



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
of the
SALINA AIRPORT AUTHORITY
A Component Unit of the
City of Salina, Kansas
For the Fiscal Year Ended December 31, 2011**

Prepared by the Management
of the
Salina Airport Authority
www.salinaairport.com

CUSIP #794760XXX

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For the Fiscal Year Ended December 31, 2011**

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SALINA Airport

Authority

Introduction



Salina, Kan., (May 17, 2011) – Pardon our noise it's the sound of freedom!

Once again the sky of Salina may be louder than usual as our neighbors to the north bring CF-18 Hornets from Canadian Air Force 425 Tactical Fighter Squadron to take advantage of the training and basing opportunities at the Salina Airport Authority and the Smoky Hill Weapons Range.

The “Nighthawks” are supporting the Canadian Army during forward air controller training. The Army FACs will be training to serve as the eyes on the ground for the Air Force pilots. Through a number of methods, FACs communicate with the inbound pilots, guiding them to destroy enemy targets and minimize collateral damage.

Upon completion of their training, Canadian soldiers will deploy to Afghanistan. The Salina Airport Authority is proud to aid the fighting men and women of Canada as they prepare for combat deployments in support of U.S. and Allied Forces.

SALINA Airport Authority

Chairman
Dr. Randy Hassler

Vice Chairman
Daran Neuschafer

Secretary
Jeff Maes

Treasurer
Angela Coble

Past Chairman
Jeff Thompson

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

Mgr. of Administration & Finance Michelle R. Swanson, C.M. Mgr. of Facilities & Construction Kenny Bieker Mgr. of Public Affairs & Communications Melissa McCoy
Board Attorney Greg A. Bengtson

June 20, 2012

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, 2011 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 2011 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, 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 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, if applicable, 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 over 70 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 has long been considered the employment hub of North Central Kansas with nearly 5,000 employees commuting daily to Salina from outside the county. The hub draws from a large 13-county labor pool of 44,919 individuals. Even during these times of economic challenges, the area's unemployment rate has remained below the national average. During 2011 the County's unemployed rate was below the state average every month except December; during which time it was equal to the State's rate ending the year at 6.1%. Salina's visitor count during 2011 is estimated at over 610,000. Recently, lodging revenue reached a record high of over \$20 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 38-county area in North Central Kansas. In the past year, retail sales have increased by 4.9%. Recent retail sales activity in Salina increased at a faster pace as other areas were declining. Salina has a high pull factor of 1.53 reflecting the overall strength of the community as a regional retail draw. Major retail firms opening or expanding in the past few year include Menard's, Kohls, PETCO, Lone Star Steakhouse, Old Navy, Hobby Lobby, Justice, Logan's Roadhouse and Ashley Furniture Store.

Economic Condition of the Airport and Airport Industrial Center

As of December 31, 2011, over 70 businesses and organizations at the Salina Municipal Airport and Airport Industrial Center employed over 3,700 employees with a combined payroll of nearly \$140 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 net, new jobs per year will be added to the economy over the next two to three years.

Salina Aviation Service Center businesses including Kansas State University at Salina continue to work on facility expansion plans. Salina Airport Industrial Center businesses including Schwan's Food Manufacturing Inc. and the Kansas Army National Guard at Salina, also continue to work on facility expansions. Recently two new businesses began operations in the Airport Industrial Center; Universal Forest Products and Tischlerie--Fine Woodworking, LLC. 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 includes specific goals and tasks intended to result in job growth, increased primary jobs payroll, new capital investment and the leasing of available space at the Airport Industrial Center. The Airport Authority contracts the services of Zimmer Real Estate Services and 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

The top initiative will be the continued leasing of facilities vacated as a result of Hawker Beechcraft Corporation (HBC) after closing its Salina operations in 2012. As of May 2012, the Salina Airport Authority had already leased 60,000 sq. ft. of the space vacated by HBC at or above fair market rental rates. Leasing those facilities will help replace the jobs and payroll lost by the Salina community. It will also mean maintaining and replacing the lease revenue stream to the Airport Authority's operating budget. This is vital in order for the Airport Authority to continue to provide the services necessary to operate a world-class airport and airport industrial center.

The completion of capital improvements to existing facilities and the Airport Industrial Center are also a top priority. There is a Capital Improvement Program in place that details more than \$60 million worth of projects to take place within the next five to ten years. These improvements will aid the Airport Authority in filling unused space and continue to offer the superior services and facilities the aviation community has come to expect from Salina.

Other major initiatives include:

- ✦ Development of a new Salina Municipal Airport Master Plan. This report will serve as the guide for airport improvement projects and development for the next 20 years.
- ✦ Construction completion and opening of a new Aircraft Rescue and Fire Fighting Station.
- ✦ Continuation of essential air service development program and activities.
- ✦ Initiate Unmanned Aerial Systems and Remotely Piloted Vehicle Operations from the Airport in coordination with K-State Salina and the Federal Aviation Administration.
- ✦ Maintain intense momentum in recruiting businesses to the Salina Aviation Service Center.
- ✦ Reach a settlement agreement with the Department of Justice to fund the cleanup of environmental contamination caused by military operations at the former Schilling Air Force Base.
- ✦ Completion of concept design and feasibility work for the Wings Over Salina Air Museum.
- ✦ Establishment of new Air Traffic Control procedures to take advantage of the improved radar coverage for civilian and military aircraft operations in the airspace around Salina.
- ✦ Continuation of support for K-State Salina and their Applied Aviation Research Center and Unmanned Aerial Systems Program Office.
- ✦ Support continued growth and development of the Kansas National Guard Great Plains Joint Training Center.
- ✦ Hangar 606 Renovations. This hangar was formerly leased to Hawker Beechcraft and is expected to be used to house two important operations; a dedicated forward operating location for military units deployed to Salina for training and a permanent tenant which intends to establish a flight training facility for high performance turbine aircraft.
- ✦ Upgrades to the Airport's 300,000 gallon underground storage tank fuel farm including enhanced metering and monitoring systems, fuel filtering system and water separators.
- ✦ Implement the recommendations outlined in the 2010 USDA wildlife hazard assessment report for an aggressive wildlife mitigation program for the Salina Airport.

LONG-TERM FINANCIAL PLANNING

Increasing the Authority's unreserved, undesignated fund balance has been a priority of the organization. The Authority Board of Directors has a stated plan of establishing the Authority's cash reserve fund equal to six month's operating expenses or \$1.2 million. The Authority is on track to reach \$1 million by the end of 2012, \$1.1 million at the end of 2013 and the goal of \$1.2 million by the end of 2014.

Also, as part of the strategic plan of recruiting business and industry to fill available facilities vacated by HBC, the Authority has developed a systematic method of evaluating projects including definitive trigger points, lease pro-forma requirements, lease calculation methodology and other qualitative measures prior to capital improvement projects.

GFOA CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Salina Airport Authority for its comprehensive annual financial report for the fiscal year ended December 31, 2010. 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, 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, 2011



**Pictured from left to right:
Jeff Maes, Treasurer; Dr. Randy Hassler, Vice Chairman; Jeffrey R. Thompson, Chairman; Timothy F. Rogers, Executive Director; Julie Sager Miller,
Past Chairman; and Daran Neuschafer, Secretary.**

AUTHORITY'S COUNSEL

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

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, 2011****ADMINISTRATIVE STAFF**

Timothy F. Rogers, A.A.E.	Executive Director
Michelle R. Swanson, C.M.	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
Gretchen Engstrom	Administrative Assistant

FACILITY MAINTENANCE and OPERATIONS

Loren Carleton – Team Leader

Ron Boyd	Rob Pejsha
Kim Colby	Dale Mattison

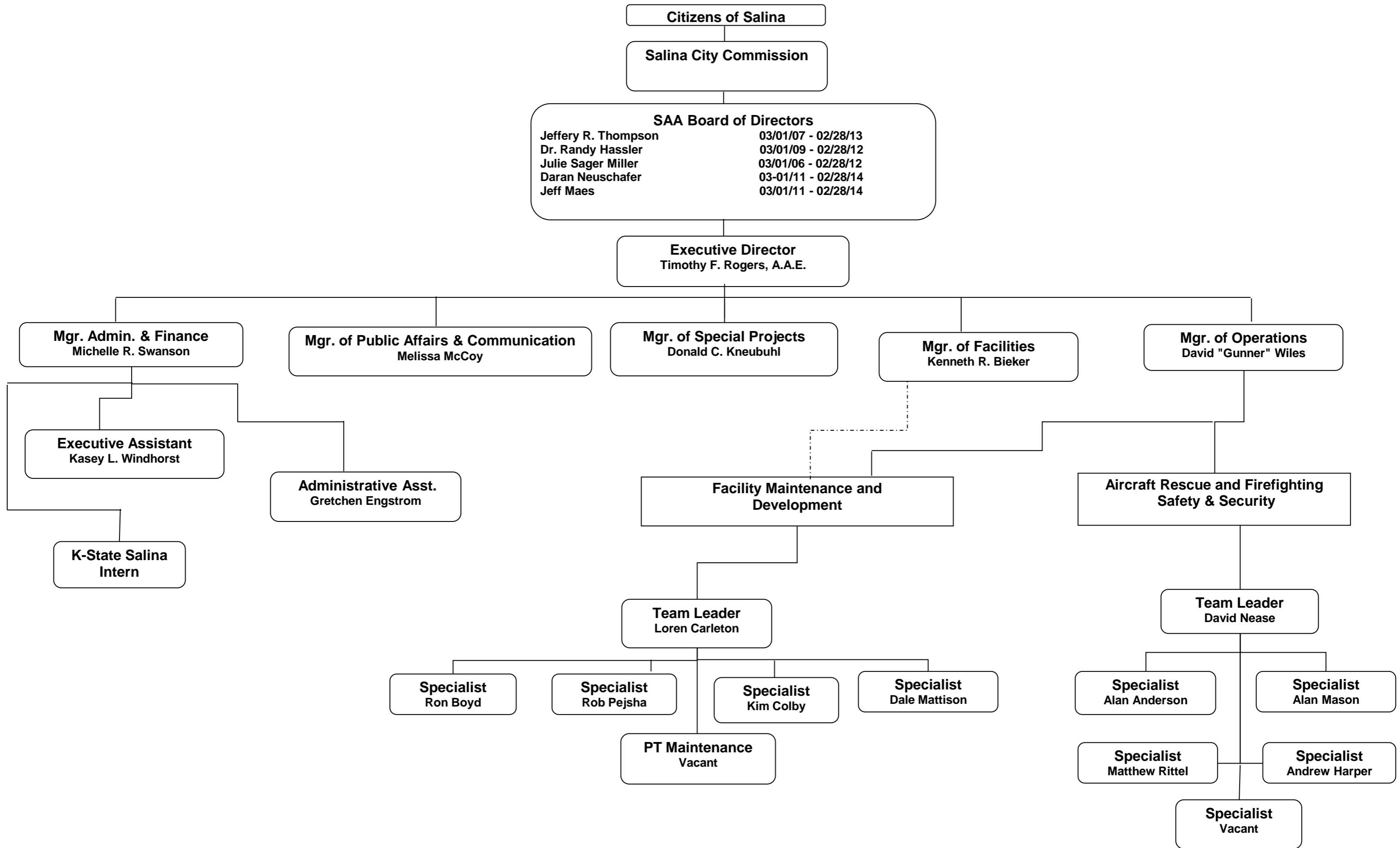
AIRCRAFT RESCUE AND FIREFIGHTING and SAFETY and SECURITY

David Nease – Team Leader

Alan Mason	Andrew Harper
Matthew Rittel	Alan Anderson

SALINA Airport Authority

Organization Chart
December 31, 2011



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, 2010

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.



