METROPOLITAN TOPEKA AIRPORT AUTHORITY

FINANCIAL STATEMENTS
WITH SUPPLEMENTRY INFORMATION
AND UNIFORM GRANT GUIDANCE SECTION

YEARS ENDED DECEMBER 31, 2015 AND 2014

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Independent Auditors' Report

The Board of Directors
Metropolitan Topeka Airport Authority
Topeka, Kansas

Report on the Financial Statements

We have audited the accompanying basic financial statements of the business-type activities of Metropolitan Topeka Airport Authority (the Authority), which comprise the statements of net position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the applicable provisions of the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Metropolitan Topeka Airport Authority as of December 31, 2015 and 2014, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 5 to the financial statements, the Authority has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* This is a new accounting principle and has been implemented retroactively for the year ended December 31, 2014. Our opinion is not modified with respect to this matter.

Adjustments to Prior Period Financial Statements

As discussed in Note 5, the Authority has restated its December 31, 2014 financial statements during the current year to correct the deferred outflows of resources, net pension liability and net position in order to properly implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-7 and 25 be presented to supplement the basic financial statements. Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions,* requires additional required supplementary schedules on pages 26 and 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information on pages 28 through 32, which include the schedule of expenditures 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* is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, 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 statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2016 on our consideration of the 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* in considering the Authority's internal control over financial reporting and compliance.

Mayer Hoffman McCann P.C.

Mayer Hoffman McCann P.C.
Topeka, Kansas
May 12, 2016

Metropolitan Topeka Airport Authority
Management Discussion and Analysis
Year Ended December 31, 2015

INTRODUCTION

Board of Directors
Thomas R. Moses, Chairman
Michael J. Wilson, Vice-Chairman
Samuel J. Carkhuff, Secretary
Neil Dobler
Vacant Seat (City Appointment)

Executive Staff
Eric M. Johnson, President
Cheryl A. Trobough, Director of Administration and Finance
Col. John T. O'Grady, Chief of Police & Fire
Kenneth L. McDonald, Director of Maintenance
Rod L. Niehaus, Assistant Director of Maintenance

Overview

In 1978 the Metropolitan Topeka Airport Authority (MTAA), formed under KSA 27-327 through 27-330, was instituted as an autonomous agency responsible for the administration of Forbes Field, the Philip Billard Airport and the Topeka Air Industrial Park (TAIP) located at Forbes Field, in Topeka, Kansas. In 2012, the Board of Directors voted to rename the commercial airport/industrial park from Forbes Field/Topeka Air Industrial Park to Topeka Regional Airport and Business Center, maintaining the name of Forbes Field for the airfield as it was dedicated in the memory of Maj. Daniel H. Forbes in 1949. The area administered by the MTAA under its mandate covers in excess of 4,000 acres with the Business Center covering 450 acres.

The MTAA receives its operational and capital funding from certain state and local tax programs, including a Shawnee County property tax mil levy, as well as from self-generated income such as land leases, landing fees, fuel flowage fees, etc. Various government grant funds are also received to help offset the cost of various airport improvements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance and activity of the MTAA is to provide an introduction to and an understanding of the basic financial statements of the MTAA for the year ended December 31, 2015. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto.

Goals

MTAA's continued goal for the year 2015 was to increase self-generated revenues, such as land lease revenues, building revenues, fuel flowage fees etc. so as to reduce the level of public support necessary to keep its facilities in operation. In budgeting for the year 2015, management stressed keeping expenses at a conservative yet realistic level and setting achievable levels for non-tax revenue increases. Due to the funding required for a multi-year major construction project for the reconstruction of the primary runway at Topeka Regional Airport, the mil levy imposed by the MTAA significantly increased in 2014 and remained steady for 2015 at 2.053. This funding level is expected to be maintained through the 2018 fiscal year. As in the past management felt that several Government grants had to be obtained in order to make necessary capital improvements to the MTAA's facilities.

Activity Highlights

Capital Improvements

- Parsons Brinckerhoff was contracted to complete the engineering design of the Reconstruction of Runway 13-31. The AIP funded grant of $1,053,756 received from the FAA in 2014 for Topeka Regional Airport provides funding for 90% of the FAA/MTAA share split of the project, thus making the MTAA's cost to be $117,129. Through a Master Cooperative Agreement there is also funding of $1,049,000 obligated by the U.S. Department of Defense on behalf of the National Guard Bureau and the 190th Air Refueling Wing of the Kansas Air National Guard for the design. Total design project costs are $2,219,885. It is expected for the construction to begin in 2017.

- There was one AIP funded grant offer, in the amount of $397,795, for Topeka Regional Airport. This grant offer provides funding for 90% of the cost for the Airport Master Plan Update (AMPU). Coffman Associates was contracted in 2013 to complete the AMPU documents for both Philip Billard Airport (completed in 2013) and Topeka Regional Airport. Work commenced in August 2015 on the AMPU for Topeka Regional Airport which is expected to be completed by late 2016.

- Federal grant cash receipts totaling $790,063 was received from the Federal Aviation Administration (FAA) through the Airport Improvement Program (AIP) for Topeka Regional Airport in 2015. The funds received was reimbursement funding for projects as follows:

  - FAA AIP #3-20-0113-32 – The completion of the project for the rehabilitation of Runway 3-21. (In addition to the FAA grant amount of $399,456, there was also $142,467 of Federal cash received from US DOD on behalf of the National Guard Bureau and the 190th Air Refueling Wing of the Kansas Air National Guard for the Rehabilitation of Runway 3-21.) Final project costs were $4,018,560 (FAA); $457,101 (MTAA); and $1,422,783 (DOD) for a total of $5,898,444.

  - FAA AIP #3-20-0113-33 – The engineering design of the Reconstruction of Runway 13-31. (In addition to the FAA grant amount of $285,252, there was also $281,402 of Federal cash received from US DOD on behalf of the National Guard Bureau and the 190th Air Refueling Wing of the Kansas Air National Guard for the Reconstruction of Runway 13-31.)

