BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

METROPOLITAN TOPEKA AIRPORT AUTHORITY

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

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Certified Public Accountants

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 statement of net position as of December 31, 2018, and the related statements of revenues, expenses and changes in net position and cash flows for the year 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 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 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 auditor's 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, 2018, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle and Adjustments to Prior Period Financial Statements

As discussed in Note 6 to the financial statements, the Authority has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions* (OPEB). This is a new accounting principle and has been implemented retroactively for the year ended December 31, 2017. 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 on pages 4-8 and the pension and OPEB schedules on pages 32-35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 audit was conducted for the purpose of forming an opinion on the December 31, 2018 basic financial statements as a whole. The supplementary information on pages 36 through 40, including the budgetary comparison schedule, the schedules of revenue and general expenses, the schedule of passenger facility charges collected and expensed, and 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,* are presented for purposes of additional analysis and are 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 audit 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 June 28, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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.

Berberich Trahan & Co., P.A.

Berberich Trahan & Co., P.A.
Topeka, Kansas
June 28, 2019

Metropolitan Topeka Airport Authority
Management Discussion and Analysis
Year Ended December 31, 2018

INTRODUCTION

Board of Directors	**Executive Staff**
Lisa D. Stubbs, Chair	Eric M. Johnson, President
Thomas E. Wright, Vice-Chair	Cheryl A. Trobough, Director of Administration and Finance
Thomas R. Moses, Secretary	Col. John T. O'Grady, Chief of Police & Fire
Neil Dobler	Rod L. Niehaus, Director of Maintenance
Michael J. Wilson	Terry L. Poley, 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, 2018. 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 2018 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 2018, 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 has remained steady with the mil levy for 2018 at 2.054. 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

- Koss Construction Company began construction on Phase 2 of the Runway 13-31 Reconstruction under their awarded contract of $15,267,128. The construction costs, including construction observation services provided by WSP, for a total project cost of $17,438,028 was funded 52% by the Federal Aviation Administration (FAA)/MTAA and 48% through a Master Cooperative Agreement 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.

  An Airport Improvement Program (AIP) grant of $8,030,417 received from the FAA in 2017 for Topeka Regional Airport provides funding for 90% of the FAA/MTAA share split of the project, thus making the MTAA's cost $892,269. The NGB/190th share of the project is $8,515,342.

- Federal grant cash receipts totaling $7,644,332 were received from the FAA through the Airport Improvement Program (AIP) for Topeka Regional Airport and Philip Billard Airport in 2018. The funds received were reimbursement for projects as follows:

  Topeka Regional Airport (FOE):

  - FAA AIP #3-20-0113-33 – FAA grant revenue of $19,814 was received for the completed design of Phase 2 of the Reconstruction of Runway 13-31. (In addition to the FAA grant revenue, there was also $4,375 of Federal revenue 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 design);

  - FAA AIP #3-20-0113-35 – FAA grant revenue of $134,290 was received for the completed Phase 1 construction of the Reconstruction of Runway 13-31. (In addition to the FAA grant revenue, there was also $123,800 of Federal revenue received from US DOD on behalf of the National Guard Bureau and the 190th Air Refueling Wing of the Kansas Air National Guard for Phase 1 construction of the Reconstruction of Runway 13-31);

  - FAA AIP #3-20-0113-37 – FAA grant revenue of $6,719,315 was received for the Phase 2 construction of the Reconstruction of Runway 13-31. (In addition to the FAA grant revenue, there was also $7,109,435 of Federal revenue received from US DOD on behalf of the National Guard Bureau and the 190th Air Refueling Wing of the Kansas Air National Guard for Phase 2 construction of the Reconstruction of Runway 13-31);

  Philip Billard Airport (TOP):

  - FAA AIP #3-20-0082-19 - FAA grant revenue of $7,582 was received for the final payment of the completed Wildlife Hazard Assessment; and

  - FAA AIP #3-20-0082-20 – FAA grant revenue of $763,331 was received for the construction phase of the Abandonment of Runway 4-22 and Taxiway Reconfiguration.

- 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:

  - 6620 SE Dwight St. – A window replacement project was completed at the building occupied by Sports Car Club of America. This building was constructed in 2003 to be established as the SCCA national headquarters;

  - 413 SE Peterson St. – Building renovations, including a 20-year warrantied roof replacement, were completed in this 2,400 square foot building and the building was leased to a new tenant, ProMetal Fabrication, L.L.C.;

  - 7115 SE Forbes St. – A new 20-year warrantied roof was applied as per the terms of the long-standing lease with Brackett, Inc.;

  Topeka Regional Airport:

  - The fourth round of window replacements was completed at terminal building; and

  Philip Billard Airport:

  - 3500 NE Seward Ave. – This small land acquisition of 0.8 acre was completed on land adjacent to airport property, allowing for contiguous ownership.

- Pavement repairs throughout the complex included:

  Topeka Regional Business Center:

  - There were asphalt repairs made to various streets throughout the business center as well as an asphalt overlay of SE 61st Street;

  Topeka Regional Airport:

  - There were asphalt repairs made to Taxiway Bravo near the Taxiway Alpha intersection, as well as pavement adjacent to the MTAA Police & Fire Bay #4, pavement at the Old Fuel Farm and to the drain area on the ramp side of 6822 SE Ross St.

