Insurance:
As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Airport Authority is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the consolidated Omnibus Budget Reconciliation Act (COBRA), the Airport Authority makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the Federal government for this coverage. The Premium is paid in full by the insured. There is no cost to the Airport Authority under this program.

Compensated Absences:
Regular full time nonexempt and exempt employees earn and accumulate vacation leave as follows:

Years of Employment	Days Awarded Per Year
0 to 3	5
3 to 5	10
5 to 10	12
10 to 15	15
15 or more	20

The Airport Authority's policy regarding accumulated vacation time disallows any accumulation beyond the next service anniversary date.

The Airport Authority's policy regarding sick leave allows for eligible employees to accumulate forty hours sick leave per year with no accumulation limit. Employees who discontinue employment with a two week notice will be compensated in full for any unused sick time up to six hundred hours.

5. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS (Continued)

The Airport Authority accrues a liability for compensated absences which meet the following criteria:

1. The Airport Authority's obligation relating to employees rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, the Airport Authority has estimated a liability for vacation and sick pay, which has been earned, but not taken by Airport Authority employees of $0.00 for vacation and $18,203.66 for sick pay.

6. SUBSEQUENT EVENTS

The Airport evaluated events and transactions occurring subsequent year end, and there were no subsequent events requiring recognition in the financial statements.

SUPPLEMENTARY INFORMATION

COFFEY COUNTY AIRPORT AUTHORITY
Burlington, Kansas
GENERAL FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Taxes and Shared Receipts				
Coffey County Appropriation	$ 260,000.00	$ 285,000.00	$ 285,000.00	$ -
Federal Grants	567,761.73	100,549.84	-	100,549.84
Use of Money and Property				
Operating Receipts	391,382.31	334,218.36	315,000.00	19,218.36
Rental Income	29,190.00	31,250.00	-	31,250.00
Interest Income	1,004.94	3,213.97	-	3,213.97
Sale of Assets	-	57,000.00	-	57,000.00
Other Receipts				
Reimbursed Expense	24,410.00	15,735.00	-	15,735.00
Total Receipts	1,273,748.98	826,967.17	$ 600,000.00	$ 226,967.17
Expenditures				
Culture and Recreation				
Personal Services	277,756.32	271,403.85	$ 245,000.00	$ 26,403.85
Contractual Services	91,282.31	124,481.34	145,000.00	(20,518.66)
Commodities	267,479.55	248,974.46	185,000.00	63,974.46
Capital Outlay	717,667.70	150,710.62	25,000.00	125,710.62
Total Expenditures	1,354,185.88	795,570.27	$ 600,000.00	$ 195,570.27
Receipts Over(Under) Expenditures	(80,436.90)	31,396.90		
Unencumbered Cash, Beginning	212,530.05	132,093.15		
Unencumbered Cash, Ending	$ 132,093.15	$ 163,490.05		

Jarred Gilmore Phillips

Board of Commissioners
Coffey County Airport Authority

In planning and performing our audit of the financial statement of Coffey County Airport Authority as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Coffey County Airport Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Coffey County Airport Authority internal control. Accordingly, we do not express an opinion on the effectiveness of the Coffey County Airport Authority's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in Coffey County Airport Authority's internal control to be material weaknesses:

Segregation of Duties

Due to the small staff size of the Airport Authority, weakness in internal control results from the Airport Authority personnel performing billings, receipting cash, making deposits, and having access to all books and records of the Airport Authority.

We noted no misappropriation or evidence of wrong doing, but believe the lack of controls should be reported to you. We would remind the Board of Commissioners responsible for approval and the signing of checks to be diligent in his/her responsibilities. All disbursements approved should have original invoices attached and should be thoroughly reviewed before approval.

This communication is intended solely for the information and use of management, and others within the Coffey County Airport Authority, and is not intended to be, and should not be, used by anyone other than these specified parties.

Jarred, Gilmore & Phillips, PA

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
April 16, 2019