  - FAA AIP #3-20-0113-34 – FAA grant award of $105,355 was received on the Airport Master Plan Update.

- Other improvements to the infrastructure included the MTAA's continued repair and building maintenance on property throughout the complex to expand leasing opportunities.

  Topeka Regional Business Center:

  - 501 SE Axton St. – Upgrades to the electrical and fire suppression systems in suites A, B & C; roof replacement on suites C & D; building renovation construction in all four suites. MTAA entered into a lease with R&R Pallet Services of Garden City for Suites A & B in 2015 and began negotiations for Suite C when the construction is complete, with plans to lease Suite D in 2016.
  - 625 SE Axton St. – Upgrades to the plumbing and electrical systems, building renovation construction of office space for new tenant Capital Millworks Corporation.
  - 430 SE Engle St. – Building renovation construction for new tenant KAB Enterprises.

  Phillip Billard Airport:

  - Renovations to several suites in the Terminal Building created leasable office space. MTAA entered into a lease with Wayne Crawford Siding for Suite 6 and Buffalo MTE, LLC for Suites 7 & 8.

- 2015 Equipment Procurement included:

  - Topeka Police Department donation of four (4) patrol cars;
  - Paging system for aircraft emergencies at Topeka Regional Airport; and
  - Voice & data recording system for the MTAA Police & Fire Department.

Summary of Operations and Changes in Net Position

	2015	2014	2013
Operating revenues	$ 1,798,439	$ 3,708,885	$ 1,766,252
Operating expenses	(3,755,545)	(6,939,315)	(3,381,895)
Excess before depreciation and other non-operating income and expenses	(1,957,106)	(3,230,430)	(1,615,643)
Depreciation	(2,360,505)	(2,565,411)	(2,478,121)
Excess (loss) before other non-operating income and expense	(4,317,611)	(5,795,841)	(4,093,764)
Other non-operating income (expense), net	3,790,190	3,310,811	2, 434,391
Loss before capital contributions	(527,421)	(2,485,030)	(1, 659,373)
Capital contributions	888,900	3,471,374	2,490,957
Increase (decrease) in net position	$ 361,479	$ 986,344	$ 831,584

Significant items affecting operations and the change in net position for 2015 are as follows:

- Operating results for 2015 were quite different when compared to 2014 with revenues decreasing by $1,910,446 or 51.510% and expenses decreasing by $3,183,770 or 45.880% due to an Airline Minimum Revenue Guarantee provided in 2014 and inclusion of the net pension liability.
- Depreciation expense was comparable to 2014 showing a decrease of $204,906 or 7.987%.
- Net non-operating income (expense) increased 15.667%. Ad-valorem tax revenue (mil levy) received by the MTAA as a local taxing entity increased significantly by 6.920% to allow for the continued accrual of the necessary funds for the reconstruction of the primary runway.
- Capital contributions received in the form of grants from the Federal Aviation Administration and ANG project funds totaled $888,900, a decrease from 2014 of $2,582,474.

Revenues

A summary of revenues for the past three years is shown below. Total Revenue decreased 23.980% from 2014 to 2015. The following chart depicts the sources of revenues for 2015:

	2015	2014	2013
Operating revenue			
Building and land rent	$ 1,509,886	$ 1,468,765	$ 1,469,603
Landing and fuel flowage fees	128,223	162,145	154,982
Grants for services	0	1,950,000	0
Water and sewer sales, net of cost of sales	115,144	53,824	77,257
Other	45,186	74,151	64,410
Total operating revenue	1,798,439	3,708,885	1,766,252
Non-operating revenue			
Taxes and assessments	3,510,341	3,283,139	2,021,142
Interest income	9,405	3,311	3,706
Other	2,084	3,216	7,514
Total non-operating revenue	3,521,830	3,289,666	2,032,362
Total revenue	$ 5,320,269	$ 6,998,551	$ 3,798,614

Expenses

A summary of expenses for the past three years is shown below. Total Expenses decreased by 45.669% from 2014 to 2015. The following chart depicts the major expense categories for 2015:

	2015	2014	2013
Operating expenses			
Personnel	$ 2,749,964	$ 3,653,681	$ 2,288,698
Facilities support	629,518	601,144	579,466
Equipment support	168,258	261,560	214,696
Other	207,805	2,422,930	299,035
Total operating expenses	3,755,545	6,939,315	3,381,895
Non-operating expenses			
Interest	39,342	45,440	51,300
Total expenses	$ 3,794,887	$ 6,984,755	$ 3,433,195

The MTAA ended 2015 with favorable budget variances of $161,241 for revenues and $1,174,848 for expenditures.

Summary of Financial Position

The MTAA's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $27,057,468 at the end of 2015. A condensed summary of total net position follows:

	2015	2014	2013
Assets & Deferred Outflows of Resources			
Current and other assets	$ 5,850,954	$ 5,413,548	$ 5,635,987
Noncurrent assets	56,324	66,956	77,588
Capital assets	27,987,959	28,231,123	26,159,744
Deferred outflow of resources	200,069	85,730	0
Total assets & deferred outflows of resources	34,095,306	33,797,357	31,873,319
Liabilities & Deferred Inflows of Resources			
Long-term debt outstanding	1,234,620	1,486,288	1,724,141
Net pension liability	1,451,334	1,313,770	0
Other liabilities	4,234,020	4,301,310	4,439,533
Deferred inflow of resources	117,864	0	0
Total liabilities & deferred inflows of resources	7,037,838	7,101,368	6,163,674
Net position			
Invested in capital assets, net of related debt	26,549,978	26,554,995	24,251,889
Restricted Passenger Facility Charge revenue	6,386	7,413	6,070
Unrestricted	501,104	133,581	1,451,686
Total net position	$ 27,057,468	$ 26,695,989	$ 25,709,645

Slightly more than 98% of the MTAA's net position relates to its investment in capital assets including land, buildings, airfield infrastructure and machinery and equipment, net of accumulated depreciation and less any related debt used to acquire those assets still outstanding.