- The 2018 Equipment Procurement included:

  - Police & Fire Department – Three firefighting vehicles were purchased as replacements including a 1985 GMC Fire Rescue Truck, a 1985 Pierce Arrow Fire Tanker Truck, and a 1994 Simon-Duplex Aerial Tower Ladder Truck;

  - Maintenance Department – A pickup truck was purchased through Kansas State Surplus and a bucket truck was purchased through the PurpleWave auction site as additions to the Maintenance Department fleet of vehicles. The equipment fleet saw the additions of a Crafco Super Shot 125D, to allow for more efficient pavement maintenance on the airfields and on MTAA streets/parking lots, and a 2014 Case 580SN Backhoe; and

  - Airport Operations – A digital fingerprint system and new identification badging software were acquired to meet TSA regulations.

Summary of Operations and Changes in Net Position

	2018	2017
Operating revenues	$ 2,201,972	$ 2,223,972
Operating expenses	(3,739,034)	(3,576,041)
Excess before depreciation and other non-operating income and expenses	(1,537,062)	(1,352,069)
Depreciation	(2,048,440)	(2,073,527)
Excess (loss) before other non-operating income and expense	(3,585,502)	(3,425,596)
Other non-operating income (expense), net	3,769,514	3,685,004
Gain (Loss) before capital contributions	184,012	259,408
Capital contributions	14,825,111	19,087,582
Increase (decrease) in net position	$15,009,123	$19,346,990

Significant items affecting operations and the change in net position for 2018 are as follows:

- Operating results for 2018 were similar when compared to 2017 with revenues decreasing by $22,000 or 0.990% and expenses increasing by $162,993 or 4.557%.
- Depreciation expense was comparable to 2017 showing a decrease of $25,087 or 1.210%.
- Net non-operating income (expense) increased 2.293%.
- Capital contributions received in the form of grants from the Federal Aviation Administration and ANG project funds totaled $14,825,111, a decrease from 2017 of $4,262,471.

Revenues

A summary of revenues for the past two years is shown below. Total Revenue increased 0.913% from 2017 to 2018. The following chart depicts the sources of revenues for 2018:

	2018	2017
Operating revenue		
Building and land rent	$ 1,918,037	$ 1,901,120
Landing and fuel flowage fees	58,065	73,946
Water and sewer sales, net of cost of sales	170,534	187,344
Other	55,336	61,562
Total operating revenue	2,201,972	2,223,972
Non-operating revenue		
Taxes and assessments	3,692,192	3,656,352
Interest income	65,793	26,167
Other	33,611	32,830
Total non-operating revenue	3,791,596	3,715,349
Total revenue	$ 5,993,568	$ 5,939,321

Expenses

A summary of expenses for the past two years is shown below. Total Expenses increased by 4.290% from 2017 to 2018. The following chart depicts the major expense categories for 2018:

	2018	2017
Operating expenses		
Personnel	$ 2,445,966	$ 2,499,118
Facilities support	831,112	655,331
Equipment support	171,174	159,123
Other	290,782	262,469
Total operating expenses	3,739,034	3,576,041
Non-operating expenses		
Interest	22,082	30,345
Total expenses	$ 3,761,116	$ 3,606,386

The MTAA ended 2018 with favorable budget variances for both revenues and expenditures.

Summary of Financial Position

The MTAA's assets exceeded its liabilities by $62,560,661 at the end of 2018. A condensed summary of total net position follows:

	2018	2017
Assets & Deferred Outflows of Resources		
Current and other assets	$ 9,027,309	$ 9,802,868
Noncurrent assets	24,428	0
Capital assets	62,231,615	46,729,453
Deferred outflow of resources	424,982	265,801
Total assets & deferred outflows of resources	71,708,334	56,798,122
Liabilities & Deferred Inflows of Resources		
Long-term debt outstanding	470,961	731,196
Net pension & OPEB liability	1,760,220	1,496,486
Other liabilities	3,354,416	3,356,978
Deferred inflow of resources	3,562,076	3,470,711
Total liabilities & deferred inflows of resources	9,147,673	9,055,371
Net position		
Invested in capital assets, net of related debt	61,541,538	45,784,668
Restricted Passenger Facility Charge revenue	5,425	5,064
Unrestricted	1,013,698	1,953,019
Total net position	$ 62,560,661	$ 47,742,751

Nearly 100% 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 $690,077 at December 31, 2018. 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
STATEMENT OF NET POSITION
December 31, 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current assets:	
Cash and cash equivalents	$ 3,494,677
Restricted cash	863,673
Certificates of deposit	1,000,000
Accounts receivable, net of allowance for doubtful accounts of $9,104	62,121
Prepaid expenses	46,442
Grants receivable	93,963
Interest receivable	17,253
Taxes receivable	3,449,180
Total current assets	9,027,309
Capital assets at cost, less accumulated depreciation	62,231,615
Noncurrent assets:	
Other assets	24,428
Total assets	71,283,352
Deferred outflows of resources - pension	213,505
Deferred outflows of resources - OPEB	211,477
Total deferred outflows of resources	424,982
Total assets and deferred outflows of resources	$ 71,708,334