Linda C. Dandson

President

Jeffrey R. Enos

Executive Director

SALINA Airport *Authority*



SALINA Airport

Authority

Financial



Salina, Kan. (August 29, 2011)- Kansas State University Salina's unmanned aircraft systems program office has landed key authorization from the Federal Aviation Administration that will benefit program offerings and students.

The office recently became one of only a few civil entities granted a certificate of authorization within Class D airspace from the Federal Aviation Administration. The authorization allows the program, based at the Salina Municipal Airport, to operate its unmanned aircraft, an Aerosonde Mk 4.7, in the national airspace system.

"K-State's certificate of authorization allows our students to practice handing control over to the next ground station, practice simulated lost-link procedures, and experience scenario-based mission deployments, all of which will prepare them for possible search-and-rescue mission deployments in the future," said Josh Brungardt, director of the unmanned aircraft systems office. "This certification of authorization enhances the unmanned aircraft training capabilities already available at K-State."

**CLUBINE
&
RETTELE
CHARTERED**

Certified Public Accountants



Robert I. Clubine, C.P.A.
David A. Rettele, C.P.A.
Jay D. Langlely, 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, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions 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, 2011 and 2010, 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 14, 2012, 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 13 through 20 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 supplemental information in 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 supplemental information in the financial section 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 and statistical sections 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 Rettele, Chartered

Salina, Kansas
June 14, 2012

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, 2011.

AIRPORT ACTIVITY AND HIGHLIGHTS

The Salina Air Traffic Control Tower (ATCT) ended 2011 having handled 69,207 aircraft operations. This represented a nearly 15% increase in total aircraft operations over the prior year. The total average increase over the prior year for all Kansas Airports with FAA contract towers was 3%. K-State Salina's expanded helicopter program on the airport has led the upward trend in air traffic.

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 2.4 – 3.8 million gallons of fuel to thousands of business jets, government and military aircraft. In addition, Salina continues to remain strong as a base of operations for military and civilian flight training.

The commercial airline industry is seeing improvements despite the challenges faced by the smaller carriers attempting to serve rural communities such as Salina through the Department of Transportation's (DOT) Essential Air Service Program. The 33% 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 offered multiple weekday and weekend flights to Kansas City while arriving at the end of their two-year EAS contract. As 2009 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.

In early 2010, SeaPort Airlines was awarded the DOT EAS contract for Salina's air service and began three daily flights, six days a week between Salina and Kansas City and began to rebuild the market with excellent customer service, on-time performance, reliability and lower airfares.

During 2011, the Salina Municipal Airport's passenger enplanements increased 59% as a result of SeaPort's continued marketing and excellent customer service and performance. Further detail regarding the Airport's air traffic, fuel flowage and enplanement trends can be found in the statistical section of this report on page 73.

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

	2011	2010	2009
Enplanements - Scheduled Air Carrier & Charter Flights	2,705	1,698	2,447
% increase / (decrease)	59.31%	-30.61%	-33.38%
Aircraft Operations - All Categories	69,207	60,451	65,062
% increase / (decrease)	14.48%	-7.09%	-9.10%
Fuel Flowage - (gallons delivered)	2,386,670	2,763,990	2,481,585
% increase / (decrease)	-13.65%	11.38%	-20.32%

AIRPORT INDUSTRIAL CENTER ACTIVITY AND HIGHLIGHTS

The Authority owns over 1 million sq. ft. of manufacturing, warehouse and office space at the Airport Industrial Center. As further described herein, the building and land revenue generated by the Authority's leasing activity constitutes a significant portion of the annual operating revenue budget. During 2011, building rents equaled \$1,497,710 or 65% of operating revenue. At the end of 2011, the Authority had an occupancy rate of 44% in its building inventory, down significantly from the 82% in 2010. The decrease is a result of the closure of the Hawker Beechcraft Corporation division in Salina as discussed further in this report's Letter of Transmittal.

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 2005 to \$2.3 million in 2011.

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating Revenues	\$ 2,306,965	\$ 2,391,349	\$ 2,098,576
Operating Expenses	<u>(2,156,529)</u>	<u>(2,236,720)</u>	<u>(2,220,128)</u>
Excess before Depreciation and other non-operating income and expenses	150,436	154,629	(121,552)
Depreciation	(2,407,566)	(2,290,253)	(1,748,348)
Excess (loss) before other non-operating income and expenses	(2,257,130)	(2,135,624)	(1,869,900)
Other Non-Operating Income and (Expenses) net	840,573	688,037	387,831
Loss before Capital Contributions	(1,416,557)	(1,447,587)	(1,482,069)
Capital Contributions	<u>457,227</u>	<u>1,172,507</u>	<u>3,770,558</u>
Increase (Decrease) in Net Assets	<u>\$ (959,330)</u>	<u>\$ (275,080)</u>	<u>\$ 2,288,489</u>

SUMMARY OF OPERATIONS HIGHLIGHTS

Significant items affecting the Summary of Operations and Changes in Net Assets for 2011 and 2010 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. On a positive note, airfield revenue during 2010 and 2011 are trending upward after decrease in corporate and general aviation flying due to the economy and harsh winter weather in 2009, which resulted in a 31% decrease in itinerant general aviation operations over 2008. Fortunately, military traffic has remained strong during the recession providing the demand to keep the operations and fuel sales from further downward pressure. Building and land revenue has increased by nearly 70% in the past seven years.
- The Authority has been able to decrease operating expenses for two straight years by reducing costs 4% over 2010 and by 3% over 2009. This was following a 12.3% increase from 2007 to 2008.
 - During 2010 and 2011, 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 in recent years by over 60% by utilizing in-house personnel for items that were previously contracted out to third party vendors.
- Depreciation expense increased due to new construction moving over \$10 million from construction in progress to an asset in service and very capital intensive years from 2007-2010.
- Capital contributions during 2011 were \$443,000 for the design of a new aircraft rescue and fire fighting facility and the addition of an airfield navigational aid (precision approach path indicator, or PAPI). Nearly \$5 million was received during 2009 and 2010 as a result of contributions from seven grants from the Federal Aviation Administration Airport Improvement (AIP) program and two new grants from the Kansas Department of Transportation. During 2009 and 2010 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 2% from 2010 to 2011 and by 33% from 2009 to 2010. Interest received on investments remained flat in 2011 following a decrease of \$64,365 from 2009 to 2010 which was due to a reduction in bond proceeds on deposit as well as a decrease in investment interest rates.

FINANCIAL POSITION SUMMARY

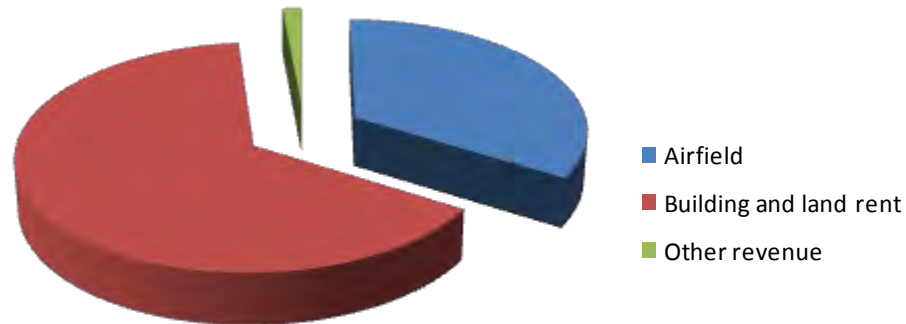
The changes in net assets may serve over time as a useful indicator of a government's financial position. The Authority's assets exceeded liabilities by \$26,830,897 at the close of 2011. A condensed summary of the Authority's total net assets at December 31 is shown below.

By far the largest portion of the Authority's net assets (82%) 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.

	<u>2011</u>	<u>2010</u>	<u>2009</u>
ASSETS			
Current and other assets	\$ 7,261,149	\$ 6,412,368	\$ 4,524,282
Capital assets	<u>48,263,889</u>	<u>48,593,008</u>	<u>47,774,283</u>
Total assets	<u>55,525,038</u>	<u>55,005,376</u>	<u>52,298,565</u>
LIABILITIES			
Long-term debt outstanding	25,025,548	23,775,192	13,260,869
Other liabilities	<u>3,668,593</u>	<u>3,439,957</u>	<u>10,972,389</u>
Total liabilities	<u>28,694,141</u>	<u>27,215,149</u>	<u>24,233,258</u>
NET ASSETS:			
Invested in capital assets, net of related debt	22,084,333	23,717,291	26,410,681
Restricted	-	-	-
Unrestricted	<u>4,746,564</u>	<u>4,072,936</u>	<u>1,654,626</u>
TOTAL NET ASSETS	<u>\$ 26,830,897</u>	<u>\$ 27,790,227</u>	<u>\$ 28,065,307</u>

REVENUES

The following chart shows the major sources and the percentage of total operating revenues for the year ended December 31, 2011:

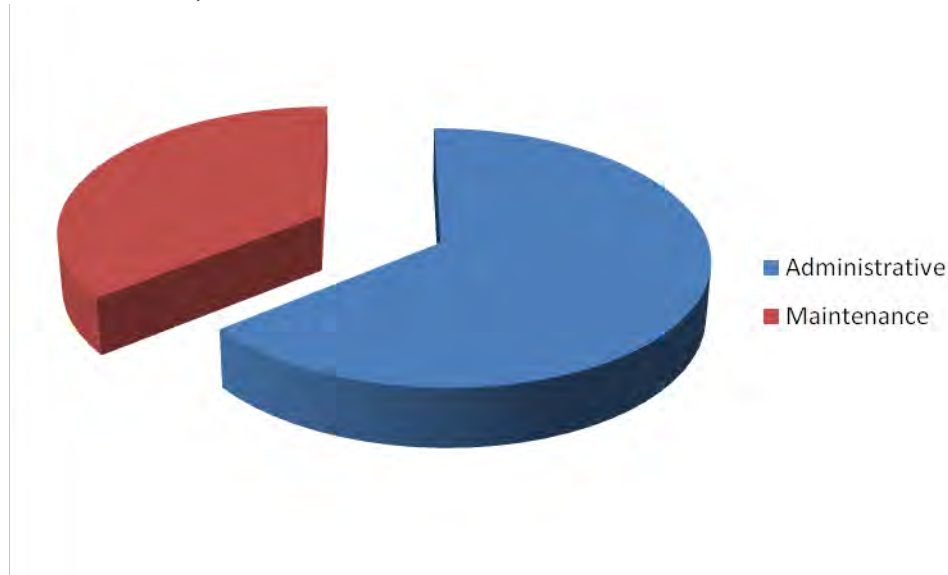


A summary of revenues for the past three years is shown below. Total revenue increased by 1% or \$48,136 from 2010 to 2011 and increased 16.7% increase from 2009 to 2010. The increase in airfield revenue is a result of increased short term leasing activity and increased military hangar leasing activity for forward operating location training.

