



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
of the
SALINA AIRPORT AUTHORITY
A Component Unit of the
City of Salina, Kansas
For the Fiscal Years Ended December 31, 2013 and 2012**

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

CUSIP #794760XXX

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SALINA Airport

Authority

Introduction



SALINA, Kan. (June 12, 2013)- Students from Kansas STARBASE tour the airfield, June 12. The kids got an up close look at the Kansas Highway Patrol's aircraft, car and gear; had a chance to check out the new Aircraft Rescue and Firefighting Station and sit in the fire trucks; and watched military aircraft take off and land from the air traffic control tower.

STARBASE offers the opportunity for all Kansas youth in fourth, fifth and sixth grades to actively participate in the STARBASE program or indirectly through teachers who incorporate the STARBASE curriculum in their lesson plans.



Chairman
Jeff Maes

Vice Chairman
Mike Hoppock

Secretary
Angela Coble

Treasurer
Dr. Randy Hassler

Past Chairman
Daran Neuschafer

Executive Director Timothy F. Rogers, A.A.E.
Dir. of Administration & Finance Michelle R. Swanson, C.M. Dir. of Facilities, Construction & Operations Kenny Bieker
Mgr. of Public Affairs & Communications Melissa McCoy Office Manager Kasey Windhorst Board Attorney Greg A. Bengtson

June 18, 2014

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 years ended December 31, 2013 and 2012 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 2013 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 and Accounting 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 Regional 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 Regional Airport and the Salina Airport Industrial Center.

The Salina Regional 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 and is one of the nation's top five aviation programs. The college offers degrees in professional flight training, airframe and power plant maintenance, avionics technology and airport management.

The Salina Regional Airport and Airport Industrial Center is home for over 70 businesses and organizations. Forty-six 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. At the end of 2012 the City's unemployment rate was 6.1%. Salina's visitor count during 2012 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.

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

dominant. The government sector and wholesale trade industries make up the second tier of Salina employers.

The City serves as a 24-county regional trade center for north central Kansas. Many individuals and businesses within a 70-mile radius travel to the City to purchase consumer goods and services. This designation as a regional trade center is supported by the fact that the City had the third highest “trade pull factor” of all Kansas first class cities in 2012 according to Kansas State University. City trade pull factor is computed by dividing the per capita sales tax of a city by the statewide per capita sales tax.

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

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

Several major commercial projects are currently under construction in Salina. Dillon Companies, Inc., a subsidiary of Kroger Company, recently completed and opened a 77,000 square foot facility. Dick’s Sporting Goods is in the process of rehabilitating a facility formerly occupied by Sutherland Lumber Company. The location will be shared with a Marshalls clothing store. In addition, several new restaurants have either opened or are under construction, including Olive Garden, Longhorn Steakhouse, Starbucks and Taco Bell. Daimaru steakhouse doubled in size at a new location. Unified School District No. 305 has completed construction of a new maintenance and school service facility, consolidating operations from 3 separate locations.

The community has 1,200 acres of industrial sites available in North Salina, the South Industrial District, and the Airport Industrial Center. Sites range in size from 1-to 240 acres, and are available for aviation, manufacturing and distribution and warehouse businesses.

Economic Condition of the Airport and Airport Industrial Center

As of December 31, 2013, over 70 businesses and organizations at the Salina Regional 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 have resulted 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, for national and international recruitment of aerospace business to locate at the SLN Aviation Service Center.

FINANCIAL CONTROLS

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

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

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 and maintaining the Authority's cash reserve fund equal to six month's operating expenses or \$1.2 million.

Also, as part of the strategic plan of recruiting business and industry to fill available facilities vacated by Hawker Beechcraft Corporation (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.

INITIATIVES AND DEVELOPMENT

The top initiative will be the continued leasing of facilities vacated as a result of HBC closing its Salina operations in 2012. As of December 31, 2013, the Salina Airport Authority had already leased over 155,000 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:

- ✦ Completion of a new Salina Regional Airport Master Plan. This report will serve as the guide for airport improvement projects and development for the next 20 years.
- ✦ 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.
- ✦ Work with the City of Salina and environmental contractor to begin the remedial investigation/feasibility study through the entry of a Corrective Action Decision (CAD) by the KS Department of Health and Environment related to the 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.

- ✦ 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.

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, 2012. 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, Larry Harris, Woods & Durham, Chartered., Saline County Clerk's Office, the Salina Area Chamber of Commerce, Rod Franz, Director of Finance for the City of Salina, and 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, C.M.
Director of Administration and Finance
Salina Airport Authority

cc: The City of Salina Board of Commissioners

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SALINA AIRPORT AUTHORITY

PRINCIPAL OFFICERS AS OF DECEMBER 31, 2013



Pictured from left to right:

Dr. Randy Hassler, Past Chairman; Mike Hoppock, Treasurer; Timothy F. Rogers, Executive Director; Angie Coble, Secretary; Greg Bengtson, General Counsel; Daran Neuschafer, Chairman; and Jeff Maes, Vice Chairman

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, 2013****ADMINISTRATIVE STAFF**

Timothy F. Rogers, A.A.E.	Executive Director
Michelle R. Swanson, C.M.	Director of Administration and Finance
Kenny Bieker	Director of Facilities and Operations
Melissa L. McCoy	Manager of Public Affairs and Communications
Donald C. Kneubuhl	Manager of Special Projects
Kasey L. Windhorst	Office Manager
Kristie Moore	Administrative Assistant

