

New Issue

Moody's Rating-

"MIG 1"

\$11,675,000
SALINA AIRPORT AUTHORITY
(SALINA, KANSAS)
TAXABLE GENERAL OBLIGATION TEMPORARY NOTES
SERIES 2010

Dated: August 15, 2010

Due: As shown herein

The Series 2010 Notes (the "Notes") will be issued as fully registered notes in the denomination of \$5,000 or any integral multiple thereof. The Notes shall be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which payment of principal and interest will be made. Individual purchases of Notes will be made in book-entry form. Purchasers will not receive certificates representing their interest in the Notes purchased. Interest on the Notes will be payable at maturity or upon earlier redemption. Principal and interest on the Notes will be payable by check, draft, or wire transfer from the Treasurer of the State of Kansas (the "Paying Agent").

MATURITY SCHEDULE

<u>Amount</u>	<u>Maturity</u>	<u>Rate</u>	<u>Yield</u>	<u>Base CUSIP⁽¹⁾</u>
\$11,675,000	03-01-12	0.95%	0.95%	<u>794760</u> GY8

*The Notes will be subject to redemption prior to maturity, at the option of the Authority, on September 1, 2011 or thereafter, as described herein. See THE NOTES – "Redemption Provisions" herein.

The Notes and the interest therein will constitute general obligations of the Authority, payable from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City of Salina, Kansas. The full faith, credit, and resources of the Authority are irrevocably pledged for the prompt payment of the principal and interest on the Notes as the same becomes due. The Notes shall not constitute a debt or obligation of the City of Salina, Kansas. See THE NOTES – "Security" herein.

The interest on the Notes is included in gross income for federal income tax purposes. In the opinion of Gilmore & Bell, P.C., Bond Counsel, the interest on the Notes is excluded from computation of Kansas adjusted gross income. See TAX MATTERS herein.

The Notes are offered when, as and if issued by the Authority subject to the unqualified approving opinion of Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel whose opinion will accompany the Bonds and Notes. It is expected that the Bonds will be available for delivery through the facilities of DTC, New York City, New York, on or about August 30, 2010.

The date of this Official Statement is August 18, 2010

⁽¹⁾CUSIP numbers have been assigned to this issue by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., and are included solely for the convenience of the Owners of the Notes. Neither the Issuer nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth above.

THIS PAGE LEFT BLANK INTENTIONALLY

SALINA AIRPORT AUTHORITY
Salina Municipal Airport/Industrial Center
3237 Arnold Avenue
Salina, Kansas 67401

BOARD OF DIRECTORS

Jeff Thompson, Chairman
Troy Vancil, Vice Chairman
Dr. Randy Hassler, Secretary
Eric Hardman, Treasurer
Julie Sager Miller, Past Chairman

APPOINTED OFFICIALS

Timothy F. Rogers, A.A.E., Executive Director
Michelle R. Swanson, Manager of Administration and Finance
David Wiles, Manager of Operations
Kenneth R. Bieker, Manager of Facilities and Construction
Melissa L. McCoy, Manager of Public Affairs and Communications

AUTHORITY'S COUNSEL

Greg Bengtson
Clark, Mize & Linville, Chartered
Salina, Kansas

CERTIFIED PUBLIC ACCOUNTANTS

Clubine & Rettele Chartered
Salina, Kansas

BOND COUNSEL

Gilmore & Bell, P.C.
Kansas City, Missouri

FINANCIAL ADVISOR

George K. Baum & Company
Kansas City, Missouri

No person has been authorized by the Authority or the Underwriter to give any information or to make any representations with respect to the Bonds to be issued, other than those contained in this Official Statement, and if given or made, such other information or representations not so authorized must not be relied upon as having been given or authorized by the Authority or the Underwriter.

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All financial and other information presented herein, except for information expressly attributed to other sources, has been provided by the Authority from its records and is intended to show recent historic information. Such information is not guaranteed as to accuracy or completeness. All descriptions of laws and documents contained herein are only summaries and are qualified in their entirety by reference to such laws and documents. Information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Notes shall, under any circumstances, create any implication that the information contained herein has remained unchanged since the respective dates as of which such information is given.

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
INTRODUCTORY STATEMENT	1	Utilities and Infrastructure	14
General	1	Health Facilities	14
Additional Information	1	Financial Institutions	15
THE NOTES	2	Other Information	15
Description	2	Building Permits Issued	15
Redemption Provisions	2	DEBT SUMMARY OF THE AUTHORITY	15
Authority	2	Current Indebtedness of the Authority	15
Security	2	Overlapping Debt of the Authority	16
Registration, Transfer and Exchange of Notes	3	Annual Debt Payments of the Authority	16
Designation of Paying Agent and Registrar	3	Overlapping Debt-The City of Salina, Kansas	17
Method and Place of Payment of the Notes	3	Historical Debt Information of the Authority	18
Payments Due on Saturdays, Sundays and		Legal Debt Limits	18
Holidays	4	Future Indebtedness	18
THE DEPOSITORY TRUST COMPANY	4	Debt Payment Record	19
THE FINANCING PLAN	6	PROPERTY TAX PROCEDURES	19
The Projects	6	Property Tax Levy Limits	19
Sources and Uses of Funds	6	FINANCIAL INFORMATION	19
FINANCIAL OVERVIEW	7	Assessed Valuation	19
THE SALINA AIRPORT AUTHORITY	8	Estimated Actual Valuation	20
History and Description	8	Largest Taxpayers	20
Government and Powers	8	Property Tax Collections	20
Kansas Public Employees Retirement		Sales Tax	21
System (KPERS)	9	Tax Levies	22
Larger Businesses	9	Budgeting Procedures	22
Principal Customers	9	Appraisal and Assessment Procedures	22
Environmental Matter	10	Property Assessment Rates	23
THE CITY OF SALINA, KANSAS	11	Equalization Ratios	23
Location and Size	11	LEGAL MATTERS	24
Government	11	TAX MATTERS	24
Economic Characteristics	11	Opinion of Bond Counsel	24
Major Employers	12	RATING	25
Population	12	FINANCIAL ADVISOR	25
Unemployment Rate	13	UNDERWRITING	25
Income	13	ABSENCE OF MATERIAL LITIGATION	25
Retirement Systems	13	CONTINUING DISCLOSURE	25
Police and Fire Protection	13	CERTIFICATION OF THIS OFFICIAL	
Education	13	STATEMENT	26
Kansas State University at Salina	14		
Kansas Wesleyan University	14	APPENDIX A – Financial Statements	
Transportation	14	APPENDIX B – Continuing Disclosure Instructions	

\$11,675,000
SALINA AIRPORT AUTHORITY
(SALINA, KANSAS)
TAXABLE GENERAL OBLIGATION TEMPORARY NOTES
SERIES 2010

INTRODUCTORY STATEMENT

General

This Official Statement is provided for the purpose of presenting certain information concerning the Salina Airport Authority, Salina, Kansas (the “Authority”), and the offering of its \$11,675,000 Taxable General Obligation Temporary Notes, Series 2010 (the “Notes”) dated August 15, 2010. The Notes are being issued to provide funds for certain capital improvements at the Salina Municipal Airport and the Airport Industrial Center, to provide renewal financing for the remaining portion of the Series 2007-1 Temporary Notes, and to pay the costs associated with the issuance of the Notes. See THE FINANCING PLAN herein.

The full faith, credit, and resources of the Authority are irrevocably pledged for the prompt payment of the principal and interest on the Notes as the same becomes due. The Notes shall not constitute a debt or obligation of the City of Salina, Kansas (the “City”). See THE NOTES - “Security” herein.

APPENDIX A, containing selected financial data relating to the Authority, is an integral part of this Official Statement and should be read in its entirety.

All financial and other information presented herein has been compiled by the Authority’s Financial Advisor, George K. Baum & Company, Kansas City, Missouri. All information has been provided by the Authority unless otherwise noted. Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel, has not assisted in the preparation of nor reviewed this Official Statement, except to the extent described under the section captioned INTRODUCTORY STATEMENT, THE NOTES, LEGAL MATTERS, TAX MATTERS, and APPENDIX B and, accordingly expresses no opinion as to the accuracy or sufficiency of any information contained herein.

Additional Information

Additional information regarding the Authority or the Notes, including basic note documentation, may be obtained from George K. Baum & Company, Public Finance Department, 4801 Main Street, Kansas City, Missouri 64112, telephone 816-474-1100. The Authority has provided for compliance with secondary market disclosure requirements as further described in the section titled CONTINUING DISCLOSURE.

THE NOTES

Description

The Notes will be issued in the principal amount shown on the cover, will be dated August 15, 2010, and will consist of fully registered notes without coupons. Purchases of the Notes will be made in the denomination of \$5,000 or any integral multiple thereof. The Notes will mature, subject to redemption as described herein, on March 1, 2012 in the principal amount set forth on the cover page of this Official Statement. Interest on the Notes will be payable at maturity or upon earlier redemption.

Interest will be paid on the basis of a 360-day year consisting of twelve 30-day months. Principal will be payable upon presentation and surrender of the Notes by the registered owners thereof at the office of the State Treasurer of Kansas (the "Paying Agent"). Interest shall be paid to the registered owners of such Notes as shown on the registration books maintained by the Paying Agent as of the fifteenth day of the month next preceding the date on which the interest is payable (the "Record Date").

Redemption Provisions

Optional Redemption. At the option of the Authority, the Notes may be called for redemption and payment prior to maturity on September 1, 2011 and thereafter, in whole or in part at any time, at a redemption price of 100% of the principal amount thereof, without premium, plus accrued interest to the date fixed for redemption.

Selection of Notes to be Redeemed. In the event of a partial redemption of Notes, the Notes to be redeemed will be selected by lot or in such other equitable manner as the Paying Agent may determine. Notes will be redeemed in integral multiples of \$5,000. If fewer than all Notes of a given maturity are called for redemption, the Authority and the Paying Agent shall, in the case of Notes in denominations greater than \$5,000, treat each \$5,000 of face value as though it were a separate Note.

Notice and Effect of Redemption. The Paying Agent will notify holders of the Notes of such call by mailing, or causing to be mailed, the notice of call to the noteholders by first class mail at least thirty days prior to the redemption date. Interest on any Note so called for redemption and payment will cease from and after the date for which such call is made, provided funds are available for payment thereof.

So long as DTC is effecting book-entry transfers of the Notes, the Paying Agent shall provide the notices specified above to DTC. It is expected that DTC will, in turn, notify the DTC Participants and that the DTC Participants, in turn, will notify or cause to be notified the Beneficial Owners. Any failure on the part of DTC or a DTC Participant, or failure on the part of a nominee of a Beneficial Owner of a Note (having been mailed notice from the Paying Agent, a DTC Participant or otherwise) to notify the Beneficial Owner of the Note so affected, shall not affect the validity of the redemption of such Note.

Authority

The Notes are issued pursuant to and in full compliance with the Constitution and statutes of the State of Kansas, including particularly K.S.A. 10-101 *et seq.*, and 27-315 *et seq.* all as amended and supplemented, and a resolution of the Authority adopted on August 18, 2010 authorizing the issuance of the Notes (the "Resolution").

Security

The Notes are issued pursuant to the Constitution and statutes of the State of Kansas and constitute valid and legally binding general obligations of the Authority, payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property within the territorial limits of the City of Salina, Kansas.

Registration, Transfer and Exchange of Notes

As long as any of the Notes remain outstanding, each Note when issued shall be registered in the name of the Owner thereof on the Note Register. Notes may be transferred and exchanged only on the Note Register as hereinafter provided. Upon surrender of any Note at the principal office of the Note Registrar, the Note Registrar shall transfer or exchange such Note for a new Note or Notes in any authorized denomination of the same Stated Maturity and in the same aggregate principal amount as the Note that was presented for transfer or exchange. Notes presented for transfer or exchange shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in a form and with guarantee of signature satisfactory to the Note Registrar, duly executed by the Owner thereof or by the Owner's duly authorized agent.

In all cases in which the privilege of transferring or exchanging Notes is exercised, the Note Registrar shall authenticate and deliver Notes in accordance with the provisions of the Note Resolution. The Issuer shall pay the fees and expenses of the Note Registrar for the registration, transfer and exchange of Notes. Any additional costs or fees that might be incurred in the secondary market, other than fees of the Note Registrar, are the responsibility of the Owners of the Notes. In the event any Owner fails to provide a correct taxpayer identification number to the Paying Agent, the Paying Agent may make a charge against such Owner sufficient to pay any governmental charge required to be paid as a result of such failure.

The Issuer and the Registrar shall not be required to register the transfer or exchange of any Note during a period beginning at the opening of business on the day after receiving written notice from the Issuer of its intent to pay Defaulted Interest and ending at the close of business on the date fixed for the payment of Defaulted Interest.

Designation of Paying Agent and Registrar

The Treasurer of the State of Kansas, Topeka, Kansas (the "Note Registrar" and "Paying Agent") has been designated by the Issuer as paying agent for the payment of principal of and interest on the Notes and registrar with respect to the registration, transfer and exchange of Notes.

Method and Place of Payment of the Notes

The principal of, or Redemption Price, and interest on the Notes shall be payable in any coin or currency which, on the respective dates of payment thereof, is legal tender for the payment of public and private debts. The principal of each Note shall be paid at Maturity to the Person in whose name such Note is registered on the Register at the Maturity thereof, upon presentation and surrender of such Note at the principal office of the Paying Agent.

The interest payable on each Note on any Interest Payment Date shall be paid to the Owner of such Note as shown on the Note Register at the close of business on the Record Date for such interest (a) by check or draft mailed by the Paying Agent to the address of such Owner shown on the Note Register or at such other address as is furnished to the Paying Agent in writing by such Owner; or (b) in the case of an interest payment to Cede & Co. or any Owner of \$500,000 or more in aggregate principal amount of Notes, by electronic transfer to such Owner upon written notice given to the Registrar by such Owner, not less than 15 days prior to the Record Date for such interest, containing the electronic transfer instructions including the bank, ABA routing number and account number to which such Owner wishes to have such transfer directed.

Notwithstanding the foregoing, any Defaulted Interest with respect to any Note shall cease to be payable to the Owner of such Note on the relevant Record Date and shall be payable to the Owner in whose name such Note is registered at the close of business on the Special Record Date for the payment of such Defaulted Interest, which Special Record Date shall be fixed as hereinafter specified. The Authority shall notify the Paying Agent in writing of the amount of Defaulted Interest proposed to be paid on each Note and the date of the proposed payment (which date shall be at least 30 days after receipt of such notice by the Paying Agent) and shall deposit with the Paying Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest. Following receipt of such funds the Paying Agent shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment. The Paying Agent shall notify the

Authority of such Special Record Date and shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, by first class mail, postage prepaid, to each Owner of a Note entitled to such notice not less than 10 days prior to such Special Record Date.

SO LONG AS CEDE & CO. REMAINS THE REGISTERED OWNER OF THE NOTES, THE PAYING AGENT SHALL TRANSMIT PAYMENTS TO THE SECURITIES DEPOSITORY, WHICH SHALL REMIT SUCH PAYMENTS IN ACCORDANCE WITH ITS NORMAL PROCEDURES.

Payments Due on Saturdays, Sundays and Holidays

In any case where a payment date is not a business day, then payment of principal or interest need not be made on such payment date but may be made on the next succeeding business day with the same force and effect as if made on such note payment date, and no interest shall accrue for the period after such payment date.

THE DEPOSITORY TRUST COMPANY

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Notes. The Notes will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered note certificate will be issued for each maturity of such series of the Notes, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law; a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code; and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer and the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Notes purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Notes by causing the Direct Participant to transfer the Participant's interest in the Notes, on DTC's records, to the Paying Agent. The requirement for physical delivery of Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Notes to the Paying Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Issuer or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer, Bond Counsel, and the Financial Advisor believe to be reliable, but the Issuer, Bond Counsel, and the Financial Advisor take no responsibility for the accuracy thereof, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

THE FINANCING PLAN

The Projects

Proceeds from the sale of the Notes will be used to provide temporary financing for the construction of a new building, improvement and design work for six other buildings, taxiway improvements, air traffic safety equipment, and to pay the costs associated with the issuance of the Notes.

A portion of the Projects were originally financed by the issuance of the Authority's Taxable General Obligation Temporary Notes, Series 2007. The remaining balance (\$7,050,000) will be retired with proceeds from the sale of the Notes and other available funds of the Authority

The Improvements are critical to sustaining the Airport's current level of aircraft operations, the Authority's fuel flowage revenue, and allowing for industrial and airport growth opportunities.

Sources and Uses of Funds

The following is a report of the sources and uses of funds associated with the Financing Plan, exclusive of accrued interest.

Sources:

Note Proceeds	<u>\$11,675,000.00</u>
Total Funds Available	\$11,675,000.00

Uses:

Deposit to Construction Fund	\$ 4,367,237.25
Redemption of Temporary Note	7,247,400.00
Costs of Issuance	37,830.00
Underwriter's Discount	<u>22,532.75</u>
Total Application of Funds	\$11,675,000.00

REMAINDER OF THIS PAGE LEFT BLANK INTENTIONALLY

**FINANCIAL OVERVIEW
SALINA AIRPORT AUTHORITY**

2010 Estimated Actual Valuation (1)	\$ 2,908,872,999.00
2010 Estimated Assessed Valuation (2)	\$ 453,172,689.00
General Obligation Bonds	\$ 13,875,000.00
Population (2009 U.S. Census Bureau Estimate)	46,180
General Obligation Debt Per Capita	\$ 300.45
Ratio of General Obligation Debt to Estimated Actual Valuation	0.48%
Ratio of General Obligation Debt to Assessed Valuation	3.06%
Outstanding Temporary Notes (3)	\$ 11,675,000.00
Outstanding Lease Obligations	\$ 323,500.00
Overlapping General Obligation Debt (4)	\$ 102,645,044.00
Direct and Overlapping General Obligation Debt (5)	\$ 128,195,044.00
Direct and Overlapping Debt Per Capita	\$ 2,775.99
Ratio of Direct and Overlapping Debt to Estimated Actual Valuation	4.41%
Ratio of Direct and Overlapping Debt to Assessed Valuation	28.29%

- (1) For a further description of how Estimated Actual Valuation is calculated and additional historical figures see the section titled FINANCIAL INFORMATION – “Estimated Actual Valuation”.
- (2) Represents preliminary assessed valuation figures released by the Saline County Clerk’s Office on June 30, 2010 and used for budgeting purposes. 2010 motor vehicle valuation has not yet been released. 2009 figure was used.
- (3) Includes the Notes. Does not include notes to be retired with proceeds from the sale of the Notes.
- (4) For a more detailed explanation of the overlapping debt of the other jurisdictions, see DEBT SUMMARY – “Overlapping Debt”.
- (5) Includes outstanding general obligation bonds and temporary notes of the Authority and overlapping jurisdictions.

THE SALINA AIRPORT AUTHORITY

History and Description

The Salina Airport Authority is a body corporate and politic. The Authority was created by the City of Salina in April 1965 pursuant to the authority granted by the City by the surplus property and public airport authority act of the State of Kansas. The Authority was created for the purpose of accepting as surplus property portions of the former Schilling Air Force Base, which was closed by the United States Department of Defense in June 1965. By quitclaim deed the Authority received over 2,900 acres of land and numerous buildings for the purpose of operating and developing the Salina Municipal Airport and the Salina Airport Industrial Center. The Authority is managed and controlled by a five-member Board of Directors appointed by the Salina City Commission.

The Salina Municipal Airport is the only commercial service airport serving Salina/Saline County and the 24-county area, which comprises North Central Kansas. The Airport also services the corporate, business, private aviation and flight training needs of industry, business and individuals in the area. The Airport is also used by Kansas State University at Salina (KSUS). The campus of KSUS is located adjacent to the Airport. The University offers degrees in professional flight training, airframe and power plant maintenance, and avionics technology.

Scheduled air service is provided by SeaPort Airlines. The airline offers weekday and weekend flights to the Kansas City International hub. During 2009, the Airport enplaned 2,839 passengers and also accommodates a wide variety of aircraft including business jets, military, flight training and general aviation aircraft. During 2009, the Salina Air Traffic Control Tower logged over 65,062 aircraft operations serving the needs of over 7,000 business jets, the professional flight training department of University at Salina, general aviation and military aircraft. The two fixed base operators on the field at Salina specializing in aviation fuel delivered over 2.48 million gallons of fuel to the wide variety of aircraft utilizing the Airport during 2009.

The Salina Municipal Airport and Airport Industrial Center is home for over 80 businesses and organizations. Forty-five of the businesses and organizations are tenants of the Authority. One of the primary functions of the Authority is to facilitate the continued growth of jobs and payroll at the Airport and Airport Industrial Center. The Authority works in partnership with the City of Salina, Saline County, and the Salina Area Chamber of Commerce, and the Kansas department of Commerce for the retention of existing business and industry and the recruitment of new business and industry.

Government and Powers

Although originally created by the City of Salina, the Authority operates on an ongoing basis as a separate and distinct entity from the City, except for certain matters regarding taxing abilities, appointment of officials, and debt issuance. (See FINANCIAL INFORMATION- "Tax Levies" herein). The Authority is governed by a five-member Board of Directors appointed by the governing body of the City of Salina. Each director serves a three-year term with at least one but no more than two terms expiring in each year. No director can serve for more than eight consecutive years. The governing body of the City of Salina maintains the right, by a majority vote, to remove any director of the Authority from Office.

The Board appoints the Executive Director who is the chief executive officer of the Authority. The Executive Director and his staff of 19 employees manage and operate the Salina Municipal Airport and the Salina Airport Industrial Center. The current executive director is Timothy F. Rogers, A.A.E., who has held the position since 1985. The present directors of the Authority, along with the expirations of their current terms of office, are as follows:

<u>Name/Title</u>	<u>Term Expires</u>
Jeffrey Thompson, Chairman	February 28, 2013
Troy Vancil, Vice Chairman	February 28, 2011
Dr. Randy Hassler, Secretary	February 29, 2012
Eric Hardman, Treasurer	February 28, 2011
Julie Sager Miller, Past Chairman	February 28, 2012

Kansas Public Employees Retirement System (KPERS)

The Authority participates in the Kansas Public Employees Retirement System (KPERS) which was established by the 1961 Kansas Legislature. There are approximately 260,000 current and former public employees in Kansas who are members of KPERS. These members represent over 1,500 state and local agencies and include the state, all counties, all unified school districts, community junior colleges, area vocational technical schools, various cities, and other instrumentalities. All of the Authority's full-time employees are covered by the KPERS program.

The purpose of the KPERS program is to provide an orderly means of financing the pension benefits of retiring public employees and to extend life insurance coverage, long-term disability and service connected death and disability benefits to members and their beneficiaries.

Employees of the Authority hired prior to July 1, 2009 are Tier 1 members and those employed in covered positions on or after July 1, 2009 are Tier 2 members. Employee contributions are fixed by statute at 6% of gross compensation (4% for Tier 1 members). The Authority's contribution may fluctuate depending on the funding needs of KPERS and the action of the Kansas Legislature. For 2010, the Authority's contribution will be 7.14% of each employee's gross salary.

Larger Businesses

The following is a list of some of the larger businesses located at the Airport and Airport Industrial Center.

America Jet at SLN	Kansas State University at Salina
APAC Shears	Kansas Wing Headquarters-Civil Air Patrol
Blue Beacon International	Love Box Company
Bradley Trucking Co.	Ovation Cabinetry
Cameron Compression Systems (TSI)	Pepsi Cola-Salina
CAV Aerospace, Inc.	Plains Environmental
ElDorado National, Inc.	PowerAd Company
Federal Express	Premier Pneumatics, Inc.
Flower Aviation of Kansas	Schwan's Global Supply Chain, Inc.
Geoprobe Systems	Scientific Engineering
Geocore Inc.	SeaPort Airlines
Hawker Beechcraft Corporation	Smoky Hill, L.L.C.
Kansas National Guard	Vortex Valves
Kansas Highway Patrol	

Principal Customers

According to Salina Airport Authority records, the following companies represent the ten largest sources of revenue for the Authority for the fiscal year ending December 31, 2009.