	2011	2010	2009
Operating Revenue:			
Airfield	\$781,290	\$845,813	\$667,636
Building and land rent	1,491,710	1,497,330	1,402,230
Other revenue	33,965	48,206	28,710
Total Operating	<u>2,306,965</u>	<u>2,391,349</u>	<u>2,098,576</u>
Non-Operating Income:			
Mill Levy	1,795,660	1,768,154	1,327,647
Interest Income	9,856	9,948	74,313
Gain (loss) on sale of assets	19,039	-86,067	0
Total Non-Operating	<u>1,824,555</u>	<u>1,692,035</u>	<u>1,401,960</u>
TOTAL REVENUE	<u><u>\$4,131,520</u></u>	<u><u>\$4,083,384</u></u>	<u><u>\$3,500,536</u></u>

EXPENSES

The following chart shows the major expense categories and the percentage of total operating expenses for the year ended December 31, 2011:



A summary of expenses for the past three years is shown below. Total expenses decreased 3% from 2010 to 2011 and were also within 1% from 2009 to 2010. The Authority has taken significant steps to hold operating expenses in recent years including completing more facility maintenance projects in-house and reducing administrative expenses such as travel and meetings.

	2011	2010	2009
Operating Expenses			
Administrative	\$ 1,385,079	\$ 1,414,922	\$ 1,352,357
Maintenance	771,450	821,798	867,771
Total Operating	<u>2,156,529</u>	<u>2,236,720</u>	<u>2,220,128</u>
Non-Operating Expense			
Interest Expense	954,990	964,069	987,379
Amortization of bond costs	28,992	39,929	26,750
Total Non-Operating	<u>983,982</u>	<u>1,003,998</u>	<u>1,014,129</u>
TOTAL EXPENSES	<u><u>\$ 3,140,511</u></u>	<u><u>\$ 3,240,718</u></u>	<u><u>\$ 3,234,257</u></u>

CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

The Authority acquired \$2,078,448 of capital assets during 2011. Significant items included the design and partial construction of a new Aircraft Rescue and Fire Fighting (ARFF) station. The construction of this project is expected to be completed in 2012 and will be funded primarily through Federal Aviation Administration Airport Improvement Program Grant funds. In addition, 2011 marked the beginning of renovations to several Authority buildings and hangars that were vacated by HBC in the first quarter of the year. 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 (C) 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 \$25,025,548 at December 31, 2011. This debt consists of general obligation bonds, a financing lease and City of Salina special assessments. Maturities range from 2010 through 2031. Both principal and interest are payable from the general revenues of the Authority and mill levy revenue. During 2011, the Authority issued \$14,325,000 in General Obligation Bonds which included moving \$11,675,000 in temporary notes, to permanent financing. Details of the Authority's debt can be found in Note III (D) 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, C.M.
Manager of Administration and Finance

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SALINA AIRPORT AUTHORITY
STATEMENTS OF NET ASSETS

ASSETS	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash	\$ 5,308,083	\$ 4,218,016
Accounts receivable	106,659	210,224
Prepaid expenses	945	17,909
Inventory - Avgas	1,722	2,251
Taxes receivable	<u>1,638,423</u>	<u>1,833,239</u>
 Total Current Assets	 <u>7,055,832</u>	 <u>6,281,639</u>
 LONG-TERM ASSETS		
Capital Assets		
Land	10,818,059	10,449,502
Buildings, improvements and equipment, net of depreciation	35,875,640	36,938,127
Construction in progress	<u>1,570,190</u>	<u>1,205,379</u>
 Total Capital Assets	 48,263,889	 48,593,008
Other Long-Term Assets		
Bond issue costs, less accumulated amortization of \$356,589 and \$327,597 respectively	<u>205,317</u>	<u>130,729</u>
 Total Noncurrent Assets	 <u>48,469,206</u>	 <u>48,723,737</u>
 TOTAL ASSETS	 <u><u>\$ 55,525,038</u></u>	 <u><u>\$ 55,005,376</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>2011</u>	<u>2010</u>
CURRENT LIABILITIES:		
Accounts payable-operations	\$ 32,351	\$ 40,502
Accounts payable-capital purchases	188,351	85,815
Accrued payroll and expenses	66,194	59,047
Accrued property tax	89,978	78,646
Accrued special assessments	12,971	12,506
Sales tax payable	337	358
Deferred tax revenue	1,638,423	1,833,239
Unearned rental income	81,814	25,597
Accrued interest	404,167	203,723
Current maturities of long-term debt	<u>1,154,007</u>	<u>1,100,524</u>
Total Current Liabilities	<u>3,668,593</u>	<u>3,439,957</u>
LONG-TERM LIABILITIES		
Bonds and note payable, less current maturities	<u>25,025,548</u>	<u>23,775,192</u>
Total Liabilities	<u>28,694,141</u>	<u>27,215,149</u>
NET ASSETS		
Invested in capital assets, net of related debt	22,084,333	23,717,291
Unrestricted	<u>4,746,564</u>	<u>4,072,936</u>
Total Net Assets	<u>26,830,897</u>	<u>27,790,227</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 55,525,038</u></u>	<u><u>\$ 55,005,376</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>2011</u>	<u>2010</u>
OPERATING REVENUES		
Airfield	\$ 781,290	\$ 845,813
Building and land rent	1,491,710	1,497,330
Other revenue	33,965	48,206
	<hr/>	<hr/>
Total Operating Revenues	2,306,965	2,391,349
	<hr/>	<hr/>
OPERATING EXPENSES		
Administrative	1,385,079	1,414,922
Maintenance	771,450	821,798
	<hr/>	<hr/>
Total Operating Expenses	2,156,529	2,236,720
	<hr/>	<hr/>
OPERATING INCOME BEFORE DEPRECIATION	150,436	154,629
DEPRECIATION	2,407,566	2,290,253
	<hr/>	<hr/>
OPERATING LOSS	(2,257,130)	(2,135,624)
	<hr/>	<hr/>
NON-OPERATING INCOME AND (EXPENSES)		
Mill levy	1,795,660	1,768,154
Interest on investments and financing lease	9,856	9,948
Interest expense	(983,982)	(1,003,998)
Gain (loss) on sale of assets	19,039	(86,067)
	<hr/>	<hr/>
Total Non-Operating Income and (Expenses)	840,573	688,037
	<hr/>	<hr/>
LOSS BEFORE CAPITAL CONTRIBUTIONS	(1,416,557)	(1,447,587)
CAPITAL CONTRIBUTIONS	457,227	1,172,507
	<hr/>	<hr/>
NET ASSETS		
Increase (decrease) in Net Assets	(959,330)	(275,080)
TOTAL NET ASSETS, beginning of year	27,790,227	28,065,307
	<hr/>	<hr/>
TOTAL NET ASSETS, end of year	\$ 26,830,897	\$ 27,790,227
	<hr/> <hr/>	<hr/> <hr/>

See notes to financial statements.

SALINA AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
(DIRECT METHOD)

	<u>January 1 to December 31</u>	
	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from providing services	\$ 2,466,747	\$ 2,374,283
Cash paid to employees for services	(812,393)	(825,454)
Cash paid to suppliers for goods and services	<u>(1,315,871)</u>	<u>(1,136,760)</u>
Net Cash Provided in Operating Activities	<u>338,483</u>	<u>412,069</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of property, plant and equipment	(1,962,366)	(3,471,985)
Proceeds from capital grants	443,681	1,077,310
Proceeds from property tax	1,795,660	1,768,154
Proceeds (expenses) from sale of capital assets	19,039	(86,067)
Principal payments on debt	(12,756,306)	(8,162,886)
Proceeds of new borrowing	14,060,137	11,675,000
Principal received on financing lease	-	144,485
Bond issue costs paid	(103,580)	(39,535)
Interest paid on long-term debt	<u>(754,537)</u>	<u>(1,145,591)</u>
Net Cash Provided in Capital and Related Financing Activities	<u>741,728</u>	<u>1,758,885</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on deposits	<u>9,856</u>	<u>9,948</u>
INCREASE IN CASH	1,090,067	2,180,902
CASH BALANCE - January 1	<u>4,218,016</u>	<u>2,037,114</u>
CASH BALANCE - December 31	<u>\$ 5,308,083</u>	<u>\$ 4,218,016</u>

The Authority received capital equipment having a fair value of \$95,197 in 2010 and \$13,546 in 2011. 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 C 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>2011</u>	<u>2010</u>
OPERATING LOSS	\$(2,257,130)	\$ (2,135,624)
ADJUSTMENTS RECONCILING OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	2,407,566	2,290,253
Basis of assets sold	-	279,023
CHANGES IN ASSETS AND LIABILITIES:		
Decrease (Increase) in accounts receivable	103,565	(17,066)
Decrease (increase) in prepaid expense	16,964	(16,891)
Decrease (Increase) in inventory	529	(220)
(Decrease) in accounts payable - operations	(8,151)	(6,264)
Increase in accrued payroll expenses	7,147	999
Increase in accrued property tax and special assessments	11,776	19,572
Increase (Decrease) in unearned rental income	<u>56,217</u>	<u>(1,713)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 338,483</u>	<u>\$ 412,069</u>

See notes to financial statements.