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Current liabilities:	
Current portion of long-term debt	$ 219,116
Accounts payable	1,748,624
Accrued vacation and benefits	194,270
Accrued salaries and payroll taxes	74,617
Accrued interest	4,969
Other current liabilities	22,721
Deferred grant revenue	812,506
Other deferred revenue	277,593
Total current liabilities	3,354,416
Noncurrent liabilities:	
Long-term debt	470,961
Net pension liability	1,445,081
OPEB liability	315,139
Total noncurrent liabilities	2,231,181
Total liabilities	5,585,597
Deferred inflows of resources - tax revenue	3,449,180
Deferred inflows of resources - pension	102,007
Deferred inflows of resources - OPEB	10,889
Total deferred inflows of resources	3,562,076
Net position:	
Invested in capital assets, net of related debt	61,541,538
Restricted	5,425
Unrestricted	1,013,698
Total net position	62,560,661
Total liabilities, deferred inflows of resources and net position	$ 71,708,334

See Notes to the Financial Statements

METROPOLITAN TOPEKA AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended December 31, 2018

Operating revenue:	
Taxes and assessments	$ 3,692,192
Revenue from services	2,031,438
Water sales and sewer charges	353,448
Other income	9,623
Less: water purchases	(182,914)
Total operating revenue	5,903,787
Operating expenses:	
General expenses	3,739,034
Depreciation	2,048,440
Total expenses	5,787,474
Operating income	116,313
Non-operating revenues:	
Federal grants in aid of construction	7,594,811
Passenger facility charge	10,461
ANG project funds	7,230,300
Gain on disposal of capital assets	13,527
Interest income	65,793
Interest expense	(22,082)
Change in net position	15,009,123
Net position at beginning of year, as previously stated	47,742,751
Prior period adjustment	(191,213)
Net position at beginning of year, as restated	47,551,538
Net position at end of year	$ 62,560,661

METROPOLITAN TOPEKA AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
Year ended December 31, 2018

Cash flows from operating activities:	
Cash received from customers	$ 2,079,247
Cash received from taxes and assessments	3,692,192
Cash paid to employees	(1,843,183)
Cash paid to suppliers and others	(329,196)
Cash provided by operating activities	3,599,060
Cash flows from investing activities:	
Net purchase of certificates of deposit	850,000
Interest received	69,540
Cash provided by investing activities	919,540
Cash flows from capital and related financing activities:	
Payments on long - term debt	(254,708)
Purchase of capital assets	(17,553,178)
Cash proceeds from disposal of capital assets	16,103
Cash proceeds from airport improvement grants	7,651,642
Cash proceeds from passenger facility charge	10,461
Cash proceeds from ANG project funds	5,669,383
Interest paid	(22,082)
Cash used by capital and related financing activities	(4,482,379)
Net increase in cash, cash equivalents and restricted cash	36,221
Cash, cash equivalents and restricted cash at beginning of year	4,322,129
Cash, cash equivalents and restricted cash at end of year	$ 4,358,350

Reconciliation of operating income to net cash provided by operating activities		
Operating income	$	116,313
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		2,048,440
Decrease (increase) in operating assets		
Accounts receivable		22,268
Prepaid expenses		(7,286)
Other assets		(24,428)
Change in deferred outflows of resources		(159,181)
Increase (decrease) in operating liabilities		
Accounts payable		1,518,064
Accrued vacation and benefits		(16,425)
Accrued salaries and payroll taxes		23,602
Other current liabilities		(1,406)
Other deferred revenue		28,993
Net pension liability		(51,405)
OPEB liability		123,926
Change in deferred inflows of resources		(22,415)
Total adjustments		3,482,747
Net cash provided by operating activities	$	3,599,060

See Notes to the Financial Statements

(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 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 resources 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 revenues, expenses and changes in net position 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.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has two items that qualify for reporting in this category – deferred outflows for OPEB and deferred outflows for pension. See Note 5 for more information on the deferred outflows for the pension and Note 6 for more information on the deferred outflows for OPEB.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has three types of items that qualify for reporting in this category – deferred inflows for unavailable tax revenues, deferred inflows for OPEB and deferred inflows for pension. Unavailable tax revenue is deferred revenue from property taxes. See Note 5 for more information on the deferred inflows for the pension and Note 6 for more information on the deferred inflows for OPEB.

Advertising - The Authority expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2018 and 2017 was $17,399 and $20,147, respectively.

Budgetary information - In accordance with Kansas statutes, the Authority must establish and approve an annual operating budget. 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 2018.

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. A budget comparison statement is presented 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 Authority 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 which is 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, 2018
Budget basis change in net position	$	3,784,200
Adjustments (net):		
Revenue accruals		14,794,531
Expenditure accruals		(21,026,916)
Encumbrances		(334,476)
Purchase of capital assets		17,537,076
Retirement of notes		254,708
GAAP basis change in net position	$	15,009,123

Cash and cash equivalents defined for Statement of Cash Flows - For purposes of the statement of cash flows, the Authority considers unrestricted 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 2019 year, by recording taxes receivable with an offsetting entry to deferred inflows, as of December 31, 2018.