<u>Company</u>	<u>Revenue</u>	<u>% of Operating and Direct Finance Lease Revenue*</u>
Kansas Military Board (Kansas National Guard)	\$425,886	18.61%
Hawker Beechcraft Corp.	261,820	11.44
Kansas State University-Salina	238,536	10.43
CAV Aerospace	171,964	7.52
JRM Enterprises, Inc, d/b/a America Jet	146,588	6.41
Flower Aviation	136,394	5.96
Schwan's Global Supply Chain	86,112	3.76
Two Rivers Vending Co., Inc.	53,912	2.36
Johnson Rack, Inc.	46,200	2.02
Learjet Inc.	40,930	1.79

*Total operating lease and direct finance lease revenue for 2009 was \$2,288,022.

Environmental Matter

The U.S. Department of Defense transferred property located at the former Schilling Air Force Base to the Authority September 9, 1966. The property is now known to contain areas of extensive soil and groundwater contamination as a result of the use and disposal of chlorinated solvents during military operations at the former base during its period of active military duty from 1942 to 1965.

The U.S. Department of Defense is responsible for the investigation and remediation of contamination caused by military activities at current and former military bases. The U.S. Army Corps of Engineers (USACE) is the lead agency for the Department at formerly used defense sites. The Corps has investigated the soil and groundwater contamination at the former base under the regulatory oversight of the U.S. Environmental Protection Agency and the Kansas Department of Health and Environment. The former base is not designated as a National Priority List Superfund site, but investigation and remediation is required to be in compliance with the Comprehensive Environmental Response, Compensation and Liability Act.

Potential liability for contamination under the Act extends broadly to parties associated with the release or presence of hazardous substances, including not only those entities involved with contaminant use and disposal, but in some cases other current and former owners and operators of contaminated sites. As a current owner of extensive amounts of property at the former base, the Authority is potentially liable under the Act, although the Authority believes that it has defenses to such liability.

Based on presently known information, the Authority has determined that while a possible liability exists, it is not probable and at this time no reasonable estimate of the possible liability can be made. Therefore, no liability relating to that matter has been recorded. The Authority is under no administrative orders from the U.S. Environmental Protection Agency or the Kansas Department of Health and Environment. The Authority is considered to be a Potentially Responsible Party for the former base site, primarily due to its status as a property owner. The Salina Airport Authority, City of Salina, Unified School District No. 305, and the Kansas Board of Regents (Kansas State University at Salina) collectively own over 90% of the nearly 4,000 acres of the former Schilling Air Force Base property.

Beginning in August 2007, the four local public entities including the Salina Airport Authority, the City of Salina, the Salina School District, and Kansas State University at Salina (the "Salina Public Entities") initiated negotiations with the U.S. Federal Government. The negotiation objectives include transferring the responsibility for completing the cleanup from the USACE to the Salina Public Entities. The local objective is to reach a settlement agreement with the United States of America that provides the Salina Public Entities sufficient funds to complete cleanup operations over a 30-year period.

During calendar year 2008, the Salina Public Entities prepared a detailed Cost to Complete Estimate (CTC). The CTC preparation included consultation with the EPA and KDHE. The Salina Public Entities' CTC was completed in June of 2008 and submitted to the USACE. Subsequently, on January 23, 2009, the Salina Public Entities delivered a demand letter to the USACE. The letter demands that settlement negotiations begin immediately with the U.S. Department of Justice. On May 14, 2009 the Authority was notified that the USACE referred the former SAFB demand letter to the U.S. Department of Justice on May 12, 2009.

The current status is that the Salina Public Entities delivered on or about May 7, 2010, a settlement offer and a draft of a lawsuit complaint to the attorney for the U.S. Department of Justice. The Salina Public Entities filed suit against the United States on May 27, 2010. The suit was filed for several reasons but primarily to avoid a potential statute of limitations issue. The Salina Public Entities do not intend to cut off settlement negotiations by the filing of suit, and this has been communicated to the United States. The goal is for the parties to reach agreement on a settlement Consent Decree that will specify terms, conditions and funding enabling the Salina Public Entities to complete site clean-up operations.

THE CITY OF SALINA, KANSAS

Location and Size

The City of Salina is located in north central Kansas, near the geographic center of the contiguous United States. It is the seventh largest city in Kansas, with a 2009 U.S. Census Bureau estimate of 46,180. The City is the county seat for Saline County which had an estimated 2009 U.S. Census Bureau population of 54,364.

Situated at the intersection of Interstate Highways 70 and 135, the City of Salina serves as the industrial, medical, retail, trade and service hub for north central Kansas. Kansas City, Kansas, and Wichita, Kansas, are 175 and 95 miles away, respectively, via the direct access of these two major highways. The City encompasses a total area of approximately 20.31 square miles.

Government

The Town of Salina was organized in 1858 under the Town and Village Act in the State of Kansas. The City has had a Commission-City Manager form of government since 1921. The Commission comprises five members elected at-large. Each year the Commission chooses one member to act as Mayor. The City Manager is appointed by the Governing Body and acts as its primary agent in accordance with state statute. Other city officers and employees are appointed by the City Manager. The Governing Body is responsible for the policy determination, and the City Manager is responsible for the administration of the municipal government.

Salina became a City of the first class on July 9, 1920. The City currently has 493 full-time employees, including police and fire employees, and 240 part-time employees. There are no organized city employee unions. The present elected officials of the City, along with the expiration of their current terms of office, are as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Aaron Peck	Mayor	2011
Samantha Angell	Vice Mayor	2013
Norman Jennings	Commissioner	2013
Tom Arpke	Commissioner	2011
M. Luci Larson	Commissioner	2011

Economic Characteristics

The City of Salina benefits from its location at the junction of Interstate Highways 70 and 135. This convenient location has drawn numerous national and regional companies to open manufacturing or distribution centers in or adjacent to the City. Such companies include Schwan's Global Supply Chain, Inc., Salina Vortex, GeoProbe, Bergkamp, Kasa Industrial Controls, Premier Pneumatics, Great Plains Manufacturing, PKM Steel, Crestwood Cabinets, McShares, Inc., Pepsi Cola, ElDorado Bus, Exide Battery, Advance Auto Parts Distribution Center, and Philips Lighting. Currently, manufacturing, retail trade, and service industries rank as the three primary employers in the City. No single industry is dominant. The government sector and wholesale trade industries make up the second tier of Salina employers.

The City serves as a 24-county regional trade center for north central Kansas. Many individuals and businesses within a 70-mile radius travel to the City to purchase consumer goods and services. This designation as a regional trade center is supported by the fact that Saline County had the seventh highest "trade pull factor" of all Kansas counties in 2008 according to Kansas State University. Trade pull factor is measured by dividing the county sales tax collections per capita by the average statewide sales tax per capita.

As of December 31, 2009, over 80 businesses and organizations at the Salina Municipal Airport and Airport Industrial Center employed over 4,000 employees with a combined payroll in excess of \$150 million.

In June 2010, the Kansas Department of Labor estimated the civilian labor force in the City of Salina to be 27,167 persons. The U.S. Census Bureau determined that in 2000 the median household income for the City was \$36,066 and owner-occupied housing rates in the City were 66.1%.

Salina County is located in the center of one of the most productive agricultural areas in the United States. In 2007-2008, 750 farms were located on 430,000 acres. Farm crops were valued at over \$38 million harvested on 210,910 acres. Cattle and milk produced was valued at over \$19 million.

Salina is a city centered more on industry than agriculture. Currently, there are approximately 100 manufacturing and processing companies located in the City. The City, Saline County, the Chamber of Commerce, and the Salina Airport Authority have developed several economic incentives which can be offered as inducements to opening industrial facilities. These include property tax abatement for basic industry, the waiving of building permit and inspection fees, refunding of sales tax paid on machinery and equipment, and providing training for employees through the Salina Area Technical College and the Kansas State University at Salina. Additionally, a “build-to-suit-tenant” agreement is available on sites in the Airport Industrial Center that can provide 100% financing for land and building costs.

Major Employers

Industrial development during the past ten years has established a broad, industrial base in and around the City of Salina. A list of the major employers is as follows. All figures represent total full-time employment excluding seasonal and part-time employees.

<u>Name</u>	<u>Product/Business</u>	<u>Estimated Employment</u>
Schwan’s Food Management	Frozen Pizza	1,600
Unified School District No. 305	School System	1,512
Salina Regional Health Center	Health Care	1,286
Exide Technologies	Battery Manufacturer	750
Great Plains Manufacturing	Agricultural & Landscaping Equipment	650
City of Salina	City Government	500
Sunflower Bank	Financial Institution	500
Philips Lighting Company	Fluorescent Lamps	500
Wal-Mart	Discount Retail	400
Dillons Stores	Grocery	385

Source: Salina Chamber of Commerce

Population

The City of Salina has a population that is approaching metropolitan area status. This is defined by the U.S. Census Bureau as cities with 50,000 inhabitants or more. According to the U. S. Census Bureau, the City’s citizens had a median age of 36.5 years in 2007. The following table and graph show the population for the City for selected years as provided by the U.S. Census Bureau.

<u>Year</u>	<u>City of Salina</u>
2009	46,180
2008	45,998
2007	46,025
2006	45,898
2005	45,907

Unemployment Rate

According to the Kansas Department of Labor, the following table shows the annual unemployment rate trend for the City of Salina and the State of Kansas.

<u>Year</u>	<u>City of Salina</u>	<u>State of Kansas</u>
2010 (June)	5.7%	6.5%
2009	5.7	6.7
2008	4.1	4.4
2007	3.5	4.1
2006	4.0	4.5

Income

The following table shows the per capita personal income for residents of Saline County and the State during the years indicated:

<u>Year</u>	<u>Saline County</u>	<u>State of Kansas</u>
2007	\$34,611	\$36,525
2006	32,938	34,525
2005	30,416	32,130
2004	29,220	30,992
2003	27,972	29,799

Source: *Kansas Statistical Abstract, 2008*

Retirement Systems

The City of Salina participates in KPERS as further described in the section titled THE SALINA AIRPORT AUTHORITY-"Kansas Public Employees Retirement System".

The City has also established membership in the Kansas Police and Fire Retirement System for its police and fire personnel. Benefits are determined by total years of service and final average salary. The State of Kansas administers the plan. An actuarial study is made annually and the City's annual contribution is adjusted to meet current fund requirements. Payment of employee retirement benefits is the sole responsibility of KP&F. For 2010, the City will contribute 16.05% of employees' gross compensation, and the majority of employees will contribute 7.0% of their gross salary.

Police and Fire Protection

The City of Salina provides police and fire protection services to residents of the City and surrounding areas. Firefighting services are provided from four stations located throughout the City with 92 full-time firefighters. The fire department operates 36 vehicles and provides emergency medical services. The police department employs approximately 81 full-time police officers and operates 37 police vehicles, including patrol vehicles, motorcycles, and Cushman.

Education

The City of Salina has a very complete and diverse educational system from the primary level up to its higher educational institutions. Unified School District No. 305 provides public education through its eight elementary, two middle, and two senior high schools. The District also operates alternative education, vocational-technical, and special education schools. Current enrollment is over 7,000.

Additionally, there are a number of parochial institutions that operate four grade schools, one junior high school, and one senior high school. A military school is located in the City and operates both a grade school and high school. The City is home to five regional or private upper-level specialty schools. The Kansas Highway Patrol has a training academy located in Salina. One public library with over 230,000 volumes, two college libraries, a medical library, and a law library are located within the City.

Kansas State University at Salina

The University offers a variety of two- and four-year aviation and technology degree programs. Areas of emphasis include civil, electrical and mechanical engineering technologies, aeronautical studies, and avionics. The campus is located entirely within the boundaries of the Salina Airport Industrial Center. Approximately 930 students are currently enrolled in the school.

Kansas Wesleyan University

Kansas Wesleyan University was founded in 1886 and is located within the City. Currently, Kansas Wesleyan maintains an enrollment of approximately 800 students, the majority from Kansas and surrounding states. The school, based on a liberal arts foundation, offers more than 27 major programs, including graduate studies. Evening degree completion programs for adults are also available. Kansas Wesleyan is a member of the Associated Colleges of Central Kansas, a consortium of six academic institutions within 70 miles of the University through which students may enroll in courses and utilize resources.

Transportation

In addition to I-70 and I-135, US-81 and US-40 also intersect Salina. Several freight companies provide motor freight service in Salina with direct and connecting schedules to all cities in the United States. Bus service is available at regular intervals during each day in all directions.

Union Pacific gives the City rail service in four directions out of the City and provides daily package-car service in and out of Salina. There are approximately 8 daily freights stopping in the City. Existing terminals have adequate capacity to handle present and greatly increased future capacity. Approximately 30 miles of storage tracks are available.

Utilities and Infrastructure

Westar Energy supplies electricity and Kansas Gas Service provides natural gas to the City. The City owns its own water and sewage system. Additionally, the City is responsible for street maintenance and police and fire protection for the Airport. SBC provides telephone service. Two cellular phone companies provide service to the City.

Health Facilities

The City is served by Salina Regional Health Center ("SRHC"), a 330-bed regional facility divided between two Salina campuses. SRHC is an acute care facility for the diagnosis and treatment of all types of diseases and conditions, and includes a cancer treatment center and two medical office buildings. The institution is also a 50% partner in a separate surgical hospital adjacent to the Asbury campus of SRHC.

Several other facilities providing mental health services, counseling, and alcohol and drug dependency treatment programs are located in the City.

Financial Institutions

Nine banks operating a total of 14 different facilities are located in the City. Five banks are headquartered in the City and reported combined deposits in excess of \$1.97 billion as of December 31, 2009. Two savings banks have branch offices in the City.

Other Information

Public recreation facilities available to city residents include 27 parks, a golf course, baseball/softball fields, a swimming pool, an art center, a community theater, a museum, tennis courts, and ice and roller skating facilities. Two private clubs provide additional recreational opportunities for residents of the City. Kenwood Cove, a \$12.5 million aquatic park, opened in May 2010.

The Bicentennial Center, a 7,500-seat facility, with over 40,000 square feet of exhibit space, nicknamed “Mid-America’s Meeting Place, provides a venue for the region’s numerous concerts, exhibitions, conventions, and other events are also held in the Center.

There are several radio stations in the City. Five standard television stations from Wichita serve the Salina area. Additionally, Cox Communications provides cable television and broadband internet service to subscribing customers.

Building Permits Issued

Building permits issued by the City currently maintain steady levels. This table reflects both private developments as well as the expansion to the educational facilities in the community. The five-year history of the total value of permits issued is:

<u>Year</u>	<u>Value</u>
2009	\$12,192,481
2008	18,276,022
2007	32,631,351
2006	21,542,984
2005	21,688,263

DEBT SUMMARY OF THE AUTHORITY

Current Indebtedness of the Authority

Upon issuance of the Notes, the Authority will have the following outstanding indebtedness.

General Obligation Bonds:

<u>Purpose</u>	<u>Series</u>	<u>Amount of Issue</u>	<u>Final Maturity</u>	<u>Amount Outstanding</u>
Refunding	1999-B	\$ 555,000	09-01-10	\$ 70,000
Internal Improvements	2001-A	1,385,000	09-01-12	500,000
Internal Improvements	2002-A	2,635,000	09-01-12	885,000
Taxable Internal Improvement	2005-A	3,635,000	09-01-20	3,415,000
Taxable Internal Improvement	2007-A	1,005,000	09-01-22	900,000
Internal Improvement	2009-A	2,025,000	09-01-29	2,025,000
Taxable Internal Improvement	2009-B	6,080,000	09-01-26	<u>6,080,000</u>
Total				\$13,875,000

Lease Purchase Obligation (as of December 31, 2009):

<u>Project</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Original Principal Amount</u>	<u>Amount Outstanding</u>
Building Acquisition	09-28-06	09-01-16	\$425,000	\$323,500

Temporary Notes:

<u>Purpose</u>	<u>Series</u>	<u>Amount of Issue</u>	<u>Final Maturity</u>	<u>Amount Outstanding</u>
Improvements	2007	\$10,975,000	09-01-10	\$ 7,050,000 *
Improvements	2010	11,675,000	03-01-12	<u>11,675,000</u>
				\$11,675,000

*To be redeemed with proceeds from the sale of the Notes.

Overlapping Debt of the Authority

According to the Saline County Clerk's Office, the following table shows the overlapping *general obligation bonded indebtedness* of the Authority. The percent of an overlapping jurisdiction's debt that is applicable to the Authority is calculated by dividing the assessed valuation of that portion of the jurisdiction's boundaries which overlap those of the Authority by the total assessed valuation of such jurisdiction. All debt outstanding is as of December 31, 2009 unless otherwise noted.

<u>Jurisdiction</u>	<u>Amount Outstanding</u>	<u>Estimated Share of the Authority</u>	
		<u>Amount</u>	<u>Percentage</u>
U.S.D. No. 305	\$53,190,000	\$ 49,275,216	92.64%
Saline County (as of 06-30-09)	680,000	514,828	75.71
City of Salina	52,855,000	<u>52,855,000</u>	100.00
		\$102,645,044	

Annual Debt Payments of the Authority

The following is a list of annual debt service requirements for the Authority's currently outstanding general obligation bonded indebtedness. All amounts are rounded to the nearest whole dollar.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 990,000	\$ 381,897	\$ 1,371,897
2011	1,040,000	592,280	1,632,280
2012	1,090,000	548,422	1,638,422
2013	635,000	501,950	1,136,950
2014	665,000	475,502	1,140,502
2015	695,000	447,280	1,142,280
2016	725,000	416,838	1,141,838
2017	755,000	384,878	1,139,878
2018	795,000	351,498	1,146,498
2019	835,000	314,372	1,149,372
2020	885,000	274,418	1,159,418
2021	505,000	230,082	735,082
2022	530,000	204,518	734,518
2023	455,000	177,685	632,685
2024	480,000	153,798	633,798
2025	505,000	127,998	632,998
2026	535,000	100,222	635,222
2027	560,000	74,308	634,308
2028	585,000	50,788	635,788
2029	<u>610,000</u>	<u>25,925</u>	<u>635,925</u>
	\$13,875,000	\$5,834,659	\$19,709,659

Overlapping Debt-The City of Salina, Kansas

The taxing boundaries and assessed valuation of the Authority and the City of Salina are identical. However, debt issued by either jurisdiction does not constitute an obligation of the other entity. The following is an overview of the City of Salina's outstanding indebtedness by classification as of the dated date of the Bonds. Figures do not include bonds for which payment has been provided through the creation of designated escrow accounts.

General Obligation Bonds:

<u>Date Issued</u>	<u>Purpose</u>	<u>Amount of Issue</u>	<u>Final Maturity</u>	<u>Amount Outstanding</u>
07-15-01	Internal Improvements	\$5,350,000	10-01-16	\$ 2,485,000
07-15-02	Internal Improvements	1,980,000	10-01-17	820,000
07-15-03	Internal Improvements	4,350,000	10-01-18	2,405,000
05-01-04	Refunding	5,585,000	08-01-15	1,585,000
07-15-04	Internal Improvements	4,053,000	10-01-19	2,150,000
07-15-05	Internal Improvements	4,210,000	10-01-20	2,870,000
03-15-06	Internal Improvements	2,200,000	10-01-26	1,870,000
07-15-06	Internal Improvements	885,000	10-01-21	675,000
06-15-07	Internal Improvements	6,545,000	10-01-27	5,815,000
07-15-08	Internal Improvements	3,720,000	10-01-23	3,500,000
12-15-08	Internal Improvements	3,525,000	07-01-28	3,525,000
07-15-09	Internal Improvements	23,695,000	10-01-29	23,695,000 *
05-01-10	Internal Improvements	6,875,000	10-01-25	<u>6,875,000</u>
				\$58,270,000

*A portion of this debt (approximately \$12.6 million) is anticipated to be repaid from a special dedicated local option sales tax.

A portion of the City's outstanding general obligation bonds are payable from special assessments levied upon properties benefited by certain internal improvement projects and transfers from enterprise funds of the City. If such payments are not provided in a timely manner, the principal of and interest on the bonds must then be paid from the City's ability to levy unlimited ad valorem taxes. See FINANCIAL INFORMATION - "Special Assessments" for a further description of special assessment financing.

The City has a practice of issuing its general obligation debt with level annual principal payments over a period of ten or fifteen years, depending on the nature and size of the projects being financed. Exceptions to this practice have been made for special projects.

State Loans: The City intends to provide for payment of this debt with net revenues derived from the operation of its water and sewage system. However, these bonds are ultimately secured by the City's ability to levy unlimited ad valorem taxes.

<u>Date Issued</u>	<u>Purpose</u>	<u>Amount of Issue</u>	<u>Final Maturity</u>	<u>Amount Outstanding</u>
01-05-98	Kansas Public Water Loan #1	\$3,600,000	08-01-20	\$2,088,096
03-15-01	Kansas Public Water Loan #2	5,000,000	08-01-23	<u>3,581,886</u>
				\$5,669,982

Revenue Bonds: Revenue bonds are payable solely from the net revenues derived by the City from the operation of its combined water and sewage system. Revenue bonds do not represent a general obligation indebtedness of the City for which the City's taxing ability has been pledged.

<u>Date Issued</u>	<u>Purpose</u>	<u>Amount of Issue</u>	<u>Final Maturity</u>	<u>Amount Outstanding</u>
08-01-02	Refunding	\$6,790,000	09-01-12	\$2,320,000

Lease Purchase Obligations:

<u>Project</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Original Amount Outstanding</u>
Golf Carts	04-01-09	07-01-11	\$30,000	\$30,000

Temporary Notes: Temporary notes represent general obligation indebtedness payable ultimately from the City's ability to levy unlimited taxes upon all taxable tangible property within its territorial limits. The City customarily redeems temporary notes with proceeds from the sale of long-term general obligation notes or other available funds.

<u>Project</u>	<u>Series</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Original Note Amount</u>	<u>Amount Outstanding</u>
Street, Water, and Sewer	2010	05-01-10	08-01-11	\$2,500,000	\$2,500,000

Historical Debt Information of the Authority

The following table shows historical balances of outstanding general obligation bonds and temporary notes for the Authority during the most recent five-year period.

<u>Year</u>	<u>Bonds/Notes Outstanding December 31</u>	<u>Debt to Assessed Valuation</u>	<u>Debt to Estimated Actual Valuation</u>	<u>Population</u>	<u>Debt Per Capita</u>
2009	\$20,925,000	4.67%	0.72%	46,180	\$450.16
2008	17,500,000	3.88	0.60	46,483	376.68
2007	21,390,000	4.83	0.75	46,458	463.59
2006	10,295,000	2.40	0.38	46,140	216.59
2005	8,220,000	2.04	0.32	47,533	178.74

Legal Debt Limits

In accordance with Kansas statutes, the Authority is permitted to issue general obligation bonds in an aggregate amount not to exceed 10% of the total assessed valuation of the City. The issuance of the general obligation bonds by the Authority is subject to the approval of the governing body or, at the discretion of the governing body, a 15-day protest period.

Future Indebtedness

The Authority's future borrowing will include an estimated \$4.5 million in 2011 for the rehabilitation of Hangar 959, the Airport's largest maintenance repair and overhaul hangar. Additionally in 2011, the Authority is planning rehabilitation to Hangar 626 in the amount of \$2.5 million. Looking ahead to 2012, the Authority is forecasting borrowing approximately \$2 million for improvements to Hangar 713.