FACILITY MAINTENANCE and OPERATIONS

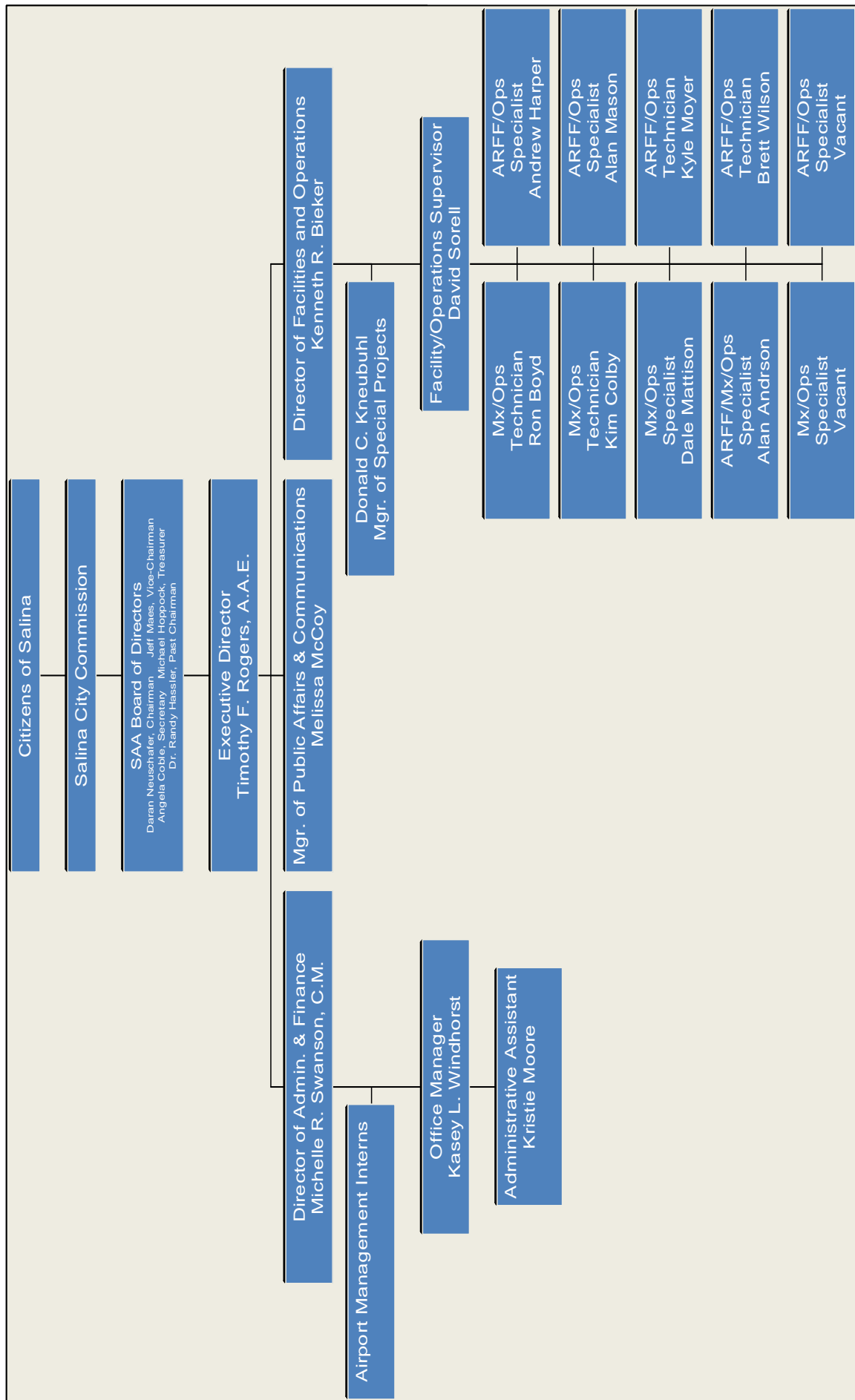
David Sorell – Supervisor

Ron Boyd	Alan Anderson
Kim Colby	Dale Mattison

AIRCRAFT RESCUE AND FIREFIGHTING and SAFETY and SECURITY

Alan Mason	Andrew Harper
Kyle Moyer	Bret Wilson

As of December 31, 2013





Government Finance Officers Association

**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, 2012

A handwritten signature in black ink, reading "Jeffrey R. Emer".

Executive Director/CEO

SALINA Airport *Authority*



SALINA Airport

Authority

Financial



SALINA, Kan. (September 2013)- Opening in September 2013, The Hangar Indoor Sports Complex is the result of the Salina Bombers' need for a Practice Facility and a continually growing need for an Indoor Sports Facility in the Salina area. Inside a refurbished circa WWII hangar which once housed B-17 Bombers, this facility is home to Salina's professional indoor football team.

The complex also allows patrons a place to bring outdoor sports indoors. This serves to extend the range of athletic events that would otherwise be preempted by inclement weather. The mission of The Hangar Indoor Complex is to provide a world-class indoor training facility where athletes of all sports can train, compete and reach their goals of excellence.

The Hangar Indoor Complex offers an outdoor experience with the amenities that are synonymous with Indoor Sports Facilities; bringing world-class fitness opportunities to its athletes so that they can achieve the highest level on the playing field.