Salina Airport Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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, and rental car commissions are reported as operating revenues. Transactions, which are capital, financing or investing related, and the sale of assets, related to economic development, 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 weighted average cost method.

4. Prepaid items

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

5. 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.

6. 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

7. 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, 2011 and 2010 was \$63,760 and \$56,023 respectively.

Balance January 1, 2011	Increase	Decrease	Balance December 31, 2011
\$ 56,023	\$ 7,737	\$ -	\$ 63,760

Balance January 1, 2010	Increase	Decrease	Balance December 31, 2010
\$ 53,778	\$ 2,245	\$ -	\$ 56,023

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, 2011 and 2010, the Authority had cash and cash equivalents as listed below:

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash Balances		
Cash	\$ 5,308,083	\$ 4,218,016
Less undeposited and petty cash	(21,565)	(7,454)
Add uncleared checks	5,949	106,435
	<hr/>	<hr/>
Bank Balance	5,292,467	4,316,997
Less FDIC Coverage	500,000	500,000
Balances Securable by Collateral	<u>\$ 4,792,467</u>	<u>\$ 3,816,997</u>
Security Provided by Depositories	<u>\$ 19,670,378</u>	<u>\$ 5,975,084</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 AAAsf/S1+ by Standard & Poor's as of the date of this report. 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 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>2011</u>	<u>2010</u>
Receivables		
Accounts	\$ 107,643	\$ 211,208
Less: allowance for uncollectibles	<u>(984)</u>	<u>(984)</u>
	106,659	210,224
Taxes	<u>1,638,423</u>	<u>1,833,239</u>
Totals	<u><u>\$ 1,745,082</u></u>	<u><u>\$ 2,043,463</u></u>

C. Capital Assets

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

	Balance January 1, 2011	Additions	Dispositions	Reclassify	Balance December 31, 2011
Capital Assets					
Non-Depreciable					
Land	\$ 10,449,502	\$ 368,557	\$ -	\$ -	\$ 10,818,059
Construction in progress	1,205,379	1,349,037	-	(984,226)	1,570,190
Total Non-Depreciable	<u>11,654,881</u>	<u>1,717,594</u>	<u>-</u>	<u>(984,226)</u>	<u>12,388,249</u>
Depreciable					
Buildings and improvements	22,368,837	112,417	-	-	22,481,252
Airfield and improvements	35,070,665	195,933	-	984,227	36,250,825
Equipment	3,664,439	52,504	-	-	3,716,943
Total Depreciable	<u>61,103,941</u>	<u>360,854</u>	<u>-</u>	<u>984,227</u>	<u>62,449,020</u>
Total Non-Depreciable & Depreciable	<u><u>\$ 72,758,822</u></u>	<u><u>\$ 2,078,448</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 74,837,269</u></u>
Accumulated depreciation					
Buildings and improvements	\$ (6,487,737)	\$ (892,831)	\$ -	\$ -	\$ (7,380,568)
Airfield and improvements	(15,485,968)	(1,250,187)	-	-	(16,736,155)
Equipment	(2,192,109)	(264,548)	-	-	(2,456,657)
Total Accumulated Depreciation	<u>(24,165,814)</u>	<u>(2,407,566)</u>	<u>-</u>	<u>-</u>	<u>(26,573,380)</u>
Total Capital Assets	<u><u>\$ 48,593,008</u></u>	<u><u>\$ (329,118)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 48,263,889</u></u>

	Balance January 1, 2010	Additions	Dispositions	Reclassify	Balance December 31, 2010
Capital Assets					
Non-Depreciable					
Land	\$ 10,045,937	\$ 466,789	\$ (144,289)	\$ 81,065	\$ 10,449,502
Construction in progress	11,225,092	355,919	-	(10,375,632)	1,205,379
Total Non-Depreciable	<u>21,271,029</u>	<u>822,708</u>	<u>(144,289)</u>	<u>(10,294,567)</u>	<u>11,654,881</u>
Depreciable					
Buildings and improvements	15,444,301	579,662	-	6,344,874	22,368,837
Airfield and improvements	29,537,578	1,584,946	-	\$ 3,948,141	35,070,665
Equipment	3,407,089	266,159	(10,360)	1,551	3,664,439
Total Depreciable	<u>48,388,968</u>	<u>2,430,767</u>	<u>(10,360)</u>	<u>10,294,566</u>	<u>61,103,941</u>
Total Non-Depreciable & Depreciable	<u>\$ 69,659,997</u>	<u>\$ 3,253,475</u>	<u>\$ (154,649)</u>	<u>\$ -</u>	<u>\$ 72,758,822</u>
Accumulated depreciation					
Buildings and improvements	\$ (5,624,644)	\$ (863,093)	\$ -	\$ -	\$ (6,487,737)
Airfield and improvements	(14,316,331)	(1,169,637)	-	-	(15,485,968)
Equipment	(1,944,739)	(257,523)	10,153	-	(2,192,109)
Total Accumulated Depreciation	<u>(21,885,714)</u>	<u>(2,290,253)</u>	<u>10,153</u>	<u>-</u>	<u>(24,165,814)</u>
Total Capital Assets	<u>\$ 47,774,283</u>	<u>\$ 963,222</u>	<u>\$ (144,496)</u>	<u>\$ -</u>	<u>\$ 48,593,008</u>

D. Long-Term Liabilities

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

	Balance January 1, 2011	Additions	Reductions	Balance December 31, 2011	Current Maturities December 31, 2011
Long-term Liabilities					
General obligation bonds	\$12,792,154	\$14,056,831	\$ 1,040,000	\$ 25,808,985	\$ 1,090,000
Financing Lease payable	285,796	-	40,238	245,558	42,941
Special assessment debt	145,299	-	20,287	125,012	21,066
General obligation temporary notes	11,652,467	-	11,652,467	-	
Total Long-Term Liabilities	<u>\$24,875,716</u>	<u>\$14,056,831</u>	<u>\$ 12,752,992</u>	<u>\$ 26,179,555</u>	<u>\$ 1,154,007</u>
Current Maturities	(1,100,524)			(1,154,007)	
Long Term Liability Net	<u>\$23,775,192</u>			<u>\$ 25,025,548</u>	

	Balance January 1, 2010	Additions	Reductions	Balance December 31, 2010	Current Maturities December 31, 2010
Long-term Liabilities					
General obligation bonds	\$13,782,154	\$ -	\$ 990,000	\$ 12,792,154	\$ 1,040,000
Financing Lease payable	323,500	-	37,704	285,796	40,238
Special assessment debt	207,948	-	62,649	145,299	20,286
General obligation temporary notes	7,050,000	11,652,467	7,050,000	11,652,467	-
Total Long-Term Liabilities	<u>\$21,363,602</u>	<u>\$11,652,467</u>	<u>\$ 8,140,353</u>	<u>\$ 24,875,716</u>	<u>\$ 1,100,524</u>
Current Maturities	(8,102,733)			(1,100,524)	
Long Term Liability Net	<u>\$13,260,869</u>			<u>\$ 23,775,192</u>	

The following is a detailed listing of the Authority's long-term debt including general obligation bonds, financing lease and special assessment debt at December 31, 2011:

	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Bonds Outstanding</u>
General Obligation Bonds			
General Obligation 2001-A, due 2012	1,385,000	4.45% to 5.60%	175,000
General Obligation 2002-A, due 2012	2,635,000	2.45% to 3.70%	305,000
General Obligation 2005-A, due 2020	3,635,000	4.75% to 5.25%	2,935,000
General Obligation 2007-A, due 2022	1,005,000	4.60% to 6.00%	800,000
General Obligation 2009-A, due 2029	2,025,000	4.31%	1,932,154
General Obligation 2009-B, due 2026	6,080,000	3.00% to 5.50%	5,605,000
General Obligation 2011-A, due 2030	11,820,000	4.64%	11,603,309
General Obligation 2011-B, due 2031	2,505,000	4.28%	2,453,522
Total General Obligation Debt			<u>25,808,985</u>
Financing Lease, due December 2016	425,000	6.609%	<u>245,558</u>
Special Assessment Debt			
Airport Industrial Center, due 2016	565,235	3.79%	104,691
Hangar 600 Sanitary Sewer, due 2021	27,599	4.47%	20,321
Total Special Assessment Debt			<u>125,012</u>
Total Long Term Debt			<u>\$ 26,179,555</u>
Interest Expense in 2010 is as follows:			
General Obligation Bonds			592,272
Special Assessment Debt			5,656
Financing Lease			18,234
Temporary Notes			338,828
			<u>954,990</u>
Add: Amortization of bond costs			<u>28,992</u>
Total Debt Interest Expense			<u>\$ 983,982</u>

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

<u>Year</u>	Bonds		<u>Total</u>
	<u>Outstanding</u>	<u>Interest Due</u>	
2012	1,090,000	1,169,829	2,259,829
2013	895,000	1,096,914	1,991,914
2014	925,000	1,067,866	1,992,866
2015	955,000	1,036,264	1,991,264
2016	990,000	1,001,531	1,991,531
2017-2021	5,600,000	4,370,941	9,970,941
2022-2026	6,965,000	3,006,746	9,971,746
2027-2031	8,750,000	1,218,234	9,968,234
	<u>\$ 26,170,000</u>	<u>\$ 13,968,325</u>	<u>\$ 40,138,325</u>

Annual debt service requirements for Financing Lease payable rental revenues:

<u>Year</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total</u>
2012	42,941	15,531	58,472
2013	45,826	12,646	58,472
2014	48,905	9,567	58,472
2015	52,190	6,282	58,472
2016	55,696	2,776	58,472
	<u>\$ 245,558</u>	<u>\$ 46,802</u>	<u>\$ 292,360</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>
2012	21,066	4,876	25,942
2013	21,876	4,067	25,943
2014	22,717	3,226	25,943
2015	23,590	2,352	25,942
2016	24,497	1,446	25,943
2017-2021	11,268	1,555	12,823
	<u>\$ 125,014</u>	<u>\$ 17,522</u>	<u>\$ 142,536</u>

E. 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>2011</u>	<u>2010</u>
Federal	\$ 26,953,281	\$365,328	\$ 710,275
State	<u>1,593,963</u>	<u>78,353</u>	<u>371,615</u>
Total	<u>\$28,547,244</u>	<u>\$ 443,681</u>	<u>\$1,081,890</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, 2011, 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% for Tier 1 and 6% for Tier 2 employees of covered salary. The employer collects and remits member-employee contributions according to the provisions 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 2011 was 7.74%. The Authority employer contributions to KPERs for the years ending December 31, 2011, 2010 and 2009 were \$60,885, \$65,284 and \$52,641 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 are 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, 2011.