Capital assets - Capital assets, which include property and equipment, are carried at historical cost. Those assets contributed by other entities are primarily recorded at acquisition 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. Accumulated sick leave is paid out only upon retirement. Exempt employees are eligible to receive payment for 60 days of accrued sick leave and non-exempt employees are eligible to receive payment for 30 days of accrued 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, 2018, accrued sick leave benefits were $52,511. Accrued vacation benefits at December 31, 2018 were $141,759.

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 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 expenses until a liability for payment is incurred, but are merely used to facilitate effective budget control and cash planning and management. At December 31, 2018, the Authority had $2,332,336 of encumbrances outstanding. 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 year ended December 31, 2018.

Pensions - For purposes of measuring the collective net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kansas Public Employees Retirement System (KPERS) and additions to/deductions from KPERS' fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The KPERS investments are reported at fair value.

Pending Governmental Accounting Standards Board Statements - At December 31, 2018, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Authority. The statement that might impact the Authority is as follows:

GASB Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for periods beginning after December 15, 2019.

Prior period adjustments – Beginning net position on the statement of revenues, expenses and changes in net position was restated to account for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. The effect of this restatement on the beginning net position was a decrease of $191,213, which resulted from the OPEB liability being increased by $194,579, deferred outflows from the OPEB liability being increased by $4,104, and deferred inflows from the OPEB liability being increased by $738. There was no effect on current or prior year revenues or expenses as a result of this adjustment.

(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.

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, 2018.

At December 31, 2018, the carrying amount of the Authority's deposits, including certificates of deposit, was $5,358,350. The bank balance was $5,356,145. 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 $4,856,145 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 year ending December 31, 2018 is as follows:

	Balance 12/31/2017	Additions	Retirements and transfers	Balance 12/31/2018
Capital assets not being depreciated:				
Land	$ 6,161,373	$ 6,500	$ -	$ 6,167,873
Construction in progress	22,740,217	17,174,838	(454,318)	39,460,737
Total capital assets not being depreciated	28,901,590	17,181,338	(454,318)	45,628,610
Capital assets being depreciated:				
Buildings and improvements	34,476,668	550,389	(152,554)	34,874,503
Runways	46,749,238	17,843	-	46,767,081
Vehicles	5,076,225	110,661	(14,492)	5,172,394
Furniture	204,028	-	-	204,028
Equipment	2,240,513	147,265	(7,219)	2,380,559
Total capital assets being depreciated	88,746,672	826,158	(174,265)	89,398,565
Less accumulated depreciation	(70,918,809)	(2,048,440)	171,689	(72,795,560)
Total capital assets being depreciated, net	17,827,863	(1,222,282)	(2,576)	16,603,005
Total capital assets	$ 46,729,453	$ 15,959,056	($456,894)	$ 62,231,615

(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 3.00% 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 2018:

Issue	Balance 12/31/2017	Additions	Reductions/ Payments	Balance 12/31/2018
Construction loan from bank	$ 442,541	$ -	$ (114,812)	$ 327,729
KS Water Pollution Control Revolving Fund (KWPCF) loan	502,244	-	(139,896)	362,348
Total long-term debt	$ 944,785	$ -	$ (254,708)	$ 690,077

Future principal and interest requirements to maturity as of December 31, 2018 are as follows:

	2019	2020	2021	2022	2023	Total
Principal						
Construction loan	$ 74,835	$ 77,111	$ 79,457	$ 81,873	$ 14,453	$ 327,729
KWPCF	144,281	148,803	69,264	-	-	362,348
Total principal	219,116	225,914	148,721	81,873	14,453	690,077
Interest						
Construction loan	10,042	7,766	5,420	3,004	623	26,855
KWPCF	13,994	9,835	6,669	-	-	30,498
Total interest	24,036	17,601	12,089	3,004	623	57,353
Total debt service	$ 243,152	$ 243,515	$ 160,810	$ 84,877	$ 15,076	$ 747,430

For the year ended December 31, 2018, interest incurred and charged to expense was $22,082.

(5) Defined benefit pension plan

Plan description The Authority participates in 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 financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial report which can 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 Kansas Legislature. 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.

Contributions K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

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State law provides that the employer contribution rate for KPERS 1 and KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates.

The employer rate established by statute is 8.39% for the calendar year 2018. The Authority's employer contributions to KPERS for the year ending December 31, 2018 were $176,268, equal to the statutorily required contributions. These amounts are included in general expenses as shown in the statement of revenues, expenses and changes in net position.

The 2012 Legislature made changes affecting new hires, current members and employees. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with five years of service or 60 with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

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, 2018 were based on the ratio of its contributions to the total of the employer and nonemployer contributions of the group for the fiscal year ended June 30, 2018. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2018, the proportion recognized by the State of Kansas on behalf of the Authority was 0.103316%.