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

Marci K. Fox, CPA
Linda A. Suelter, CPA
Valerie K. Linenberger, CPA
Johnna R. Vosseller, CPA

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Salina Airport Authority

We have audited the accompanying financial statements of the Salina Airport Authority, a component unit of the City of Salina, Kansas, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Kansas Municipal Audit and Accounting 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Salina Airport Authority, as of December 31, 2013 and 2012, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 24 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Salina Airport Authority's basic financial statements. The introductory section, the supplemental information in the financial section and the statistical section as listed in 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. Such 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 supplemental information in the financial section and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections as listed in 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2014, on our consideration of Salina Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Salina Airport Authority's internal control over financial reporting and compliance.

CLUBINE AND RETTELE, CHARTERED

Clubine and Rettelle, Chartered

Salina, Kansas
June 17, 2014

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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, 2013.

AIRPORT ACTIVITY AND HIGHLIGHTS

The Salina Air Traffic Control Tower (ATCT) ended 2013 having handled 90,131 aircraft operations. This represented a 7.4% decrease in total aircraft operations over the prior year following the 40% leap from 2011 to 2012. The moderate 2012 to 2013 decrease signifies that operations may be stabilizing a bit after two years of significant upward trends. K-State Salina's expanded professional pilot and helicopter flight training programs on the airport has assisted in the upward trend in air traffic as well as an overall increase in commercial business traffic. At the end of 2013 Salina Regional Airport remains ranked the busiest contract tower in the state. Salina ATCT's national ranking (out of 251 FAA contract towers) climbed from 63rd in 2011 to 29th for 2012. The increase puts the Salina Regional Airport into the top 12% of all FAA contract towers and clearly one of the busiest traffic patterns in the nation.

Even though 2013 noted a slight drop in operations, it is significant that 2012 marked the highest year in airport operations for the most recent 10-year period. Salina continues to remain strong as a mid-continent refueling stop and has earned the recognition as "America's Fuel Stop". The Airport's fixed base operators (FBOs) and tenants of the Authority annually deliver 1.8 – 4.2 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. Salina's 32% decrease in fuel delivered on the airport from 2012 to 2013 was indicative of two smaller, and very competitive FBOs whose business model was never able to fully recover from the Great Recession, losing regional market share. In late 2013, the fueling divisions of the two existing FBO's were acquired by the world-class FBO, Avflight Corporation.

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 2012, the DOT EAS contract for Salina's air service was extended for four years providing SeaPort Airlines the opportunity to continue three daily flights, six days a week between Salina and Kansas City and to continue rebuilding the market with excellent customer service, on-time performance, reliability and lower airfares.

During 2011, the Salina Regional Airport's passenger enplanements increased 59% as a result of SeaPort's continued marketing and excellent customer service and performance. The 2013 and 2012 passenger enplanement counts were down just slightly from 2011. 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:

	2013	2012	2011
Enplanements - Scheduled Air Carrier & Charter Flights	2,361	2,546	2,705
% increase / (decrease)	-7.84%	-6.25%	59.31%
Aircraft Operations - All Categories	90,131	97,338	69,207
% increase / (decrease)	-7.40%	40.65%	14.48%
Fuel Flowage - (gallons delivered)	1,757,980	2,594,049	2,386,670
% increase / (decrease)	-32.23%	8.69%	-13.65%

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 2013, building rents equaled \$1,474,057 or 71% of operating revenue. At the end of 2013, the Authority had an occupancy rate of 43% in its building inventory, down significantly from the 82% in 2010. The decrease is a result of the 2012 closure of the Hawker Beechcraft Corporation (HBC) division in Salina as discussed further in this report's Letter of Transmittal. During 2013 and 2012, the Authority made progress in re-leasing a portion of the 484,003 sq. ft. of property vacated by HBC by leasing 129,610 sq. ft. to four new commercial businesses at the Airport Industrial Center.

SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION

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 over 42% over the last decade from \$1.4 million in 2003 to \$2 million in 2013.

	2013	2012	2011
Operating revenues	\$ 2,067,758	\$ 2,160,168	\$ 2,306,965
Operating expenses	<u>(2,105,710)</u>	<u>(2,114,358)</u>	<u>(2,156,529)</u>
Revenues in excess of expenses before depreciation	(37,952)	45,810	150,436
Depreciation	<u>(2,588,107)</u>	<u>(2,514,587)</u>	<u>(2,407,566)</u>
Loss before non-operating revenues and expenses	(2,626,059)	(2,468,777)	(2,257,130)
Non-operating revenues and (expenses), net	<u>719,982</u>	<u>593,775</u>	<u>747,093</u>
Loss before capital contributions	(1,906,077)	(1,875,002)	(1,510,037)
Capital contributions	<u>623,029</u>	<u>1,779,827</u>	<u>457,227</u>
Net position			
Decrease in net position	(1,283,048)	(95,175)	(1,052,810)
Net position, beginning of period	<u>26,511,467</u>	<u>26,606,642</u>	<u>27,659,452</u>
Net position, end of period	<u>\$ 25,228,419</u>	<u>\$ 26,511,467</u>	<u>\$ 26,606,642</u>

SUMMARY OF OPERATIONS HIGHLIGHTS

Significant items affecting the Summary of Operations and Changes in Net Position for 2013 and 2012 are as follows:

