

COFFEY COUNTY AIRPORT AUTHORITY

Burlington, Kansas

Financial Statements
and
Supplemental Information

with Report of Independent Auditors

For the Year Ended December 31, 2011

Coffey County Airport Authority
Special Financial Statements
For the Year Ending December 31, 2011

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INDEPENDENT AUDITOR'S REPORT

Coffey County Airport Authority
Burlington, Kansas

We have audited the summary statement of cash receipts, expenditures, and unencumbered cash balances of Coffey County Airport Authority Burlington, Kansas, as of and for the year ended December 31, 2011. This financial statement is the responsibility of Coffey County Airport Authority's, management. 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Coffey County Airport Authority, has prepared this financial statement using accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the Airport Authority's policy to prepare its financial statement on the basis of accounting discussed in the preceding 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 Coffey County Airport Authority as of December 31, 2011, or the respective changes in financial position and changes in cash flows, where applicable, for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balances of Coffey County Airport Authority, as of December 31, 2011, and the aggregate cash receipts and expenditures for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2012, on our consideration of Coffey County Airport Authority's internal control over financial reporting and on 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 internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

Our audit was conducted for the purpose of forming an opinion on the regulatory basis financial statement. The information identified in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the regulatory basis 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. The accompanying schedule of expenditures of federal awards is presented in appendix A for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part Coffey County Airport Authority's regulatory basis financial statement. This information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the 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 as a whole.

This report is intended solely for the information and use of the governing body and management of Coffey County Airport Authority, and for filing with the Kansas Department of Administration, Division of Accounts and Reports, the cognizant federal agency, and other federal audit agencies. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Respectfully Submitted,

Schlotterbeck and Burns, L.L.C.

May 15, 2012

Coffey County Airport Authority
 Burlington, Kansas
 Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2011

| <u>Fund</u> | Beginning Unencumbered Cash Balance | Receipts | Expenditures | Ending Unencumbered Cash Balance | Plus: Accounts Payable and Encumbrances | Ending Cash Balance |
|--------------|---|------------------|----------------|--|--|------------------------|
| General Fund | \$ (650,002) | 1,536,554 | 810,008 | 76,544 | 38,635 | 115,179 |
| Total | <u>(650,002)</u> | <u>1,536,554</u> | <u>810,008</u> | <u>76,544</u> | <u>38,635</u> | <u>115,179</u> |

Composition of Ending Cash Balance:

| | |
|---------------------------|----------------|
| Demand Deposits | \$ 113,772 |
| Cash on Hand | 1,407 |
| Total Composition of Cash | <u>115,179</u> |

See accompanying notes to financial statements

Coffey County Airport Authority
Burlington, Kansas
Notes to Financial Statements
For the Fiscal Year Ended December 31, 2011

Note 1 Summary of Significant Accounting Policies

A. Reporting Entity

Coffey County Airport Authority is a municipal corporation governed by an elected five-member board. These financial statements present Coffey County Airport Authority as a primary government unit, with no component units.

B. Fund Accounting

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 Airport Authority for the year ending December 31, 2011:

Governmental Funds

General Fund--to account for all unrestricted resources except those required to be accounted for in another fund.

C. Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. In addition, General Fixed Assets that account for the land, buildings and equipment owned by the Airport Authority are not recorded.

Coffey County Airport Authority
Burlington, Kansas
Notes to Financial Statements
For the Fiscal Year Ended December 31, 2011

D. Budget and Tax Cycle:

The Airport Authority is not subject to the Kansas Budget Law, as they are not the primary taxing authority for the Airport Authority. The Coffey County Commissioners hold 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 Statement 2 and 3 reflects this internal managerial budget.

E. Assets, Liabilities, and Fund Equity

Cash

To facilitate better management of the Airport Authority's cash resources, excess cash is combined in pooled operating accounts. Each fund's portion of total cash is based on its equity in the pooled cash amount. Cash in excess of current operating needs is invested on a pooled investment basis and earnings thereon are credited to the general fund as provided by Kansas Statutes.

F. 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 or branch bank in the county in which the Airport Authority is located 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.

K.S.A. 12-1675 allows the Airport Authority to invest idle funds in 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 held no investments at December 31, 2011 and held no investments throughout the year.

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.

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, except during designated "peak periods" when required coverage is 50%. The Airport Authority has not designated any peak periods.

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 Authority 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.