Debt Administration

The outstanding long-term debt of the MTAA totaled $1,437,981 at December 31, 2015. This debt consists of a Kansas Water Pollution Control Revolving Fund loan from the Kansas Department of Health and Environment and a bank loan. These loans mature in 2022 and 2026, respectively. Both principal and interest are payable from lease revenue, the general revenues of the MTAA and mil levy revenue.

METROPOLITAN TOPEKA AIRPORT AUTHORITY
STATEMENTS OF NET POSITION
December 31,

	2015	2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets:		
Cash and cash equivalents	$ 1,386,232	$ 68,072
Certificates of deposit	1,001,502	1,251,120
Accounts receivable, net of allowance for doubtful accounts of $9,104 for 2015 and $14,881 for 2014	29,533	78,194
Prepaid expenses	48,619	70,672
Grants receivable	156,926	797,374
Interest receivable	4,735	2,167
Taxes receivable	3,223,407	3,145,949
Total current assets	5,850,954	5,413,548
Capital assets at cost, less accumulated depreciation	27,987,959	28,231,123
Noncurrent assets:		
Accounts receivable - noncurrent	56,324	66,956
Total assets	33,895,237	33,711,627
Deferred outflows of resources	200,069	85,730
Total assets and deferred outflows of resources	$ 34,095,306	$ 33,797,357
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current liabilities:		
Current portion of long-term debt	$ 203,361	$ 189,840
Accounts payable	314,705	557,280
Accrued vacation and benefits	229,144	215,904
Accrued salaries and payroll taxes	55,986	39,704
Accrued interest	4,969	4,969
Other current liabilities	21,033	2,624
Deferred tax revenue	3,223,407	3,145,949
Other deferred revenue	181,415	145,040
Total current liabilities	4,234,020	4,301,310
Noncurrent liabilities:		
Long-term debt	1,234,620	1,486,288
Net pension liability	1,451,334	1,313,770
Total noncurrent liabilities	2,685,954	2,800,058
Total liabilities	6,919,974	7,101,368
Deferred inflows of resources	117,864	-
Net position:		
Invested in capital assets, net of related debt	26,549,978	26,554,995
Restricted	6,386	7,413
Unrestricted	501,104	133,581
Total net position	27,057,468	26,695,989
Total liabilities, deferred inflows of resources and net position	$ 34,095,306	$ 33,797,357

See Notes to the Financial Statements

METROPOLITAN TOPEKA AIRPORT AUTHORITY
STATEMENTS OF ACTIVITIES
Years ended December 31,

	2015	2014
Operating revenue:		
Taxes and assessments	$ 3,510,341	$ 3,283,139
Revenue from services	1,683,295	1,705,061
Grants for services	-	1,950,000
Water sales and sewer charges	254,182	250,036
Interest income	9,405	3,311
Other income	2,084	3,216
Less: water purchases	(139,038)	(196,212)
Total operating revenue	5,320,269	6,998,551
Operating expenses:		
General expenses	3,794,887	6,984,755
Depreciation	2,360,505	2,565,411
Total expenses	6,155,392	9,550,166
Operating loss	(835,123)	(2,551,615)
Non-operating revenues:		
Federal grants in aid of construction	536,478	2,444,618
Passenger facility charge	12,272	57,244
ANG project funds	352,422	1,026,756
Gain on disposal of capital assets	295,430	9,341
Change in net position	361,479	986,344
Net position at beginning of year	26,695,989	25,709,645
Net position at end of year	$ 27,057,468	$ 26,695,989

METROPOLITAN TOPEKA AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
Years ended December 31,

	2015	2014
Cash flows from operating activities:		
Cash received from customers	$ 1,781,852	$ 1,828,987
Cash received from taxes and assessments	3,510,341	3,283,139
Cash proceeds from grants	-	1,950,000
Cash paid to employees, suppliers and others	(3,672,708)	(5,736,056)
Interest received	6,837	1,409
Interest paid	(39,342)	(45,440)
Cash provided by operating activities	1,586,980	1,282,039
Cash flows from investing activities:		
Net purchase of certificates of deposit	-	(1,000,667)
Net proceeds from certificates of deposit	249,618	-
Purchase of capital assets	(2,117,341)	(4,627,449)
Cash proceeds from disposal of capital assets	295,430	-
Cash used by investing activites	(1,572,293)	(5,628,116)
Cash flows from capital and related financing activities:		
Payments on long - term debt	(238,147)	(231,727)
Cash proceeds from airport improvement grants	869,674	2,760,629
Cash proceeds from passenger facility charge	12,272	57,244
Cash proceeds from ANG project funds	659,674	719,504
Cash provided by capital and related financing activities	1,303,473	3,305,650
Net increase (decrease) in cash and cash equivalents	1,318,160	(1,040,427)
Cash and cash equivalents at beginning of year	68,072	1,108,499
Cash and cash equivalents at end of year	$ 1,386,232	$ 68,072

Reconciliation of operating loss to net
cash provided by operating activities

Operating loss	$ (835,123)	$ (2,551,615)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	2,360,505	2,565,411
Decrease (increase) in operating assets		
Accounts receivable	59,293	(957)
Prepaid expenses	22,053	(29,681)
Prepaid escrow	-	233,920
Interest receivable	(2,568)	(1,902)
Change in deferred outflows of resources	(114,339)	-
Increase (decrease) in operating liabilities		
Accounts payable	(242,575)	(132,580)
Accrued vacation and benefits	13,240	(8,406)
Accrued salaries and payroll taxes	16,282	(2,287)
Other current liabilities	18,409	(17)
Other deferred revenue	36,375	(17,887)
Net pension liability	137,564	-
Change in deferred inflows of resources	117,864	-
Total adjustments	2,422,103	2,605,614
Net cash provided by operating activities	$ 1,586,980	$ 53,999

(1) Summary of significant accounting policies

Reporting entity - The Metropolitan Topeka Airport Authority (the Authority) was established to operate the Phillip Billard Municipal Airport, the Forbes Field Airport and the Topeka Air Industrial Park. The financial statements are prepared on the accrual basis of accounting and are accounted for as a governmental enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises when the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed through user charges or when the periodic determination of net income or loss is deemed appropriate. The Authority is a related organization to the City of Topeka and has no component units.