- Operating revenues have remained steady in recent years despite the downturn in the overall economy. Revenues from aircraft storage and hangar rentals have assisted in offsetting the decrease in revenue derived from the delivery and sale of aviation fuel at the Airport. The continued trend upward in aircraft operations after decrease in corporate and general aviation flying due to the economy will assist in the return of revenues derived from fuel flowage fees. Fortunately, military traffic 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 nearly 42% over the last ten years and the Authority is releasing former HBC facilities at increased rental rates while continuing to diversify the revenue base at the Airport and Airport Industrial Center.
- The Authority has been able to decrease operating expenses for three straight years by reducing costs 2% over 2012 and by 2% over 2011.
 - During 2010-2013, 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 2007-2012.
- Capital contributions during 2012 were \$1,779,827 primarily for the construction of a new aircraft rescue and fire fighting facility at the Airport.
- Ad-valorem tax revenue (mill levy) received by the Authority as a local taxing entity decreased by 2% from 2011 to 2012 and increased by 2% from 2010 to 2011. Interest received on investments decreased significantly in 2012 as a result of a reduction in bond proceeds on deposit as well as historical lows in investment yields.

FINANCIAL POSITION SUMMARY

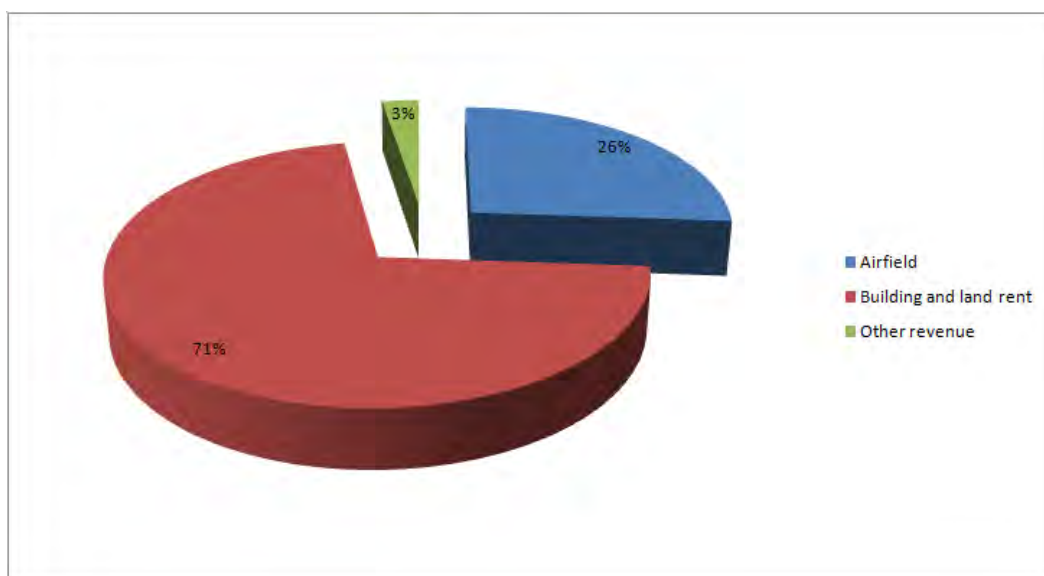
The changes in net position may serve over time as a useful indicator of a government's financial position. The Authority's assets exceeded liabilities by \$25,228,419 at the close of 2013. A condensed summary of the Authority's total net position at December 31 is shown below.

By far the largest portion of the Authority's net position (95%) 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.

	2013	2012	2011
ASSETS			
Current and other assets	\$ 1,126,869	\$ 1,806,714	\$ 5,417,409
Capital assets	48,922,759	50,403,249	48,263,889
Total assets	50,049,628	52,209,963	53,681,298
LIABILITIES			
Long-term debt outstanding	23,112,497	24,100,631	25,044,441
Other liabilities	1,708,712	1,597,865	2,030,215
Total liabilities	24,821,209	25,698,496	27,074,656
NET POSITION			
Invested in capital assets, net of related debt	24,818,560	25,339,916	22,065,441
Unrestricted	409,859	1,171,551	4,541,201
Total net position	\$ 25,228,419	\$ 26,511,467	\$ 26,606,642

REVENUES

The following chart shows the major sources and the percentage of total operating revenues for the year ended December 31, 2013:

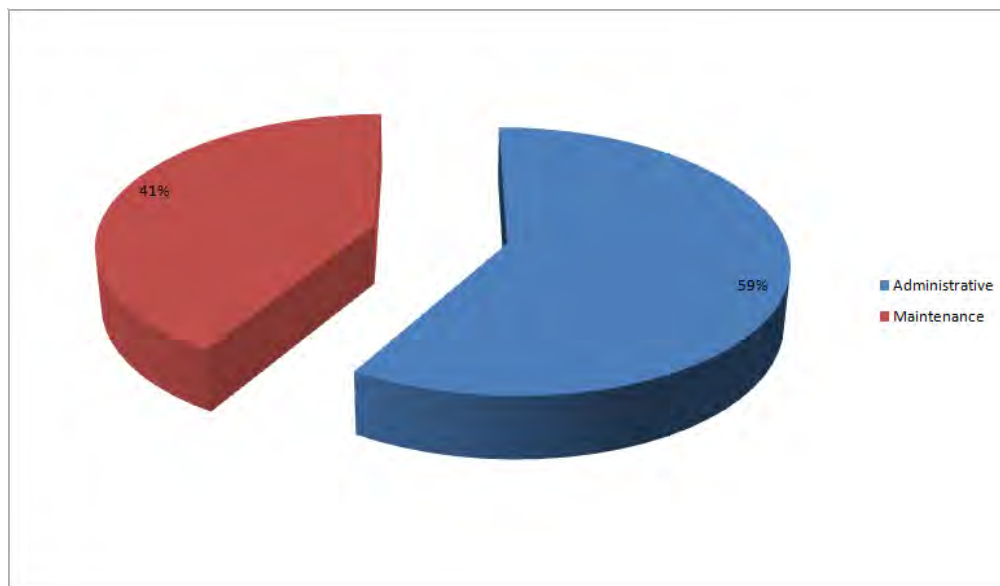


A summary of revenues for the past three years is shown below. Total revenue decreased only .5% or \$20,435 in 2013 over 2012 and decreased by 5% or 202,514 from 2011 to 2012. The decrease in operating revenue in 2012 is a result of reduced fuel flowage fee revenue and an increase in the building vacancy rate due to the closure of Hawker Beechcraft facilities at the Airport.

	2013	2012	2011
Operating Revenue:			
Airfield	\$ 539,799	\$ 737,563	\$ 781,290
Building and land rent	1,474,057	1,365,853	1,491,710
Other revenue	53,902	56,752	33,965
Total Operating	<u>2,067,758</u>	<u>2,160,168</u>	<u>2,306,965</u>
Non-Operating Income:			
Mill Levy	1,788,284	1,767,338	1,795,660
Interest Income	676	1,500	9,856
Gain (loss) on sale of assets	51,853	-	19,039
Total Non-Operating	<u>1,840,813</u>	<u>1,768,838</u>	<u>1,824,555</u>
TOTAL REVENUE	<u><u>\$ 3,908,571</u></u>	<u><u>\$ 3,929,006</u></u>	<u><u>\$ 4,131,520</u></u>

EXPENSES

The following chart shows the major expense categories and the percentage of total operating expenses for the year ended December 31, 2013:



A summary of expenses for the past three years is shown below. Total operating expenses decreased 1% in 2012 from the previous year and 3% from 2010 to 2011. 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.

	2013	2012	2011
Operating Expenses			
Administrative	\$ 1,232,833	\$ 1,245,267	\$ 1,385,079
Maintenance	872,877	869,091	771,450
Total Operating	<u>2,105,710</u>	<u>2,114,358</u>	<u>2,156,529</u>
Non-Operating Expense			
Interest Expense	1,120,831	1,175,063	973,882
Bond Issue Costs	-	-	103,580
Total Non-Operating	<u>1,120,831</u>	<u>1,175,063</u>	<u>1,077,462</u>
TOTAL EXPENSES	<u><u>\$ 3,226,541</u></u>	<u><u>\$ 3,289,421</u></u>	<u><u>\$ 3,233,991</u></u>

CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

The Authority acquired \$1,274,125 in capital assets during 2013. Significant items included the development of the Airport's Master Plan update, addition of a new LED taxiway lighting system to the Airport's primary parallel taxiway and several building rehabilitation projects. Several of the building rehabilitation projects were the continued renovation to several Authority buildings and hangars that were vacated by HBC in the first quarter of 2012 year. 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.

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 can be found in Note I (C) in the notes to the financial statements.

DEBT ADMINISTRATION

The outstanding long-term debt of the Authority was \$24,104,199 net of unamortized bond discounts at December 31, 2013. This debt consists of general obligation bonds, a financing lease and City of Salina special assessments. Maturities range from 2016 through 2031. Both principal and interest are payable from the general revenues of the Authority and mill levy revenue. 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.
Director of Administration and Finance

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SALINA AIRPORT AUTHORITY
STATEMENTS OF NET POSITION
As of December 31, 2013 and December 31, 2012

ASSETS	<u>December 31</u>	
	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash	\$ 887,178	\$ 1,660,132
Accounts receivable	90,629	134,386
Prepaid expenses	147,437	8,936
Inventory - Avgas	1,625	3,260
Total Current Assets	<u>1,126,869</u>	<u>1,806,714</u>
NON-CURRENT ASSETS		
Capital Assets		
Land	9,800,188	9,872,183
Buildings, improvements and equipment, net of depreciation	38,193,767	39,796,757
Construction in progress	<u>928,804</u>	<u>734,309</u>
Total Non-Current Assets	<u>48,922,759</u>	<u>50,403,249</u>
TOTAL ASSETS	<u>\$ 50,049,628</u>	<u>\$ 52,209,963</u>

(continued)

The accompanying notes are an integral part of these financial statements

SALINA AIRPORT AUTHORITY
 STATEMENTS OF NET POSITION
 As of December 31, 2013 and December 31, 2012
 (continued)

LIABILITIES	<u>December 31</u>	
	<u>2013</u>	<u>2012</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 124,994	\$ 75,901
Accrued payroll and expenses	55,636	51,337
Accrued property tax	76,471	83,015
Accrued special assessments	8,088	12,971
Sales tax payable	618	710
Unearned rental income	80,091	41,127
Accrued interest	359,410	370,102
Current maturities of long-term debt	<u>991,702</u>	<u>962,702</u>
 Total Current Liabilities	 <u>1,697,010</u>	 <u>1,597,865</u>
NON-CURRENT LIABILITIES		
Bonds and note payable, less current maturities	23,112,497	24,100,631
Security Deposits Returnable	<u>11,702</u>	<u>-</u>
 Total Non-Current Liabilities	 <u>23,124,199</u>	 <u>24,100,631</u>
 Total Liabilities	 <u>24,821,209</u>	 <u>25,698,496</u>
NET POSITION		
Invested in capital assets, net of related debt	24,818,560	25,339,916
Unrestricted	<u>409,859</u>	<u>1,171,551</u>
 Net Position	 <u><u>\$ 25,228,419</u></u>	 <u><u>\$ 26,511,467</u></u>