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. As a component unit of the primary government, the Authority is not required to make contributions to 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 Salina Public Entities delivered on or about May 10, 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 planned to file suit against the U.S. if the matter was not settled by the end of May 2010. The Salina Public Entities do not intend to cut off settlement negotiations by the filing of suit, and this has been communicated to the U.S. No remedial action plan or record of decision has been adopted by EPA or KDHE.

On or about May 27, 2010, the Salina Public Entities filed their Complaint against the United States of America, the United States Department of Defense and Secretary of Defense, Robert M. Gates, in his official capacity (collectively, "Defendants"). On or about September 22, 2010, the Salina Public Entities filed their First Amended Complaint in four counts.

On or about October 6, 2010, Defendants filed their motion to dismiss and to strike. On or about March 25, 2011, Judge Murguia entered his Memorandum and Order. The Judge granted the Defendants' motion to dismiss Counts I and II (citizen suit claims) for lack of subject matter jurisdiction. He also granted the Defendants' motion to dismiss the Salina Public Entities' request for attorney fees, with the exception of non-litigation attorney fees. He denied the Defendants' motion to strike the Salina Public Entities' allegations of a conflict of interest. The Salina Public Entities' claims under Counts II and IV for response costs under CERCLA 9607(a) are not affected by the Judge's rulings. The Salina Public Entities disagree with most of the Judge's rulings and plan to take an interlocutory appeal to the Tenth Circuit to contest the rulings. In the Stipulation by Plaintiffs and Defendants filed in U.S. District Court on June 17, 2011, the U.S., on behalf of the Corps, admitted that: "At some point or points between 1942 and 1965, during the time the United States owned or operated the Site, military personnel of the United States used, disposed of and caused the release of hazardous substances at the Site." This is a significant item for the Salina Public Entities as it is the first time since the U.S., on behalf of the Corps, began its investigation in 1991 that the federal government has provided such an admission.

The Salina Public Entities and the U.S. Department of Justice on behalf of the U.S. Army Corps of Engineers are currently and actively involved in court-supervised, non-binding mediation. The mediation process should result in a consent decree providing for federal funds sufficient to enable the Salina Public Entities to initiate cleanup 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>	
2012	833,681
2013	789,418
2014	805,768
2015	746,540
2016	363,127
Later Years	<u>997,318</u>
Total	<u><u>\$ 4,535,852</u></u>

I. Major Customers

The Authority received significant operating revenue from the Kansas Military Board, Hawker Beechcraft Corporation, Learjet, Inc., CAV Aerospace, Flower Aviation, and America Jet. Rent from these six tenants equals 64% of operating and capital lease revenue for the year ended December 31, 2011.

J. Non-Operating Income and (Expense)

Net non-operating income and expense consisted of the following for the years ended December 31, 2011 and 2010:

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Mill levy	\$ 1,795,660	\$ 1,768,154
Interest income	9,856	9,948
Gain (loss) on sale of assets	19,039	(86,067)
Total	<u>\$ 1,824,555</u>	<u>\$ 1,692,035</u>
Interest expense		
General obligation bonds	\$ (592,272)	\$ (674,525)
Special assessment debt	(5,656)	(6,407)
Financing lease	(18,234)	(19,937)
Temporary notes	(338,828)	(263,200)
Amortization of bond issue costs	(28,992)	(39,929)
Total	<u>(983,982)</u>	<u>(1,003,998)</u>
Net non-operating income	<u>\$ 840,573</u>	<u>\$ 688,037</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. During both 2010 and 2011, the Authority paid \$11,400 in rentals. Minimum rentals, on an annual basis are as follows:

<u>Years Ended</u>	
<u>December 31</u>	
2012	11,400
2013	1,900
Total	<u>\$ 13,300</u>

L. Subsequent Events

The Salina Airport Authority's management has evaluated events and transactions occurring after December 31, 2011 through June 14, 2012. The aforementioned date represents the date the financial statements were available to be issued.

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SALINA Airport

Supplemental Information



Salina, Kan., (December 5, 2011) – Nearly 400 people were in attendance Saturday at Salina Airport's Hangar 600 to welcome Santa Claus at Candy Canes and Airplanes. Also in attendance was Mrs. Claus to help Santa hear all the local children's Christmas wishes and find out who was naughty or nice this year.

"Never in my days have I had such a warm welcome like I did in Salina," said Santa regarding his arrival that day. "The children of Salina hold a very special place in my heart and those in attendance definitely made the 'nice list' this year!"

There were nearly a dozen aircraft displayed at Candy Canes and Airplanes including a Pilatus, Husky, Luscombe and Skyhawk but the prized gem was the vintage 1942 Stearman Santa used as his sleigh this year so the reindeer were well rested for Christmas Eve. Santa's sleigh was piloted by Capt. Elvin T. Elf, one of his top helpers at the North Pole. As Santa and Elvin arrived, the children lined the hangar welcoming Santa, renewing the sense of Christmas spirit in the Salina community all over again.

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

	January 1 to December 31	
	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Airfield		
Fuel flowage fees	\$ 167,569	\$ 191,027
Hangar rent	542,858	564,443
Landing fees	3,993	4,885
Ramp rent	66,870	85,458
Total Airfield	<u>781,290</u>	<u>845,813</u>
Agri land rent	59,061	56,337
Building rents	1,182,337	1,187,135
Land rents	241,155	245,915
Tank rent	9,157	7,943
Total Building and Land Rents	<u>1,491,710</u>	<u>1,497,330</u>
Other revenue		
ARFF training	-	6,390
Commissions	13,669	14,847
Sale of avgas	18,992	22,121
Less cost of avgas	(17,555)	(21,171)
Other income	18,859	26,019
Total Other Revenue	<u>33,965</u>	<u>48,206</u>
Total Operating Revenue	<u>\$ 2,306,965</u>	<u>\$ 2,391,349</u>

(continued)

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

	January 1 to December 31	
	<u>2011</u>	<u>2010</u>
OPERATING EXPENSES		
Administrative		
A/E, consultants, brokers	\$ 45,439	\$ 58,211
Airport promotion	31,327	56,933
Bad debt expense	-	5,000
Computer network administration	14,536	17,641
Dues and subscriptions	33,998	29,012
Employee retirement	70,517	65,284
FICA and medicare	60,649	61,480
Industrial development	30,000	30,000
Insurance, property	118,156	139,853
Insurance, medical	203,698	210,982
Kansas unemployment tax	812	1,053
Legal and accounting	47,207	38,953
Office salaries	458,296	443,549
Office supplies	12,626	13,562
Other administrative	15,182	15,226
Postage	3,609	3,611
Property taxes	187,465	177,864
Special events	6,338	5,103
Telephone	17,922	19,979
Travel and meetings	27,302	21,626
	<hr/>	<hr/>
Total Administrative Expenses	<u>\$ 1,385,079</u>	<u>\$ 1,414,922</u>

(continued)

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

	January 1 to December 31	
	<u>2011</u>	<u>2010</u>
MAINTENANCE EXPENSES		
Airfield maintenance	\$ 23,553	\$ 16,532
Airport security	320	(1,798)
Building maintenance	33,904	53,637
Equipment fuel and repairs	88,492	92,226
Fire services	1,593	28,079
Grounds maintenance	1,010	1,677
Maintenance salaries	361,244	381,905
Other maintenance expenses	20,671	28,908
Snow removal expense	35,469	10,685
Utilities	205,194	209,947
	<u>771,450</u>	<u>821,798</u>
Total Maintenance Expenses		
	<u>2,156,529</u>	<u>2,236,720</u>
Total Operating Expenses		
OPERATING INCOME BEFORE DEPRECIATION	150,436	154,629
DEPRECIATION EXPENSE	<u>2,407,566</u>	<u>2,290,253</u>
OPERATING LOSS	<u>(2,257,130)</u>	<u>(2,135,624)</u>
NON-OPERATING INCOME (EXPENSE)		
Mill levy	1,795,660	1,768,154
Interest income	9,856	9,948
Interest expense	(954,990)	(964,069)
Amortization of bond costs	(28,992)	(39,929)
Gain (loss) on sale of assets	19,039	(86,067)
	<u>840,573</u>	<u>688,037</u>
Total Non-Operating Income (Expense)		
LOSS BEFORE CAPITAL CONTRIBUTION	(1,416,557)	(1,447,587)
CAPITAL CONTRIBUTIONS	<u>457,227</u>	<u>1,172,507</u>
DECREASE IN NET ASSETS	(959,330)	(275,080)
NET ASSETS, January 1	<u>27,790,227</u>	<u>28,065,307</u>
NET ASSETS, December 31	<u>\$26,830,897</u>	<u>\$27,790,227</u>

SALINA AIRPORT AUTHORITY
CAPITAL EXPENDITURES

	<u>January 1 to December 31</u> <u>2011</u>
AIRPORT IMPROVEMENTS	
Airport layout plan update	\$ 4,158
Ramp / driveway construction KS National Guard Army Aviation Support Facility	29,841
Airfield pavement rehabilitation	6,997
Aerial photograh	8,444
Airfield perimeter fencing at Hangar 600	850
FBO general aviation terminal access improvements	7,766
North ramp redevelopment design	33,349
Runway 35 Precision approach path indicator	104,106
General aviation hangar design (phase I)	422
Total Airport Improvements	195,933
BUILDINGS	
Hangar 409 improvements	18,588
Bldg. 820 improvements	14,426
Bldg. 824 improvements	4,020
Hangar 606 improvements	31,050
Bldg. 310 improvements	12,660
Bldg. 1105 roof replacement	9,052
Bldg. 700 improvements	7,851
Pumphouse fuel farm 305 improvements	12,070
Airport road facilities; water service line improvements	2,700
Total Buildings	112,417
EQUIPMENT	
2001 International 4700 aircraft rescue and fire fighting command vehicle	4,351
Aircraft rescue and firefighting turnout gear / equipment	1,630
Administrative office equipment	960
Administrative office furniture	4,473
Airfield and building delineator barricades	12,952
Snow removal equipment	2,894
Aircraft rescue and firefighting equipment	9,348
Mobile ramp	2,350
X-ray truck	5,000
Trailer	1,546
Stake truck	4,500
Fork lift truck	2,500
Total Equipment	52,504