Measurement focus, basis of accounting and financial statement presentation - The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of accounting refers to when revenues, expenses and the related assets, deferred outflows of resources, deferred inflows of resources and liabilities are recognized in the accounts and reported in the financial statements. Measurement focus refers to what is being measured. The financial statements are prepared on the accrual basis of accounting and on an economic resource measurement focus in accordance with accounting principles generally accepted in the United States of America. With this measurement focus, all assets, deferred outflows of resources, deferred inflows of resources, and liabilities are included on the statement of net position. The statement of activities presents increases (revenues) and decreases (expenses) in net total position. The statement of cash flows provides information about how the Authority meets the cash flow needs of its activities.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services in connection with ongoing operations. The principal operating revenues of the Authority are property tax revenues, rents from lessees and charges relating to the use of the Authority's facilities. Operating expenses include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses. Operating revenues as well as non-operating revenues are recognized when earned and when they are realized or realizable in accordance with accounting principles generally accepted in the United States of America.

Advertising - The Authority expenses advertising costs as they are incurred. Advertising expenses for the years ended December 31, 2015 and 2014 was $35,267 and $254,574, respectively.

Budgetary information - In accordance with Kansas statutes, the Authority must establish and approve an annual operating budget for the general fund. 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 the local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
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.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue 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 2015 or 2014.

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.

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

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

The following shows the major differences between the change in net position on budget basis and GAAP basis:

	December 31,	
	2015	2014
Budget basis change in net position	$ (63,911)	$ (363,771)
Adjustments (net):		
Revenue accruals	1,090,055	5,449,486
Expenditure accruals	(3,858,350)	(9,268,198)
Encumbrances	1,132,453	309,649
Purchase of capital assets	1,823,084	4,627,451
Retirement of notes	238,148	231,727
GAAP basis change in net position	$ 361,479	$ 986,344

Cash and cash equivalents defined for Statement of Cash Flows - For purposes of the statement of cash flows, the Authority considers checking and savings accounts to be cash and cash equivalents. Cash does not include certificates of deposit with original maturities of more than three months.

Accounts receivable - The Authority grants credit to all qualified renters and customers. Accounts receivable are carried at cost less an estimate made for doubtful receivables, if an allowance is deemed necessary, based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts on a periodic basis by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded as revenue when received.

Taxes receivable - The Authority's property taxes are levied in November to fund the budget of the ensuing year. In accordance with Government Accounting Standards, the Authority has recorded the full amount of taxes levied to fund the 2016 and 2015 years, by recording taxes receivable for both years with an offsetting entry to deferred revenue, as of December 31, 2015 and 2014, respectively.

Capital assets - Capital assets, which include property and equipment, are carried at historical cost. Those assets contributed by other entities are primarily recorded at estimated fair value on the date of contribution as determined by appraisal. Depreciation is computed using the straight-line method. Buildings and related building improvements are being depreciated over a period of 2 to 40 years. Runways are being depreciated over a period of 5 to 30 years. Furniture, equipment and vehicles have an estimated useful life ranging from 2 to 20 years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the statement of revenues and expenses. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

The Authority evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Commitments - In 1973, the United States Department of Defense declared Forbes Air Force Base to be a surplus facility for federal needs and made it available to the City of Topeka for conversion to civilian use. Substantially all of the facilities and equipment of the airport are available for leasing to others. Possession of Forbes Field was transferred to the Authority in 1976 without consideration and with certain restrictive covenants which specify the following:

1. The federal government can assume "exclusive or non-exclusive use" of the facility in the case of national emergency.
2. The Authority must maintain the facility in accordance with certain specifications.
3. The Authority must obtain approval from the Federal Aviation Administration to dispose of certain components of the facility.

Income taxes - The Authority is an airport authority as authorized by K.S.A 3-162 and is, therefore, not subject to federal and state income taxes as authorized by K.S.A. 79-201s.

Compensated absences - Employees are granted vacation and sick leave in varying amounts, based on length of service. In the event of termination or separation, an employee is generally paid for all accumulated vacation and sick leave. It is the policy of the Authority to record vacation and sick leave pay as expenses as they are earned. The amount of earned but unused accumulated vacation and sick leave are included in accrued vacation and benefits on the statement of net position. At December 31, 2015 and 2014, accrued sick leave benefits were $83,174 and $75,155 respectively. Accrued vacation benefits at December 31, 2015 and 2014 were $145,970 and $140,749, respectively.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management's estimates and assumptions include, but are not limited to, estimates of collectability of accounts receivable and estimated useful lives and salvage values of property and equipment. Management's estimates and assumptions are derived from and are continually evaluated based upon available information, judgment, and experience. Actual results could differ from those estimates.

Encumbrances - Encumbrances represent commitments related to unperformed contracts for goods or services. The commitments (purchase orders, contracts and other commitments for the expenditure of funds) are not treated as expenditures until a liability for payment is incurred, but are merely used to facilitate effective budget control and cash planning and management. At December 31, 2015 and 2014, the Authority had $2,062,544 and $930,090 of encumbrances outstanding, respectively. Encumbrance accounting is not employed by the Authority for financial statement purposes.

Passenger facility charge - The Authority has been authorized by the Federal Aviation Administration to collect passenger facility charges to finance capital improvements at Forbes Field Airport.

Compliance with Kansas Statutes – Management is not aware of any violations of Kansas statutes for the years ended December 31, 2015 and 2014.

(2) Deposits

The Federal Deposit Insurance Corporation insures amounts held by each institution in the Authority's name up to $250,000. At various times during the year, the Authority's cash in bank balances exceeded the federally insured limits.