The accompanying notes are an integral part of these financial statements

SALINA AIRPORT AUTHORITY
 STATEMENTS OF REVENUES, EXPENSES and CHANGES IN NET POSITION
 As of December 31, 2013 and December 31, 2012

	<u>January 1 to December 31</u>	
	<u>2013</u>	<u>2012</u>
Operating Revenues		
Airfield	\$ 539,799	\$ 737,563
Building and land rent	1,474,057	1,365,853
Other revenue	53,902	56,752
	<u>2,067,758</u>	<u>2,160,168</u>
Operating Expenses		
Administrative	1,232,833	1,245,267
Maintenance	872,877	869,091
	<u>2,105,710</u>	<u>2,114,358</u>
Excess (Deficit) of Revenues over Expenses before Depreciation	(37,952)	45,810
Depreciation	<u>2,588,107</u>	<u>2,514,587</u>
Operating Loss Before Non-Operating Revenues and Expenses	<u>(2,626,059)</u>	<u>(2,468,777)</u>
Non-Operating Revenues and (Expenses)		
Mill levy	1,788,284	1,767,338
Interest on investments and financing lease	676	1,500
Interest expense	(1,120,831)	(1,175,063)
Gain (loss) on sale of assets	51,853	-
	<u>719,982</u>	<u>593,775</u>
Loss before Capital Contributions	(1,906,077)	(1,875,002)
Capital Contributions	<u>623,029</u>	<u>1,779,827</u>
Net Position		
(Decrease) in Net Position	(1,283,048)	(95,175)
Net Position, beginning of period	<u>26,511,467</u>	<u>26,606,642</u>
Net position, end of period	<u>\$ 25,228,419</u>	<u>\$ 26,511,467</u>

The accompanying notes are an integral part of these financial statements

SALINA AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
(DIRECT METHOD)
As of December 31, 2013 and December 31, 2012

	<u>January 1 to December 31</u>	
	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from providing services	\$ 2,162,181	\$ 2,091,754
Cash paid to employees for services	(766,300)	(784,733)
Cash paid to suppliers for goods and services	<u>(1,469,899)</u>	<u>(1,345,746)</u>
Net Cash (Used) in Operating Activities	<u>(74,018)</u>	<u>(38,725)</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of property, plant and equipment	(1,238,629)	(4,789,419)
Proceeds from capital grants	623,029	1,755,598
Proceeds from property tax	1,788,284	1,767,338
Proceeds (expenses) from sale of capital assets	218,361	-
Principal payments on debt	(959,134)	(1,154,007)
Proceeds of new borrowing	-	-
Interest paid on long-term debt	<u>(1,131,523)</u>	<u>(1,190,236)</u>
Net Cash (Used) in Capital and Related Financing Activities	<u>(699,612)</u>	<u>(3,610,726)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on deposits	<u>676</u>	<u>1,500</u>
INCREASE (DECREASE) IN CASH	(772,954)	(3,647,951)
CASH BALANCE - January 1	<u>1,660,132</u>	<u>5,308,083</u>
CASH BALANCE - December 31	<u><u>\$ 887,178</u></u>	<u><u>\$ 1,660,132</u></u>

The Authority received capital equipment having a fair value of \$-0- in 2013 and \$24,229 in 2012. This non-cash transaction is included in CAPITAL CONTRIBUTIONS on the STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION and in Equipment acquisitions in Note III C but it is not included in this STATEMENT OF CASH FLOWS.

(continued)

The accompanying notes are an integral part of these financial statements

SALINA AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
(DIRECT METHOD)

(continued)

As of December 31, 2013 and December 31, 2012

RECONCILIATION OF OPERATING LOSS TO NET
CASH PROVIDED BY OPERATING ACTIVITIES

	<u>January 1 to December 31</u>	
	<u>2013</u>	<u>2012</u>
OPERATING LOSS	\$ (2,626,059)	\$ (2,468,777)
ADJUSTMENTS RECONCILING OPERATIONG LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	2,588,107	2,514,587
CHANGES IN ASSETS AND LIABILITIES:		
Decrease (Increase) in accounts receivable	43,757	(27,727)
Decrease (Increase) in prepaid expense	(138,501)	(7,991)
Decrease (Increase) in inventory	1,635	(1,538)
Increase (Decrease) in accounts payable - operations	13,505	15,228
Increase (Decrease) in accrued payroll expenses	4,299	(14,857)
Increase (Decrease) in accrued property tax and special assessments	(11,427)	(6,963)
Increase (Decrease) in unearned rental income	38,964	(40,687)
Increase (Decrease) in security deposits	<u>11,702</u>	<u>-</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (74,018)</u>	<u>\$ (38,725)</u>

The accompanying notes are an integral part of these financial statements

Salina Airport Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Salina Airport Authority (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 Regional 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. 61, 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 accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) for state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles for state and local governments in the United States of America.

The Authority consists of a single 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.

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.