Debt Payment Record

The Authority has always met principal and interest payments on all outstanding general obligation debt when due and payable.

PROPERTY TAX PROCEDURES

The information in the following sections relates to both the Authority and the City of Salina. Because the two jurisdictions maintain identical taxing boundaries, all information concerning assessed valuation, estimated actual valuation, and largest taxpayers of the City will also apply to the Authority. Additionally, information concerning assessment procedures, reappraisal and assessment ratios are all mandated by state statutes and therefore will also apply equally to both governmental units. The tax levying ability of the Authority is granted and restricted by specific Kansas statutes relating to such matters, and is not similar in some instances to the ability of the City to levy taxes.

Property Tax Levy Limits

The Authority has the ability by statute to levy up to three mills with approval from the governing body of the City for operational purposes. An additional one mill may be levied in order to match grants, subject to a notice and protest period. These mill limits do not apply to the Authority's ability to levy unlimited taxes for the repayment of its general obligation debt.

FINANCIAL INFORMATION

Assessed Valuation

According to the Saline County Clerk's Office, the following table gives the November assessed valuation of the Authority and the City in the years indicated.

<u>Year</u>	<u>Real Estate</u>	<u>Personal Property (1)</u>	<u>State Assessed Utilities</u>	<u>Motor Vehicle</u>	<u>Total Assessed Valuation</u>
2010 (2)	\$367,622,233	\$21,005,625	\$14,214,579	\$50,330,252	\$453,172,689
2009	358,979,211	24,760,806	13,730,609	50,330,252	447,800,878
2008	356,678,712	28,373,980	14,929,456	51,351,656	451,333,804
2007	342,045,389	34,507,464	16,175,634	50,548,706	443,277,193
2006	321,695,326	39,691,690	16,530,171	50,551,299	428,468,486
2005	296,537,399	38,662,356	17,624,030	49,367,870	402,191,655
2004	282,517,284	35,410,526	17,334,372	48,687,121	383,949,303
2003	277,456,813	35,386,133	15,750,780	46,679,292	375,273,018
2002	267,175,443	35,093,154	14,866,008	45,965,839	363,100,444

- (1) Beginning in 2007, certain types of personal property were removed from the tax rolls. See footnote (3) to the table in the section titled FINANCIAL INFORMATION – "Property Assessment Rates".
- (2) Represents preliminary assessed valuation figures released by the Saline County Clerk's Office in June 2010 and used for budgeting purposes. 2010 motor vehicle valuation has not yet been released. 2009 figure was used.

Estimated Actual Valuation

Based on assessment percentages provided by Kansas Statutes, real estate equalization ratios provided by the Kansas Department of Revenue (see FINANCIAL INFORMATION – “Property Assessment Rates”), and estimated actual valuation figures provided by the Saline County Appraiser’s Office, the following table provides estimated actual valuations for the Authority and the City in the years indicated.

<u>Year</u>	<u>Residential Real Estate Equalization Ratio</u>	<u>Estimated Actual Value</u>
2010	not available	\$2,908,872,999
2009	11.67%	2,893,359,541
2008	11.66	2,914,775,730
2007	11.68	2,833,709,391
2006	11.22	2,719,391,025
2005	11.16	2,529,377,135
2004	11.47	2,427,448,947
2003	11.50	2,368,264,683
2002	11.65	2,296,900,695

Largest Taxpayers

According to the Saline County Clerk’s Office, the following table lists the largest taxpayers in the City, their 2009 assessed valuations, and the percentage each taxpayer comprised of the total assessed valuation of the City.

<u>Company</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Valuation</u>
Schwan’s Sales (Tony’s Pizza)	Manufacturing	\$10,144,446	2.27%
IPOFA Salina Central Mall LLC	Regional Shopping Center	8,704,250	1.94%
Salina Regional Health Center	Hospital and Medical Offices	5,584,461	1.25%
Westar Energy	Utility	5,191,056	1.16%
Wal-Mart Stores	Discount Retail	3,813,855	0.85%
Gateway Adams Inc. (Midstate Plaza)	Shopping Center	3,556,009	0.79%
Kansas Gas Service	Utility	3,499,873	0.78%
Southwestern Bell Telephone	Utility	3,455,419	0.77%
Sunflower Bank	Financial Institution	2,749,200	0.61%
Great Plains Manufacturing	Manufacturing	2,526,984	0.56%
		<u>\$49,225,553</u>	<u>10.99%</u>

Property Tax Collections

Tax statements are mailed November 1 each year and may be paid in full or one-half on or before December 20 with the remaining one-half due on or before May 10 of the following year. Taxes that are unpaid on the due dates are penalized at a statutorily prescribed rate until paid or until the property is sold for taxes. Real estate bearing unpaid taxes is advertised for sale in July of each year and is sold by the County for taxes and all legal charges on the first Tuesday in September. Properties that are sold and not redeemed within two years after the tax sale are subject to foreclosure sale, except homestead properties which are subject to foreclosure sale after three years.

Personal property taxes are assessed, due and may be paid in the same manner as real estate taxes. Motor vehicle property taxes are based on valuations provided by the Kansas Department of Revenue and the county average tax rate for the county in which the vehicle is registered. Motor vehicle taxes are payable to the county treasurer at the time of the vehicle's annual registration. Vehicle registration dates are assigned by the State in a manner such as to equal registration over a twelve-month period. Motor vehicle taxes are distributed by the county to the state, city and other taxing jurisdictions based on their proportionate tax levies. Delinquent personal and motor vehicle taxes are penalized at the same rate as delinquent real property taxes. The following is a summary of tax collections for the Authority in the years shown.

Levy Year	Tax Rate	Taxes Levied	Current Tax Collections		Current and Delinquent Tax Collections	
			Amount	%	Amount	%
2009*	4.315	\$1,717,272	\$1,559,898	90.8%	\$1,559,898	90.8%
2008	2.877	1,152,432	1,091,975	94.8	1,124,734	97.6
2007	2.877	1,131,545	1,073,715	94.9	1,105,926	97.7
2006	2.877	1,091,961	1,045,911	95.8	1,077,288	98.7
2005	2.941	1,039,000	1,007,688	97.0	1,037,919	99.9
2004	2.795	939,174	915,175	97.4	942,630	100.4
2003	2.795	919,639	899,014	97.8	921,402	100.2
2002	2.806	891,465	870,085	97.6	897,286	100.6

*As of May 15, 2010

Sales Tax

In November 2008, voters in the City of Salina approved a .40 percent citywide retailers dedicated sales tax to pay the costs of constructing, operating and maintaining a \$12.5 million aquatic park. The sales tax became effective April 1, 2009 and terminates ten years after its commencement.

The total sales tax for goods and services in the City is 8.20%, which consists of 6.3% imposed by the State, 1% countywide local option sales tax, and .90% citywide local option sales tax. Sales tax collections are the responsibility of the Kansas Department of Revenue. The Department of Revenue distributes the local option countywide and citywide sales taxes on a monthly basis. Countywide sales taxes are distributed between the levying county and the cities located within the county based on population and relative tax levies. Citywide local option sales taxes are distributed solely to the levying city. Statewide sales taxes are retained entirely by the state. The following table shows total local option sales tax revenues received by the City in recent years. The Authority does not receive any sales tax revenue.

Year	Local Option Sales & Use Tax Receipts
2010 (thru July)	\$ 8,166,006
2009	15,071,192
2008	14,574,588
2007	13,955,361
2006	13,554,130
2005	12,836,310
2004	13,491,519
2003	12,026,712
2002	12,257,820

Tax Levies

The County Clerk determines property tax levies based upon budgets submitted by taxing entities within the County and the assessed valuations provided by the Appraiser and spreads the levies on the tax rolls. The following table gives the total tax levies for all taxing jurisdictions per \$1,000.00 assessed valuation of the City for the last five years.

	2005	2006	2007	2008	2009
	Levy	Levy	Levy	Levy	Levy
	for	for	for	for	for
	2006	2007	2008	2009	2010
<u>Jurisdiction</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>
City of Salina	23.999	23.789	23.959	25.886	25.855
Salina Library	5.325	5.180	5.242	5.419	5.413
State Education & Other	1.500	1.500	1.500	1.500	1.500
Unified School District No. 305	55.182	55.252	54.990	58.547	58.495
Airport Authority*	2.941	2.877	2.877	2.877	4.315
Central Kansas Extension District	1.194	1.169	1.156	1.175	1.173
Saline County	<u>28.579</u>	<u>27.955</u>	<u>27.435</u>	<u>29.347</u>	<u>31.303</u>
Total	118.720	117.722	117.159	124.751	128.054

*The Authority's mill levy is subject to certain limits as described in the section titled PROPERTY TAX PROCEDURES – "Property Tax Levy Limits".

Budgeting Procedures

It is the Authority's practice to annually prepare a budget report for the following calendar year. The report is developed by the executive director and submitted to the Authority's Board of Directors. Customarily, the budget for any year is completed in the December preceding such year. However, in the instance where a tax is to be levied by the Authority, a preliminary capital budget is prepared by the preceding July 28th. Kansas statutes make no provisions or requirements for the Authority to prepare a budget. The Authority also voluntarily prepares a multi-year financial forecast for long-term planning (5 to 10 years).

Kansas law prohibits cities and other governmental units from creating indebtedness unless there is money on hand in the proper fund and unencumbered by previous commitments with which to pay the indebtedness. The execution of a contract, or the issuing of a purchase order, automatically encumbers the money in the fund for the payment of the amount represented by the commitment. It makes no difference that the amount may not have to be paid until more moneys are in the fund or until the following year. An exception to this cash basis law is the issuance of debt, in the form of bonds, notes, or warrants, pursuant to statutory authority, referendum or by the State Board of Tax Appeals. In the event debt is issued, funds need not be on hand for future payments. Kansas statutes make no provisions or requirements for the Authority to adhere to this cash basis law.

Appraisal and Assessment Procedures

The determination of appraised and assessed valuation and the collection of property taxes for all political subdivisions in the State of Kansas are the responsibility of the various counties. The Saline County appraiser annually determines the appraised valuation of property located in the City and, consequently, the Authority. The appraiser's determination is based on a number of criteria established by Kansas statute. All property, with the exception of agricultural land, is appraised based on estimated fair market value. Agricultural property is appraised based on productivity value. Kansas statutes require that each parcel of real property be reviewed and inspected by the county appraiser once every four years for taxation purposes. Once appraised valuations have been determined, they are multiplied by the applicable statutory assessment rates to arrive at the assessed valuations. The total assessed valuation is then used to establish property tax rates.

Property Assessment Rates

In order to determine the assessed valuation of a parcel of property for taxation purposes, the county appraiser multiplies the appraised value of the parcel by the applicable assessment rate. Current property assessment rates were established in 1986, effective in 1989, and slightly modified in 1992. The most significant 1992 modifications involved lowering the assessment rate on commercial and industrial real property from 30% to 25% and on residential property from 12% to 11.5%. The following table shows the current assessment rates for the different classes of taxable tangible property within the State of Kansas.

Real Property:

Residential	11.5%
Commercial and Industrial- Real Property	25.0
Agricultural Land (1)	30.0
Agricultural Improvements	25.0
Vacant Lots	12.0
Not-for-Profit (2)	12.0
All Other	30.0

Personal Property: (3)

Mobile Homes	11.5%
Mineral Leaseholds (large)	30.0
Mineral Leaseholds (small)	25.0
Commercial & Industrial Machinery & Equipment	25.0
All Other	30.0

Utilities:

Railroads	federally mandated rate
All Other Public Utilities	33.0%

Motor Vehicles:

20.0%

Property Exempt:

Property used for the following purposes, or portions thereof, are exempt from taxation provided certain statutory requirements are met: religious, educational, literary, scientific, benevolent, alumni associations, veterans' organizations, or charitable purposes, including parsonages and community service organizations providing humanitarian services.

- (1) Agricultural land is valued based on the productivity value of the property and not estimated market valuation.
- (2) A bill passed by the Kansas Legislature in 1994 clarified this class of property to include all property owned and operated by not-for-profit organizations not subject to federal income taxation pursuant to paragraphs (2), (3), (4), (7), (8), or (10) of Subsection C of Section 501 of the federal internal revenue code. This bill specifically established that private, not-for-profit country clubs would be assessed at 12% for all land that does not accommodate buildings or improvements.
- (3) The 2006 Kansas Legislature exempted from all property or ad valorem property taxes levied under the laws of the State, all commercial, industrial, telecommunications, and railroad machinery and equipment acquired by qualified purchase or lease after June 30, 2006 or transported into the State after June 30, 2006 for the purpose of expanding an existing business or creation of a new business.

Equalization Ratios

Annually, the Property Valuation Division of the Kansas Department of Revenue conducts a study to compare the assessed valuation of real property to estimated market value based on property sale prices. The study derives an equalization ratio which, when divided into assessed valuation, provides a means to approximate actual market value. According to the 2009 Kansas Appraisal/Sales Ratio Study, the equalization ratio for residential real property in Saline County was 11.67%, and commercial and industrial property was 22.70%.

LEGAL MATTERS

Legal matters incident to the authorization, issuance, and sale of the Notes by the Authority and the tax-exempt status thereof are subject to the approval of Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel, whose approving opinion accompanies the Notes. The opinions are dated and given on and speak only as of the date of original delivery of the Notes. Bond Counsel has not participated in the preparation of this Official Statement except for the sections titled INTRODUCTORY STATEMENT, THE NOTES, LEGAL MATTERS, TAX MATTERS, and APPENDIX B.

TAX MATTERS

The following is a summary of the material federal and state income tax consequences of holding and disposing of the Notes. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of holders subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Notes as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Kansas, does not discuss the consequences to an owner under state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Notes in the secondary market at a premium or a discount. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Notes.

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS OF THE NOTES ARE HEREBY NOTIFIED THAT: (A) THE OPINION OF BOND COUNSEL AND ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS OFFICIAL STATEMENT RELATING TO THE NOTES IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON BY HOLDERS OF THE NOTES FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS OF THE NOTES UNDER THE INTERNAL REVENUE CODE; (B) THE DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS OF THE NOTES SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR BASED ON THEIR PARTICULAR UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO THEM OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE NOTES.

Opinion of Bond Counsel

Federal Income Tax. Interest on the Notes (including any original discount properly allocable to an owner thereof) is included in gross income as interest for federal income tax purposes in accordance with an owner's method of accounting for tax purposes. A cash basis owner will include interest in income when received (or when made available for receipt, if earlier). An accrual basis owner will generally include interest in income when all events necessary to establish the right to receive such interest have occurred.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the Notes, and to the proceeds paid on the sale of the Notes, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

Sale, Exchange or Retirement. Upon the sale, exchange or retirement (including redemption) of a Note, an owner of the Note generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Note (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Note. To the extent the Notes are held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if held for more than 12 months at the time of sale, exchange or retirement.

Kansas Tax Exemption. In the opinion of Gilmore & Bell, P.C., Bond Counsel to the Authority, the interest on the Notes is excluded from computation of Kansas adjusted gross income.

State and Local Taxation. Except with respect to Kansas income taxation, the discussion above does not address the tax consequences of purchase, ownership or disposition of the Notes under any state or local tax law. Investors should consult their own tax advisors regarding state and local tax consequences.

Other Tax Consequences. The foregoing is not intended to be a complete description of all Federal or Kansas income tax consequences associated with an investment in the Notes, and except as described under “Opinion of Bond Counsel,” Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Notes should consult their own tax advisors regarding the particular tax consequences to them of an investment in such notes.

RATING

Moody’s Investor Service has assigned the rating of “MIG 1” to the Notes. Any explanation as to the significance of such rating may be obtained only from said rating agency. Ratings are not recommendations to buy, sell, or hold the Notes, and such rating may be subject to revision or withdrawal at any time by the rating agency. Any downward revision or withdrawal of the rating may have an adverse effect on the market price of the Notes.

FINANCIAL ADVISOR

George K. Baum & Company, Kansas City, Missouri, has acted as Financial Advisor to the Authority in connection with the sale of the Notes. The Financial Advisor has assisted the Authority in the preparation of this Official Statement and in other matters relating to the issuance of the Notes. The Financial Advisor retains the right to bid on the Notes and has received written consent to do so from the Authority. The fees of the Financial Advisor are contingent upon the issuance of the Notes.

UNDERWRITING

The Notes were purchased at public sale on August 18, 2010 by UMB Bank, n.a., Kansas City, Missouri (the “Underwriter”) at a price equal to the par amount of the Notes, less an underwriting discount in the amount of \$22,532.75, plus accrued interest to the date of closing.

ABSENCE OF MATERIAL LITIGATION

The Transcript of Proceedings will contain a certificate of non-litigation dated as of the date of closing on the Notes and executed by the Authority to the effect that there is no controversy, suit or proceeding of any kind pending or, to the knowledge of the Authority, threatened wherein or whereby any question is raised, or may be raised, questioning, disputing or affecting in any way the legal organization of the Salina Airport Authority, or its boundaries, or the legality of any official act shown to have been done regarding the issuance of the Notes or the constitutionality or validity of the obligation represented by the Notes, or to the means provided for the payment of the Notes.

CONTINUING DISCLOSURE

The Securities and Exchange Commission (the “SEC”) has promulgated amendments to Rule 15c2-12 (the “Rule”), requiring continuous secondary market disclosure for issues sold on or after July 3, 1995. In the Resolution, the Authority has covenanted to provide annually certain financial information and operating data and other information necessary to comply with the Rule, and to transmit the same or cause the same to be transmitted to certain repositories. This covenant is for the benefit of and is enforceable by the owners of the Notes. See APPENDIX B for further details concerning continuing disclosure requirements. The Authority is in compliance with any prior continuing disclosure undertaking.

CERTIFICATION OF THIS OFFICIAL STATEMENT

The preparation and distribution of this Official Statement has been authorized by the Authority. This Official Statement is hereby duly approved by the governing body of the Authority as of the date on the cover page hereof.

Dated: August 18, 2010

SALINA AIRPORT AUTHORITY
SALINA, KANSAS

By /s/ Jeff Thompson
Chairman

ATTEST:

/s/ Timothy F. Rogers
Executive Director

APPENDIX A

Financial Statements

The following is a portion of the comprehensive annual financial report of the Salina Airport Authority for the fiscal year ended December 31, 2009, prepared by the Authority.

(THIS PAGE LEFT BLANK INTENTIONALLY)

SALINA* Airport** ***Authority

Chairman
Jeffrey R. Thompson

Vice-Chairman
Troy Vancil

Secretary
Dr. Randy Hassler

Treasurer
Eric R. Hardman

Past Chairman
Julie Sager Miller

Executive Director Timothy F. Rogers, A.A.E.

Mgr. of Administration and Finance Michelle R. Swanson Mgr. of Operations David "Gunner" Wiles Mgr. of Facilities Kenny Bieker

Mgr. of Public Affairs and Communications Melissa L. McCoy

Board Attorney Greg A. Bengtson

June 16, 2010

Salina Airport Authority Board of Directors
3237 Arnold Ave.
Salina, KS 67401

To the Board of Directors of the Salina Airport Authority:

The Comprehensive Annual Financial Report (CAFR) of the Salina Airport Authority (the "Authority") for the fiscal year ended December 31, 2009 is hereby submitted in accordance with the Kansas Statutes Annotated (K.S.A. 27-324). As required by the statute, the City of Salina will be furnished copies of the Authority's 2009 CAFR. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the Executive Director of the Authority. To the best of our knowledge and belief, the data as presented is accurate in all material aspects, that it is presented in a manner designed to fairly set forth the fiscal position and results of the operation of the Authority as measured by its financial activity, and that all disclosures necessary to enable the reader to gain maximum understanding are included in the report.

This CAFR is presented in accordance with generally accepted accounting principles (GAAP) and pursuant to K.S.A. 27-324, an audit of the books, accounts and financial statements has been completed by the Authority's independent certified public accountants, Clubine and Rettele, Chartered. The independent audit is in accordance with the Kansas Municipal Audit Guide, the Government Auditing Standards issued by the Comptroller General of the United States, and the provisions of the Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations".

GAAP requires that management provide an overview and analysis to accompany the financial statements in the form of a Management Discussion and Analysis (MD&A). It is recommended that this letter of transmittal be read in conjunction with the MD&A, which can be found immediately following the report of the independent auditor in the Financial Section of this report.

REPORTING ENTITY

The Salina Airport Authority is a body corporate and politic. The Authority was created by the City of Salina in April 1965 (Sec. 4-16, Salina City Code) pursuant to the authority granted by the City by the surplus property and public airport authority act of the State of Kansas (K.S.A. 27-315 et seq.) The Authority was created for the purpose of accepting as surplus property portions of the former Schilling A.F.B., which was closed by the United States Department of Defense in June 1965. By quitclaim deed the Authority received over 2,900 acres of land and numerous buildings for the purpose of operating and

developing the Salina Municipal Airport and the Salina Airport Industrial Center. The Authority is managed and controlled by a five-member Board of Directors appointed by the Salina City Commission.

The Board appoints the Executive Director, who is the chief executive officer of the Authority. The Executive Director hires the remaining employees of the Authority. The Executive Director and his staff of nineteen employees manage and operate the Salina Municipal Airport and the Salina Airport Industrial Center.

The Salina Municipal Airport is the only commercial service airport serving Salina/Saline County and the 24-county area, which comprises North Central Kansas. The Airport also services the corporate, business, private aviation and flight training needs of industry, business and individuals in the area. The Airport is also used by Kansas State University at Salina (KSUS). The campus of KSUS is located adjacent to the Airport. The college offers degrees in professional flight training, airframe and power plant maintenance, and avionics technology.

The Salina Municipal Airport and Airport Industrial Center is home for 80 businesses and organizations. Forty-five of the businesses and organizations are tenants of the Authority. One of the primary functions of the Authority is to facilitate the continued growth of jobs and payroll at the Airport and Airport Industrial Center. The Authority works in partnership with the City of Salina, Saline County and the Salina Area Chamber of Commerce for the retention of existing business and industry and the recruitment of new business and industry.

ECONOMIC CONDITIONS AND OUTLOOK

Local Economy

The Salina/Saline County economy has continued to demonstrate economic strength, as compared to other regions of the state. In fact, Salina is the employment center for a large 13-county labor pool of nearly 44,000 individuals. At the end of 2009, the Saline micro area unemployment rate was at 5.6%. Even during these times of economic challenges, the area's unemployment rate has remained below the State and National average. Salina's visitor count during 2009 is estimated at over 600,000. Lodging revenue reached a record high of over \$19 million. Growth in the areas of manufacturing, transportation, finance, real estate, insurance, services and retail trade, confirm Salina's position as one of Kansas' strongest regional economic centers. Collectively, Salina retail sales are pushing above \$900,000 million and towards the \$1 billion threshold annually.

Salina is the trading center of a 24-county area in North Central Kansas. In the past year, retail sales increased by more than 4%. Recent retail sales activity in Salina increased at a faster pace as other areas were declining. Salina has a 1.485 "pull-factor" reflecting the overall strength of the community as a regional retail draw. Major retail firms opening or expanding in recent years include Kohl's, Petco, Old Navy, Hobby Lobby, Logan's Roadhouse and Ashley's Furniture Store. Menard's has announced the opening of a Salina location.

Economic Condition of the Airport and Airport Industrial Center

As of December 31, 2009, over 80 businesses and organizations at the Salina Municipal Airport and Airport Industrial Center employed over 4,000 employees with a combined payroll in excess of \$150 million.