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

Kansas statutes authorize the Authority, with certain restrictions, to deposit or invest in temporary notes, no-fund warrants, open accounts, time deposits, certificates of deposit, repurchase agreements, U.S. Treasury Bills and Notes, the State of Kansas Municipal Investment Pool or to make direct investments.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. State statutes require the 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, 2015 and 2014.

At December 31, 2015, the carrying amount of the Authority's deposits, including certificates of deposit, was $2,387,734. The bank balance was $2,531,513. The difference between the carrying amount and the bank balance is outstanding checks. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, $500,000 was covered by FDIC insurance and the remaining $2,031,513 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the Authority's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the Authority, the pledging bank, and the independent third-party bank holding the pledged securities.

At December 31, 2014, the carrying amount of the Authority's deposits, including certificates of deposit, was $1,319,191. The bank balance was $1,468,723. The difference between the carrying amount and the bank balance is outstanding checks. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, $750,000 was covered by FDIC insurance and the remaining $718,723 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the Authority's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the Authority, the pledging bank, and the independent third-party bank holding the pledged securities.

(3) Capital assets

Capital assets activity for the years ending December 31, 2015 and 2014 is as follows:

	Balance 12/31/2013	Additions	Retirements and transfers	Balance 12/31/2014	Additions	Retirements and transfers	Balance 12/31/2015
Capital assets not being depreciated:							
Land	$ 6,161,373	$ -	$ -	$ 6,161,373	$ -	$ -	$ 6,161,373
Construction in progress	2,434,371	4,470,281	(597,995)	6,306,657	1,722,709	(6,030,216)	1,999,150
Total capital assets not being depreciated	8,595,744	4,470,281	(597,995)	12,468,030	1,722,709	(6,030,216)	8,160,523
Capital assets being depreciated:							
Buildings and improvements	31,783,550	545,357	(32,195)	32,296,712	370,600	(301,555)	32,365,757
Runways	40,396,809	21,129	-	40,417,938	6,029,441	-	46,447,379
Vehicles	5,065,772	60,247	(42,693)	5,083,326	-	(11,700)	5,071,626
Furniture	204,028	-	-	204,028	-	-	204,028
Equipment	2,054,303	141,930	(9,727)	2,186,506	24,806	(5,691)	2,205,621
Total capital assets being depreciated	79,504,462	768,663	(84,615)	80,188,510	6,424,847	(318,946)	86,294,411
Less accumulated depreciation	(61,940,462)	(2,565,411)	80,456	(64,425,417)	(2,360,504)	318,946	(66,466,975)
Total capital assets being depreciated, net	17,564,000	(1,796,748)	(4,159)	15,763,093	4,064,343	-	19,827,436
Total capital assets	$ 26,159,744	$ 2,673,533	$ (602,154)	$ 28,231,123	$ 5,787,052	$ (6,030,216)	$ 27,987,959

(4) Long-term debt

The Authority was granted a Kansas Water Pollution Control Revolving Fund (KWPCRF) low interest loan from the Kansas Department of Health and Environment to fund a sewer project. The loan was granted in an amount not to exceed $2,580,000. Construction began in 2002 and was completed in 2003, during which time $2,480,759 was drawn against the loan. The loan is collateralized by revenues pledged and policy of insurance. Semi-annual payments of $79,749, including 2.86% interest, will be made over 20 years beginning December 2002 through June 2022. In accordance with the loan agreement, $162,774 of the amount borrowed has been placed in a reserve account held by KDHE. The reserve is to be used to make payments on the loan in case of default; otherwise, it will reduce the final payments on the note. KDHE has a right of offset, and may take some or all of the funds from the reserve account to cover loan payments in the event of default. Therefore, the reserve has been recorded as a reduction of the non-current portion of the note balance in the accompanying financial statements, as well as in the schedule below.

The Authority entered into a loan agreement with Fidelity State Bank and Trust Company to fund construction of the Sports Car Club of America (SCCA) building in an amount not to exceed $2,200,000. The total drawn against the note was $1,377,963. The loan is collateralized by future rents of the SCCA building. Monthly payments are $7,073, which include 2.25% interest. The interest rate is variable and resets every five years at the Wall Street Journal prime rate less 1%. The loan matures in 2026.

The following shows the activity in long-term debt during 2015 and 2014:

Issue	Balance 12/31/2013	Additions	Reductions/ Payments	Balance 12/31/2014	Additions	Reductions/ Payments	Balance 12/31/2015
Construction loan from bank	$ 887,311	$ -	$ (108,077)	$ 779,234	$ -	$ (110,621)	$ 668,613
KS Water Pollution Control Revolving Fund (KWPCF) loan	1,020,544	-	(123,650)	896,894	-	(127,526)	769,368
Total long-term debt	$ 1,907,855	$ -	$ (231,727)	$ 1,676,128	$ -	$ (238,147)	$ 1,437,981

Future principal and interest requirements to maturity as of December 31, 2015 are as follows:

	2016	2017	2018	2019	2020	2021-2025	Total
Principal							
Construction loan	$ 71,838	$ 72,191	$ 73,832	$ 75,511	$ 77,227	$ 298,014	$ 668,613
KWPCF	131,523	135,645	139,896	144,281	148,803	69,220	769,368
Total principal	203,361	207,836	213,728	219,792	226,030	367,234	1,437,981
Interest							
Construction loan	13,039	12,686	11,045	9,366	7,650	12,722	66,508
KWPCF	25,726	21,935	18,026	13,994	9,835	6,669	96,185
Total interest	38,765	34,621	29,071	23,360	17,485	19,391	162,693
Total debt service	$ 242,126	$ 242,457	$ 242,799	$ 243,152	$ 243,515	$ 386,625	$ 1,600,674

For the years ended December 31, 2015 and 2014, interest incurred and charged to expense was $39,342 and $45,440, respectively.

(5) Defined benefit pension plan

During the current year, the Authority implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits.

The Statement of Net Position and Statement of Activities for the year ended December 31, 2014 has been adjusted for the addition of the net pension liability in accordance with GASB Statement No. 68. The correction has no effect on the results of the current year's activities; however, the cumulative effect increases general operating expenses for 2014 by $1,228,040.