Coffey County Airport Authority
Burlington, Kansas
Notes to Financial Statements
For the Fiscal Year Ended December 31, 2011

At December 31, 2011, the carrying amount of the Airport Authority's deposits was \$113,772 and the bank balance was \$116,671. Of the bank balance, \$116,671 was covered by federal depository insurance.

Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase as required by state statutes. No physical inventories were taken at year end and no accounting controls exist for control of materials inventory.

Long-Term Debt

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Note 2 **Stewardship, Compliance, and Accountability**

Compliance with Kansas Cash Basis Law

No violations.

Compliance with Kansas Depository Security Law

No violations.

Note 3 **Detail Notes on All Funds and Account Groups**

A. **Assets:**

General Fixed Assets

The accounting and reporting treatment used for property and equipment under the cash basis and budget laws of Kansas require that property and equipment be recorded as an expenditure during the year of purchase. Coffey County Airport maintains an internal list of property and equipment, and periodically inspects the equipment listed to verify its existence.

B. **Liabilities:**

Vacation and Sick Leave Liability

The Airport Authority's policy regarding sick leave allows for eligible employees to accumulate 40 hours unused 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.

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

Coffey County Airport Authority
Burlington, Kansas
Notes to Financial Statements
For the Fiscal Year Ended December 31, 2011

Note 4 **Economic Dependency**

The Wolf Creek Nuclear Power Plant resides within the boundaries of Coffey County, which is the area served by the Airport Authority. This power plant is run by a joint venture of several utility companies. The valuation of the power plant accounts for in excess of 83% of Coffey County's total assessed valuation. The tax appropriation which the Airport Authority receives from the County is levied on this assessed valuation.

Coffey County Airport Authority
 Burlington, Kansas
 Statement of Expenditures - Actual and Budget
For the Year Ended December 31, 2011

Schedule 1

| Fund | <u>Adopted Budget</u> | <u>Expenditures Chargeable to Current Year</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|---------------------------|--|---|
| General Fund | \$ 673,000 | 810,008 | (137,008) |
| Budget Credit - State and Federal Financial Assistance | <u>833,114</u> | | <u>833,114</u> |
| Adjusted Budget Comparison | <u><u>1,506,114</u></u> | <u><u>810,008</u></u> | <u><u>696,106</u></u> |

See accompanying notes to financial statements

Coffey County Airport Authority
Burlington, Kansas

Schedule 2

Statement of Cash Receipts and Expenditures-Actual Budget
For the Year Ended December 31, 2011

| | Prior Year Actual | Current Year Actual | Current Year Budget | Variance Favorable (Unfavorable) |
|--|-------------------------|---------------------------|---------------------------|--|
| <u>General Fund</u> | | | | |
| Cash Receipts: | | | | |
| County Appropriation | \$ 240,000 | 240,000 | 240,000 | 0 |
| Operations Receipts | 361,090 | 401,376 | 433,000 | (31,624) |
| Interest Income | 198 | 193 | | 193 |
| Rental Income | 33,185 | 37,775 | | 37,775 |
| Scholarship Reimbursement | 9,385 | 8,125 | | 8,125 |
| County Appropriation - Construction | 28,128 | | | 0 |
| Miscellaneous | | | | 0 |
| Total Cash Receipts | <u>671,986</u> | <u>687,469</u> | <u>673,000</u> | <u>14,469</u> |
| Expenditures: | | | | |
| Personal Services | | | | |
| Salaries and Employee Benefits | <u>201,856</u> | <u>208,612</u> | <u>215,500</u> | <u>6,888</u> |
| Contractual Services | | | 249,000 | 249,000 |
| Utilities | 25,530 | 27,707 | | (27,707) |
| Repairs | 13,979 | 10,584 | | (10,584) |
| Insurance | 62,115 | 70,504 | | (70,504) |
| Legal and Accounting | 7,349 | 5,519 | | (5,519) |
| Total Contractual Services | <u>108,973</u> | <u>114,314</u> | <u>249,000</u> | <u>134,686</u> |
| Commodities | | | 178,500 | 178,500 |
| Inventory Purchases - Fuel and Merchandise | 256,515 | 344,955 | | (344,955) |
| Supplies and Other Expenses | 31,735 | 20,637 | | (20,637) |
| Total Commodities | <u>288,250</u> | <u>365,592</u> | <u>178,500</u> | <u>(187,092)</u> |
| Capital Outlay/ Special Expenditures | <u>1,137</u> | <u>827</u> | <u>30,000</u> | <u>29,173</u> |
| Total Operating Expenditures | <u>600,216</u> | <u>689,345</u> | <u>673,000</u> | <u>(16,345)</u> |
| Non-Operating Revenue | | | | |
| Insurance Proceeds | | 15,971 | | |
| State Grants | | | | |
| Federal Grants | <u>268,855</u> | <u>833,114</u> | | |
| Total Non-Operating Revenue | <u>268,855</u> | <u>849,085</u> | | |
| Non-Operating Expenditures | | | | |
| Taxiway Improvement Project | 1,064,555 | 104,992 | | |
| Runway Striping Project | | | | |
| Building Repair - Storm Damage - Ins. Proceeds | <u>67,523</u> | <u>15,671</u> | | |
| Total Non-Operating Expenditures | <u>1,132,078</u> | <u>120,663</u> | | |
| Receipts Over (Under) Expenditures | (791,453) | 726,546 | | |
| Unencumbered Cash, Beginning | <u>141,451</u> | <u>(650,002)</u> | | |
| Unencumbered Cash, Ending | <u>(650,002)</u> | <u>76,544</u> | | |