Actuarial assumptions The total pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018. The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry age normal
Inflation	2.75%
Salary increases, including wage increases	3.50 to 12.00%, including inflation
Long-term rate of return net of investment expense, and including price inflation	7.75% compounded annually, net of investment expense, including inflation

Mortality rates were based on the RP 2014, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2016.

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, 2018, (see the discussion of the pension plan's investment policy) are summarized in the table below.

Asset class	Long-term target allocation	Long-term expected real rate of return
Global equity	47.00%	6.85%
Fixed income	13.00%	1.25%
Yield driven	8.00%	6.55%
Real return	11.00%	1.71%
Real estate	11.00%	5.05%
Alternatives	8.00%	9.85%
Short-term investments	2.00%	-0.25%
Total	100.00%	

Discount rate The discount rate used to measure the total pension liability was 7.75%. 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 7.75%, 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 (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
$2,119,423	$1,445,081	$875,202

Pension expense For the year ended December 31, 2018, the Authority recognized pension expense of $143,855, 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. Pension expense is included in general expenses in the statement of revenues, expenses and changes in net position.

Deferred outflows of resources and deferred inflows of resources At December 31, 2018, 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	$ 5,217	$ 40,947
Net differences between projected and actual earnings on investments	33,805	-
Changes of assumptions	62,578	6,959
Contributions made after measurement date	78,943	-
Changes in proportion	32,962	54,101
Total	$ 213,505	$ 102,007

The $78,943 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 December 31, 2019.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at December 31, 2018 will be recognized in pension expense as follows:

Years ended December 31,	
2019	$ 53,751
2020	17,354
2021	(35,223)
2022	(3,219)
2023	(108)

(6) Other Post-Employment Benefits (OPEB)

Health insurance

Plan description, benefits provided and contributions The Authority offers postemployment health insurance to retired employees. The benefits are provided through a single employer defined benefit postemployment healthcare plan administered by the Authority. Kansas statutes provide that postemployment healthcare benefits be extended to retired employees who have met age and/or service eligibility requirements until the individuals become eligible for Medicare coverage at age 65. The medical insurance benefit provides the same coverage for retirees and their dependents as for active employees and their dependents. The benefit is available for selection at retirement and is extended to retirees and their dependents until the individuals become eligible for Medicare at age 65. A retiring employee who waives continuing participation in the Authority's health insurance program at the time of retirement is not eligible to participate at a later date. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The plan does not issue a stand-alone financial report.

Kansas statutes, which may be amended by the state legislature, establish that participating retirees may be required to contribute to the employee group health benefits plan, including administrative costs at an amount not to exceed 125 percent of the premium cost for other similarly situated employees. The Authority requires participating retirees to contribute 100 percent of the blended premium cost of active employees to maintain coverage.

The Authority appropriates funds annually for the costs associated with this retirement benefit and provides funding for the expenditures on a pay-as-you-go basis. For the year ended December 31, 2018, the Authority contributed $ 23,000 to the plan.

Covered employees As of the actuarial valuation date of January 1, 2018, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefit payments	4
Active plan members	38
Total	42

Total OPEB liability The Authority's total OPEB liability of $143,595 reported as of December 31, 2018 was determined by an actuarial valuation performed as of January 1, 2018.

Actuarial assumptions The total OPEB liability in the actuarial valuations was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	12/31/18
Discount rate (based on the average of the S&P Municipal Bond 20-year High Grade and the Fidelity GO AA-20 Years published yields as of the measurement date)	3.68%
Mortality table	Society of Actuaries RPH-2014 Adjusted to 2006 Total Dataset Headcount – weighted Mortality with scale MP-2018 Full Generational Improvement
Salary scale	5.50% per year
Healthcare cost trend rates	7.00% for 2018, decreasing .50% for 2019 and 2020 and .25% for 2021-2024 to an ultimate rate of 5.00% for 2024
Retirees' share of benefit-related costs	Retirees are responsible for the full premium rates up to 100% of the premium
Actuarial cost method	Entry Age-Level Percent-of-Pay

Changes and items of impact relative from the beginning to the end of the year measurement were as follows:

1. The discount rate was updated from 3.24% to 3.68%.
2. The mortality improvement scale was updated from MP-2017 to MP 2018.
3. The retiree contribution premiums/fixed costs were updated.

Changes in Total OPEB liability

	12/31/2018
Beginning balance	$ 162,655
Changes for the year:	
Service cost	8,932
Interest on total OPEB liability	5,187
Differences between expected and actual experience	(6,580)
Changes in assumptions or other inputs	(3,599)
Employer contributions (benefit payments)	(23,000)
Ending balance	$ 143,595

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the December 31, 2018 total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

1% Decrease (2.68%)	Discount Rate (3.68%)	1% Increase (4.68%)
$151,460	$143,595	$136,122

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the December 31, 2018 total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Healthcare Cost Trend Rates	1% Increase
$130,916	$143,595	$158,835

OPEB expense – For the year ended December 31, 2018, the Authority recognized OPEB expense of $13,101 which includes the changes in the total OPEB liability, and the amortization of deferred outflows of resources and deferred inflows of resources for the current year.