Future Economic Outlook

The future economic outlook for both Salina and the Authority continues to look favorable. Continued growth in service, retail and manufacturing sectors is expected. The Salina Area Chamber of Commerce forecasts that approximately 700 new jobs per year will be added to the economy over the next three to five years.

Salina Aviation Service Center businesses including CAV Aerospace, Kansas State University at Salina, America Jet at SLN, and Flower Aviation continue to work on facility expansion plans. Salina Airport Industrial Center businesses including Geoprobe Inc., Schwan's Food Manufacturing Inc., and the Kansas Army National Guard at Salina, also continue to work on facility expansions. Collectively, these expansions will result in additional jobs and payroll.

The Salina Airport Authority in partnership with the Salina Area Chamber of Commerce, the City of Salina and Saline County, continue to execute an economic development strategic plan that include web based building and site directories, electronic newsletters, trade show participation and expanding contacts through the Kansas Department of Commerce. The Airport Authority contracts the services of Mr. James Gregory, James Gregory Consultancy, for national and international recruitment of aerospace business to locate at the SLN Aviation Service Center.

INITIATIVES AND DEVELOPMENT

Secure 95% grant funding from the Federal Aviation Administration to complete the design of a new Aircraft Rescue and Fire Fighting Station.

During 2010, the Authority will complete the design of new T-hangars at the Aviation Service Center that will provide approximately 150 new general aviation t-hangars for the users of the Salina Municipal Airport.

The Authority will continue the partnership with City of Salina, USD 305, K-State and the Kansas Board of Regents to finalize settlement negotiations with the U.S. Department of Justice relative to the environmental clean-up of portions of the former Schilling Air Force Base. (See Note G in the Notes to the Financial Statements).

With the 2009 announcement of the Salina Hawker Beechcraft facility closing, the SAA will target specific aviation service sectors to maximize recruiting efforts and the highest priority will be given to putting jobs back in the buildings.

Finance and Administration

Cash Reserves

A significant financial objective for the Authority over the next three years is to increase cash reserves. The goal is to increase reserve levels to \$1.3 million by 2013. This will be a critical objective in order to maintain the Authority's Aa2 bond rating.

2007-A General Obligation Temporary Note Issue

The Authority's 2007-A General Obligation Temporary Notes (\$7.05 million) will mature at the end of the third quarter of 2010. The temporary notes were issued in 2007 to fund the construction and development of Hangar 600. During 2010, the Authority will explore the option of renewing the temporary notes or securing permanent financing for the balance of the outstanding temporary notes.

Accounting Standards and Practices

Early implementation and compliance with all new Governmental Accounting Standards Board (GASB) statements is always the practice. During 2010 the SAA will insure that it is in compliance with GASB Statement No. 45, which was issued to provide more complete, reliable and decision-useful financial reporting regarding the costs and financial obligations that governments incur when they provide certain postemployment benefits as part of the compensation for services rendered by their employees.

To continue our efforts in improving Board involvement in the accounting and financial responsibilities of the SAA, the Board treasurer will continue to review monthly financial statements with the Manager of Administration and Finance prior to each Board Meeting.

In addition, the SAA will again establish a formal audit committee for the 2009 financial statement audit.

Government Finance Officer Association (GFOA) Achievement Award

SAA's 2009 Comprehensive Annual Financial Report (CAFR) will be submitted to GFOA for review and award of a Certificate of Achievement for Excellence in Financial Reporting.

Energy Efficiency

Throughout 2010, Authority staff will utilize the services of the government backed program, Energy Star to assist in saving resources to protect the environment through energy efficient products and services. This process includes collecting facility data that will allow us to evaluate energy performance of buildings and facilities.

Personnel Manual Update

SAA personnel policies and procedures will be reviewed and updated. An updated personnel manual will be prepared to replace the current version.

Policies and Procedures

As a continuation of our update to the Airport Rules and Regulations, the SAA staff will work with Clark, Mize and Linville staff to assist in developing policies and procedures that further clarify and define doing business, operating or conducting activities at the Salina Municipal Airport and Salina Airport Industrial Center

Property/Liability Insurance

During the first quarter of the year the SAA will develop a Request for Proposal package for property/liability insurance brokerage/agent services.

Public Affairs, Marketing and Special Events

SLN Aviation Service Center

The new year's efforts will focus on continued mention of the SLN Aviation Service Center growth in national and international aviation/aerospace news media. Through the development of a strategic plan, the Salina Airport Authority and Salina Area Chamber of Commerce have identified existing community-based aviation-based aviation and aerospace businesses for growth opportunities and the international aerospace industry as recruiting prospects. The Salina Airport Authority will target specific aviation service sectors to maximize recruiting effectiveness.

Publications and tactics will be continued that have worked well for us in the past, these include the services of a recruiter, the electronic newsletter, building relationships with aviation media to continue earned media and the annual aviation media tour with new presentation material. During 2010 out of state recruiting trips will result in meetings with over 45 prospective aerospace businesses.

When facilities currently occupied by Hawker Beechcraft become available or we are provided with hard dates of when those facilities will be available the highest priority will be given to putting jobs back in those building. Please refer to the General Prospect Package for more information on those building and what industry they are best suited for.

Air Service Promotion and Marketing

Following the Department of Transportation's announcement of the selection of SeaPort Airlines as Salina's new essential air service provider, SeaPort took over the service from Salina to Kansas City in April 2010, replacing Great Lakes Airlines. With three daily roundtrip flights Sunday through Friday, the Salina and surrounding communities are serviced by the impeccable safety and reliability of the airline's 9-seat Pilatus PC-12 aircraft. SeaPort Airlines is a dba of Alaska Juneau Aeronautics, an FAA Part 135 certified scheduled air carrier founded in 1983. SeaPort Airlines operates 115 daily scheduled flights during the weekdays in five Northwest cities, five Mid-South cities, seven Southeast Alaska cities via Wings of Alaska and all with hassle-free check in, bringing the convenience of a private aircraft to the average traveler for the same cost as traditional airlines.

Salina Air Service will continue to be promoted through a monthly article in the Airport Authority electronic newsletter and through promotional ads on their behalf.

SLN – A Destination Airport for General Aviation

The Airport Authority will continue to actively recruit General Aviation (GA) to the Salina Municipal Airport. In the past, the Salina Area Chamber of Commerce has worked with groups like the Flying Dentists and Flying Farmers to come into SLN.

Airport Authority staff will work closely with Chamber Visitor's Bureau (Visit Salina) staff to find and recruit General Aviation groups to fly into SLN and have meetings in Salina. Staff will also work closely with SLN's two FBO's to position SLN as the destination for General Aviation.

To achieve positioning SLN as a destination spot for GA, staff will market to groups such as the Flying Dentists, Flying Farmers and the Experimental Aircraft Association (EAA). Staff will also work closely with K-State at Salina, develop workshops with CAV Aerospace and develop relationships with local attractions for group fly-in events.

FINANCIAL CONTROLS

The Authority follows generally accepted accounting principles applicable to governmental unit enterprise funds. Accordingly, the financial statements are prepared on the accrual basis.

Management of the Authority is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Authority are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

An annual budget is prepared in accordance with the Authority's By-laws. However, the Authority is specifically exempt from the budget laws of the State of Kansas (K.S.A. 27-322) and the Authority is not required to demonstrate statutory compliance with its annual operating budget. Accordingly, budgetary data is not included in the accompanying financial statements.

CASH MANAGEMENT

All cash temporarily idle during 2009 was invested by the Executive Director of the Authority in short-term investments to attain the highest possible return consistent with the Authority's liquidity needs. All investments are in compliance with K.S.A. 12-1675 which controls the investment of public funds by Kansas governmental units.

RISK MANAGEMENT

The Authority is exposed to risks of loss associated with the operation of a public use airport and the operation of an airport industrial center. To handle the associated risks of loss, the Authority uses

available tort liability legislation and purchases the appropriate types of insurance coverage. It is the policy of the Authority to eliminate or transfer risk of loss where possible.

The Kansas Tort Claims Act (K.S.A. 75-6101 et seq.) generally limits tort liability for Kansas governmental entities. The maximum liability for claims as specified by the Act is \$500,000 for any number of claims arising out of a single occurrence or accident. For wrongful acts, Kansas governmental entities or their employees are exempted from liability.

The Authority carries \$1,000,000 of comprehensive general liability insurance. During 2009 the Authority carried \$28,793,138 of insurance on airport commercial properties. The Authority also acquires construction builders' risk policies for all major construction projects or requires evidence of coverage from the contractor.

The Authority's commercial property insurance included \$1,765,779 in loss of rents coverage. All contractors and lessees are required to carry amounts of property insurance with limits and deductibles approved by the Authority. A schedule of insurance in force at December 31, 2009 is included in the Supplemental Section of this report.

In addition, the Authority uses various risk management techniques. All contracts and leases are reviewed by the Authority's legal counsel. All contractors and subcontractors are required to submit evidence of insurance coverage naming the Salina Airport Authority and the City of Salina as named additional insured.

GFOA CERTIFICATE OF ACHIEVEMENT

The Government Finance officers Association of the United States and Canada (GFOA) Awarded a Certificate of Achievement or Excellence in Financial Reporting to the Salina Airport Authority for its comprehensive annual financial report for the fiscal year ended December 31, 2008. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.


ACKNOWLEDGEMENTS

The support of the Authority's Board of Directors has been instrumental in the preparation of this report. The Board has been actively involved in the preparation and review of this report and is committed to responsible and progressive financial reporting.

Also acknowledged is the assistance of the Authority's auditor, Clubine and Rettele, Chartered, the Authority's accounting advisor, Thomas G. Arnett, CPA, Saline County Clerk's Office, Dennis Lauver, President of the Salina Area Chamber of Commerce, Rod Franz, Director of Finance for the City of Salina, Sean McIntire and Grant Swinehart, Kansas State University at Salina students and Salina

Airport Authority Airport Management Interns, the University of Kansas Institute for Public Policy and Business Research and the Kansas Department of Human Resources Labor Market Information Services, in the preparation of this report.

Respectfully submitted,


Timothy F. Rogers, A.A.E.
Executive Director
Salina Airport Authority



Michelle R. Swanson
Manager of Administration and Finance
Salina Airport Authority

cc: The City of Salina Board of Commissioners

SALINA AIRPORT AUTHORITY

PRINCIPAL OFFICERS AS OF DECEMBER 31, 2009



Pictured from left to right:

Troy Vancil, Secretary; Julie Sager Miller, Chairman, Jeffrey R. Thompson, Vice Chairman, Timothy F. Rogers, Executive Director; Greg Bengtson, Authority Counselor; Dr. Randy Hassler, Treasurer, and Eric R. Hardman, Past Chairman.

AUTHORITY'S BOND COUNSEL

Gilmore & Bell
Kansas City, Missouri

AUTHORITY'S FINANCIAL ADVISOR

George K. Baum & Company
Kansas City, Missouri

AUTHORITY'S AUDITOR

Leslie M. Corbett, C.P.A.
Clubine & Rettele, Chartered
Salina, Kansas

SALINA AIRPORT AUTHORITY**Staff Members as of December 31, 2009****ADMINISTRATIVE STAFF**

Timothy F. Rogers, A.A.E.	Executive Director
Michelle R. Swanson	Manager of Administration and Finance
David "Gunner" Wiles	Manager of Operations
Kenny Beiker	Manager of Facilities
Melissa L. McCoy	Manager of Public Affairs and Communications
Donald C. Kneubuhl	Manager of Special Projects
Kasey L. Windhorst	Executive Assistant

FACILITY MAINTENANCE and OPERATIONS

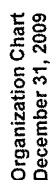
Loren Carleton – Team Leader

Gary Hansen	Rob Pejsha
Kim Colby	Dale Mattison

AIRCRAFT RESCUE AND FIREFIGHTING and SAFETY and SECURITY

David Nease – Team Leader

Ron Boyd	Alan Mason
Matthew Rittel	David Clark
Andrew Harper	



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Salina Airport Authority
Kansas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2008

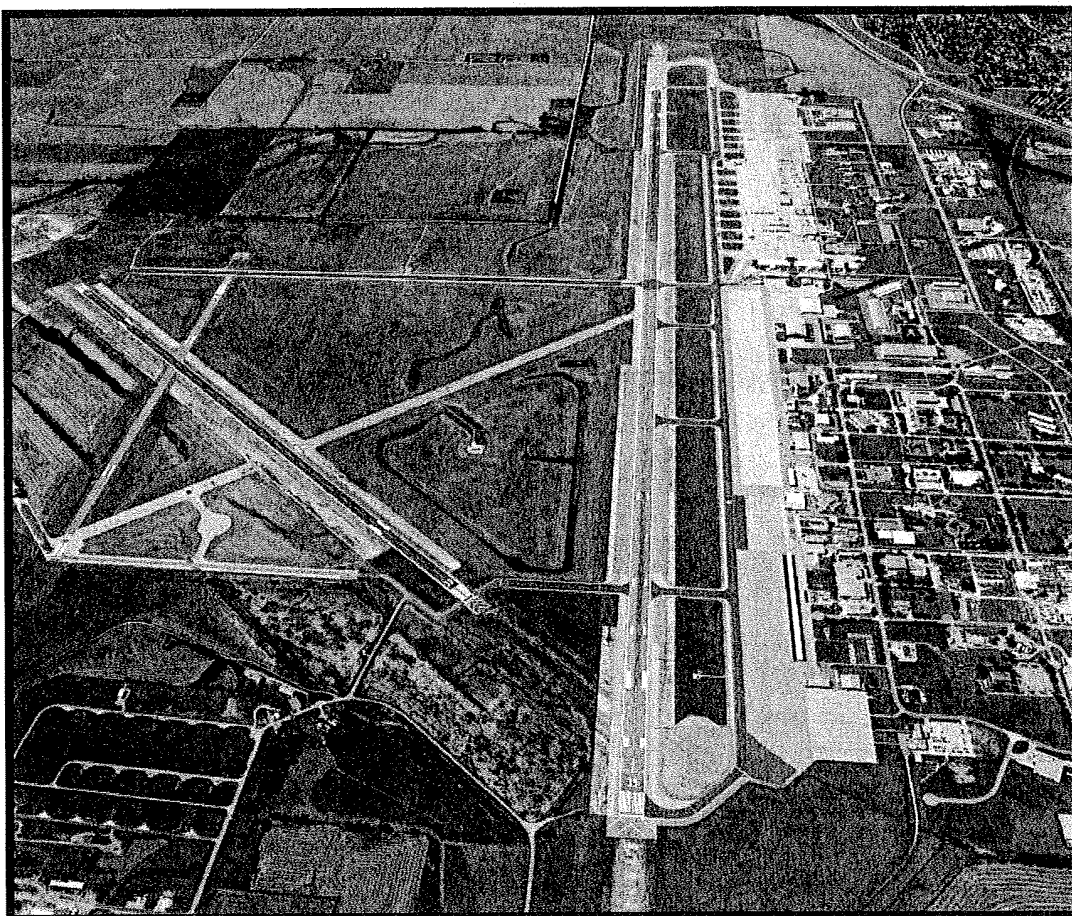
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

SALINA Airport *Authority*



Salina Municipal
SLN Airport

SLN Aviation
Service
Center

SALINA Airport
Industrial Center

(THIS PAGE INTENTIONALLY LEFT BLANK)

CLUBINE & RETTELE CHARTERED

Certified Public Accountants



Robert I. Clubine, C.P.A.
David A. Rettele, C.P.A.
Jay D. Langley, C.P.A.
Jon K. Bell, C.P.A.
Leslie M. Corbett, C.P.A.
Stacy J. Osner, C.P.A.

Marci K. Fox, C.P.A.
John T. Millikin, C.P.A.
Linda A. Suelter, C.P.A.

218 South Santa Fe
P.O. Box 2267
Salina, Kansas
67402-2267

Salina
785 / 825-5479
Salina Fax
785 / 825-2446

Ellsworth
785 / 472-3915
Ellsworth Fax
785 / 472-5478

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Salina Airport Authority

We have audited the accompanying financial statements of Salina Airport Authority, a component unit of the City of Salina, Kansas, as of and for the years ended December 31, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Kansas Municipal Audit Guide, prescribed by the Director of Accounts and Reports, Department of Administration of the State of Kansas. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Salina Airport Authority, as of December 31, 2009 and 2008, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2010, on our consideration of Salina Airport Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 23 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.

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The Introductory Section, the accompanying schedules and additional information listed in the supplemental information of the Financial Section and the Statistical Section of the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards 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. The Introductory Section of the accompanying schedules and additional information listed in the supplemental information of the Financial Section and the Statistical Section of the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

CLUBINE AND RETTELE, CHARTERED

Clubine and Rettelle

June 3, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Salina Airport Authority offers the readers of the Authority's audited financial statements this narrative overview and analysis of the financial activities of the Salina Airport Authority for the fiscal year ended December 31, 2009.

AIRPORT ACTIVITY AND HIGHLIGHTS

The Salina Air Traffic Control Tower (ATCT) ended 2009 having handled 65,062 aircraft operations. This represented a 9.10% decrease in total aircraft operations over the prior year, which was better than expected due to significant airfield construction that resulted in multiple runway and taxiway closures. During 2009, the Authority substantially completed a multi-year phased rehabilitation of the Airport's parallel Taxiway A.

The highest year for the most recent 10-year period was 2002 at 95,801 aircraft operations. Salina continues to remain strong as a mid-continent refueling stop and has earned the recognition as "America's Fuel Stop". The Airport's two world-class fixed base operators (FBOs) and tenants of the Authority, annually deliver 2.5 – 3.8 million gallons of fuel to thousands of business jets, government and military aircraft.

The commercial airline industry continues to experience financial stress, especially for the carriers attempting to serve rural communities such as Salina through the Department of Transportation's (DOT) Essential Air Service Program. The 39% decrease in passenger enplanements from 2008 to 2009 was a result of Great Lakes discontinuing the daily flights to Denver that had brought about an increase in 2008 after they had transitioned to dual hub service. At the end of 2009, Great Lakes was offering multiple weekday and weekend flights to Kansas City while arriving at the end of their two-year EAS contract. As the year ended, the Authority and the Salina community began working in partnership with the DOT to seek air carriers interested in providing air service to the residents of North Central Kansas for the next two-year EAS term and beyond.

The changes in the Authority's major airport activity indicators for the past three years are as follows:

	2009	2008	2007
Enplanements - Scheduled Air Carrier & Charter Flights	2,839	4,654	2,495
% increase / (decrease)	-39.00%	86.53%	22.97%
Aircraft Operations - All Categories	65,062	71,575	76,479
% increase / (decrease)	-9.10%	-6.41%	-6.12%
Fuel Flowage - (gallons delivered)	2,481,585	3,114,515	3,778,794
% increase / (decrease)	-20.32%	-17.58%	-1.00%

AIRPORT INDUSTRIAL CENTER ACTIVITY AND HIGHLIGHTS

The Authority owns nearly 900,000 sq. ft. of manufacturing, warehouse and office space at the Airport Industrial Center. As further described herein, the building revenue generated by the Authority's leasing activity constitutes a significant portion of the annual operating revenue budget. During 2009, building rents equaled \$1,402,230 or 67% of operating revenue. At the end of 2009, the Authority had an occupancy rate of over 95% in its building inventory.

SUMMARY OF OPERATIONS AND CHANGES IN NET ASSETS

Even with the uncertainty in the aviation industry and the slow growth in the economy, the financial condition of the Authority has held steady in recent years. The Authority has effectively dealt with major cost increases in employee health benefits including medical insurance premiums, utility costs, commercial property insurance premiums and other operating expenses. Fortunately, with the diversified revenue base, including building and land rental from the Authority's Industrial Center, total operating Revenue has grown from \$1.6 million in 2002 to \$2.1 million in 2009.

	2009	2008	2007
Operating Revenues	\$ 2,098,576	\$ 2,152,370	\$ 2,483,312
Operating Expenses	<u>(2,220,128)</u>	<u>(2,245,300)</u>	<u>(1,969,015)</u>
Excess before Depreciation and other non-operating income and expenses	(121,552)	(92,930)	514,297
Depreciation	(1,748,348)	(1,606,811)	(1,650,187)
Excess (loss) before other non-operating income and expenses	(1,869,900)	(1,699,741)	(1,135,890)
Other Non-Operating Income and (Expenses) net	387,831	419,492	668,765
Loss before Capital Contributions	(1,482,069)	(1,280,249)	(467,125)
Capital Contributions	<u>3,770,558</u>	<u>1,650,041</u>	<u>404,773</u>
Increase in Net Assets	<u>\$ 2,288,489</u>	<u>\$ 369,792</u>	<u>\$ (62,352)</u>

SUMMARY OF OPERATIONS HIGHLIGHTS

Significant items effecting the Summary of Operations and Changes in Net Assets for 2009 and 2008 are as follows:

- Operating revenues have remained steady in recent years despite the downturn in the overall economy. Revenues from aircraft storage and hangar rentals have assisted in offsetting the decrease in revenue derived from the delivery and sale of aviation fuel at the Airport. The fuel flowage fees received by the Authority for each gallon of fuel delivered at the Airport decreased 17% in 2008 and 21% in 2009 over each prior year. A decrease in corporate and general aviation flying due to the economy and severe winter weather in 2009 resulted in a 31% decrease in itinerant general aviation operations over 2008. Fortunately, military traffic increased by 17% providing the demand to keep the operations and fuel sales from further downward pressure. Building and land revenue decreased only slightly; less than 1 percent, and has increased nearly 50% in the past five years.
- Operating expenses increased by 12.3% from 2007 to 2008 however the Authority in 2009 was able to reduce operating expenses by \$25,172 or 1%.
 - During 2009, the Authority made a concerted effort to hold and reduce operating costs by reducing travel and meeting expense as well as reducing all dues and subscriptions and cancelling all non-essential items.
 - In addition, the Authority was able to reduce building maintenance expense by nearly 60% in 2009 by utilizing in-house personnel for items that were previously contracted out to third party vendors.
- Depreciation expense increased due to new construction moving from construction in progress to an asset in service and very capital intensive years in 2008 and 2009.
- Capital contributions increased by \$2.1 million as a result of contributions from six grants from the Federal Aviation Administration Airport Improvement (AIP) grant programs and one new grant from the Kansas Department of Transportation. During 2009 these grants funded the Authority's construction of a significant portion of a multi-year taxiway rehabilitation project and a mill and inlay project on the Airport's primary runway. Ad-valorem tax revenue (mill levy) received by the Authority as a local taxing entity increased by 5.6% from 2008 to 2009 and 4.6% from 2007 to 2008. Interest received on investments and a financing lease decreased by \$110,902 or 60% from 2008 to 2009 which was due to a reduction in bond proceeds on deposit as well as a decrease in investment interest rates.

FINANCIAL POSITION SUMMARY

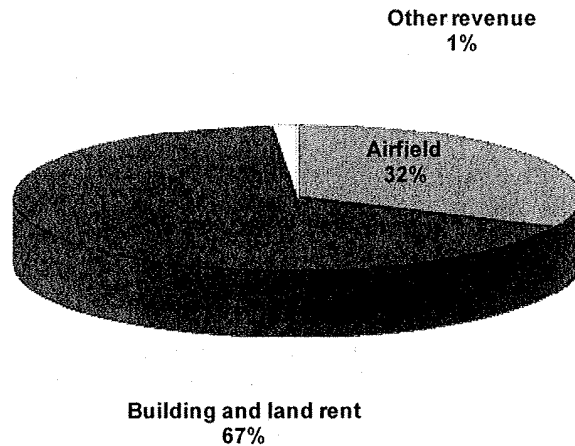
The changes in net assets may serve over time as a useful indicator of a government's financial position. The Authority's assets exceeded liabilities by \$28,065,307 at the close of 2009. A condensed summary of the Authority's total net assets at December 31 is shown below.