SALINA AIRPORT AUTHORITY
CAPITAL EXPENDITURES
(continued)

	January 1 to December 31 2011
CONSTRUCTION IN PROGRESS	
Aircraft rescue and fire fighting station	\$ 539,033.00
Terminal, public viewing area and museum	330,498
Bldg. 620 rehabilitation	13,314
Bldg. 824 rehabilitation	3,862
Jumper road t-hangars	15,720
Hangar 606 rehabilitation	401,946
Hangar 959 rehabilitation	30,345
Pumphouse fuel farm 305 improvements	14,319
Total Construction in Progress	1,349,037
 LAND	
Environmental	368,557
 TOTAL CAPITAL EXPENDITURES	 \$ 2,078,448

SALINA AIRPORT AUTHORITY
 GENERAL OBLIGATION IMPROVEMENT BONDS
 SERIES 2001 - A
 December 31, 2011

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:	\$ 1,210,000
Outstanding balance:	\$ 175,000

Schedule of Bond Interest and Principal Payments

<u>Due in Year</u>	<u>Bond Interest</u>	<u>Bond Principal</u>
2012	9,800	175,000
	\$ 9,800	\$ 175,000

SALINA AIRPORT AUTHORITY
 GENERAL OBLIGATION IMPROVEMENT BONDS
 SERIES 2002 - A
 December 31, 2011

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:	\$ 2,330,000
Outstanding balance:	\$ 305,000

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>
2012	<u>11,285</u>	<u>305,000</u>
	<u>\$ 11,285</u>	<u>\$ 305,000</u>

SALINA AIRPORT AUTHORITY
 GENERAL OBLIGATION IMPROVEMENT BONDS
 SERIES 2005 - A
 December 31, 2011

Date of issue:	August 1, 2005
Amount of issue:	\$ 3,635,000
	4.75% to 5.25%
Maturity date:	September 1, 2020
Principal paid:	\$ 700,000
Outstanding balance:	\$ 2,935,000

Schedule of Bond Interest and Principal Payments

<u>Due in Year</u>	<u>Bond Interest</u>	<u>Bond Principal</u>
2012	147,926	260,000
2013	134,275	275,000
2014	119,838	290,000
2015	104,612	305,000
2016	88,600	320,000
2017-2020	190,150	1,485,000
	<u>\$ 785,401</u>	<u>\$ 2,935,000</u>

SALINA AIRPORT AUTHORITY
 GENERAL OBLIGATION IMPROVEMENT BONDS
 SERIES 2007-A
 December 31, 2011

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:	\$ 205,000
Outstanding balance:	\$ 800,000

Schedule of Bond Interest and Principal Payments

<u>Due in Year</u>	<u>Bond Interest</u>	<u>Bond Principal</u>
2012	40,490	55,000
2013	37,603	55,000
2014	34,743	60,000
2015	31,983	65,000
2016	28,928	70,000
2017-2022	95,230	495,000
	<u>\$268,977</u>	<u>\$ 800,000</u>

SALINA AIRPORT AUTHORITY
 GENERAL OBLIGATION BONDS
 SERIES 2009-A
 December 31, 2011

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 Year</u>	<u>Bond Interest</u>	<u>Bond Principal</u>
2012	85,648	-
2013	85,648	-
2014	85,648	-
2015	85,648	-
2016	85,648	-
2016-2029	<u>1,007,494</u>	<u>2,025,000</u>
	<u>\$ 1,435,733</u>	<u>\$ 2,025,000</u>

SALINA AIRPORT AUTHORITY
 TAXABLE GENERAL OBLIGATION BONDS
 SERIES 2009-B
 December 31, 2011

Date of issue:	June 1, 2009
Amount of issue:	\$ 6,080,000
Interest rate:	4.998%
Maturity date:	September 1, 2026
Principal paid:	\$ 475,000
Outstanding balance:	\$ 5,605,000

Schedule of Bond Interest and Principal Payments

<u>Due in Year</u>	<u>Bond Interest</u>	<u>Bond Principal</u>
2012	253,275	295,000
2013	244,425	305,000
2014	235,275	315,000
2015	225,038	325,000
2016	213,663	335,000
2017-2026	<u>1,177,612</u>	<u>4,030,000</u>
	<u>\$ 2,349,288</u>	<u>\$ 5,605,000</u>

SALINA AIRPORT AUTHORITY
 TAXABLE GENERAL OBLIGATION Bonds
 SERIES 2011-A
 December 31, 2011

Date of issue:	August 17, 2011
Amount of issue:	\$ 11,820,000
Interest rate:	4.64%
Maturity date:	September. 1, 2030
Principal paid:	\$ -
Outstanding balance:	\$ 11,820,000

Schedule of Bond Interest and Principal Payments

<u>Due in Year</u>	<u>Bond Interest</u>	<u>Bond Principal</u>
2012	513,483	-
2013	751,633	260,000
2014	489,032	260,000
2015	489,033	260,000
2016	481,362	265,000
2017-2030	<u>4,336,422</u>	<u>10,775,000</u>
	<u>\$ 7,060,965</u>	<u>\$ 11,820,000</u>

SALINA AIRPORT AUTHORITY
 GENERAL OBLIGATION Bonds
 SERIES 2011-B
 December 31, 2011

Date of issue:	August 17, 2011
Amount of issue:	\$ 2,505,000
Interest rate:	4.280%
Maturity date:	September. 1, 2031
Principal paid:	\$ -
Outstanding balance:	\$ 2,505,000

Schedule of Bond Interest and Principal Payments

<u>Due in Year</u>	<u>Bond Interest</u>	<u>Bond Principal</u>
2012	107,924	-
2013	103,331	-
2014	103,331	-
2015	103,331	-
2016	103,331	-
2017-2031	<u>1,525,632</u>	<u>2,505,000</u>
	<u>\$ 2,046,880</u>	<u>\$ 2,505,000</u>

SALINA AIRPORT AUTHORITY
 SPECIAL ASSESSMENT DEBT-STREET AND UTILITY IMPROVEMENT
 Airport Industrial Center Subdivision
 December 31, 2011

Date of loan:	September 11, 2002
Amount of loan:	\$ 306,582
Interest rate:	3.79%
Maturity date:	October 1, 2016
Principal paid:	\$ 201,891
Outstanding balance:	\$ 104,691

Schedule of Loan Interest and Principal Payments

<u>Due in Year</u>	<u>Loan Interest</u>	<u>Loan Principal</u>
2012	3,968	19,410
2013	3,232	20,146
2014	2,469	20,909
2015	1,676	21,702
2016	854	22,524
	<u>\$ 12,199</u>	<u>\$ 104,691</u>

SALINA AIRPORT AUTHORITY
 SPECIAL ASSESSMENT DEBT-SANITARY SEWER EXTENSION
 HANGAR 600
 December 31, 2011

Date of loan:	April 23, 2007
Amount of loan:	\$ 27,599
Interest rate:	4.47%
Maturity date:	December 20, 2021
Principal paid:	\$ 7,278
Outstanding balance:	\$ 20,321

Schedule of Loan Interest and Principal Payments

<u>Due in Year</u>	<u>Loan Interest</u>	<u>Loan Principal</u>
2012	908	1,656
2013	834	1,730
2014	757	1,808
2015	676	1,888
2016	592	1,973
2017-2021	1,555	11,266
	<u>\$ 5,322</u>	<u>\$ 20,321</u>

SALINA AIRPORT AUTHORITY
FINANCING LEASE PAYABLE
December 31, 2011

Date of loan:	September 28, 2006
Amount of loan:	\$ 425,000
Interest rate:	6.609%
Maturity date:	September 1, 2016
Principal paid:	\$ 179,442
Outstanding balance:	\$ 245,558

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>
2012	15,531	42,941
2013	12,646	45,826
2014	9,567	48,905
2015	6,282	52,190
2016	2,776	55,696
	<u>\$ 46,802</u>	<u>\$ 245,558</u>

SALINA AIRPORT AUTHORITY
INSURANCE IN FORCE
December 31, 2011

<u>Insurance Policy</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Employers Insurance of Wausau on behalf of USAIG Pol. #WCK-Z91-547496-011	Workmen's Compensation and Employer's Liability	\$ 500,000
National Union Fire Ins. Co. of Pittsburgh, PA Pol. #AP3229456-17	Bodily Injury & Liability Hangar Keepers	\$ 1,000,000 \$ 1,000,000
Travelers		
Pol. #H-630-500M7740-TIL-11	Deluxe Property-Buildings, business personal property and equipment breakdown (including boiler and machinery) Business Income	\$30,606,664 \$ 2,290,175
Pol. #BA-509M748-11-PUB	Vehicles & Equipment Liability Medical payments Uninsured motorists	\$ 1,000,000 \$ 5,000 \$ 1,000,000
Pol. #H-630-500M7740-TIL-11	Inland Marine - Equipment	\$ 2,682,416
ITT Hartford Pol. #37BPEAG4896	Crime Policy Employee theft - per employee	\$ 100,000
Chartis Pol. #WED4KS007299305	Public Officials and Employment Practices Liability Each claim Aggregate limit	\$ 2,000,000 \$ 2,000,000
Great American Alliance Ins. Co. Pol. # KST 788-29-33-17	Kansas Underground Storage Tank Liability Environmental Incident Annual aggregate Limit of defense	\$ 1,000,000 \$ 1,000,000 \$ 100,000
American Safety Insurance Pol. #179E01178-09-02	Storage Tank Pollution Liability Coverage Per confirmed release limit Policy aggregate limit Limit of defence	\$ 1,000,000 \$ 1,000,000 \$ 250,000

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SALINA Airport

Authority

Statistical



Salina, Kan., (February 9, 2011) – Representatives of the Salina Airport Authority, City of Salina, Saline County, Great Plains Joint Training Center and the Salina Area Chamber of Commerce met with area press to discuss an economic impact study conducted by the Center for Economic Development and Business Research, W. Frank Barton School of Business, Wichita State University.

“We submit data related to all business, military and university-related jobs and activities (for direct impact data),” said Salina Airport Authority Executive Director Tim Rogers, A.A.E.

Today, the total employment impact of the Salina Airport and Airport Industrial Center exceeds 10,000 workers and more than \$323 million in annual payroll. Net tax impacts are estimated at nearly \$16 million when combining impacts to Salina, Saline County and Kansas. Taxes to the city of Salina exceed \$2 million while taxes to Saline County are more than \$1.5 million. The state of Kansas realized more than \$12.1 million in net taxes.