Deferred outflows of resources and deferred inflows of resources - At December 31, 2018, the Authority reported deferred inflows of resources related to OPEB from the following sources:

	Deferred inflows of resources
Changes of assumptions	$ 3,239
Differences between actual and expected experience	5,922
Total	$ 9,161

Amounts reported as deferred inflows of resources related to OPEB at December 31, 2018 will be recognized in OPEB expense as follows:

Years ended December 31,	
2019	$ 1,018
2020	1,018
2021	1,018
2022	1,018
2023	1,018
Thereafter	4,071

Disability benefits and life insurance

Plan description The Authority participates in a multiple-employer defined benefit other postemployment benefit (OPEB) plan (the Plan) which is administered by the Kansas Public Employees Retirement System (KPERS). The Plan provides long-term disability benefits and a life insurance benefit for disabled members to KPERS members, as provided by K.S.A. 74-04927. The Plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. However because the trust's assets are used to pay employee benefits other than OPEB, the trust does not meet the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Accordingly, the Plan is considered to be administered on a pay-as-you-go basis.

Contributions Employer contributions are established and may be amended by state statute. Members are not required to contribute. Employer contributions paid for benefits as they came due during the year ended December 31, 2018 totaled $43,361.

Benefits Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60 percent (prior to January 1, 2006, 66 2/3 percent) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver of premium provision.

The monthly long-term disability benefit is 60 percent of the member's monthly compensation, with a minimum of $100 and a maximum of $5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, workers compensation benefits, other disability benefits from any other sources by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while the disability continues until the member's 65^{th} birthday or retirement date, whichever occurs first. If the disability begins after age 60, benefits are payable while the disability continues, for a period of five years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the shorter of the term of the disability or 24 months per lifetime.

The death benefit paid to beneficiaries of disabled members is 150% of the greater of 1) the member's annual rate of compensation at the time of disability, or 2) the members previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual insurance policy.

Covered employees The Authority has the following employees covered by the Plan as of June 30, 2018.

Disabled members	1
Active plan members	37
Total	38

Total OPEB liability The Authority's total OPEB liability of $171,544 reported as of December 31, 2018 was determined by an actuarial valuation performed as of December 31, 2017 and rolled forward to June 30, 2018.

Actuarial assumptions The total OPEB liability in the actuarial valuations were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	12/31/18
Inflation	2.75%
Salary increases, including wage increases	3.50%
Discount rate (based on the 20-year municipal bond rate with an average rating of AA/Aa or better, obtained from the Bond Buyer General Obligation 20-Bond Municipal Index)	3.87%
Actuarial cost method	Entry Age – Level Percent of Pay

Mortality rates were based on the Society of Actuaries RPH-2017 Total Dataset Mortality Table fully generational using Scales MP-2018 for the year ended December 31, 2018.

Changes in Total OPEB liability

	6/30/2018
Beginning balance	$ 31,924
Changes for the year:	
Service cost	6,600
Interest on total OPEB liability	610
Effect of economic/demographic gains or losses	176,970
Changes in assumptions or other inputs	(1,199)
Benefit payments	(43,361)
Ending balance	$ 171,544

***Sensitivity of the total OPEB liability to changes in the discount rate* –** The following presents the December 31, 2018 total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
$175,632	$171,544	$167,486

***Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates* –** The following presents the December 31, 2018 total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Healthcare Cost Trend Rates	1% Increase
$171,544	$171,544	$171,544

***OPEB expense* –** For the year ended December 31, 2018, the Authority recognized OPEB expense of $66,763 which includes the changes in the total OPEB liability, and the amortization of deferred outflows of resources and deferred inflows of resources for the current year.

***Deferred outflows of resources and deferred inflows of resources* -** At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between actual and expected experience	$ 202,068	$ -
Changes of assumptions	-	1,728
Contributions made after measurement date	9,409	-
Total	$ 211,477	$ 1,728

The $9,409 reported as deferred outflows of resources related to OPEB expense resulting from Authority contributions made after the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2019.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at December 31, 2018 will be recognized in OPEB expense as follows:

Years ended December 31,		
2019	$	61,415
2020		18,054
2021		18,054
2022		18,054
2023		18,054
Thereafter		66,709

(7) 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 than 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.

(8) Concentrations

The Authority receives a significant amount of funding from taxes levied. For the period ended December 31, 2018, approximately 60% 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 three major customers that accounted for approximately 95% of net accounts receivable as of December 31, 2018. The Authority had one vendor that provided over 10% of the total purchases for the year ended December 31, 2018.

(9) 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, 2018:

Year ending December 31,		
2019	$	1,847,752
2020		1,419,365
2021		1,206,304
2022		772,974
2023		656,600
Thereafter		2,506,547
Total	$	8,409,542

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, 2018. In addition, many of these leases contain renewal options that may be exercised in the future.