	2009	2008	2007
ASSETS			
Current and other assets	4,524,282	3,752,996	14,685,187
Capital assets	47,774,283	42,562,780	35,215,229
Total assets	<u>52,298,565</u>	<u>46,315,776</u>	<u>49,900,416</u>
LIABILITIES			
Long-term debt outstanding	13,260,869	17,276,448	21,015,879
Other liabilities	10,972,389	3,262,510	3,477,511
Total liabilities	<u>24,233,258</u>	<u>20,538,958</u>	<u>24,493,390</u>
NET ASSETS:			
Invested in capital assets, net of related debt	26,410,681	24,471,896	13,515,783
Restricted	-	-	-
Unrestricted	1,654,626	1,304,922	11,891,243
TOTAL NET ASSETS	<u><u>\$ 28,065,307</u></u>	<u><u>\$ 25,776,818</u></u>	<u><u>\$ 25,407,026</u></u>

By far the largest portion of the Authority's net assets (94%) reflects its investment in capital assets including land, buildings, airfield infrastructure and machinery and equipment, less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

REVENUES

The following chart shows the major sources and the percentage of total operating revenues for the year ended December 31, 2009:

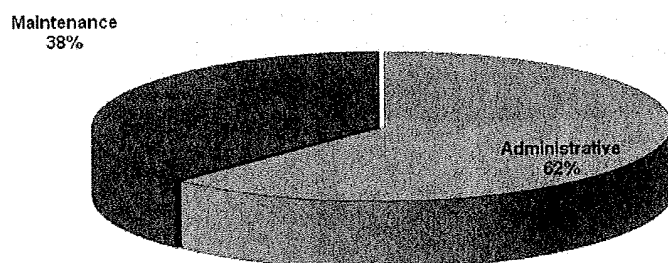


A summary of revenues for the past three years is shown below. Total revenue decreased by 2.6% from 2008 to 2009 and 13.3% from 2007 to 2008. As discussed above the decrease is a result of decreased airfield revenue and interest income on deposits. In addition the Authority did not have any significant sales of available land or buildings in recent years.

	2009	2008	2007
Operating Revenue:			
Airfield	\$667,636	\$680,474	\$622,666
Building and land rent	1,402,230	1,407,984	1,525,071
Gain (loss) on sale of assets	0	16,321	281,803
Other revenue	28,710	47,591	53,772
Total Operating	2,098,576	2,152,370	2,483,312
Non-Operating Income:			
Mill Levy	1,327,647	1,256,816	1,201,602
Interest Income	74,313	185,215	241,478
Total Non-Operating	1,401,960	1,442,031	1,443,080
TOTAL REVENUE	\$3,500,536	\$3,594,401	\$3,926,392

EXPENSES

The following chart shows the major expense categories and the percentage of total operating expenses for the year ended December 31, 2009:



A summary of expenses for the past three years is shown below. Total expenses decreased by a by 1% from 2009 to 2008 following an increase of 19.1% from 2007 to 2008. The Authority took significant steps to hold operating expenses in 2009 including completing more facility maintenance projects in-house and reducing administrative expenses such as travel and expenses.

	2009	2008	2007
Operating Expenses			
Administrative	\$ 1,352,357	\$ 1,303,374	\$ 1,161,530
Maintenance	867,771	941,926	807,485
Total Operating	<u>2,220,128</u>	<u>2,245,300</u>	<u>1,969,015</u>
Non-Operating Expense			
Interest Expense	987,379	996,985	742,249
Amortization of bond costs	26,750	25,554	32,066
Total Non-Operating	<u>1,014,129</u>	<u>1,022,539</u>	<u>774,315</u>
TOTAL EXPENSES	<u><u>\$ 3,234,257</u></u>	<u><u>\$ 3,267,839</u></u>	<u><u>\$ 2,743,330</u></u>

CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

The Authority acquired \$6,959,850 of capital assets during 2009. Significant items included the substantial completion of a 69,000 sq. ft. maintenance repair and overhaul hangar facility. Other major capital improvements included the construction of a multi-year, multi-million dollar Taxiway rehabilitation project. The construction of this project is expected to be complete in 2010 and will be funded primarily through Federal Aviation Administration Airport Improvement Program Grant funds. In addition, 2009 marked the Authority's second consecutive year to participate in the Defense Reutilization Marketing Office (DRMO) program. The DRMO entity disposes of United States military surplus property. The Authority acquired numerous capital equipment assets having a fair value of \$96,051. Additional information can be found in Note I (C) in the notes to the financial statements.

Capital asset acquisitions exceeding \$1,000 are capitalized at cost and are depreciated over their useful lives, with the exception of land. The Authority's capital assets are financed using Federal and State grants with matching Authority funds, debt issuance and Authority revenues. Additional information on the Authority's capital assets can be found in Note III (D) in the notes to the financial statements and within the Supplemental Section of this report.


DEBT ADMINISTRATION


The outstanding long-term debt of the Authority was \$21,363,602 at December 31, 2009. This debt consists of general obligation bonds, general obligation temporary notes, financing lease and City of Salina special assessments. Maturities range from 2010 through 2029. Both principal and interest are payable from proceeds of a direct financing lease, the general revenues of the Authority and mill levy revenue. During 2009, the Authority issued \$8,105,000 in General Obligation Bonds which included permanently financing \$3,925,000 in General Obligation Temporary Notes. Details of the Authority's debt can be found in Note III (E) in the notes to the financial statements.

REQUEST FOR INFORMATION

This Management Discussion and Analysis is designed to provide detailed information on the Authority's operations and the financial results of those operations to all those with an interest in the Authority's financial affairs. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Manager of Administration and Finance by e-mail: shellis@salair.org or in writing to, Salina Airport Authority, 3237 Arnold Ave., Salina, KS 67401.

Respectfully submitted,


Timothy F. Rogers, A.A.E.
Executive Director


Michelle R. Swanson
Manager of Administration and Finance

SALINA AIRPORT AUTHORITY
STATEMENTS OF NET ASSETS

ASSETS	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash	\$ 2,037,114	\$ 1,871,999
Accounts receivable	193,158	69,326
Prepaid expenses	1,018	5,247
Inventory - Avgas	2,031	-
Taxes receivable	<u>1,849,957</u>	<u>1,281,413</u>
Total Current Assets	<u>4,083,278</u>	<u>3,227,985</u>
LONG-TERM ASSETS		
Capital Assets		
Land	10,045,937	9,675,910
Buildings, improvements and equipment, net of depreciation	26,503,254	24,065,550
Construction in progress	<u>11,225,092</u>	<u>8,821,320</u>
Total Capital Assets	47,774,283	42,562,780
Other Long-Term Assets		
Net investment in finance lease	309,881	443,123
Bond issue costs, less accumulated amortization of \$287,668 and \$235,364 respectively	<u>131,123</u>	<u>81,888</u>
Total Other Long-Term Assets	<u>441,004</u>	<u>525,011</u>
Total Noncurrent Assets	<u>48,215,287</u>	<u>43,087,791</u>
TOTAL ASSETS	<u><u>\$ 52,298,565</u></u>	<u><u>\$ 46,315,776</u></u>

(continued)

See notes to financial statements.

SALINA AIRPORT AUTHORITY
STATEMENTS OF NET ASSETS
(continued)

LIABILITIES AND NET ASSETS	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
CURRENT LIABILITIES:		
Accounts payable-operations	\$ 46,766	\$ 67,558
Accounts payable-capital purchases	399,522	535,691
Accrued payroll and expenses	58,048	50,839
Accrued property tax	55,868	47,220
Accrued special assessments	16,070	16,070
Deferred tax revenue	1,849,957	1,281,413
Deferred maintenance agreement	2,768	3,578
Unearned rental income	27,310	91,817
Accrued interest	385,245	320,591
Unearned interest - financing lease	28,102	33,296
Current maturities of long-term debt	8,102,733	814,437
 Total Current Liabilities	 <u>10,972,389</u>	 <u>3,262,510</u>
 LONG-TERM LIABILITIES		
Bonds and note payable, less current maturities	13,260,869	17,276,448
 Total Liabilities	 <u>24,233,258</u>	 <u>20,538,958</u>
 NET ASSETS		
Invested in capital assets, net of related debt	26,410,681	24,471,896
Unrestricted	1,654,626	1,304,922
 Total Net Assets	 <u>28,065,307</u>	 <u>25,776,818</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 52,298,565</u></u>	 <u><u>\$ 46,315,776</u></u>

See notes to financial statements.

SALINA AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

	<u>January 1 to December 31</u>	
	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Airfield	\$ 667,636	\$ 680,474
Building and land rent	1,402,230	1,407,984
Gain on sale of assets	-	16,321
Other revenue	28,710	47,591
	<hr/>	<hr/>
Total Operating Revenues	2,098,576	2,152,370
	<hr/>	<hr/>
OPERATING EXPENSES		
Administrative	1,352,357	1,303,374
Maintenance	867,771	941,926
	<hr/>	<hr/>
Total Operating Expenses	2,220,128	2,245,300
	<hr/>	<hr/>
OPERATING INCOME BEFORE DEPRECIATION	(121,552)	(92,930)
	<hr/>	<hr/>
DEPRECIATION	1,748,348	1,606,811
	<hr/>	<hr/>
OPERATING LOSS	(1,869,900)	(1,699,741)
	<hr/>	<hr/>
NON-OPERATING INCOME AND (EXPENSES)		
Mill levy	1,327,647	1,256,816
Interest on investments and financing lease	74,313	185,215
Interest expense	(1,014,129)	(1,022,539)
	<hr/>	<hr/>
Total Non-Operating Income and (Expenses)	387,831	419,492
	<hr/>	<hr/>
LOSS BEFORE CAPITAL CONTRIBUTIONS	(1,482,069)	(1,280,249)
	<hr/>	<hr/>
CAPITAL CONTRIBUTIONS	3,770,558	1,650,041
	<hr/>	<hr/>
NET ASSETS		
Increase (decrease) in Net Assets	2,288,489	369,792
	<hr/>	<hr/>
TOTAL NET ASSETS, beginning of year	25,776,818	25,407,026
	<hr/>	<hr/>
TOTAL NET ASSETS, end of year	\$ 28,065,307	\$ 25,776,818
	<hr/>	<hr/>

See notes to financial statements.

SALINA AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
(DIRECT METHOD)

	January 1 to December 31	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from providing services	\$ 1,974,744	\$ 2,426,455
Cash paid to employees for services	(830,298)	(790,936)
Cash paid to suppliers for goods and services	(1,457,074)	(1,475,036)
Net Cash Provided (Used) in Operating Activities	(312,628)	160,483
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of property, plant and equipment	(6,999,968)	(8,663,391)
Purchases in satisfaction of maintenance agreement	(3,445)	(7,912)
Proceeds from capital grants	3,674,507	1,552,002
Proceeds from property tax	1,327,647	1,256,816
Principal payments on debt	(4,739,437)	(3,946,317)
Proceeds of new borrowing	8,012,154	-
Principal received on financing lease	133,242	122,855
Interest received on financing lease	56,204	66,592
Bond issue costs paid	(75,986)	-
Interest paid on long-term debt	(922,725)	(1,249,490)
Net Cash Provided (Used) in Capital and Related Financing Activities	462,193	(10,868,845)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on deposits	15,550	125,309
INCREASE (DECREASE) IN CASH	165,115	(10,583,053)
CASH BALANCE - January 1	1,871,999	12,455,052
CASH BALANCE - December 31	\$ 2,037,114	\$ 1,871,999

The Authority received capital equipment having a fair value of \$98,093 in 2008 and \$96,051 in 2009. This non-cash transaction is included in CAPITAL CONTRIBUTIONS on the STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS and in Equipment acquisitions in Note D but it is not included in this STATEMENT OF CASH FLOWS.

(continued)
See notes to financial statements.

SALINA AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
(DIRECT METHOD)
(continued)

RECONCILIATION OF OPERATING LOSS TO NET
CASH PROVIDED BY OPERATING ACTIVITIES

	<u>January 1 to December 31</u>	
	<u>2009</u>	<u>2008</u>
OPERATING LOSS	\$(1,869,900)	\$ (1,699,741)
ADJUSTMENTS RECONCILING OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	1,748,348	1,606,811
Basis of assets sold	-	19,198
CHANGES IN ASSETS AND LIABILITIES:		
Decrease (increase) in accounts receivable	(123,832)	248,701
Decrease (increase) in prepaid expense	4,229	(3,026)
(Increase) in inventory	(2,031)	-
(Decrease) in accounts payable - operations	(20,792)	(43,857)
Increase in accrued payroll expenses	7,209	11,440
Increase in accrued property tax and special assessments	8,648	14,771
Increase (decrease) in unearned rental income	<u>(64,507)</u>	<u>6,186</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (312,628)</u>	<u>\$ 160,483</u>

See notes to financial statements.

Salina Airport Authority**NOTES TO FINANCIAL STATEMENTS**

December 31, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Reporting Entity**

The Salina Airport Authority was established by the City of Salina, pursuant to Chapter 27, Article 3, of the Kansas Statutes Annotated for the purpose of acquiring surplus federal government property, specifically the former Schilling Air Force Base, located near the City of Salina. The Authority operates, maintains, and develops the Salina Municipal Airport and the Salina Airport Industrial Center. The Authority is controlled by a five-member Board of Directors appointed by the Salina City Commission and, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, the Authority is considered to be a component unit of the City of Salina. The Authority is discreetly presented in the City's comprehensive annual financial reports.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The Authority consists of an enterprise fund. Enterprise funds are classified as proprietary funds by the GASB and are accounted for using a total economic resource measurement focus. The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Authority is that the costs of providing services on a continuing basis be recovered through user fees and rents. The financial statements are prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized as earned and expenses as incurred. It is the Authority's policy to follow all Financial Accounting Standards Board (FASB) standards issued after November 30, 1989, for its proprietary activities unless those new FASB pronouncements conflict with GASB guidance.

Revenues from airlines, fuel flowage fees, building and land rents, rental car commissions and the sale of assets, related to economic development, are reported as operating revenues. Transactions, which are capital, financing or investing related, are reported as non-operating revenues. All expenses related to operating the Airport and Industrial Center are reported as operating expenses. Interest expense and financing costs are reported as non-operating expenses.

C. Assets, Liabilities and Equity**1. Cash and Investments**

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. The Authority held no investments during these years.

2. Receivables

Accounts Receivable. The Authority records revenues when services are provided. All receivables are shown net of an allowance for uncollectibles.

Property taxes receivable. The determination of assessed valuations and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The office of the County Appraiser annually determines assessed valuations and the County Clerk spreads the annual assessment on the tax rolls. The County Treasurer is the tax collection agent for all taxing entities within the county. In accordance with state statutes, property taxes are levied November 1 of the current year and are a revenue source to be used to finance the budget of the ensuing year. One-half of the property taxes are due December 20, prior to the fiscal year for which they are budgeted, and the second half is due the following May 10.

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the Authority. It is the Authority's practice to record uncollected current year property tax as an account receivable and to record the same amount as deferred revenue. It is not practicable to apportion delinquent taxes held by the County Treasurer and, further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

3. Inventories

The Authority maintains no significant inventory of office and maintenance supplies. These items are expensed as purchased and no inventory is recorded in these financial statements. The Authority uses the consumption approach in valuing inventories of Avgas sold for retail. That is, the purchase is recorded as an asset on the cost basis and the expenditure is deferred until the inventory is consumed under the FIFO method.

4. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Restricted Assets

Certain proceeds of leasehold revenue bonds are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable bond covenants.

6. Capital Contributions and Net Assets

Airport Improvement Program - Certain expenditures for airport capital improvements are significantly funded through the Federal Aviation Administration's Airport Improvement Program (AIP), with certain matching funds of the Authority. Capital funding provided under the AIP grant program is considered earned as the related allowable expenditures are incurred. Grants received under the AIP program are reported in the Statement of Revenues, Expenses and Changes in Net Assets, as non-operating revenues and expenses as capital contributions.

Defense Reutilization Marketing Office Program - The Authority is a participant in the Defense Reutilization Marketing Office (DRMO) program. The DRMO entity disposes of United States military surplus property. The property is first offered for reutilization with the Department of Defense, transferred to other federal agencies or donated to state and local governments.

The Authority's policy is to record fixed assets having a cost (or by implication fair value) in excess of \$1,000 at acquisition. The Authority's capitalization policy with respect to fixed assets is to expense fixed assets costing \$1,000 or less. Freight or other expenses necessary to put the asset into service equal to or greater than \$1,000, are capitalized.

The Authority records donated assets having an original cost of \$5,000 or less at \$1 in order to meet the tracking requirement and will memo in the asset file the original cost because the Authority believes the fair value of these is less than \$1,000 each.

The Authority estimates the donated items to have a value equal to 20% of cost. Items having an original cost of less than \$5,000 will be valued at \$1 with memo of original cost. Items having an original cost of more than \$5,000 will be valued at 20% of original cost rounded to the nearest \$1,000 with a memo to the file of the original cost.

If the Authority receives reliable written information indicating this procedure has produced a value significantly different from fair value, an adjustment to that value will be made.

Donated DRMO property with a value in excess of \$1,000 is reported in the Statement of Revenues, Expenses and Changes in Net Assets, as non-operating revenues and expenses as capital contributions.

The Federal Aviation Administration, as the oversight agency, requires that the Airport track all the contributed property and the property must be held for at least one year prior to disposition.

7. Capital Assets

Capital assets purchased or constructed are recorded at cost. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not included in capital assets cost. Capital assets donated to the Authority are recorded at their estimated fair value at the date of donation. Donated assets include property and equipment transferred to the Authority from the United States of America, September 9, 1966 and recorded at fair value at that date. The Authority maintains a capitalization threshold of \$1,000.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	5 – 50
Equipment	5 – 10
Vehicles	7 – 10
Airfield	10 – 30

8. Compensated Absences

Substantially all full-time employees receive compensation for vacations, holidays, illness and certain other qualifying absences. The number of days compensated for various categories of absence is generally based on length of service. Liabilities relating to these absences are recognized as incurred and included in accrued expenses. Per the Authority's compensation policy, the paid time off is not able to accrue beyond a one year period, therefore all such liabilities are recorded as current. The amount accrued for such liabilities at December 31, 2009 and 2008 was \$53,778 and \$47,350 respectively.

Balance January 1, 2009	Net Change	Balance December 31, 2009
\$ 47,350	\$ 6,428	\$ 53,778
Balance January 1, 2008	Net Change	Balance December 31, 2008
\$ 37,573	\$ 9,777	\$ 47,350

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Cash-Basis Law (KSA 10-1113)

The Authority was in compliance with this law at all times during the year.

B. Depository Security (KSA 9-1402)

The Authority's funds were adequately secured at all times during the year.

III. DETAILED NOTES

A. Deposits

As of December 31, 2009 and 2008, the Authority had cash and cash equivalents as listed below:

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Cash Balances		
Cash	\$ 2,037,114	\$ 1,871,999
Less undeposited and petty cash	(2,568)	(6,034)
Add uncleared checks	<u>3,021</u>	<u>165,324</u>
Bank Balance	2,037,567	2,031,289
Less FDIC Coverage	438,647	525,148
Balances Securable by Collateral	<u>\$ 1,598,920</u>	<u>\$ 1,506,141</u>
Security Provided by Depositories	<u>\$ 9,824,013</u>	<u>\$ 3,911,225</u>

The Authority did not have any activity in investment-type assets.

The Authority's policies relating to deposits and investments are governed by various Kansas Statutes (KSA). Those statutes specify the type of deposits and investments as well as the securing of those deposits and investments.

Interest rate risk – In accordance with Kansas Statute 12-1675, The Authority manages its exposure to interest rate fluctuations by limiting all time investments to maturities of less than two years.

Credit risk – State law limits the amount of credit risk by restricting governments to specific investment types as listed in KSA 12-1675. The Authority's policy is to place idle funds in certificates of deposit, United States obligations, and the Kansas Municipal Investment Pool (KMIP). The KMIP was rated AAf/S1+ by Standard & Poor's as of March 15, 2004. The KMIP is permitted to invest in fully collateralized certificates of deposit, certain obligations of the United States, certain repurchase/reverse repurchase agreements, and other types of investments. Maturity information released by the KMIP at September 30, 2005 showed that the investment pool consisted of investment with a maturity date of 365 days or less.

Custodial credit risk – The Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Kansas Statutes 9-1402 and 9-1405 require that governments obtain security for all deposits. The Authority manages its custodial credit risk by requiring the financial institutions to grant a

security interest in securities held by third-party custodial banks. Monies in the Kansas Municipal Investment Pool are not required to have pledged securities.

Concentration of credit risk – This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Authority manages this risk by placing funds with financial institutions only after contacting all eligible institutions in the taxing area and monies in the Kansas Municipal Investment Pool are diverse according to the policies of the investment pool.