STATISTICAL

This part of the Salina Airport Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

Financial Trends 64-68

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Debt Capacity 69

This schedule presents information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future

Revenue Capacity 70-72

These schedules contain information to help the reader assess the government's revenue source

Operating Information 73

This schedule contains service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Demographic and Economic Information 74-77

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

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

	2002	2003	2004
TOTAL REVENUES			
OPERATING REVENUES			
Airfield	4,514	190,367	204,310
Fuel flowage fees	278,948	257,475	235,362
Building and land rent	1,034,989	916,585	890,631
Other revenue	39,173	29,501	21,874
TOTAL OPERATING REVENUES	1,357,624	1,393,928	1,352,177
TOTAL EXPENSES			
OPERATING EXPENSES			
Administrative	751,734	825,064	928,769
Maintenance	430,530	475,204	465,326
TOTAL OPERATING EXPENSES	1,182,264	1,300,268	1,394,095
OPERATING INCOME BEFORE DEPRECIATION	175,360	93,660	(41,918)
DEPRECIATION	974,140	1,022,474	1,151,664
OPERATING LOSS	(798,780)	(928,814)	(1,193,582)
NON-OPERATING INCOME AND (EXPENSES)			
Mill levy	817,499	987,970	1,036,579
Interest on investments and financing lease	147,763	128,640	126,949
Interest expense	(319,167)	(344,353)	(348,784)
Gain (loss) on sale of assets	29,455	(6,631)	59,943
TOTAL NON-OPERATING INCOME AND (EXPENSES)	675,550	765,626	874,687
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(123,230)	(163,188)	(318,895)
CAPITAL CONTRIBUTIONS	144,005	434,763	2,289,342
NET ASSETS			
Increase in Net Assets	20,775	271,575	1,970,447
TOTAL NET ASSETS, beginning of year	19,737,698	19,758,473	20,030,048
Invested in capital assets, net of related debt	15,418,378	17,711,718	18,468,297
Restricted	85,000	85,000	85,000
Unrestricted	4,255,095	2,233,330	3,447,198
TOTAL NET ASSETS, end of year	\$ 19,758,473	\$ 20,030,048	\$ 22,000,495

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

2005	2006	2007	2008	2009	2010	2011
237,506	263,524	376,553	470,182	502,193	654,786	613,721
259,981	247,740	246,113	210,292	165,443	191,027	167,569
1,106,146	1,294,166	1,525,071	1,407,984	1,402,230	1,497,330	1,491,710
49,654	70,605	53,772	47,591	28,710	48,206	33,965
1,653,287	1,876,035	2,201,509	2,136,049	2,098,576	2,391,349	2,306,965
1,039,270	1,043,176	1,161,530	1,303,374	1,352,357	1,414,922	1,385,079
618,346	627,546	807,485	941,926	867,771	821,798	771,450
1,657,616	1,670,722	1,969,015	2,245,300	2,220,128	2,236,720	2,156,529
(4,329)	205,313	232,494	(109,251)	(121,552)	154,629	150,436
1,392,316	1,580,750	1,650,187	1,606,811	1,748,348	2,290,253	2,407,566
(1,396,645)	(1,375,437)	(1,417,693)	(1,716,062)	(1,869,900)	(2,135,624)	(2,257,130)
1,058,688	1,184,481	1,201,602	1,256,816	1,327,647	1,768,154	1,795,660
118,087	148,936	241,478	185,215	74,313	9,948	9,856
(374,851)	(500,431)	(774,315)	(1,022,539)	(1,014,129)	(1,003,998)	(983,982)
204,083	10,777	281,803	16,321	-	(86,067)	19,039
1,006,007	843,763	950,568	435,813	387,831	688,037	840,573
(390,638)	(531,674)	(467,125)	(1,280,249)	(1,482,069)	(1,447,587)	(1,416,557)
3,186,636	1,204,559	404,773	1,650,041	3,770,558	1,172,507	457,227
2,795,998	672,885	(62,352)	369,792	2,288,489	(275,080)	(959,330)
22,000,495	24,796,493	25,469,378	25,407,026	25,776,818	28,065,307	27,790,227
24,193,395	24,442,779	13,515,783	24,471,896	26,410,681	23,717,291	22,084,333
85,000	85,000					
518,098	941,600	11,891,243	1,304,922	1,654,626	4,072,936	4,746,564
\$24,796,493	\$25,469,378	\$25,407,026	\$25,776,818	\$28,065,307	\$27,790,227	\$26,830,897

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

	2002	2003	2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from providing services	\$1,503,652	\$1,374,310	\$1,459,696
Cash paid to employees for services	(450,013)	(462,822)	(472,178)
Cash paid to suppliers for goods and services	(748,272)	(837,530)	(871,435)
NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES:	305,367	73,958	116,083
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of property, plant and equipment	(2,176,229)	(2,319,249)	(4,126,043)
Purchases in satisfaction of maintenance agreement	(19,095)	(9,736)	(5,863)
Proceeds from capital grants	144,005	434,763	2,289,342
Return of capital grant proceeds	-	-	-
Proceeds from property tax	817,499	987,970	1,036,579
Proceeds from sale of capital assets			
Principal payments on debt	(694,761)	(1,046,750)	(988,922)
Proceeds of new borrowing	3,200,235	-	3,255,000
Principal received on financing lease	75,541	81,911	88,823
Interest received on financing lease	113,905	107,535	100,623
Principal received on long-term note	-	-	-
Principal received on refunding debt	-	-	-
Bond defeasance and issue costs paid	(26,119)	-	(6,147)
Interest paid on long-term bonds	(262,795)	-	-
Interest paid on long-term debt	-	(338,703)	(294,691)
NET CASH PROVIDED (USED) IN CAPITAL AND RELATED FINANCING ACTIVITIES	1,172,186	(2,102,259)	1,348,701
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on deposits	30,921	25,475	28,960
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,508,474	(2,002,826)	1,493,744
CASH AND CASH EQUIVALENTS, beginning of year	1,962,628	3,471,102	1,468,276
CASH AND CASH EQUIVALENTS, end of year	\$3,471,102	\$1,468,276	\$2,962,020

Note: In 2010, the SAA began classifying the sale of assets as "non-operating" income.

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

2005	2006	2007	2008	2009	2010	2011
\$2,107,817	\$1,993,164	\$ 4,588,310	\$ 2,426,455	\$ 1,974,744	\$2,374,283	\$ 2,466,747
(504,691)	(552,966)	(638,839)	(790,936)	(830,298)	(825,454)	(812,393)
(1,157,454)	(1,087,149)	(1,281,618)	(1,475,036)	(1,457,074)	(1,136,760)	(1,315,871)
445,672	353,049	2,667,853	160,483	(312,628)	412,069	338,483
(5,948,674)	(5,130,780)	(3,242,102)	(8,663,391)	(6,999,968)	(3,471,985)	(1,962,366)
(1,350)	(15,143)	(21,601)	(7,912)	(3,445)	-	-
3,186,636	1,204,559	404,773	1,552,002	3,674,507	1,077,310	443,681
-	-	-	-	-	-	-
1,058,688	1,184,481	1,201,602	1,256,816	1,327,647	1,768,154	1,795,660
(4,388,400)	(1,019,673)	(1,048,833)	(3,946,317)	(4,739,437)	(8,162,886)	(12,756,306)
3,635,000	3,350,000	12,007,599	-	8,012,154	11,675,000	14,060,137
96,320	104,453	113,279	122,855	133,242	144,485	-
93,126	84,993	76,167	66,592	56,204	-	-
-	-	-	-	-	-	-
(22,183)	(13,024)	(59,955)	-	(75,986)	(39,535)	(103,580)
-	-	-	-	-	-	-
(356,080)	(407,795)	(376,499)	(1,249,490)	(922,725)	(1,145,591)	(754,537)
(2,646,917)	(657,929)	9,054,430	(10,868,845)	462,193	1,758,885	741,728
25,463	68,896	182,515	125,309	15,550	9,948	9,856
(2,175,782)	(235,984)	11,904,798	(10,583,053)	165,115	2,180,902	1,090,067
2,962,020	786,238	550,254	12,455,052	1,871,999	2,037,114	4,218,016
\$ 786,238	\$ 550,254	\$ 12,455,052	\$ 1,871,999	\$ 2,037,114	\$ 4,218,016	\$ 5,308,083

Salina Airport Authority

CAPITAL EXPENDITURE HISTORY

Ten Years Ended December 31, 2011

<u>Fiscal Year</u>	<u>Equipment</u>	<u>Building Additions</u>	<u>Land</u>	<u>Infrastructure</u>	<u>Airfield</u>	Construction in <u>Progress</u>	<u>Total Capital Expenditures</u>
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
2010	266,159	579,662	466,789	-	1,584,946	355,919	3,253,475
2011	52,504	112,417	368,557	-	195,933	1,349,037	2,078,448

Source: Salina Airport Authority Records

Salina Airport Authority
General Obligation Debt Service Coverage
 Ten Fiscal Years Ended December 31, 2011

Fiscal Year	November Assessed Valuation	Motor Vehicle Valuation	Valuation Total	Capacity of Valuation Total	General Obligation Debt	Special Assessment Debt	Financing Leases Payable	Temporary Notes	Remaining Capacity	Total Debt Per Capita
2002	317,134,605	45,965,839	363,100,444	10,893,013	7,160,000	536,563	-	-	3,733,013	143
2003	328,593,726	46,679,292	375,273,018	11,258,191	6,265,000	506,804	-	-	4,993,191	126
2004	335,262,182	48,687,121	383,949,303	11,518,479	8,690,000	475,917	-	-	2,828,479	170
2005	352,823,785	49,367,870	402,191,655	12,065,750	8,220,000	326,619	-	-	3,845,750	159
2006	377,917,187	50,551,299	428,468,486	12,854,055	10,295,000	302,137	425,000	-	2,559,055	203
2007	392,728,487	50,548,706	443,277,193	44,327,719	7,490,000	255,270	391,932	13,900,000	22,937,719	404
2008	399,982,148	51,351,656	451,333,804	45,133,380	6,525,000	232,054	358,831	10,975,000	27,633,380	331
2009	397,470,626	50,330,252	447,800,878	44,780,088	13,875,000	207,948	323,500	7,050,000	23,855,088	395
2010	400,248,283	48,184,331	448,432,614	44,843,261	12,885,000	145,299	285,796	11,675,000	20,283,261	441
2011	402,354,576	47,406,062	449,760,638	44,976,064	26,170,000	125,014	245,558	-	18,806,064	482

Note: Details regarding the Authority's outstanding debt can be found in the notes to the financial statements
 The special assessment and financing lease payable debt figures are shown for informational purposes only and not required by statute to be included in the remaining capacity calculation.
 See the Schedule of Demographic and Economic Statistics on page 76 for personal income and population data

Salina Airport Authority

LOCAL GOVERNMENT MILL LEVY RATES, DIRECT AND OVERLAPPING

Ten Years Ended December 31, 2011

<u>Fiscal Year</u>	<u>Saline County</u>	<u>City of Salina</u>	<u>Unified School Dist. #305</u>	<u>Salina Airport Authority</u>	<u>State of Kansas</u>	<u>Other Special Taxing Districts</u>	<u>Total</u>
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
2010	31.432	26.022	59.913	4.055	1.5	6.576	129.498
2011	32.576	26.272	58.82	4.007	1.5	6.471	129.646

Note:

Funds generated from the Salina Airport Authority's 2011 mill levy become available during calendar year 2012 and are budgeted accordingly.