During the fiscal year ended December 31, 2012, the Authority adopted the following new accounting standards issued by GASB:

Effective January 1, 2012, the Authority implemented the provisions of GASB No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 GASB and AICPA Pronouncements*. Implementation of this statement required modification to the disclosure in the Summary of Significant Accounting Policies and resulted in the Authority increasing the amount

previously reported in 2011 for interest expense and reducing the net amount of long term liabilities by \$18,892. This restatement was necessary to amortize bond discounts over the life of the associated debt.

In addition, the Authority also implemented GASB No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB No. 65 – *Items Previously Reported as Assets and Liabilities*. GASB 63 resulted in the replacement of the Authority's Statement of Net Assets with a Statement of Net Position. The Authority reviewed all financial statement elements and determined none to be deferred outflows or inflows of resources. The Authority determined a previously reported deferred liability (deferred mill levy receivable) did not meet the new standard's definition of either a liability or a deferred inflow of resources. Therefore, this change resulted in the restatement of the 2011 financial statements by removing the \$1,638,423 in deferred mill levy liability and the offset in the same amount as a mill levy receivable. The restatement did not result in any change to the Net Position.

GASB 65 required the Authority to restate certain items previously reported as assets and liabilities. The Authority's bond issue costs were restated as expenses of the current period as opposed to amortizing the costs over the life of the bond issue and reporting the unamortized portion as an asset. This restatement resulted in an increase in bond issue costs previously reported for 2011 by \$74,588. Additionally, this required restatement of the previously reported beginning net position to reflect the expense of certain previously deferred bond issuance expenses and resulted in a reduction of \$130,729 to the Net Assets position reported at December 31, 2011.

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.

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) and the Kansas Department of Transportation's Airport Improvement Program (KAIP), with certain matching funds of the Authority. Capital funding provided under the AIP grant programs are considered earned as the related allowable expenditures are incurred. Grants received under the AIP programs are reported in the Statement of Revenues, Expenses and Changes in Net Position, 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 United States military donated assets having an original cost by the military 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 by the military 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 Position, 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, 2013 and 2012 was \$54,583 and \$49,566 respectively.

Balance January 1, 2013	Increase	Decrease	Balance December 31, 2013
\$ 49,566	\$ 12,637	\$ (7,620)	\$ 54,583

Balance January 1, 2012	Increase	Decrease	Balance December 31, 2012
\$ 63,760	\$ 7,465	\$ (21,659)	\$ 49,566

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, 2013 and 2012, the Authority had cash and cash equivalents as listed below:

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Gross Cash Balances		
Cash	\$ 887,178	\$ 1,660,132
Less deposits in transit and petty cash	(12,227)	(29,623)
Add uncleared checks	<u>13,873</u>	<u>1,909</u>
Bank Balance	888,824	1,632,418
Less FDIC Coverage	500,000	500,000
Balances Securable by Collateral	<u>\$ 388,824</u>	<u>\$ 1,132,418</u>
Security Provided by Depositories	<u>\$ 9,293,834</u>	<u>\$ 15,041,683</u>

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

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

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

Credit risk – State law limits the amount of credit risk by restricting governments to specific investment types as listed in KSA 12-1675. The Authority's policy is to place idle funds in certificates of deposit, United States obligations, and the Kansas Municipal Investment Pool (KMIP). The KMIP was rated AAf/S1+ by Standard & Poor's as of 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>2013</u>	<u>2012</u>
Receivables		
Accounts	\$ 91,613	\$ 135,370
Less: allowance for uncollectibles	(984)	(984)
Total	<u>\$ 90,629</u>	<u>\$ 134,386</u>

C. Capital Assets

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

	Balance January 1, 2013	Additions	Dispositions	Reclassify	Balance December 31, 2013
Capital Assets					
Non-Depreciable					
Land	\$ 9,872,183	\$ 94,514	\$ (166,508)		\$ 9,800,189
Construction in progress	734,309	429,468	-	(234,973)	928,804
Total Non-Depreciable	10,606,492	523,982	(166,508)	(234,973)	10,728,993
Depreciable					
Buildings and improvements	25,826,449	172,219	-	234,973	26,233,641
Airfield and improvements	39,123,784	540,392	-	(2,232)	39,661,944
Equipment	3,934,491	37,532	-	2,232	3,974,255
Total Depreciable	68,884,724	750,143	-	234,973	69,869,840
Total Non-Depreciable & Depreciable	\$ 79,491,216	\$ 1,274,125	\$ (166,508)	\$ -	\$ 80,598,833
Accumulated depreciation					
Buildings and improvements	\$ (8,333,245)	\$ (1,000,216)	\$ -	\$ -	\$ (9,333,461)
Airfield and improvements	(18,023,932)	(1,337,424)	-	-	(19,361,356)
Equipment	(2,730,790)	(250,467)	-	-	(2,981,257)
Total Accumulated Depreciation	(29,087,967)	(2,588,107)	-	-	(31,676,074)
Total Capital Assets	\$ 50,403,249	\$ (1,313,982)	\$ (166,508)	\$ -	\$ 48,922,759