B. Receivables

Receivables as of year-end, including the applicable allowance for uncollectible accounts, are as follows:

	December 31,	
	<u>2009</u>	<u>2008</u>
Receivables		
Accounts	\$ 193,854	\$ 69,410
Less: allowance for uncollectibles	<u>(696)</u>	<u>(84)</u>
	193,158	69,326
Taxes	<u>1,849,957</u>	<u>1,281,413</u>
Totals	<u>\$ 2,043,115</u>	<u>\$ 1,350,739</u>

C. Net Investment in Financing Lease

Net investment in financing lease is as follows:

	December 31,	
	<u>2009</u>	<u>2008</u>
Total lease payments receivable	\$ 348,892	\$ 568,338
Less: unearned income	<u>(39,011)</u>	<u>(125,215)</u>
Net investment in financing lease	<u>\$ 309,881</u>	<u>\$ 443,123</u>

Activity in net investment in financing leases was as follows:

	December 31,	
	<u>2009</u>	<u>2008</u>
Beginning Balance	\$ 443,123	\$ 565,978
Less: Collected principal	<u>(133,242)</u>	<u>(122,855)</u>
Ending Balance	<u>\$ 309,881</u>	<u>\$ 443,123</u>

D. Capital Assets

The following is a summary of the changes in capital assets during the current and preceding year:

	Balance January 1, 2009	Additions	Dispositions	Reclassify	Balance December 31, 2009
Capital Assets					
Non-Depreciable					
Land	\$ 9,675,911	\$ 366,106		\$ 3,920	\$ 10,045,937
Construction in progress	8,821,320	2,584,100		(180,328)	11,225,092
Total Non-Depreciable	18,497,231	2,950,206	-	(176,408)	21,271,029
Depreciable					
Buildings and improvements	14,276,411	1,088,374		79,516	15,444,301
Airfield and improvements	26,681,124	2,759,561		\$ 96,893	29,537,578
Equipment	3,245,380	161,709			3,407,089
Total Depreciable	44,202,915	4,009,644	-	176,409	48,388,968
Total Non-Depreciable & Depreciable	\$ 62,700,146	\$ 6,959,850	\$ -	\$ -	\$ 69,659,997
Accumulated depreciation					
Buildings and improvements	\$ (5,062,636)	(562,008)			\$ (5,624,644)
Airfield and improvements	(13,379,144)	(937,187)			(14,316,331)
Equipment	(1,695,586)	(249,153)			(1,944,739)
Total Accumulated Depreciation	(20,137,366)	(1,748,348)	-	-	(21,885,714)
Total Capital Assets	\$ 42,562,780	\$ 5,211,502	\$ -	\$ -	\$ 47,774,283

	Balance January 1, 2008	Additions	Dispositions	Reclassify	Balance December 31, 2008
Capital Assets					
Non-Depreciable					
Land	\$ 8,961,999	\$ 713,912			\$ 9,675,911
Construction in progress	2,232,408	7,539,694		(950,782)	8,821,320
Total Non-Depreciable	11,194,407	8,253,606	-	(950,782)	18,497,231
Depreciable					
Buildings and improvements	13,719,216	155,637		401,558	14,276,411
Airfield and improvements	25,793,670	338,230		549,225	26,681,124
Equipment	3,096,442	226,087	(77,149)		3,245,380
Total Depreciable	42,609,328	719,954	(77,149)	950,782	44,202,915
Total Non-Depreciable & Depreciable	\$ 53,803,735	\$ 8,973,560	\$ (77,149)	\$ -	\$ 62,700,146
Accumulated depreciation					
Buildings and improvements	\$ (4,550,753)	(511,883)			\$ (5,062,636)
Airfield and improvements	(12,510,286)	(868,858)			(13,379,144)
Equipment	(1,527,467)	(226,070)	57,951		(1,695,586)
Total Accumulated Depreciation	(18,588,506)	(1,606,811)	57,951	-	(20,137,366)
Total Capital Assets	\$ 35,215,229	\$ 7,366,749	\$ (19,198)	\$ -	\$ 42,562,780

E. Long-Term Liabilities

Following is a summary of changes in long-term liabilities during the current and preceding years:

	Balance January 1, 2009	Additions	Reductions	Balance December 31, 2009	Current Maturities December 31, 2009
Long-term Liabilities					
General obligation bonds	\$ 6,525,000	\$ 8,012,154	\$ 755,000	\$ 13,782,154	\$ 990,000
Financing Lease payable	358,831		35,331	323,500	37,705
Special assessment debt	232,054		24,106	207,948	25,028
General obligation temporary notes	10,975,000		3,925,000	7,050,000	7,050,000
Total Long-Term Liabilities	<u>\$ 18,090,885</u>	<u>\$ 8,012,154</u>	<u>\$ 4,739,437</u>	<u>\$ 21,363,602</u>	<u>\$ 8,102,733</u>
Current Maturities	(814,437)			(8,102,733)	
Long Term Liability Net	<u>\$ 17,276,448</u>			<u>\$ 13,260,869</u>	

	Balance January 1, 2008	Additions	Reductions	Balance December 31, 2008	Current Maturities December 31, 2008
Long-term Liabilities					
General obligation bonds	\$ 7,490,000		\$ 965,000	\$ 6,525,000	\$ 755,000
Financing Lease payable	391,932		33,101	358,831	35,331
Special assessment debt	255,270		23,216	232,054	24,106
General obligation temporary notes	13,900,000		2,925,000	10,975,000	
Total Long-Term Liabilities	<u>\$ 22,037,202</u>	<u>\$ -</u>	<u>\$ 3,946,317</u>	<u>\$ 18,090,885</u>	<u>\$ 814,437</u>
Current Maturities	(1,021,323)			(814,437)	
Long Term Liability Net	<u>\$ 21,015,879</u>			<u>\$ 17,276,448</u>	

The following is a detailed listing of the Authority's long-term debt including general obligation bonds, temporary notes, financing lease and special assessment debt at December 31, 2009:

	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Bonds Outstanding</u>
General Obligation Bonds			
General Obligation 1999-B, due 2010	\$ 555,000	3.90% to 5.20%	\$ 70,000
General Obligation 2001-A, due 2012	1,385,000	4.45% to 5.60%	500,000
General Obligation 2002-A, due 2012	2,635,000	2.45% to 3.70%	885,000
General Obligation 2005-A, due 2020	3,635,000	4.75% to 5.25%	3,415,000
General Obligation 2007-A, due 2022	1,005,000	4.60% to 6.00%	900,000
General Obligation 2009-A, due 2029	2,025,000	4.20% to 4.25%	1,932,154
General Obligation 2009-B, due 2026	6,080,000	3.00% to 5.50%	6,080,000
Total General Obligation Debt			<u>13,782,154</u>
General Obligation Temporary Notes			
2007-1, due 2010	10,975,000	5.60%	<u>7,050,000</u>
Financing Lease, due December 2016	425,000	6.609%	<u>323,500</u>
Special Assessment Debt			
Airport Industrial Center, due 2016	565,235	3.79%	184,523
Hangar 600 Sanitary Sewer, due 2021	27,599	4.47%	<u>23,425</u>
Total Special Assessment Debt			<u>207,948</u>
Total Long Term Debt			<u><u>\$ 21,363,602</u></u>
Interest Expense in 2009 is as follows:			
General Obligation Bonds			481,513
Special Assessment Debt			8,964
Financing Lease			22,363
Temporary Notes			<u>474,539</u>
			987,379
Add: Amortization of bond costs			<u>26,750</u>
Total Debt Interest Expense			<u><u>\$ 1,014,129</u></u>

Annual debt service requirements to maturity for general obligation bonds to be paid with tax levies and rental revenues:

Bonds			
<u>Year</u>	<u>Outstanding</u>	<u>Interest Due</u>	<u>Total</u>
2010	990,000	723,614	1,713,614
2011	1,040,000	592,272	1,632,272
2012	1,090,000	548,424	1,638,424
2013	635,000	501,950	1,136,950
2014	665,000	475,503	1,140,503
2015-2019	3,805,000	1,914,865	5,719,865
2020-2024	2,855,000	1,040,500	3,895,500
2025-2029	2,795,000	379,240	3,174,240
	<u>\$ 13,875,000</u>	<u>\$ 6,176,368</u>	<u>\$ 20,051,368</u>

Annual debt service requirements for General Obligation Temporary Notes payable from general obligation bonds and capitalized interest funds:

Notes			
<u>Year</u>	<u>Outstanding</u>	<u>Interest Due</u>	<u>Total</u>
2010	7,050,000	394,800	7,444,800

Annual debt service requirements for Financing Lease payable rental revenues:

<u>Year</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total</u>
2010	37,705	20,767	58,472
2011	40,238	18,234	58,472
2012	42,941	15,531	58,472
2013	45,826	12,646	58,472
2014	48,905	9,567	58,472
2015-2016	107,886	9,058	116,944
	<u>\$ 323,501</u>	<u>\$ 85,803</u>	<u>\$ 409,304</u>

Annual debt service requirement to maturity for Special Assessment Debt to be paid from rental revenue:

<u>Year</u>	<u>Loan Principal</u>	<u>Interest Due</u>	<u>Total</u>
2010	25,029	8,041	33,070
2011	25,988	7,082	33,070
2012	26,984	6,086	33,070
2013	28,018	5,052	33,070
2014	29,091	3,978	33,069
2015-2019	68,033	5,800	73,833
2020-2021	4,805	325	5,130
	<u>\$ 207,948</u>	<u>\$ 36,364</u>	<u>\$ 244,312</u>

F. Capital Contributions and Net Assets

Since its inception, the Authority has received capital contributions through Federal and State grants as follows:

	<u>Inception to Date</u>	<u>2009</u>	<u>2008</u>
Federal	\$ 25,877,678	\$3,120,218	\$ 1,650,041
State	<u>1,515,610</u>	<u>500,000</u>	<u>-</u>
Total	<u>\$27,393,288</u>	<u>\$3,620,218</u>	<u>\$ 1,650,041</u>

The Authority has designated \$90,000 to be used as an insurance increase reserve or to accelerate future debt service payments. As of December 31, 2009, the reserve had been funded but not used.

IV. OTHER INFORMATION

A. Defined Benefit Pension Plan

Plan description – The Authority participates in the Kansas Public Employees Retirement System (KPERS). The plan is a cost-sharing multiple-employer defined benefit pension plan as provided by Kansas statutes (KSA 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. Those reports may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603-3803) or by calling 1 (888) 275-5737

Funding policy – KSA 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the

provision of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established for calendar year 2009 was 6.53%. The Authority employer contributions to KPERS for the years ending December 31, 2009, 2008 and 2007 were \$52,641 \$45,687 and \$27,612 respectively, equal to the required contributions for each year.

B. Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan ("Plan") created in accordance with Internal Revenue Code Section 457. The Plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Plan assets are transferred to a plan agent in a custodial trust and are not available to the claims of the Authority's general creditors.

C. Flexible Benefit Plan (I.R.C. Section 125)

The Authority has adopted by resolution a salary-reduction flexible benefit plan ("Plan") under Section 125 of the Internal Revenue Code. All Authority employees working more than 20 hours per week are eligible to participate in the Plan beginning after thirty days of employment. Each participant may elect to reduce his or her salary to purchase benefits offered through the Plan. Benefits offered through the Plan include various insurance and disability benefits.

D. Risk Management

The Authority is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

There has been no significant reduction in the Authority's insurance coverage from the previous year. In addition, there have not been settlements in excess of the Authority's coverage in any of the prior three years.

E. Contingent Liabilities

The Authority receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass-through aid. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit. Any disallowed claims resulting from such audits could become a liability of the Authority. However, in the opinion of management, any such disallowed claims would not have a material effect on any of the financial statements of the Authority at December 31, 2009.

F. Other postemployment benefits (OPEB)

As a component unit of the City of Salina, the Authority participates in the City's defined benefit healthcare plan that is administered by the City. The Employee Benefit Plan (the Plan) provides medical and dental benefits to eligible early retirees and their spouses. KSA 12-5040 requires all local governmental entities in the state that provide a group health care plan to make participation available to

all retirees and dependents until the retiree reaches the age of 65 years. No separate financial report is issued for the Plan.

The OPEB cost, actuarial valuations of the ongoing plan and net OPEB obligations for the Authority as a sub-group of the plan, are calculated and recorded in the City's CAFR.

G. Environmental Matter

The U.S. Department of Defense transferred property located at the former Schilling Air Force Base to the Authority on or about September 9, 1966. The property is now known to contain areas of extensive soil and groundwater contamination, as a result of the use and disposal of chlorinated solvents during military operations at the former base during its period of active military duty from 1942 to 1965.

The U.S. Department of Defense is responsible for the investigation and remediation of contamination caused by military activities at current and former military bases. The U.S. Army Corps of Engineers (USACE) is the lead agency for the Department at formerly used defense sites. The Corps has investigated the soil and groundwater contamination at the former base under the regulatory oversight of the U.S. Environmental Protection Agency and the Kansas Department of Health and Environment. The former base is not designated as a National Priority List Superfund site, but investigation and remediation is required to be in compliance with the Comprehensive Environmental Response, Compensation and Liability Act.

Potential liability for contamination under the Act extends broadly to parties associated with the release or presence of hazardous substances, including not only those entities involved with contaminant use and disposal, but in some cases other current and former owners and operators of contaminated sites. As a current owner of extensive amounts of property at the former base, the Authority is potentially liable under the act although the Authority believes that it has defenses to such liability.

Based on presently known information, the Authority has determined that while a possible liability exists, it is not probable and at this time no reasonable estimate of the possible liability can be made. Therefore, no liability relating to that matter has been recorded. The Authority is under no administrative orders from the U.S. Environmental Protection Agency or the Kansas Department of Health and Environment. The Authority is considered to be a Potentially Responsible Party for the former base site, primarily due to its status as a property owner. The Salina Airport Authority, City of Salina, Unified School District No. 305 and the Kansas Board of Regents (Kansas State University at Salina) collectively own over 90% of the nearly 4,000 acres of the former Schilling Air Force Base property.

Beginning in August 2007, the four local public entities including the Salina Airport Authority, the City of Salina, the Salina School District and Kansas State University at Salina initiated negotiations with the U.S. Federal Government. The negotiation objectives include transferring the responsibility for completing the cleanup from the USACE to the Salina Public Entities. The local objective is to reach a settlement agreement with the United States of America that provides the Salina Public Entities sufficient funds to complete cleanup operations over a 30-year period.

During calendar year 2008, the Salina Public Entities prepared a detailed Cost to Complete Estimate (CTC). The CTC preparation included consultation with the EPA and KDHE. The Salina Public Entities' CTC was completed in June of 2008 and submitted to the USACE.

Subsequently, on January 23, 2009, the Salina Public Entities delivered a demand letter to the USACE. The letter demands that settlement negotiations begin immediately with the U.S. Department of Justice. On May 14, 2009 the Authority was notified that the USACE referred the former SAFB demand letter to the U.S. Department of Justice on May 12, 2009.

The current status is that the Salina Public Entities delivered on or about May 7, 2010, a settlement offer and a draft of a lawsuit complaint to the attorney for the U.S. Department of Justice. The Salina Public Entities filed suit against the United States on May 27, 2010. The suit was filed for several reasons but primarily to avoid a potential statute of limitations issue. The Salina Public Entities do not intend to cut off settlement negotiations by the filing of suit, and this has been communicated to the United States. The goal is for the parties to reach agreement on a settlement Consent Decree that will specify terms, conditions and funding enabling the Salina Public Entities to proceed with site clean-up operations.

H. Rental Income Under Operating Leases

A significant portion of the operating revenue of the Authority is generated through the leasing of airport and building space to airport fixed base operators and others on a fixed fee as well as a contingent rental basis. Ownership risks are retained by the Authority, and accordingly, such leases are treated as operating leases.

The following is a schedule of minimum future rentals on non-cancellable operating leases to be received in each of the next five years and thereafter:

<u>Years Ended</u>	
<u>December 31</u>	
2010	725,316
2011	827,478
2012	612,994
2013	569,467
2014	429,672
Later Years	662,598
Total	<u>\$ 4,606,347</u>

I. Major Customers

The Authority receives significant operating and financing lease revenue from Hawker Beechcraft Corporation, Kansas State University-Salina, Flower Aviation, America Jet, CAV Aerospace, and the Kansas National Guard. Rent from these six tenants equals 60% of operating and capital lease revenue for the year ended December 31, 2009.

J. Non-Operating Income and (Expense)

Net non-operating income and expense consisted of the following for the years ended December 31, 2009 and 2008:

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Mill Levy	\$ 1,327,647	\$ 1,256,816
Interest and investment income		
Financing lease	58,763	59,906
Other interest	15,550	125,309
Total	<u>\$ 1,401,960</u>	<u>\$ 1,442,031</u>
Interest expense		
General obligation bonds	\$ (481,513)	\$ (292,886)
Special assessment debt	(8,964)	(9,854)
Financing lease	(22,363)	(24,636)
Temporary notes	(474,539)	(669,609)
Amortization of bond issue costs	(26,750)	(25,554)
Total	<u>(1,014,129)</u>	<u>(1,022,539)</u>
Net non-operating income	<u>\$ 387,831</u>	<u>\$ 419,492</u>

K. Commitment Under Operating Lease

The Authority has entered into a certain non-cancellable operating lease agreement which will expire in 2013, for the rental of office equipment. Minimum rentals, on an annual basis are as follows:

<u>Years Ended</u>	
<u>December 31</u>	
2010	11,400
2011	11,400
2012	11,400
2013	1,900
Total	<u><u>\$ 36,100</u></u>

L. Subsequent Events

The Salina Airport Authority's management has evaluated events and transactions occurring after December 31, 2009 through June 3, 2010. The aforementioned date represents the date the financial statements were available to be issued.

SALINA AIRPORT AUTHORITY
SCHEDULES OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS

	January 1 to December 31	
	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Airfield		
Fuel flowage fees	\$ 165,443	\$ 210,292
Hangar rent	388,781	383,667
Landing fees	8,445	7,789
Ramp rent	104,966	78,726
Total Airfield	<u>667,635</u>	<u>680,474</u>
Building and land rent		
Agri land rent	58,788	72,567
Building rents	1,097,387	1,094,135
Land rents	237,695	231,036
Tank rent	8,361	10,246
Total Building and Land Rents	<u>1,402,231</u>	<u>1,407,984</u>
Gain on sale of assets	<u>-</u>	<u>16,321</u>
Other revenue		
ARFF training	6,650	7,935
Commissions	17,603	19,554
Sale of Avgas	3,364	-
Less Cost of Avgas	(3,146)	-
Other income	4,239	20,102
Total Other Revenue	<u>28,710</u>	<u>47,591</u>
Total Operating Revenue	<u>2,098,576</u>	<u>2,152,370</u>

(continued)

SALINA AIRPORT AUTHORITY
SCHEDULES OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS

	January 1 to December 31	
	<u>2009</u>	<u>2008</u>
OPERATING EXPENSES		
Administrative		
A/E, consultants, brokers	61,432	61,975
Airport promotion	27,818	34,241
Computer network administration	14,630	22,455
Dues and subscriptions	34,374	27,503
Employee retirement	52,641	45,687
FICA and medicare	61,772	59,262
Industrial development	30,000	30,000
Insurance, property	160,069	151,138
Insurance, medical	205,017	183,649
Kansas unemployment tax	581	784
Legal and accounting	34,059	35,767
Office salaries	443,768	398,236
Office supplies	9,082	10,863
Other administrative	14,459	25,161
Postage	3,803	4,573
Property appraisals	-	3,300
Property taxes	154,500	119,426
Special events	3,427	52,822
Telephone	20,073	13,515
Travel and meetings	20,852	23,017
	<u>1,352,357</u>	<u>1,303,374</u>
Total Administrative Expenses		

(continued)

SALINA AIRPORT AUTHORITY
SCHEDULES OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS
(continued)

	January 1 to December 31	
	<u>2009</u>	<u>2008</u>
MAINTENANCE EXPENSES		
Airfield maintenance	50,518	30,519
Airport security	(988)	4,796
Building maintenance	48,474	116,297
Equipment fuel and repairs	105,174	123,425
Fire services	31,084	12,600
Grounds maintenance	2,298	14,152
Maintenance salaries	393,739	404,140
Other maintenance expenses	22,786	25,132
Snow removal expense	15,105	17,172
Utilities	199,581	193,693
Total Maintenance Expenses	<u>867,771</u>	<u>941,926</u>
Total Operating Expenses	<u>2,220,128</u>	<u>2,245,300</u>
OPERATING INCOME BEFORE DEPRECIATION	(121,552)	(92,930)
DEPRECIATION EXPENSE	<u>1,748,348</u>	<u>1,606,811</u>
OPERATING LOSS	<u>(1,869,900)</u>	<u>(1,699,741)</u>
NON-OPERATING INCOME (EXPENSE)		
Mill levy	1,327,647	1,256,816
Interest income-capital lease	58,763	59,906
Interest income	15,550	125,309
Interest expense	(987,379)	(996,985)
Amortization of bond costs	(26,750)	(25,554)
Total Non-Operating Income (Expense)	<u>387,831</u>	<u>419,492</u>
LOSS BEFORE CAPITAL CONTRIBUTION	(1,482,069)	(1,280,249)
CAPITAL CONTRIBUTIONS	<u>3,770,558</u>	<u>1,650,041</u>
INCREASE IN NET ASSETS	2,288,489	369,792
NET ASSETS, January 1	<u>25,776,818</u>	<u>25,407,026</u>
NET ASSETS, December 31	<u>\$28,065,307</u>	<u>\$25,776,818</u>

SALINA AIRPORT AUTHORITY
CAPITAL EXPENDITURES

January 1 to December 31
2009

AIRPORT IMPROVEMENTS

ASC Vehicle Traffic Study	8,993
AIP-28 Txy. Rehab Contr. Ph 1	146,093
AIP-29 Txy. Rehab. Const. Ph. 2	684,202
AIP-30 Txy. Rehab. (PS&E)	52,100
AIP-32 North GA Connector-ARRA	721,678
Heave repair	12,301
Rwy 17-35(N 4800') Pvmnt. Rehab.	1,099,642
Rwy 17/35 Pvmnt Removal A/E	9,550
A/E Services (helipad siting & update to ALP)	6,885
Demolition Bldg. 1103 & 1088	18,117
Total Airport Improvements	<u>2,759,561</u>

BUILDINGS

Bldg. #207 SAA MX Design	11,200
Hangar # 603-Bldg. Design	324,817
Bldg. 824 Environmental assesment	1,730
Bldg. 824 Duro-last roofing	28,000
Bldg. 498 Duro-last roofing	51,000
Pumphouse 305 cleaning & lining of 4 tanks	112,854
Hangar 409 Improvements	270,506
Pumphouse #305	35,880
Term. Bldg. 120 domestic water filtering & heating	9,145
Term. Bldg. 120 electrical improvments	1,573
Bldg. 394 Duro-last roofing	31,273
Bldg. 313 Duro-last roofing	56,000
Bldg. 120 Duro-last roofing	86,600
Bldg. 1080 & L8B1S6 Acq.	36,286
Bldg. 1021 Conklin roofing	16,810
Bldg. 1021 Duro-last roofing	14,700
Total Buildings	<u>1,088,374</u>

(continued)

SALINA AIRPORT AUTHORITY
CAPITAL EXPENDITURES
(continued)

January 1 to December 31
2009

EQUIPMENT

Computer software - Authority admin	9,895
Term. B120-Video surveillance cameras & system	2,752
HPDC Notebook computer	1,104
Avionics Travsceiver (DRMO truckmount)	1,239
1 Graco Lindriver airfield paint machines	9,078
2-Yanmar 5500 Watt Diesel generators	6,730
2009 John Deere 6100D tractor	34,860
Truck Lift Fork (6K) - orange	7,000
Semitrailer, Van	6,000
Truck, Lift, Fork (4K) - yellow	2,000
Tractor, wheeled (tow vehicle, green)	5,000
Maintenance platform (ac/ms B-1 stands, yellow)	5,000
Semi-trailer, low bed (green)	2,000
Truck, van (diesel - 1 cyl, van/hilift body)	9,000
Crance, wheel mounted	12,000
Tractor, wheeled, Air (Bobtail) Tug	3,000
Other Misc. DRMO Equipment	45,051
Total Equipment	<u>161,709.00</u>

CONSTRUCTION IN PROGRESS

AIP-31 Txy. Alpha Rehab. Ph. 3 of 3	1,881,888
	468,548
AIP-33 A/E ARFF Station	11,407
Bldg. No. 412 Imps.	103,619
Bldg. 703 Conklin roofing system	41,859
Bldg. 730 Conklin roofing system	22,080
Hangar 600-Bldg Construction	21,772
Hangar 600-Civil Engeering	20,790
Hangar 600-Other	671
Hangar 600-Civil Construction	9,789
Hangar 600-Architectural	1,677
Total Construction in Progress	<u>2,584,100</u>

LAND

Environmental-SAFB	351,910
KS ARNG RSMS Expansion tract fencing	14,196
Total Land	<u>366,106</u>

TOTAL CAPITAL EXPENDITURES

\$ 6,959,850.00

SALINA AIRPORT AUTHORITY
 GENERAL OBLIGATION REFUNDING BONDS
 SERIES 1999 - B
 December 31, 2009

Date of issue:	June 29, 1999
Amount of issue:	\$ 555,000
Interest rate:	3.90% to 5.20%
Maturity date:	September 1, 2010
Principal paid:	\$ 485,000
Outstanding balance:	\$ 70,000

Schedule of Bond Interest and Principal Payments

<u>Due in</u> <u>Year</u>	<u>Bond</u> <u>Interest</u>	<u>Bond</u> <u>Principal</u>
2010	<u>3,640</u>	<u>70,000</u>
	<u>\$ 3,640</u>	<u>\$ 70,000</u>

SALINA AIRPORT AUTHORITY
 GENERAL OBLIGATION IMPROVEMENT BONDS
 SERIES 2001 - A
 December 31, 2009

Date of issue:	October 31, 2001
Amount of issue:	\$ 1,385,000
Interest rate:	4.45% to 5.60%
Maturity date:	September 1, 2012
Principal paid:	\$ 885,000
Outstanding balance:	\$ 500,000

Schedule of Bond Interest and Principal Payments

<u>Due in</u> <u>Year</u>	<u>Bond</u> <u>Interest</u>	<u>Bond</u> <u>Principal</u>
2010	27,514	160,000
2011	18,867	165,000
2012	9,800	175,000
	<u>\$ 56,181</u>	<u>\$ 500,000</u>