Source: Saline County Clerk

Salina Airport Authority
Principal Customers
Year Ended December 31, 2011

Company	2011			2002		
	<u>Revenue</u>	<u>Rank</u>	<u>% of Operating & Direct Finance Lease Revenue</u>	<u>Revenue</u>	<u>Rank</u>	<u>% of Operating & Direct Finance Lease Revenue</u>
Kansas Military Board	\$589,028	1	25.53%	-	-	-
Hawker Beechcraft Corp. (formerly Raytheon Aircraft Co.)	236,473	2	10.25%	260,216	1	16.82%
Learjet Inc.	187,108	3	8.11%	-	-	-
CAV Aerospace, Inc.	168,756	4	7.32%	-	-	-
JRM Enterprises, Inc, d/b/a America Jet (formerly Moore's Midway Aviation)	156,849	5	6.80%	188,849	3	12.21%
Flower Aviation	141,709	6	6.14%	143,310	4	9.26%
Schwan's Global Supply Chain	107,179	7	4.65%	86,097	5	5.57%
Two Rivers Vending Co.,Inc.	53,210	8	2.31%	20,935	10	1.35%
Canadian Royal Air Force	51,109	9	2.22%	-	-	-
Kansas State University-Salina	44,496	10	1.93%	219,719	2	14.20%

Salina Airport Authority

MILL LEVY REVENUE

Ten Years Ended December 31, 2011

<u>Fiscal Year</u>	<u>Mil Levy Revenue</u>
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
2010	1,768,154
2011	1,795,660

Source: Salina Airport Authority Records

Salina Airport Authority

AIR TRAFFIC, FUEL FLOWAGE AND ENPLANEMENT TRENDS

Ten Years Ended December 31, 2011

<u>Fiscal Year</u>	<u>Air Traffic Operations</u>	<u>Fuel Flowage Gallons</u>	<u>Passenger Enplanements</u>		<u>Total Enplanements</u>
			<u>Scheduled Air Carrier</u>	<u>Non-Scheduled Air Carrier</u>	
2002	95,801	4,695,093	2,439	899	3,338
2003	86,214	4,358,563	2,558	2,405	4,963
2004	81,465	3,843,330	2,802	3,299	6,101
2005	86,292	4,162,887	2,346	459	2,805
2006	81,464	3,817,112	1,854	1,023	2,877
2007	76,479	3,778,792	2,504	1,623	4,127
2008	71,575	3,114,515	3,673	1,497	5,170
2009	65,062	2,481,585	2,447	421	2,868
2010	60,451	2,763,990	1,698	1,446	3,144
¹ 2011	69,207	2,386,134	2,705	-	-

Note:

One air traffic operation equals one aircraft takeoff and landing

Sources:

Salina Airport Authority Records

Federal Aviation Administration Office of Airport Planning and Program

¹ FAA non-scheduled air carrier data not available until July of the following calendar year

Salina Airport Authority
Principal Employers
 Current Year and Five Years Prior

Employer	2011			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>
Schwan's Global Supply Chain, Inc.	1,800	1	5.2%	1,800	1	5.1%
USD #305	1,659	2	4.8%	1,659	2	4.7%
Salina Regional Health Center	1,300	3	3.8%	1,600	3	3.7%
Exide Technologies	750	4	2.2%	750	4	2.1%
Philips Lighting Company	490	5	1.4%	490	7	1.4%
City of Salina	465	6	1.3%	723	5	2.0%
Wal-Mart	421	7	1.2%	421	8	1.2%
Dillons Stores	343	8	1.0%	-	-	0.0%
Solomon Corporation	324	9	0.9%	-	-	-
Great Plains Manufacturing	250	10	0.7%	-	-	-
Blue Beacon International	-	-	-	544	6	1.5%
Asurion, Inc.	-	-	-	374	9	1.0%
Hawker Beechcraft Corp.	-	-	-	350	10	1.0%
Total	7,802		22.5%	8,711		23.7%

Source: Salina Area Chamber of Commerce

¹ - 2002 Historical records not available

Salina Airport Authority
Full-time Equivalent Government Employees by Function
 Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of December 31										
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Administration	4	4	4	4	4	5	6	7	7	7	7
¹ Aircraft Rescue and Firefighting (ARFF) and Operations	4	3	3	3	3	3	6	6	6	5	5
¹ Airport and Industrial Center Maintenance	4	4	4	4	4	4	5	5	5	5	5
Total	<u>12</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>12</u>	<u>17</u>	<u>18</u>	<u>18</u>	<u>17</u>	<u>17</u>

Total

Source: Salina Airport Authority Records

¹ During years 2001-2007, the ARFF and Airport and Industrial Center Maintenance duties were a combined function.

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

<u>Year</u>	<u>Population</u> ¹	<u>Per Capita Personal Income</u> ¹	<u>Total Personal Income</u> ¹	<u>Median Age</u> ⁴	<u>Unemployment Rate</u> ²	<u>K-12 Graduation Rate</u> ³	<u>K-12 Enrollment</u> ³
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
2009	54,364	38,752	2,106,702,000	37.7	5.4%	84.0%	9,297
2010	56,606	39,384	2,195,520,000	37.7	5.8%	81.4%	9,318
2011	55,092	n/a	n/a	37.8	6.4%	n/a	9,259

Data Sources:

¹Kansas Division of Budget & Bureau of Economic Analysis

²Bureau of Labor Statistics

³Kansas Department of Education

⁴U.S. Census Bureau

notes: n/a= information not yet available

Largest Taxpayers

According to the Saline County Clerk’s Office, the following table lists the largest taxpayers in the City, their 2011 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>Assesed Valuation</u>	<u>% of Total Valuation</u>
Schwan’s Sales (Tony’s Pizza)	Frozen Pizza	\$ 8,189,411	1.82%
Coyote Garrison Salina LLC	Regional Shopping Center	6,254,037	1.39%
Salina Regional Health Center	Hospital and Medical Offices	6,234,437	1.39%
Westar Energy	Utility	4,294,726	0.95%
Kansas Gas Service	Utility	3,762,052	0.84%
Gateway Adams Inc. (Midstate Plaza)	Shopping Center	3,566,208	0.79%
Wal-Mart Stores (Includes Sam’s)	Discount Retail	3,465,983	0.77%
Southwestern Bell Telephone	Utility	2,655,148	0.59%
Great Plains Manufacturing	Agricultural Equipment	2,074,617	0.46%
S&B Motels	Hotel	<u>2,064,471</u>	<u>0.46%</u>
		\$42,561,090	9.46%

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.

<u>Levy Year</u>	<u>Tax Rate</u>	<u>Taxes Levied</u>	<u>Current Tax Collections</u>		<u>Current and Delinquent Tax Collections</u>	
			<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
2011	4.007	\$1,612,235	\$708,718	43.9%	\$708,718	43.9%
2010	4.055	1,623,007	1,574,961	97.0	1,614,823	99.5
2009	4.315	1,717,272	1,625,184	94.6	1,673,940	97.5
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

Source: City of Salina

*As of June 18, 2012

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SALINA Airport

Authority

Compliance



Salina, Kan., (May 20, 2011) – Troopers from the Kansas Highway Patrol Air Support Unit recognized the Salina Airport Authority maintenance crew for their outstanding assistance during the winter months with a certificate of appreciation, May 16 at the M. J. Kennedy Air Terminal Building.

“The efforts of Loren Carleton and his maintenance team are greatly appreciated” said East Region Commander Major Mark Goodlowe. “It is my understanding that these gentlemen ensure snow and ice are removed from the hangar door area. They have provided urea ice melt when necessary. They have assisted Technical Trooper Joe Ziegler in pushing the KHP aircraft into the hangar during the winter months when icy conditions did not permit the use of a tractor. I am extremely pleased to know that the relationship between the Kansas High Patrol and Salina Airport Authority is such that helpful assistance is offered when needed.”

The Kansas Highway Patrol and the Salina Airport Authority have always enjoyed a great partnership. The Kansas Highway Patrol Air Support Unit could be needed for a litany of circumstances regardless of weather or season.



Robert I. Clubine, C.P.A.
David A. Rettele, C.P.A.
Jay D. Langlely, 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, 2011 and 2010, and have issued our report thereon dated June 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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

Management of the Salina Airport Authority is responsible for establishing and maintaining effective 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 in internal control over financial reporting that might be deficiencies, significant 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, the board of directors, 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, Chartered

Salina, Kansas
June 14, 2012

2011 Salina Airport Authority



Salina, Kan., (September 28, 2011) – Soldiers from Fort Riley’s Combat Aviation Brigade held a forward arming and refueling point, known as a FARP, operation at Salina Municipal Airport to aid in training exercises at the Smoky Hill Air National Guard Weapons Range during September.

A FARP is a temporary location organized, equipped and deployed that is normally located closer to the area of operation than the aviation unit’s combat service area to support tactical combat operations.

The Salina Municipal Airport provided an ideal location for the OH-58 Kiowa Warriors and the UH-60 Blackhawks to conduct this training due to its position between Fort Riley and the weapons range. Salina Airport Authority recently installed six new helipads, which aid in these types of training activities.

“Setting up the FARP on the Salina Airport enabled us to utilize the National Guard Resources on the airfield,” said Sgt. 1st Class Jeff Troth, a public affairs spokesman. “Not only did it allow us faster refueling for our training in the weapons range, but it also gives the soldiers who fuel the helicopters practice in this area.”

SALINA Airport *Authority*

SALINA Airport
Industrial Center

Salina Municipal
SLN Airport

SLN Aviation
Service
Center

3237 Arnold | Salina, KS 67401 | 785-827-3914
www.salinaairport.com | www.flysalina.com