See accompanying notes to financial statements

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Coffey County Airport Authority
Burlington, Kansas

We have audited the statutory basis financial statements of Coffey County Airport Authority, Burlington, Kansas, as of and for the year ended December 31, 2011, and have issued our report thereon dated May 15, 2012. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Coffey County Airport Authority, Burlington, Kansas, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Coffey County Airport Authority, Burlington, Kansas statutory basis financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, 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*.

This report is intended solely for the information and use of the governing body and management of the Coffey County Airport Authority, Burlington, Kansas, and for filing with the Kansas Department of Administration, Division of Accounts and Reports, the cognizant federal agency, and other federal audit agencies. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Respectfully Submitted,

Schlotterbeck and Burns, L.L.C.

May 15, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
Coffey County Airport Authority
Burlington, Kansas

Compliance

We have audited the compliance of Coffey County Airport Authority, Burlington, Kansas, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2011. Coffey County Airport Authority, Burlington, Kansas, major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Coffey County Airport Authority, Burlington, Kansas, management. Our responsibility is to express an opinion on Coffey County Airport Authority, Burlington, Kansas, compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Coffey County Airport Authority, Burlington, Kansas 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. Our audit does not provide a legal determination on Coffey County Airport Authority, Burlington, Kansas compliance with those requirements.

In our opinion, Coffey County Airport Authority, Burlington, Kansas, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

The management of Coffey County Airport Authority, Burlington, Kansas, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Coffey County Airport Authority, Burlington, Kansas internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted

no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the governing body and management of the Coffey County Airport Authority, Burlington, Kansas, and for filing with the Kansas Department of Administration, Division of Accounts and Reports, the cognizant federal agency, and other federal audit agencies. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Respectfully Submitted,

Schlottbeck and Burns, L.L.C.

May 15, 2012

Coffey County Airport Authority
 Burlington, Kansas
 SCHEDULE OF FINDINGS AND RESPONSES
 Year ended December 31, 2011

Questioned
Costs

Section I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

- | | |
|---|-------------|
| 1. Type of auditor's financial statement report issued: | Unqualified |
| 2. Internal Control over financial reporting: | |
| Material weakness identified? | No |
| Significant deficiency identified not considered to be material weakness? | No |
| 3. Noncompliance material to financial statements noted? | No |

FEDERAL AWARDS

- | | |
|--|---|
| 4. Internal Control over major programs: | |
| Material weakness identified? | No |
| Significant Deficiency identified not considered to be material weakness? | No |
| 5. Type of auditor's report issued on compliance for major programs: | Unqualified |
| 6. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 5.10(a)? | No |
| 7. Identification of major programs: | |
| <u>CFDA No.</u> 20.106 | <u>Name of Federal Program</u> Airport Improvement Program |
| 8. The threshold for determining type A and type B programs: | \$300,000 |
| 9. Coffey County Airport Authority was determined to be a high risk auditee. | |

Section II – FINANCIAL STATEMENT FINDINGS

No Findings

Coffey County Airport Authority
 Burlington, Kansas
 Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

| <u>Federal Grantor/Pass-through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Federal Expenditures</u> |
|---|------------------------------------|---------------------------------|
| Department of Transportation Airport Improvement Program | 20.106 | 645,023 (1) |
| Total Expenditures of Federal Awards | | <u><u>645,023</u></u> |

(1) Considered a major program.

Expenditures on this schedule are recognized when activities occur.
 The financial statement expenditures are recognized using the statutory basis of accounting.
 The statutory basis includes ending encumbrances and excludes prior year encumbrances.