(10) Capital projects

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

	Project authorization	Cash disbursements to date
Wildlife Hazard Assessment (TOP)	$ 54,513	$ 54,481
Rwy 4-22 Reconfig (TOP)	1,613,039	1,523,782
Rwy 13-31 Reconstruction - Phase 1 (FOE)	9,367,704	9,008,051
Rwy 13-31 Reconstruction - Phase 2 (FOE)	8,030,417	6,764,919
Rwy 13-31 Reconstruction Design (FOE)	2,098,271	2,024,355
Rwy 13-31 Reconstruction - Construction (FOE)	24,387,500	16,414,631
Total	$ 45,551,444	$ 35,790,219

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.

(11) Litigation

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

(12) 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, 2018, 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, 2018. 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.

(13) Subsequent events

The Authority has evaluated subsequent events through June 28, 2019, 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.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.02%	0.02%	0.02%	0.02%	0.02%
Proportionate share of the collective net pension liability	$ 1,445,081	$ 1,496,486	$ 1,645,699	$ 1,451,334	$ 1,313,770
Covered-employee payroll from the period July 1 - June 30	1,855,754	1,831,703	1,827,045	1,842,748	1,748,405
Net pension liability as a percentage of covered payroll	77.87%	81.70%	90.07%	78.76%	75.14%
Plan fiduciary net position as a percentage of the total pension liability	2.93%	4.99%	5.75%	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, 2018 only five years of information is available.

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

	2018	2017	2016	2015	2014
Contractually required employer contribution	$ 176,268	$ 158,820	$ 171,862	$ 184,694	$ 161,839
Contributions in relation to the contractually required contribution	(176,268)	(158,820)	(171,862)	(184,694)	(161,839)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 1,855,754	$ 1,831,703	$ 1,827,045	$ 1,842,748	$ 1,748,405
Contributions as a percentage of covered payroll	9.50%	8.67%	9.41%	10.02%	9.26%

*GASB 68 requires a presentation of 10 years. As of December 31, 2018 only five years of information is available.

METROPOLITAN TOPEKA AIRPORT AUTHORITY
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS - HEALTH INSURANCE

	2018
Total OPEB liability:	
Service cost	$ 8,932
Interest	5,187
Differences between expected and actual experience	(6,580)
Effect of assumption changes or inputs	(3,599)
Benefit payments	(23,000)
Net change in total OPEB liability	(19,060)
Total OPEB liability, beginning	162,655
Total OPEB liability, ending	$ 143,595
Covered payroll	$ 1,879,631
Total OPEB liability as a % of covered payroll	7.64%

*GASB 75 requires a presentation of 10 years. Data was not available prior to fiscal year 2018. Therefore, 10 years of data is unavailable.

METROPOLITAN TOPEKA AIRPORT AUTHORITY

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS - DISABILITY BENEFITS AND LIFE INSURANCE

	2018
Total OPEB liability:	
Service cost	$ 6,600
Interest	600
Effect of economic/demographic gains (losses)	176,981
Effect of assumption changes or inputs	(1,200)
Benefit payments	(43,361)
Net change in total OPEB liability	139,620
Total OPEB liability, beginning	31,924
Total OPEB liability, ending	$ 171,544
Covered payroll	$ 1,855,754
Total OPEB liability as a % of covered payroll	9.24%

*GASB 75 requires a presentation of 10 years. Data was not available prior to fiscal year 2018. Therefore, 10 years of data is unavailable.

SUPPLEMENTARY INFORMATION

METROPOLITAN TOPEKA AIRPORT AUTHORITY
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
Year ended December 31, 2018

	GAAP Actual	Adjustments	Budget Basis Actual	Original and final budget	Variance
Revenue:					
Ad valorem tax	$ 3,222,835	$ -	$ 3,222,835	$ 3,176,570	$ 46,265
Delinquent property tax	44,331	-	44,331	-	44,331
Motor vehicle tax	419,229	-	419,229	412,914	6,315
Recreational vehicle tax	3,913	-	3,913	3,490	423
In lieu of taxes	169	-	169	-	169
16/20M vehicle tax	1,715	-	1,715	1,649	66
Fees and licenses	83,064	-	83,064	115,950	(32,886)
Leases and rents	1,918,037	26,833	1,944,870	1,800,000	144,870
Reimbursements	211,330	-	211,330	163,739	47,591
Non-operating	23,150	-	23,150	5,000	18,150
Federal grants	14,825,111	(14,825,111)	-	-	-
Interest on idle funds	65,793	3,747	69,540	3,000	66,540
Total revenue	20,818,677	(14,794,531)	6,024,146	5,682,312	341,834
Expenses:					
Personnel	2,445,964	2,722	2,448,686	2,875,696	(427,010)
Professional services	148,710	-	148,710	169,334	(20,624)
Personnel support	30,432	-	30,432	24,500	5,932
Communication services	64,779	-	64,779	81,098	(16,319)
Facilities support	831,112	338,900	1,170,012	741,691	428,321
Equipment support	171,174	-	171,174	184,161	(12,987)
Bad debt	13,000	(13,000)	-	-	-
Depreciation	2,048,440	(2,048,440)	-	-	-
Other charges	33,861	-	33,861	-	33,861
Capital projects and improvements	-	(1,849,790)	(1,849,790)	2,915,559	(4,765,349)
Prepaid expenses	-	-	-	10,000	(10,000)
Neighborhood Revitalization rebates	-	-	-	42,652	(42,652)
Interest	22,082	-	22,082	37,621	(15,539)
Total expenses	5,809,554	(3,569,608)	2,239,946	7,082,312	(4,842,366)
Change in net position	15,009,123	(11,224,923)	3,784,200	(1,400,000)	5,184,200
Net position/unencumbered cash - beginning of year	47,551,538	(46,092,334)	(1,621,859)	-	(1,621,859)
Net position/unencumbered cash - end of year	$ 62,560,661	$ (57,317,257)	$ 2,162,341	$ (1,400,000)	$ 3,562,341