Plan description The Authority contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available stand-alone comprehensive annual financial report, which may be obtained by writing to KPERS (611 S. Kansas Ave., Suite 100, Topeka, Kansas 66603-3803) or by calling (888) 275-5737. The report is also available on the KPERS website at www.kpers.org. Financial statements provided by KPERS are prepared in accordance with accounting principles generally accepted in the United States of America.

Benefits KPERS benefits are established by statute and may only be changed by the General Assembly. Member employees with ten or more years of credited service may retire as early as age 55 with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever an employee's combined age and years of credited service equal 85 "points".

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, member employees may withdraw their contributions from their individual accounts, including interest. Member employees who withdraw their accumulated contributions lose all rights and privileges of membership. The accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Member employees choose one of seven payment options for their monthly retirement benefits. At retirement a member employee may receive a lump-sum payment of up to 50% of the actuarial present value of the member employee's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas. The retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

Funding Policy K.S.A. 74-4919, as amended, establishes a three tier benefit structure. Tier 1 members include active members hired before July 1, 2009. The member-employee contribution rate for Tier 1 members increased from 4% to 6% on January 1, 2015. Tier 2 members include active members hired between July 1, 2009 and December 31, 2014. The member-employee contribution rate for Tier 2 members is 6%. Tier 3 members include those first employed in a KPERS covered position after January 1, 2015. The member-employee contribution rate for Tier 3 members is 6%. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

The employer rate established by statute is 9.48% for the calendar year 2015 and 8.84% for the calendar year 2014. The Authority's employer contributions to KPERS for the years ending December 31, 2015, 2014, and 2013 were $196,758, $172,187, and $144,654, respectively, equal to the statutorily required contributions for each year. These amounts are included in general expenses as shown in the statement of activities.

Employer allocations Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plans: State/school, local, police/firemen and judges. To facilitate the separate actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer.

The individual employer allocation percentages for the pension amounts were based on the ratio of the employer and nonemployer contributions for the individual employer in relation to the total of all employer and nonemployer contributions of the group.

The allocation percentages for the Authority's share of the collective pension amounts as of June 30, 2015 and 2014 were based on the ratio of its contributions to the total of the employer and nonemployer contributions of the group for the fiscal years ended June 30, 2015 and 2014, respectively. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2015, the proportion recognized by the State of Kansas on behalf of the Authority was 0.110532%, which was an increase of 0.003792% from the proportion measured at June 30, 2014.

Actuarial assumptions The total pension liability was determined by an actuarial valuation as of December 31, 2014, which was rolled forward to June 30, 2015. The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	3.00%
Wage inflation	4.00%
Salary increases, including wage increases	4.00 to 16.00%, including inflation
Long-term rate of return net of investment expense, and including price inflation	8.00%

Mortality rates were based on the RP 2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study conducted for the three year period ending December 31, 2012.

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of June 30, 2015, (see the discussion of the pension plan's investment policy) are summarized in the table on the following page.

Asset class	Long-term target allocation	Long-term expected real rate of return
Global equity	47.00%	6.30%
Fixed income	13.00%	0.80%
Yield driven	8.00%	4.20%
Real return	11.00%	1.70%
Real estate	11.00%	5.40%
Alternatives	8.00%	9.40%
Short-term investments	2.00%	-0.50%
Total	100.00%	

Discount rate The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the State of Kansas on behalf of the Authority will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Authority's proportionate share of the net position liability calculated using the discount rate of 8.00%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
$2,060,246	$1,451,334	$935,097

Pension expense For the year ended December 31, 2015, the Authority recognized pension expense of $337,847, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. Total pension expense for the year ended December 31, 2014 was $172,187 and is made up solely of contributions to the plan for the year. Pension expense is included in general expenses in the Statement of Activities.

Deferred outflows of resources and deferred inflows of resources At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between actual and expected experience	$ -	$ 41,084
Net differences between projected and actual earnings on investments	-	56,496
Changes of assumptions	-	20,284
Contributions made after measurement date	98,152	-
Changes in proportion	101,917	-
Total	$ 200,069	$ 117,864

The $98,152 reported as deferred outflows of resources related to pensions resulting from Authority contributions made after the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ended December 31,	
2016	$ 78,615
2017	(19,537)
2018	(19,537)
2019	40,253
2020	2,411

(6) Risk management

The Authority is exposed to various risks of loss related to torts; that is, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. The Authority has elected to manage its risk of loss related to injuries to employees through participation in the Kansas Workers Risk Cooperative for Counties (KWORCC), a public entity risk pool currently operating as a public entity risk management and insurance program for participating members. The Authority pays an annual premium to KWORCC for its workers compensation insurance coverage. The agreement to participate provides that KWORCC will be self-sustaining through member premiums. KWORCC reinsures through commercial companies for claims in excess of $400,000 per accident as well as aggregate excess insurance should the pool experience losses in excess of 125% of the audited premium during the policy year. Additional premiums may be due if total claims for the pool are different that what has been anticipated by KWORCC management. There have been no significant reductions in insurance coverage from the previous year.

The Authority continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years.

(7) Concentrations

The Authority receives a significant amount of funding from taxes levied. For the periods ended December 31, 2015 and 2014, approximately 65% and 50%, respectively, of the Authority's operating revenues came from taxes levied. A significant reduction in funding from these sources could materially affect the operations of the Authority.

The Authority had two major customers that accounted for approximately 95% of net accounts receivable as of December 31, 2015. The Authority had three major customers that accounted for approximately 75% of net accounts receivable as of December 31, 2014.

The Authority had three vendors that accounted for approximately 50% of total purchases for the year ended December 31, 2015. The Authority had two vendors that accounted for approximately 70% of total purchases for the year ended December 31, 2014.