SALINA AIRPORT AUTHORITY
 GENERAL OBLIGATION IMPROVEMENT BONDS
 SERIES 2002 - A
 December 31, 2009

Date of issue:	August 29, 2002
Amount of issue:	\$ 2,635,000
Interest rate:	2.45% to 3.70%
Maturity date:	September 1, 2012
Principal paid:	\$ 1,750,000
Outstanding balance:	\$ 885,000

Schedule of Bond Interest and Principal Payments

<u>Due in</u> <u>Year</u>	<u>Bond</u> <u>Interest</u>	<u>Bond</u> <u>Principal</u>
2010	31,880	285,000
2011	21,905	295,000
2012	11,285	305,000
	<u>\$ 65,070</u>	<u>\$ 885,000</u>

SALINA AIRPORT AUTHORITY
GENERAL OBLIGATION IMPROVEMENT BONDS
SERIES 2005 - A
December 31, 2009

Date of issue:	August 1, 2005
Amount of issue:	\$ 3,635,000
Interest rate:	4.75% to 5.25%
Maturity date:	September 1, 2020
Principal paid:	\$ 220,000
Outstanding balance:	\$ 3,415,000

Schedule of Bond Interest and Principal Payments

<u>Due in</u> <u>Year</u>	<u>Bond</u> <u>Interest</u>	<u>Bond</u> <u>Principal</u>
2010	173,124	235,000
2011	160,787	245,000
2012	147,926	260,000
2013	134,275	275,000
2014	119,838	290,000
2015-2020	383,362	2,110,000
	\$ 1,119,312	\$ 3,415,000

SALINA AIRPORT AUTHORITY
 GENERAL OBLIGATION IMPROVEMENT BONDS
 SERIES 2007-A
 December 31, 2009

Date of issue:	December 15, 2007
Amount of issue:	\$ 1,005,000
Interest rate:	4.6% to 6.0%
Maturity date:	September 1, 2022
Principal paid:	\$ 105,000
Outstanding balance:	\$ 900,000

Schedule of Bond Interest and Principal Payments

<u>Due in</u> <u>Year</u>	<u>Bond</u> <u>Interest</u>	<u>Bond</u> <u>Principal</u>
2010	45,990	50,000
2011	43,240	50,000
2012	40,490	55,000
2013	37,603	55,000
2014	34,743	60,000
2015-2022	<u>156,140</u>	<u>630,000</u>
	<u>\$358,206</u>	<u>\$ 900,000</u>

SALINA AIRPORT AUTHORITY
TAXABLE GENERAL OBLIGATION TEMPORARY NOTES
SERIES 2007-1
December 31, 2009

Date of issue:	September 1, 2007
Amount of issue:	\$ 10,975,000
Interest rate:	5.6%
Maturity date:	September 1, 2010
Principal paid:	\$ 3,925,000
Outstanding balance:	\$ 7,050,000

Schedule of Bond Interest and Principal Payments

<u>Due in</u> <u>Year</u>	<u>Bond</u> <u>Interest</u>	<u>Bond</u> <u>Principal</u>
2010	<u>614,600</u>	<u>7,050,000</u>
	<u>\$ 614,600</u>	<u>\$ 7,050,000</u>

SALINA AIRPORT AUTHORITY
GENERAL OBLIGATION BONDS
SERIES 2009-A
December 31, 2009

Date of issue:	June 1, 2009
Amount of issue:	\$ 2,025,000
Interest rate:	4.31%
Maturity date:	September 1, 2029
Principal paid:	\$ -
Outstanding balance:	\$ 2,025,000

Schedule of Bond Interest and Principal Payments

<u>Due in</u> <u>Year</u>	<u>Bond</u> <u>Interest</u>	<u>Bond</u> <u>Principal</u>
2010	107,059	-
2011	85,648	-
2012	85,648	-
2013	85,648	-
2014	85,648	-
2015-2029	<u>1,178,790</u>	<u>2,025,000</u>
	<u>\$ 1,628,439</u>	<u>\$ 2,025,000</u>

SALINA AIRPORT AUTHORITY
TAXABLE GENERAL OBLIGATION BONDS
SERIES 2009-B
December 31, 2009

Date of issue:	June 1, 2009
Amount of issue:	\$ 6,080,000
Interest rate:	4.998%
Maturity date:	September 1, 2026
Principal paid:	\$ -
Outstanding balance:	\$ 6,080,000

Schedule of Bond Interest and Principal Payments

<u>Due in Year</u>	<u>Bond Interest</u>	<u>Bond Principal</u>
2010	334,406	190,000
2011	261,825	285,000
2012	253,275	295,000
2013	244,425	305,000
2014	235,275	315,000
2015-2026	1,616,313	4,690,000
	\$ 2,945,519	\$ 6,080,000

SALINA AIRPORT AUTHORITY
 SPECIAL ASSESSMENT DEBT-STREET AND UTILITY IMPROVEMENT
 Airport Industrial Center Subdivision
 December 31, 2009

Date of loan:	September 11, 2002
Amount of loan:	\$ 344,202
Interest rate:	3.79%
Maturity date:	October 1, 2016
Principal paid:	\$ 159,678
Outstanding balance:	\$ 184,524

Schedule of Loan Interest and Principal Payments

<u>Due in</u> <u>Year</u>	<u>Loan</u> <u>Interest</u>	<u>Loan</u> <u>Principal</u>
2010	6,994	23,512
2011	6,102	24,403
2012	5,178	25,328
2013	4,218	26,288
2014	3,221	27,284
2015-2017	3,301	57,709
	\$ 29,014	\$ 184,524

SALINA AIRPORT AUTHORITY
 SPECIAL ASSESSMENT DEBT-SANITARY SEWER EXTENSION
 HANGAR 600
 December 31, 2009

Date of loan:	April 23, 2007
Amount of loan:	\$ 27,599
Interest rate:	4.47%
Maturity date:	December 20, 2021
Principal paid:	\$ 4,174
Outstanding balance:	\$ 23,425

Schedule of Loan Interest and Principal Payments

<u>Due in</u> <u>Year</u>	<u>Loan</u> <u>Interest</u>	<u>Loan</u> <u>Principal</u>
2010	1,047	1,517
2011	979	1,585
2012	908	1,656
2013	834	1,730
2014	757	1,808
2015-2022	2,823	15,128
	\$ 7,349	\$ 23,425

SALINA AIRPORT AUTHORITY
FINANCING LEASE PAYABLE
December 31, 2009

Date of loan:	September 28, 2006
Amount of loan:	\$ 425,000
Interest rate:	6.609%
Maturity date:	September 1, 2016
Principal paid:	\$ 101,500
Outstanding balance:	\$ 323,500

Schedule of Loan Interest and Principal Payments

<u>Due in</u> <u>Year</u>	<u>Loan</u> <u>Interest</u>	<u>Loan</u> <u>Principal</u>
2010	20,767	37,704
2011	18,234	40,238
2012	15,531	42,941
2013	12,646	45,826
2014	9,567	48,905
2015-2016	9,058	107,886
	\$ 85,803	\$ 323,500

SALINA AIRPORT AUTHORITY
INSURANCE IN FORCE
December 31, 2009

<u>Insurance Policy</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Employers Insurance of Wausau on behalf of USAIG Pol. #WCC-Z91-547496-019	Workmen's Compensation and Employer's Liability	\$ 500,000
National Union Fire Ins. Co. of Pittsburgh, PA Pol. #AP3229456-15	Bodily Injury & Liability Hangar Keepers	\$ 1,000,000 \$ 500,000
Chubb Group of Insurance Companies	Deluxe Property-Buildings, business personal property and equipment breakdown (including boiler and machinery) Business Income	\$28,793,138 \$ 1,765,779
Pol. 3581-68-04 KCO		
Pol. #(09) 7353-33-80	Vehicles & Equipment Liability Medical payments Uninsured motorists	\$ 1,000,000 \$ 5,000 \$ 1,000,000
Pol. #3581-68-04 KCO	Inland Marine - Equipment	\$ 2,282,557
ITT Hartford Pol. #37BPEAG4896	Crime Policy Employee theft - per employee	\$ 100,000
Houston Casualty Company Pol. H709-30006	Public Officials and Employment Practices Liability Each wrongful act Aggregate limit	\$ 2,000,000 \$ 2,000,000
Great American Alliance Ins. Co. Pol. # KST 788-29-33-15	Kansas Underground Storage Tank Liability Environmental Incident Annual aggregate Limit of defense	\$ 1,000,000 \$ 1,000,000 \$ 100,000
American Safety Insurance Pol. #179E01178-09-01	Storage Tank Pollution Liability Coverage Per confirmed release limit Policy aggregate limit Limit of defence	\$ 1,000,000 \$ 1,000,000 \$ 250,000
Indian Harbor Insurance Company Pol. #LE19517027-01	Law Enforcement Professional Liability Each occurrence Annual aggregate	\$ 1,000,000 \$ 1,000,000

STATISTICAL

Table of Contents

Total Annual Revenues, Expenses and Changes in Net Assets History	63-64
Change in Cash and Cash Equivalents History	65-66
General Obligation Debt Service Coverage	67
Capital Expenditure History	68
Revenue Bond Coverage	69
Local Government Mill Levy Rates, Direct and Overlapping	70
Principal Customers.....	71
Mill Levy Revenue	72
Air Traffic, Fuel Flowage, and Enplanement Trends.....	73
Major Employers	74
Saline County Population and Demographic Statistics	75
Saline County Employment Data	76

SALINA AIRPORT AUTHORITY
TOTAL ANNUAL REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR YEARS ENDED DECEMBER 31,

	2000	2001	2002
TOTAL REVENUES			
OPERATING REVENUES			
Airfield	12,133	7,250	4,514
Fuel flowage fees	263,264	252,942	278,948
Building and land rent	1,121,194	1,111,662	1,034,989
Gain (loss) on sale of assets	222,664	86,719	29,455
Other revenue	25,992	33,162	39,173
TOTAL OPERATING REVENUES	1,645,247	1,491,735	1,387,079
TOTAL EXPENSES			
OPERATING EXPENSES			
Administrative	740,530	754,003	751,734
Maintenance	386,095	448,189	430,530
TOTAL OPERATING EXPENSES	1,126,625	1,202,192	1,182,264
OPERATING INCOME BEFORE DEPRECIATION	518,622	289,543	204,815
DEPRECIATION	906,198	934,270	974,140
OPERATING LOSS	(387,576)	(644,727)	(769,325)
NON-OPERATING INCOME AND (EXPENSES)			
Mill levy	801,237	795,404	817,499
Interest on investments and financing lease	163,512	145,447	147,763
Interest expense	(276,092)	(249,959)	(319,167)
TOTAL NON-OPERATING INCOME AND (EXPENSES)	688,657	690,892	646,095
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	301,081	46,165	(123,230)
CAPITAL CONTRIBUTIONS	583,134	583,135	144,005
NET ASSETS			
Increase in Net Assets	884,215	629,300	20,775
TOTAL NET ASSETS, beginning of year	18,224,183	19,108,398	19,737,698
TOTAL NET ASSETS, end of year	\$19,108,398	\$19,737,698	\$19,758,473

* 1999-2002 has been restated to conform to the new financial reporting model as required by the provisions of GASB No. 34. The SAA implemented the new model in 2003.

SALINA AIRPORT AUTHORITY
TOTAL ANNUAL REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR YEARS ENDED DECEMBER 31,

2003	2004	2005	2006	2007	2008	2009
190,367	204,310	237,506	263,524	376,553	470,182	502,193
257,475	235,362	259,981	247,740	246,113	210,292	165,443
916,585	890,631	1,106,146	1,294,166	1,525,071	1,407,984	1,402,230
(6,631)	59,943	204,083	10,777	281,803	16,321	-
29,501	21,874	49,654	70,605	53,772	47,591	28,710
1,387,297	1,412,120	1,857,370	1,886,812	2,483,312	2,152,370	2,098,576
825,064	928,769	1,039,270	1,043,176	1,161,530	1,303,374	1,352,357
475,204	465,326	618,346	627,546	807,485	941,926	867,771
1,300,268	1,394,095	1,657,616	1,670,722	1,969,015	2,245,300	2,220,128
87,029	18,025	199,754	216,090	514,297	(92,930)	(121,552)
1,022,474	1,151,664	1,392,316	1,580,750	1,650,187	1,606,811	1,748,348
(935,445)	(1,133,639)	(1,192,562)	(1,364,660)	(1,135,890)	(1,699,741)	(1,869,900)
987,970	1,036,579	1,058,688	1,184,481	1,201,602	1,256,816	1,327,647
128,640	126,949	118,087	148,936	241,478	185,215	74,313
(344,353)	(348,784)	(374,851)	(500,431)	(774,315)	(1,022,539)	(1,014,129)
772,257	814,744	801,924	832,986	668,765	419,492	387,831
(163,188)	(318,895)	(390,638)	(531,674)	(467,125)	(1,280,249)	(1,482,069)
434,763	2,289,342	3,186,636	1,204,559	404,773	1,650,041	3,770,558
271,575	1,970,447	2,795,998	672,885	(62,352)	369,792	2,288,489
19,758,473	20,030,048	22,000,495	24,796,493	25,469,378	25,407,026	25,776,818
\$20,030,048	\$22,000,495	\$24,796,493	\$25,469,378	\$25,407,026	\$25,776,818	\$ 28,065,307

SALINA AIRPORT AUTHORITY
CHANGES IN CASH AND CASH EQUIVALENTS
FOR YEARS ENDED DECEMBER 31,

	2000	2001	2002
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from providing services	\$2,997,537	\$1,668,782	\$1,503,652
Cash paid to employees for services	(443,968)	(463,501)	(450,013)
Cash paid to suppliers for goods and services	(699,812)	(750,913)	(748,272)
NET CASH PROVIDED IN OPERATING ACTIVITIES	1,853,757	454,368	305,367
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of property, plant and equipment	(720,694)	(571,068)	(2,176,229)
Purchases in satisfaction of maintenance agreement	-	-	(19,095)
Proceeds from capital grants	-	-	144,005
Return of capital grant proceeds	-	-	-
Proceeds from property tax	801,237	795,403	817,499
Principal payments on debt	(1,408,978)	(674,963)	(694,761)
Proceeds of new borrowing	-	1,385,000	3,200,235
Principal received on financing lease	64,255	69,668	75,541
Interest received on financing lease	125,190	119,778	113,905
Principal received on long-term note	-	-	-
Principal received on refunding debt	-	-	-
Bond defeasance and issue costs paid	(29,745)	(21,266)	(26,119)
Interest paid on long-term bonds	(290,972)	(221,762)	(262,795)
Interest paid on long-term debt	-	-	-
NET CASH PROVIDED (USED) IN CAPITAL AND RELATED FINANCING ACTIVITIES	(1,459,707)	880,790	1,172,186
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on deposits	44,049	30,740	30,921
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	438,099	1,365,898	1,508,474
CASH AND CASH EQUIVALENTS, beginning of year	158,631	596,730	1,962,628
CASH AND CASH EQUIVALENTS, end of year	\$ 596,730	\$1,962,628	\$3,471,102

SALINA AIRPORT AUTHORITY
CHANGES IN CASH AND CASH EQUIVALENTS
FOR YEARS ENDED DECEMBER 31,

2003	2004	2005	2006	2007	2008	2009
\$1,374,310	\$1,459,696	\$2,107,817	\$1,993,164	\$ 4,588,310	\$ 2,426,455	\$ 1,974,744
(462,822)	(472,178)	(504,691)	(552,966)	(638,839)	(790,936)	(830,298)
(837,530)	(871,435)	(1,157,454)	(1,087,149)	(1,281,618)	(1,475,036)	(1,457,074)
73,958	116,083	445,672	353,049	2,667,853	160,483	(312,628)
(2,319,249)	(4,126,043)	(5,948,674)	(5,130,780)	(3,242,102)	(8,663,391)	(6,999,968)
(9,736)	(5,863)	(1,350)	(15,143)	(21,601)	(7,912)	(3,445)
434,763	2,289,342	3,186,636	1,204,559	404,773	1,552,002	3,674,507
-	-	-	-	-	-	-
987,970	1,036,579	1,058,688	1,184,481	1,201,602	1,256,816	1,327,647
(1,046,750)	(988,922)	(4,388,400)	(1,019,673)	(1,048,833)	(3,946,317)	(4,739,437)
-	3,255,000	3,635,000	3,350,000	12,007,599	-	8,012,154
81,911	88,823	96,320	104,453	113,279	122,855	133,242
107,535	100,623	93,126	84,993	76,167	66,592	56,204
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	(6,147)	(22,183)	(13,024)	(59,955)	-	(75,986)
-	-	-	-	-	-	-
(338,703)	(294,691)	(356,080)	(407,795)	(376,499)	(1,249,490)	(922,725)
(2,102,259)	1,348,701	(2,646,917)	(657,929)	9,054,430	(10,868,845)	462,193
25,475	28,960	25,463	68,896	182,515	125,309	15,550
(2,002,826)	1,493,744	(2,175,782)	(235,984)	11,904,798	(10,583,053)	165,115
3,471,102	1,468,276	2,962,020	786,238	550,254	12,455,052	1,871,999
\$1,468,276	\$2,962,020	\$ 786,238	\$ 550,254	\$12,455,052	\$ 1,871,999	\$ 2,037,114

Salina Airport Authority
GENERAL OBLIGATION DEBT SERVICE COVERAGE

Ten Years Ended December 31, 2009

<u>Fiscal Year</u>	<u>November Assessed Valuation</u>	<u>Motor Vehicle Valuation</u>	<u>Valuation Total</u>	¹ <u>Capacity of Valuation Total</u>	<u>General Obligation Debt</u>	<u>Remaining Capacity</u>
2000	288,150,096	43,246,020	331,396,116	9,941,883	4,270,000	5,671,883
2001	301,014,666	43,248,108	344,262,774	10,327,883	5,090,000	5,237,883
2002	317,134,605	45,965,839	363,100,444	10,893,013	7,160,000	3,733,013
2003	328,593,726	46,679,292	375,273,018	11,258,191	6,265,000	4,993,191
2004	335,262,182	48,687,121	383,949,303	11,518,479	8,690,000	2,828,479
2005	352,823,785	49,367,870	402,191,655	12,065,750	8,220,000	3,845,750
2006	377,917,187	50,551,299	428,468,486	12,854,055	10,295,000	2,559,055
2007	392,728,487	50,548,706	443,277,193	44,327,719	21,390,000	22,937,719
2008	399,982,148	51,351,656	451,333,804	45,133,380	17,500,000	27,633,380
2009	397,470,626	50,330,252	447,800,878	44,780,088	20,925,000	23,855,088

¹ The Authority's enabling state legislation changed in 2007 increasing the Authority's GO Bond issuing capacity from 3% to 10 % of the assessed valuation of the City of Salina.

Source: Saline County Clerk's Office and Salina Airport Authority Records

Salina Airport Authority
CAPITAL EXPENDITURE HISTORY

Ten Years Ended December 31, 2009

<u>Fiscal Year</u>	<u>Equipment</u>	<u>Building Additions</u>	<u>Land</u>	<u>Infrastructure</u>	<u>Airfield</u>	<u>Construction in Progress</u>	<u>Total Capital Expenditures</u>
2000	\$43,108	\$372,277	\$226,193	\$15,215	\$93,548	-	\$750,341
2001	\$49,520	\$172,295	\$202,248	-	\$144,249	-	\$568,312
2002	\$125,318	\$1,067,221	\$616,474	-	\$9,385	\$392,816	\$2,211,214
2003	\$474,200	\$123,113	\$33,792	-	\$1,420,280	\$232,048	\$2,283,433
2004	\$189,300	\$917,709	\$44,289	-	\$2,656,039	\$410,807	\$4,218,144
2005	\$807,605	\$1,656,099	\$36,662	-	\$3,717,273	\$584,890	\$6,802,529
2006	\$174,963	\$2,766,776	\$212,421	-	\$179,853	\$1,008,506	\$4,342,519
2007	\$225,411	\$1,565,954	\$362,072	-	\$100,963	\$1,125,720	\$3,380,120
2008	\$226,087	\$155,637	\$713,912	-	\$338,229	\$7,539,694	\$8,973,559
2009	\$161,709	\$1,088,374	\$366,106	-	\$2,759,561	\$2,584,100	\$6,959,850

Source: Salina Airport Authority Records

Salina Airport Authority

REVENUE BOND COVERAGE

Ten Years Ended December 31, 2009

<u>Fiscal Year</u>	<u>Pledged Revenue</u>	<u>Revenue Bond Debt Service</u>	<u>Coverage</u>
2000	\$189,446	\$185,013	1.02
2001	\$189,446	\$164,420	1.15
2002	\$189,446	\$158,320	1.20
2003	\$189,446	\$151,923	1.25
2004	\$189,446	\$150,283	1.26
2005	\$189,446	\$148,158	1.28
2006	\$189,446	\$140,557	1.35
2007	\$189,446	\$67,623	2.80
2008	\$189,446	\$69,955	2.71
2009	\$189,446	\$71,955	2.63

Notes:

1. During 1999, the Series 1990-B Bonds were refinanced to remove IRS restrictions and achieve an interest rate savings.

Source: Salina Airport Authority Records

Salina Airport Authority

LOCAL GOVERNMENT MILL LEVY RATES, DIRECT AND OVERLAPPING

Ten Years Ended December 31, 2009

Fiscal Year	Saline County	City of Salina	Unified School Dist. #305	Salina Airport Authority	State of Kansas	Other Special Taxing Districts	Total
2000	22.337	24.365	58.524	2.426	1.5	5.183	114.335
2001	24.066	24.218	68.178	2.424	1.5	5.406	125.792
2002	25.657	24.092	57.384	2.806	1.5	5.378	116.817
2003	28.081	24.013	56.632	2.795	1.5	5.553	118.574
2004	28.874	24.063	59.666	2.795	1.5	6.689	123.587
2005	28.579	23.999	55.182	2.941	1.5	6.519	118.720
2006	27.955	23.789	55.252	2.877	1.5	6.350	117.722
2007	27.475	23.959	54.99	2.877	1.5	6.398	117.199
2008	29.347	25.886	58.547	2.877	1.5	6.594	124.751
2009	31.343	25.886	58.542	4.315	1.5	6.593	128.179

Note:

Funds generated from the Salina Airport Authority's 2009 mill levy become available during calendar year 2010 and are budgeted accordingly.