METROPOLITAN TOPEKA AIRPORT AUTHORITY
SCHEDULE OF REVENUES
Year ended December 31, 2018

Taxes and assessments:		
Current property tax	$	3,222,835
Current motor vehicle tax		419,229
Other taxes		50,128
Total taxes and assessments		3,692,192
Revenue from services:		
Lease and rental fees		1,918,037
Fuel flowage fees		37,651
Utility reimbursements		24,103
Landing fees		20,414
Other service revenue		19,811
Insurance reimbursements		11,422
Total revenue from services		2,031,438
Water sales and sewer charges:		
Water sales		353,448
Less: cost of water		(182,914)
Net water and sewer charges		170,534
Other:		
Interest income		65,793
Other income		9,623
Net other		75,416
Total revenue	$	5,969,580

METROPOLITAN TOPEKA AIRPORT AUTHORITY
SCHEDULE OF GENERAL EXPENSES
Year ended December 31, 2018

Salaries and wages	$	1,894,746
Payroll taxes and benefits		551,218
Electricity and gas		290,697
Structural insurance		130,432
Outside maintenance services		126,731
Other facilities support		108,888
General facility supplies		100,223
Other professional services		52,107
Equipment service agreements		49,169
Vehicle fuel		48,370
Vehicle insurance		45,602
Water and sewer		35,597
Miscellaneous expense		33,864
Bonding insurance fees		31,270
Equipment repair and maintenance		30,080
Equipment maintenance and supplies		21,858
Telephone		20,746
Economic development		20,000
Accounting services		19,845
Airport liability insurance		17,798
Advertising and public relations		17,399
Vehicle maintenance and supplies		16,870
Legal services		13,099
Bad debt recovery		13,000
Dues and subscriptions		11,101
Other personnel support		9,773
Clothing and uniforms		9,558
Other equipment support		8,393
Other communications service and support		5,598
Office supplies		5,002
Total general expenses	$	3,739,034

METROPOLITAN TOPEKA AIRPORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENSED
For the year and each quarter within the year ended December 31, 2018

Application	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
First application*					
Balance - January 1					$ 5,064
Collections**	$ 2,810	$ 2,208	$ 325	$ 5,117	10,460
Expenses	(4,700)	(2,800)	(2,200)	(400)	(10,100)
Interest	1	-	-	-	1
Balance - December 31					$ 5,425

* 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, 2018

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 13-31 Reconstruction Design (FOE)	20.106	3-20-0113-33	$ 1,053,756	$ 4,415
Rwy 4-22 Abandon & Taxiway Reconfig (TOP)	20.106	3-20-0082-20	1,613,039	760,344
Rwy 13-31 Reconstruction - Phase 1 (FOE)	20.106	3-20-0113-35	9,367,704	65,133
Rwy 13-31 Reconstruction - Phase 2 (FOE)	20.106	3-20-0113-35	8,030,417	6,764,919
Total Federal Aviation Administration			20,064,916	7,594,811
National Guard Bureau Department of Defense				
Rwy 13-31 Construction Phase (FOE)	12.400	N/A	24,387,500	7,225,926
Rwy 13-31 Design Phase (FOE)	12.400	N/A	1,044,515	4,375
Total National Guard Bureau Department of Defense			25,432,015	7,230,301
Total expenditures of federal awards			$ 45,496,931	$ 14,825,112

See Independent Auditors' Report and
Notes to Schedule of Expenditures of Federal Awards

(1) Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Metropolitan Topeka Airport Authority (the Authority) under programs of the federal government for the year ended December 31, 2018. 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 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, 2018

Section 1 **Summary of Auditors' Results**

<u>Financial Statements</u>

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

<u>Federal Awards</u>

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

METROPOLITAN TOPEKA AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2018

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

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, 2018, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2019.

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.

Berberich Trahan & Co., P.A.

Berberich Trahan & Co., P.A.
Topeka, Kansas
June 28, 2019

BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

Independent Auditors' Report on Compliance For Each Major Federal Program and Compliance With Requirements Applicable to the Passenger Facility Charge 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 and Passenger Facility Charge 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 program for the year ended December 31, 2018. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

We have audited the compliance of the Authority with the compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended December 31, 2018.

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 and the passenger facility charge program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program and passenger facility charge 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 and passenger facility charge program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program and the Passenger Facility Charge 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, 2018.

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, 2018.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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.

Berberich Trahan & Co., P.A.

Berberich Trahan & Co., P.A.
Topeka, Kansas
June 28, 2019