(8) Lease income

Metropolitan Topeka Airport Authority leases office, warehouse and hangar space to tenants under non-cancelable operating leases with terms of varying lengths. The following is a schedule of future minimum rentals under the leases at December 31, 2015:

2016	$	1,447,758
2017		1,052,765
2018		939,568
2019		697,108
2020		643,881
Thereafter		3,449,304
Total	$	8,230,384

Several of the leases in these balances include rental amounts that are re-determined annually based on formulas prescribed in the individual lease agreements. The minimum future rentals for these leases were determined using the rates in effect at December 31, 2015. In addition, many of these leases contain renewal options that may be exercised in the future.

(9) Capital projects

Capital project authorizations with approved change orders compared with cash disbursements from inception are as follows:

	Project authorization	Cash disbursements to date
Rwy 03-21 Rehabilitation (FOE)	$ 4,277,063	$ 4,018,559
Rwy 13-31 Reconstruction Design (FOE)	1,053,756	351,380
Airport Master Plan Upgrade (PB/TOP)	397,795	130,607
Rwy 13-31 Reconstruction (FOE)	1,044,515	346,947
Rwy 03-21 Rehabilitation (FOE)	1,524,814	1,422,780
Total	$ 8,297,943	$ 6,270,273

The Authority entered into several construction contracts during the fiscal year for improvements that will be financed from grant awarded funds for airport improvement projects.

(10) Litigation

The Authority is a party to various claims, none of which is expected to have a material financial impact on the Authority.

(11) Landfill closure and postclosure care costs

The Authority operates one active landfill site that was closed on December 17, 2010. State and federal laws and regulations require the Authority to place a final cover on its operating landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions for thirty years after closure. An expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfills no longer accept waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used to date. The estimated liability for landfill closure and postclosure care costs is $0 as of December 31, 2015 and 2014, which is based on 100 percent usage (filled) of the landfill. The estimated total current cost of the landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired as of December 31, 2015. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The Authority has provided adequate financial assurance documentation related to the estimated closure and postclosure costs as required by laws and regulations.

(12) Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. Total net position is unchanged due to these reclassifications.

(13) Subsequent events

The Authority has evaluated subsequent events through May 12, 2016, which is the date the financial statements were available to be issued. No events were significant enough to warrant disclosure in the accompanying financial statements or notes.

SUPPLEMENTARY INFORMATION

METROPOLITAN TOPEKA AIRPORT AUTHORITY
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
Year ended December 31, 2015

	GAAP Actual	Adjustments	Budget Basis Actual	Original and final budget	Variance
Revenue:					
Ad valorem tax	$ 3,054,015	$ -	$ 3,054,015	$ 2,996,142	$ 57,873
Delinquent property tax	50,513	-	50,513	-	50,513
Motor vehicle tax	395,467	-	395,467	346,919	48,548
Recreational vehicle tax	3,194	-	3,194	2,980	214
In lieu of taxes	6,052	-	6,052	3,710	2,342
16/20M vehicle tax	1,100	-	1,100	2,027	(927)
Fees and licenses	152,970	-	152,970	188,450	(35,480)
Leases and rents	1,509,886	95,668	1,605,554	1,610,000	(4,446)
Reimbursements	147,653	-	147,653	107,347	40,306
Non-operating	297,716	(294,255)	3,461	5,000	(1,539)
Federal grants	888,900	(888,900)	-	-	-
Other grants	-	-	-	-	-
Interest on idle funds	9,405	(2,568)	6,837	3,000	3,837
Total revenue	6,516,871	(1,090,055)	5,426,816	5,265,575	161,241
Expenses:					
Personnel	2,749,964	(29,522)	2,720,442	2,688,667	31,775
Professional services	127,770	-	127,770	155,521	(27,751)
Personnel support	17,262	-	17,262	21,400	(4,138)
Communication services	60,586	-	60,586	81,098	(20,512)
Facilities support	629,518	278,609	908,127	1,325,654	(417,527)
Equipment support	168,258	-	168,258	248,900	(80,642)
Bad debt	(444)	444	-	-	-
Depreciation	2,360,505	(2,360,505)	-	-	-
Other charges	2,631	-	2,631	53,748	(51,117)
Capital improvements	-	1,446,309	1,446,309	1,644,526	(198,217)
Capital projects	-	-	-	400,000	(400,000)
Prepaid expenses	-	-	-	10,000	(10,000)
Neighborhood Revitalization rebates	-	-	-	36,061	(36,061)
Interest	39,342	-	39,342	-	39,342
Total expenses	6,155,392	(664,665)	5,490,727	6,665,575	(1,174,848)
Change in net position	361,479	(425,390)	(63,911)	(1,400,000)	1,336,089
Net position/unencumbered cash - beginning of year	26,695,989	(25,816,923)	389,101	1,400,000	(1,010,899)
Net position/unencumbered cash - end of year	$ 27,057,468	$ (26,242,313)	$ 325,190	$ -	$ 325,190

METROPOLITAN TOPEKA AIRPORT AUTHORITY
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	June 30, 2015	June 30, 2014
Proportion of the net pension liability	0.02%	0.02%
Proportionate share of the collective net pension liability	$ 1,451,334	$ 1,313,770
Covered-employee payroll from the period July 1 - June 30	1,842,748	1,748,405
Net pension liability as a percentage of covered-employee payroll	78.76%	75.14%
Plan fiduciary net position as a percentage of the total pension liability	5.21%	5.11%

*Information reported above is as of the KPERS measurement date of June 30. GASB 68 requires a presentation of 10 years. As of June 30, 2015 only two years of information is available.

METROPOLITAN TOPEKA AIRPORT AUTHORITY
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Years ended December 31,

	2015	2014
Contractually required employer contribution	$ 184,694	$ 161,839
Contributions in relation to the contractually required contribution	(184,694)	(161,839)
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll	$ 1,842,748	$ 1,748,405
Contributions as a percentage of covered-employee payroll	10.02%	9.26%

*GASB 68 requires a presentation of 10 years. As of June 30, 2015 only two years of information is available.