Source: Saline County Clerk

Salina Airport Authority
Principal Customers
Year Ended December 31, 2009

Company	Revenue	% of Operating & Direct Finance Lease Revenue
Kansas Military Board (KS Army National Guard)	425,886.00	18.61%
Hawker Beechcraft Corp.	261,819.62	11.44%
Kansas State University - Salina	238,536.00	10.43%
CAV Aerospace, Inc.	171,963.60	7.52%
JRM Enterprises, Inc, d/b/a America Jet	146,588.45	6.41%
Flower Aviation	136,393.82	5.96%
Schwan's Sales, Inc.	86,112.00	3.76%
Two Rivers Vending Co.,Inc.	53,912.33	2.36%
Johnson Rack, Inc.	46,200.00	2.02%
Learjet Inc.	40,929.52	1.79%
Geocore Services	37,920.00	1.66%
AFK Properties, Inc.	27,540.00	1.20%
Canadian Royal Air Force	26,924.25	1.18%
Federal Aviation Adminis.	24,900.00	1.09%
HRAD Group LLC	24,036.00	1.05%
Air Midwest, Inc.	23,311.98	1.02%
Builders Choice Concrete	19,669.00	0.86%
Kejr, Joe	18,441.78	0.81%
Waddle's Manufacturing & Machine	17,466.00	0.76%
Professional Flight Training, LC	16,561.00	0.72%
United Suppliers, Inc.	15,984.00	0.70%
Scientific Engineering	15,600.00	0.68%
Laas, Brent and Mark	15,348.00	0.67%
ALLTEL Newco No. 4 LLC	14,472.00	0.63%
Bostater Realty, Inc.	14,066.67	0.61%
Triangle Trucking	13,932.00	0.61%

Total Operating Lease and Direct Finance Lease Revenue for 2009 was \$2,288,022
Source: Salina Airport Authority Records

Salina Airport Authority
MILL LEVY REVENUE
 Ten Years Ended December 31, 2009

<u>Fiscal Year</u>	<u>Mil Levy Revenue</u>
2000	\$ 801,237
2001	\$ 795,404
2002	\$ 817,499
2003	\$ 987,970
2004	\$ 1,036,579
2005	\$ 1,058,688
2006	\$ 1,184,481
2007	\$ 1,201,602
2008	\$ 1,256,816
2009	\$ 1,327,647

Source: Salina Airport Authority Records

Salina Airport Authority

AIR TRAFFIC, FUEL FLOWAGE AND ENPLANEMENT TRENDS

Ten Years Ended December 31, 2009

<u>Fiscal Year</u>	<u>Air Traffic Operations</u>	<u>Fuel Flowage Gallons</u>	<u>Scheduled Air Service Enplanements</u>
2000	87,709	4,472,164	10,270
2001	92,870	4,396,429	6,507
2002	95,801	4,695,093	2,565
2003	86,214	4,358,563	2,319
2004	81,465	3,843,330	2,974
2005	86,292	4,162,887	2,339
2006	81,464	3,817,112	2,029
2007	76,479	3,778,792	2,945
2008	71,575	3,114,515	4,654
2009	65,062	2,481,585	2,839

Note:

One air traffic operation equals one aircraft takeoff and landing

Source: Salina Airport Authority Records

Salina Airport Authority

Principal Employers

Current Year and Four Years Prior

Employer	2009			2006 ¹		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Salina Regional Health Center	2,250	1	7.6%	1,600	3	3.7%
Schwan Global Supply Chain, Inc.	1,600	2	5.4%	1,800	1	5.1%
USD #305	1,512	3	5.4%	1,659	2	4.7%
Exide Technologies	750	4	2.5%	750	4	2.1%
Great Plains Manufacturing	650	5	2.2%	-	-	-
City of Salina	500	6	1.6%	723	5	2.0%
Sunflower Bank	500	7	1.6%	0	-	-
Philips Lighting Company	500	8	1.6%	490	7	1.4%
Wal-Mart	400	9	1.3%	421	8	1.2%
Dillons Stores	385	10	1.3%	-	-	0.0%
Blue Beacon International	-	-	-	544	6	1.5%
Asurion, Inc.	-	-	-	374	9	1.0%
Hawker Beachcraft Corp.	-	-	-	350	10	1.0%
Total	<u>9,047</u>		<u>30.5%</u>	<u>8,711</u>		<u>23.7%</u>

Source: Salina Area Chamber of Commerce

¹ - 2000 Historical records not available

Salina Airport Authority
 Saline County Demographic and Economic Statistics
 Last Ten Fiscal Years

<u>Year</u>	<u>Population¹</u>	<u>Per Capita Personal Income¹</u>	<u>Total Personal Income¹</u>	<u>Median Age⁴</u>	<u>Unemployment Rate²</u>	<u>K-12 Graduation Rate³</u>	<u>K-12 Enrollment³</u>
1999	51,617	\$28,800	\$1,462,382,000	n/a	2.9%	81.7%	9,748
2000	53,597	\$28,500	\$1,542,645,000	36.1	3.1%	79.4%	9,694
2001	53,646	\$29,800	\$1,559,890,000	36.4	3.8%	80.8%	9,637
2002	53,910	\$28,500	\$1,506,998,000	36.6	4.1%	85.0%	9,701
2003	53,737	\$28,200	\$1,515,395,000	36.9	4.6%	89.5%	9,587
2004	53,903	\$29,600	\$1,594,274,000	37.0	4.9%	90.4%	9,470
2005	53,919	\$31,500	\$1,657,128,000	37.3	4.4%	92.5%	9,364
2006	54,170	\$33,500	\$1,738,097,000	37.6	3.7%	90.0%	9,433
2007	54,583	\$33,300	\$1,911,583,000	37.9	3.4%	85.2%	9,313
2008	54,657	\$36,700	\$2,006,264,000	38.2	3.9%	86.7%	9,232

Data Sources:

¹Kansas Division of Budget

²Bureau of Labor Statistics

³Kansas Department of Education

⁴U.S. Census Bureau

notes: n/a= information not available

Largest Taxpayers

According to the Saline County Clerk's Office, the following table lists the largest taxpayers in the City, their 2009 assessed valuations, and the percentage each taxpayer comprised of the total assessed valuation of the City.

<u>Company</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Valuation</u>
Schwan's Sales (Tony's Pizza)	Frozen Pizza	\$10,144,446	2.27%
IPOFA Salina Central Mall LLC	Regional Shopping Center	8,704,250	1.94%
Salina Regional Health Center	Hospital and Medical Offices	5,584,461	1.25%
Westar Energy	Utility	5,191,056	1.16%
Wal-Mart Stores	Discount Retail	3,813,855	0.85%
Gateway Adams Inc. (Midstate Plaza)	Shopping Center	3,556,009	0.79%
Kansas Gas Service	Utility	3,499,873	0.78%
Southwestern Bell Telephone	Utility	3,455,419	0.77%
Sunflower Bank	Financial Institution	2,749,200	0.61%
Great Plains Manufacturing	Agricultural Equipment	<u>2,526,984</u>	<u>0.56%</u>
		\$49,225,553	10.99%

Tax Collections

Tax statements are mailed November 1 each year and may be paid in full or one-half on or before December 20 with the remaining one-half due on or before May 10 of the following year. Taxes that are unpaid on the due dates are penalized at a statutorily prescribed rate until paid or until the property is sold for taxes. Real estate bearing unpaid taxes is advertised for sale in July of each year and is sold by the County for taxes and all legal charges on the first Tuesday in September. Properties that are sold and not redeemed within two years after the tax sale are subject to foreclosure sale, except homestead properties which are subject to foreclosure sale after three years.

Personal property taxes are assessed, due and may be paid in the same manner as real estate taxes. Motor vehicle property taxes are based on valuations provided by the Kansas Department of Revenue and the county average tax rate for the county in which the vehicle is registered. Motor vehicle taxes are payable to the county treasurer at the time of the vehicle's annual registration. Vehicle registration dates are assigned by the State in a manner such as to equal registration over a twelve-month period. Motor vehicle taxes are distributed by the county to the state, city and other taxing jurisdictions based on their proportionate tax levies. Delinquent personal and motor vehicle taxes are penalized at the same rate as delinquent real property taxes.

Source: City of Salina



Robert I. Clubine, C.P.A.
David A. Rettele, C.P.A.
Jay D. Langley, C.P.A.
Jon K. Bell, C.P.A.
Leslie M. Corbett, C.P.A.
Stacy J. Osner, C.P.A.

Marci K. Fox, C.P.A.
John T. Millikin, C.P.A.
Linda A. Suelter, C.P.A.

218 South Santa Fe
P.O. Box 2267
Salina, Kansas
67402-2267

Salina
785 / 825-5479
Salina Fax
785 / 825-2446

Ellsworth
785 / 472-3915
Ellsworth Fax
785 / 472-5478

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

To the Board of Directors
Salina Airport Authority

We have audited the financial statements of Salina Airport Authority as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 3, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Kansas Municipal Audit Guide, prescribed by the Director of Accounts and Reports, Department of Administration of the State of Kansas.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Salina Airport Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Salina Airport Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Salina Airport Authority's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Salina Airport Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the City Commission and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

CLUBINE AND RETTELE, CHARTERED

Clubine and Rettelle

June 3, 2010

CLUBINE & RETTELE CHARTERED

Certified Public Accountants



Robert I. Clubine, C.P.A.
David A. Rettele, C.P.A.
Jay D. Langley, C.P.A.
Jon K. Bell, C.P.A.
Leslie M. Corbett, C.P.A.
Stacy J. Osner, C.P.A.

Marci K. Fox, C.P.A.
John T. Millikin, C.P.A.
Linda A. Suelter, C.P.A.

218 South Santa Fe
P.O. Box 2267
Salina, Kansas
67402-2267

Salina
785 / 825-5479
Salina Fax
785 / 825-2446

Ellsworth
785 / 472-3915
Ellsworth Fax
785 / 472-5478

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

To the Board of Directors
Salina Airport Authority

Compliance

We have audited the compliance of Salina Airport Authority, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2009. Salina Airport Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Salina Airport Authority's management. Our responsibility is to express an opinion on Salina Airport Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Salina Airport 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. Our audit does not provide a legal determination on Salina Airport Authority's compliance with those requirements.

In our opinion, Salina Airport Authority complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

The management of Salina Airport Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Salina Airport Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Salina Airport 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, detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, detected and corrected, in a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the City Commission and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

CLUBINE AND RETTELE, CHARTERED

Clubine and Rettele

June 3, 2010

SALINA AIRPORT AUTHORITY
Salina, Kansas

Schedule 1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2009

<u>Federal Grantor / Pass-through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation Airport Improvement Program	20.106	N/A	\$ 2,429,409
ARRA - Airport Improvement Program	20.106	N/A	690,809
U.S. Department of Homeland Security Law Enforcement Officer Reimbursement Agreement Program	97.090	N/A	<u>16,988</u>
Total Expenditures of Federal Awards			<u>\$ 3,137,206</u>

See notes to the schedule of expenditures of federal awards.

SALINA AIRPORT AUTHORITY
Salina, Kansas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2009

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Salina Airport Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SALINA AIRPORT AUTHORITY
Salina, Kansas

Schedule 2

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2009

There are no prior audit findings.

SALINA AIRPORT AUTHORITY
Salina, Kansas

Schedule 3

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2009

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

- | | |
|--|-------------------------------|
| 1. Type of auditor's report issued: | Unqualified |
| 2. Internal control over financial reporting: | |
| Material weaknesses identified? | ___yes <u>X</u> no |
| Significant deficiencies identified that are not considered to be material weaknesses? | ___yes <u>X</u> none reported |
| 3. Noncompliance material to financial statements noted? | ___yes <u>X</u> no |

Federal Awards

- | | |
|---|-------------------------------|
| 1. Internal control over major programs: | |
| Material weaknesses identified? | ___yes <u>X</u> no |
| Significant deficiencies identified that are not considered to be material weaknesses? | ___yes <u>X</u> none reported |
| 2. Type of auditor's report issued in compliance for major programs: | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133: | ___yes <u>X</u> no |
| 4. Identification of major programs: | |
| 20.106 Airport Improvement Program | |
| 5. Dollar threshold to distinguish between Type A and Type B programs: | \$300,000 |
| 6. Auditee qualified as a low-risk auditee? | <u>X</u> yes ___no |

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

SALINA AIRPORT AUTHORITY
Salina, Kansas

Schedule 4

CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2009

None required.

(THIS PAGE LEFT BLANK INTENTIONALLY)

APPENDIX B

Continuing Disclosure Instructions

(THIS PAGE LEFT BLANK INTENTIONALLY)

EXHIBIT B
CONTINUING DISCLOSURE INSTRUCTIONS

SALINA AIRPORT AUTHORITY
(the “Issuer”)

\$11,675,000
TAXABLE GENERAL OBLIGATION TEMPORARY NOTES
SERIES 2010

THESE CONTINUING DISCLOSURE INSTRUCTIONS (the “Disclosure Instructions”) are executed and delivered by the Issuer in connection with the issuance of the above-described notes (the “Notes”) which are being issued simultaneously herewith as of August 30, 2010, pursuant to the Resolution, in which the Issuer covenants to enter into this undertaking to provide certain financial and other information with respect to the Notes in order to assist the Participating Underwriter in complying with the provisions of the SEC Rule. The Issuer is the only “obligated person” with responsibility for continuing disclosure with respect to the Notes.

Section 1. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in these Disclosure Instructions, unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“Annual Report” means any Annual Report provided by the Issuer pursuant to, and as described in, **Section 2** of these Disclosure Instructions.

“Beneficial Owner” means any registered owner of any Notes and any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Notes (including persons holding Notes through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Notes for federal income tax purposes.

“Designated Agent” means Gilmore & Bell, P.C., or one or more other entities designated in writing by the Issuer to serve as a designated agent of the Issuer for purposes of these Disclosure Instructions.

“Dissemination Agent” means any entity designated in writing by the Issuer to serve as dissemination agent pursuant to these Disclosure Instructions and which has filed with the Issuer a written acceptance of such designation substantially in the form attached hereto as **Exhibit B**.

“EMMA” means the Electronic Municipal Market Access system for municipal securities disclosures (www.emma.msrb.org).

“Financial Information” means the financial information of the Issuer described in **Section 2(a)(1)** hereof.

“Fiscal Year” means the one year period ending December 31, or such other date or dates as may be adopted by the Issuer for its general accounting purposes.

“Issuer” means the Authority and any successors or assigns.

“Material Events” means any of the events listed in *Section 3(a)* hereof.

“MSRB” means the Municipal Securities Rulemaking Board.

“Official Statement” means the Issuer’s Official Statement for the Notes.

“Operating Data” means the operating data of the Issuer described in *Section 2(a)(2)* hereof.

“Participating Underwriter” means any of the original underwriters of the Notes required to comply with the SEC Rule in connection with offering of the Notes.

“Repository” means the MSRB via EMMA.

“Resolution” means the resolution of the of the governing body of the Issuer authorizing the issuance of the Notes.

“SEC” means the Securities and Exchange Commission of the United States.

“SEC Rule” means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 2. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of the Issuer’s Fiscal Year, commencing with the Fiscal Year ended in 2010, provide to the Repository, the Issuer’s Financial Information and Operating Data (jointly, the “Annual Report”), as follows:

(1) **Financial Information.** The financial statements of the Issuer for such prior Fiscal Year, accompanied by an audit report resulting from an audit conducted by an Independent Accountant in conformity with generally accepted auditing standards. Such financial statements will be prepared in accordance with GAAP. If such audit report is not available by the time the Annual Report is required to be filed pursuant to this Section, the Annual Report shall contain unaudited financial statements and the audit report and accompanying financial statements shall be filed in the same manner as the Annual Report promptly after they become available. The method of preparation and basis of accounting of the Financial Information may not be changed to a basis less comprehensive than contained in the Official Statement, unless the Issuer provides notice of such change in the same manner as for a Material Event under *Section 3(b)* hereof.

(2) **Operating Data.** Updates as of the end of the Fiscal Year of substantially all of the information and data contained in those sections of the Official Statement entitled as follows:

DEBT SUMMARY

- General Obligation Bonds
- Temporary Notes
- Revenue Bonds

FINANCIAL INFORMATION

- Assessed Valuation
- Estimated Actual Valuation
- Largest Taxpayers
- Tax Levies

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Issuer is an “obligated person” (as defined by the SEC Rule), which have been filed with the Repository, the MSRB or the SEC. If the document included by reference is a final official statement, it must be available from the MSRB via EMMA. The Issuer shall clearly identify each such other document so included by reference. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Section; *provided* that the audit report and accompanying financial statements may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Material Event under **Section 3(b)**.

b) If no Dissemination Agent has been appointed, the Issuer shall file the Annual Report as specified by **Section 2(a)** hereof; or if the Annual Report is not filed within the time period specified in **Section 2(a)** hereof, the Issuer shall send a notice to each Repository in substantially the form attached as **Exhibit A**.

Section 3. Reporting of Material Events.

(a) Pursuant to the provisions of this Section, the Issuer shall give, or cause the Dissemination Agent, if any, to give, notice of the occurrence of any of the following events with respect to the Notes, if the Issuer deems such events to be material:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions or events affecting the tax-exempt status of the Notes;
- (7) modifications to rights of Noteowners;
- (8) optional, contingent or unscheduled note calls;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Notes; or

(11) rating changes.

(b) Such notice shall be given by promptly filing a notice of such occurrence with the Repository. Notwithstanding the foregoing, notice of Material Events described in **subsections (a)(8) and (9)** need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Owners of affected Notes pursuant to the Resolution.

Section 4. Dissemination Agent.

(a) **General.** The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under these Disclosure Instructions, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

(b) **Annual Reports.** If a Dissemination Agent is appointed, not later than 15 Business Days prior to the date specified in **Section 2(a)** for providing the Annual Report to the Repository, the Issuer shall provide the Annual Report to the Dissemination Agent or the Repository. The Dissemination Agent shall file a report with the Issuer certifying that the Annual Report has been provided pursuant to these Disclosure Instructions, stating the date it was provided, or that the Issuer has certified to the Dissemination Agent that the Issuer has provided the Annual Report to the Repository. If the Dissemination Agent has not received an Annual Report or has not received a written notice from the Issuer that it has provided an Annual Report to the Repository, by the date required in **Section 2(a)**, the Dissemination Agent shall send a notice to the Repository in substantially the form attached as **Exhibit A**.

(c) Material Event Notices.

(1) The Dissemination Agent shall, promptly after obtaining actual knowledge of the occurrence of any event that it believes may constitute a Material Event, contact the chief financial officer of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing to the Dissemination Agent from time to time, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to **Section 4(c)(3)**.

(2) The Issuer will promptly respond in writing to any such request. Whenever the Issuer obtains knowledge of the occurrence of a Material Event, because of a notice from the Dissemination Agent pursuant to this **subsection (c)** or otherwise, the Issuer shall promptly determine if such event would be material under applicable federal securities law. If the Issuer has determined that knowledge of the occurrence of a Material Event would be material under applicable federal securities law, the Issuer shall promptly so notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to **Section 4(c)(3)**. If the Issuer has determined that knowledge of a Material Event would not be material under federal securities law, the Issuer shall promptly so notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent not to report the occurrence pursuant to **Section 4(c)(3)**.

(3) If the Dissemination Agent has been given written instructions by the Issuer to report the occurrence of a Material Event, the Dissemination Agent shall

promptly file a notice of such occurrence with the Repository, with copies to the Issuer. Notwithstanding the foregoing, notice of Material Events described in **Sections 3(a)(9)** and **(9)** need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Owners of affected Notes pursuant to the Resolution.

(d) Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in these Disclosure Instructions, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to these Disclosure Instructions.

(e) Other Designated Agents. The Issuer may, from time to time, appoint or designate a Designated Agent to submit Annual Reports, Material Event notices, and other notices or reports pursuant to these Disclosure Instructions. The Issuer hereby appoints the Dissemination Agent and the Designated Agent(s) solely for the purpose of submitting Issuer-approved Annual Reports, Material Event notices, and other notices or reports pursuant to these Disclosure Instructions. The Issuer may revoke this designation at any time upon written notice to the Designated Agent.

Section 5. Termination of Reporting Obligation. The Issuer's obligations under these Disclosure Instructions shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Notes. If the Issuer's obligations hereunder are assumed in full by some other entity as permitted in the Resolution, such person shall be responsible for compliance with under these Disclosure Instructions in the same manner as if it were the Issuer, and the Issuer shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Notes, the Issuer shall give notice of such termination or substitution in the same manner as for a Material Event under **Section 3(b)**.

Section 6. Amendment; Waiver. Notwithstanding any other provision of these Disclosure Instructions, the Issuer and the Dissemination Agent, if any, may amend of these Disclosure Instructions (and the Dissemination Agent shall not unreasonably refuse to execute any amendment so requested by the Issuer) and any provision of these Disclosure Instructions may be waived, provided that: (a) Bond Counsel or other counsel experienced in federal securities law matters provides the Issuer and the Dissemination Agent, if any, with its opinion that the undertaking of the Issuer contained herein, as so amended or after giving effect to such waiver, is in compliance with the SEC Rule and all current amendments thereto and interpretations thereof that are applicable to of these Disclosure Instructions; (b) if the amendment or waiver relates to **Sections 2(a)** or **3(a)**, it may only be made in connection with a change in circumstances that arises from a change in law or legal requirements, or change in the identity, nature or status of an obligated person with respect to the Notes, or the type of business conducted; and (c) the amendment or waiver is either (1) approved by the Owners of the Notes in the same manner as provided in the Resolution with consent of the Owners, or (2) does not in the opinion of Bond Counsel materially impair the interests of the Owners or Beneficial Owners of the Notes.

If there is an amendment or waiver of a provision of these Disclosure Instructions, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative

explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of Financial Information or Operating Data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (a) notice of such change shall be given in the same manner as for a Material Event under **Section 3(b)**, and (b) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 7. Additional Information. Nothing in these Disclosure Instructions shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in these Disclosure Instructions or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by these Disclosure Instructions. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is specifically required by these Disclosure Instructions, the Issuer shall have no obligation under these Disclosure Instructions to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 8. Noncompliance. In the event of a failure of the Issuer or the Dissemination Agent, if any, to comply with any provision of these Disclosure Instructions, the Participating Underwriter or any Beneficial Owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer or the Dissemination Agent, if any, as the case may be, to comply with its obligations under these Disclosure Instructions. Noncompliance with the provisions of these Disclosure Instructions shall not be deemed an Event of Default under the Resolution, and the sole remedy under these Disclosure Instructions in the event of any failure of the Issuer or the Dissemination Agent, if any, to comply with these Disclosure Instructions shall be an action to compel performance.

Section 9. Notices. Any notices or communications to or among any of the parties referenced in these Disclosure Instructions may be given as follows:

(a) To the Issuer at:

3237 Arnold
Salina, Kansas 67401

(b) To the Participating Underwriter at the notice address listed in the Resolution applicable to the Notes at issue.

or such other address as is furnished in writing to the other parties referenced herein.

(c) To the Dissemination Agent at the address set forth on **Exhibit B** attached hereto.

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 10. Electronic Transactions. Actions taken hereunder and the arrangement described herein may be conducted and related documents may be stored by electronic means.

Section 11. Beneficiaries. These Disclosure Instructions shall inure solely to the benefit of the Issuer, the Dissemination Agent, if any, the Participating Underwriter and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

Section 12. Severability. If any provision in these Disclosure Instructions, the Resolution or the Notes relating hereto, shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 13. Governing Law. These Disclosure Instructions shall be governed by and construed in accordance with the laws of the State of Kansas.

SALINA AIRPORT AUTHORITY

(SEAL)

Chairman

Secretary

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Salina Airport Authority

Name of Note Issue: Taxable General Obligation Temporary Notes, Series 2010, dated as of August 15, 2010

Name of Obligated Person: Salina Airport Authority

Date of Issuance: August 30, 2010

NOTICE IS GIVEN that the Salina Airport Authority (the “Issuer”) has not provided an Annual Report with respect to the above-named Notes as required by the Continuing Disclosure Instructions dated as of August 30, 2010. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

SALINA AIRPORT AUTHORITY

By _____

By _____, as
Dissemination Agent

cc: Salina Airport Authority

EXHIBIT B

ACCEPTANCE OF DISSEMINATION AGENT

Name of Issuer: Salina Airport Authority

Name of Note Issue: Taxable General Obligation Temporary Notes, Series 2010, dated as of August 15, 2010

Dissemination Agent:

Notice Address of Dissemination Agent:

_____, having been duly appointed by the Salina Airport Authority to act in the capacity of Dissemination Agent pursuant to the Continuing Disclosure Instructions to which this acceptance is attached, accepts such duties and responsibilities set forth therein.

Dated:

[Name of Dissemination Agent]

By _____

(THIS PAGE LEFT BLANK INTENTIONALLY)