METROPOLITAN TOPEKA AIRPORT AUTHORITY
SCHEDULES OF REVENUES
Years ended December 31,

	2015	2014
Taxes and assessments:		
Current property tax	$ 3,054,015	$ 3,009,329
Current motor vehicle tax	395,467	224,205
Other taxes	60,859	49,605
Total taxes and assessments	3,510,341	3,283,139
Revenue from services:		
Lease and rental fees	1,509,886	1,468,765
Fuel flowage fees	77,265	92,772
Landing fees	50,958	69,373
Insurance reimbursements	20,443	13,849
Other service revenue	13,602	50,113
Utility reimbursements	11,141	10,189
Total revenue from services	1,683,295	1,705,061
Water sales and sewer charges:		
Water sales	254,182	250,036
Less: cost of water	(139,038)	(196,212)
Net water and sewer charges	115,144	53,824
Other:		
Interest income	9,405	3,311
Other income	2,084	3,216
Grants for services	-	1,950,000
Net other	11,489	1,956,527
Total revenue	$ 5,320,269	$ 6,998,551

METROPOLITAN TOPEKA AIRPORT AUTHORITY
SCHEDULES OF GENERAL EXPENSES
Years ended December 31,

	2015	2014
Salaries and wages	$ 1,943,093	$ 1,808,814
Payroll taxes and benefits	806,871	1,844,867
Electricity and gas	256,058	306,078
Structural insurance	80,578	62,480
General facility supplies	78,984	65,840
Outside maintenance services	69,524	65,904
Other facilities support	68,730	19,281
Vehicle fuel	53,899	84,321
Equipment service agreements	48,775	46,494
Vehicle insurance	47,868	73,857
Interest expense	39,342	45,440
Advertising and public relations	35,267	254,574
Bonding insurance fees	30,077	32,973
Other professional services	29,842	49,580
Equipment repair and maintenance	29,097	74,556
Water and sewer	27,381	33,335
Airport liability insurance	25,124	25,602
Telephone	23,140	22,624
Accounting services	18,000	18,021
Equipment maintenance and supplies	17,754	9,131
Legal services	17,307	15,323
Other equipment support	10,744	11,005
Vehicle maintenance and supplies	8,896	8,690
Dues and subscriptions	7,401	4,710
Other personnel support	7,176	9,835
Other communications service and support	4,201	20,095
Office supplies	4,079	7,122
Miscellaneous expense	2,688	5,200
Clothing and uniforms	2,685	4,849
Economic development	750	10,000
Bad debt recovery	(444)	(455)
Air service	-	1,944,609
Total general expenses	$ 3,794,887	$ 6,984,755

METROPOLITAN TOPEKA AIRPORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENSED
For the year and each quarter within the year ended December 31, 2015

Application	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
First application*					
Balance - January 1					$ 7,413
Collections**	$ 4,266	$ 1,290	$ 706	$ 6,010	12,272
Expenses	(7,100)	(4,200)	(1,300)	(700)	(13,300)
Interest	-	-	1	-	1
Balance - December 31					$ 6,386

* Federal Aviation Administration Record of Decision passenger facility charge effective date for Application One is August 1, 2007

** Cash basis of accounting - collections are reported when received rather than when earned in accordance with passenger facility charge reporting guidelines.

METROPOLITAN TOPEKA AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Project Number	Program or Award Amount	Expenditures
Federal Aviation Administration				
Airport Improvement Program				
Rwy 03-21 Rehabilitation (FOE)	20.106	3-20-0113-32	$ 4,277,063	$ 54,491
Rwy 13-31 Reconstruction Design (FOE)	20.106	3-20-0113-33	1,053,756	351,380
Airport Master Plan Updated (PB/TOP)	20.106	3-20-0113-34	397,795	130,607
Total Federal Aviation Administration			5,728,614	536,478
National Guard Bureau Department of Defense				
Rwy 13-31 Reconstruction (FOE)	12.400	N/A	1,044,515	346,947
Rwy 03-21 Rehabilitation (FOE)	12.400	N/A	1,524,814	5,471
Total National Guard Bureau Department of Defense			2,569,329	352,418
Total Federal Financial Assistance			$ 8,297,943	$ 888,896

(1) General

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Metropolitan Topeka Airport Authority under programs of the federal government for the year ended December 31, 2015. The information in this 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 Metropolitan Topeka Airport Authority, it is not intended to and does not present the financial position of the business-type activities, changes in financial position or cash flows of Metropolitan Topeka Airport Authority.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, Cost Principles for State and Local Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

METROPOLITAN TOPEKA AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2015

Section 1 **Summary of Auditors' Results**

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
2. Internal control over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified?	None reported
3. Noncompliance material to the financial statements noted?	No

Federal Awards

1. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified?	None reported
2. Type of auditors' report issued on compliance for major programs:	Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

4. Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
20.106	Airport Improvement Program

5. Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
6. Auditee qualified as a low-risk auditee?	Yes

Section 2

Financial Statement Findings

None noted

Section 3

Federal Award Findings and Questioned Costs

None noted

Passenger Facility Charge (PFC) Findings and Questioned Costs

None noted

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Independent Auditors' 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

The Board of Directors
Metropolitan Topeka Airport Authority
Topeka, KS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Metropolitan Topeka Airport Authority (the Authority), which comprise the statement of net position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 12, 2016.

Internal Control Over Financial Reporting

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

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 result 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.

Mayer Hoffman McCann P.C.

Mayer Hoffman McCann P.C.
Topeka, Kansas
May 12, 2016

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Independent Auditors' Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Grant Guidance

The Board of Directors
Metropolitan Topeka Airport Authority
Topeka, Kansas

Report on Compliance for Each Major Federal Program

We have audited Metropolitan Topeka Airport Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal programs for the year ended December 31, 2015. The 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 the Authority's major federal program 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 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 the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2015.

Additionally, in our opinion, the Authority complied, in all material respects with the requirements referred to above that are applicable to its Passenger Facility Charge Program for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of the 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 Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Authority's internal control over compliance.

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 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. 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Mayer Hoffman McCann P.C.

Mayer Hoffman McCann P.C.
Topeka, Kansas
May 12, 2016