	Balance January 1, 2012	Additions	Dispositions	Reclassify	Balance December 31, 2012
Capital Assets					
Non-Depreciable					
Land	\$ 10,818,059	\$ 306,847	\$ -	\$ (1,252,723)	\$ 9,872,183
Construction in progress	1,570,190	244,851	-	(1,080,732)	734,309
Total Non-Depreciable	12,388,249	551,698	-	(2,333,455)	10,606,492
Depreciable					
Buildings and improvements	22,481,252	2,911,756	-	433,441	25,826,449
Airfield and improvements	36,250,825	2,225,668	-	647,291	39,123,784
Equipment	3,716,943	217,548	-	-	3,934,491
Total Depreciable	62,449,020	5,354,972	-	1,080,732	68,884,724
Total Non-Depreciable & Depreciable	\$ 74,837,269	\$ 5,906,670	\$ -	\$ (1,252,723)	\$ 79,491,216
Accumulated depreciation					
Buildings and improvements	\$ (7,380,568)	\$ (952,677)	\$ -	\$ -	\$ (8,333,245)
Airfield and improvements	(16,736,155)	(1,287,777)	-	-	(18,023,932)
Equipment	(2,456,657)	(274,133)	-	-	(2,730,790)
Total Accumulated Depreciation	(26,573,380)	(2,514,587)	-	-	(29,087,967)
Total Capital Assets	\$ 48,263,889	\$ 3,392,083	\$ -	\$ (1,252,723)	\$ 50,403,249

The reclassification of \$1,252,723 in 2012 was a result of the reimbursement to the Authority from the Salina Public entities for previous land capital expenditures related to the former Schilling Air Force Base Environmental matter. Refer to Note G herein for further details on the environmental matter.

D. Long-Term Liabilities

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

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013	Current Maturities December 31, 2013
Long-term Liabilities					
General obligation bonds	\$ 25,080,000	\$ -	\$ 895,000	\$ 24,185,000	\$ 895,000
Less unamortized discount	(323,231)	-	(18,892)	(304,339)	-
Financing lease payable	202,617	-	45,826	156,791	45,826
Special assessment debt	103,947	-	37,201	66,746	21,876
Security deposits returnable	-	11,702	-	11,702	-
Total Long-Term Liabilities	\$ 25,063,333	\$ 11,702	\$ 959,135	\$ 24,115,900	\$ 962,702
Current Maturities	(962,702)			(991,702)	
Long Term Liability Net	\$ 24,100,631			\$ 23,124,198	

	Balance January 1, 2012	Additions	Reductions	Balance December 31, 2012	Current Maturities December 31, 2012
Long-term Liabilities					
General obligation bonds	\$ 26,170,000	\$ -	\$ 1,090,000	\$ 25,080,000	\$ 895,000
Less unamortized discount	(342,123)	-	(18,892)	(323,231)	-
Financing lease payable	245,558	-	42,941	202,617	45,826
Special assessment debt	125,013	-	21,066	103,947	21,876
Total Long-Term Liabilities	\$ 26,198,448	\$ -	\$ 1,135,115	\$ 25,063,333	\$ 962,702
Current Maturities	(1,154,007)			(962,702)	
Long Term Liability Net	\$ 25,044,441			\$ 24,100,631	

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, 2013:

	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Bonds Outstanding</u>
General Obligation Bonds			
General Obligation 2005-A, due 2020	3,635,000	4.75% to 5.25%	2,400,000
General Obligation 2007-A, due 2022	1,005,000	4.60% to 6.00%	690,000
General Obligation 2009-A, due 2029	2,025,000	4.31%	2,025,000
General Obligation 2009-B, due 2026	6,080,000	3.00% to 5.50%	5,005,000
General Obligation 2011-A, due 2030	11,820,000	4.64%	11,560,000
General Obligation 2011-B, due 2031	2,505,000	4.28%	2,505,000
Less unamortized bond discount			(304,339)
Total General Obligation Debt			23,880,661
 Financing Lease, due December 2016	 425,000	 6.609%	 156,791
Special Assessment Debt			
Airport Industrial Center, due 2016	565,235	3.79%	49,810
Hangar 600 Sanitary Sewer, due 2021	27,599	4.47%	16,936
Total Special Assessment Debt			66,746
 Total Long Term Debt			 \$ 24,104,198
Interest Expense in 2013 is as follows:			
General Obligation Bonds			1,087,231
Special Assessment Debt			3,071
Financing Lease			11,637
Amortization of Bond Discount			18,892
Total Debt Interest Expense			\$ 1,120,831

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

<u>Year</u>	<u>Bonds Outstanding</u>	<u>Interest Due</u>	<u>Total</u>
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	1,030,000	963,874	1,993,874
2018	1,070,000	923,756	1,993,756
2019-2023	6,095,000	3,872,156	9,967,156
2024-2028	7,630,000	2,343,804	9,973,804
2029-2032	5,490,000	492,331	5,982,331
	<u>\$ 24,185,000</u>	<u>\$ 11,701,582</u>	<u>\$ 35,886,582</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>
2014	48,905	9,567	58,472
2015	52,190	6,282	58,472
2016	55,696	2,776	58,472
	<u>\$ 156,791</u>	<u>\$ 18,625</u>	<u>\$ 175,416</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>
2014	17,797	2,645	20,442
2015	18,484	1,958	20,442
2016	19,197	1,245	20,442
2017	2,061	504	2,565
2018	2,153	412	2,565
2019-2021	7,054	640	7,694
	<u>\$ 66,746</u>	<u>\$ 7,404</u>	<u>\$ 74,150</u>

E. Capital Contributions and Net Assets

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

	Inception to Date	<u>2013</u>	<u>2012</u>
Federal	\$ 29,086,406	\$ 377,527	\$1,755,587
State	<u>1,839,465</u>	<u>245,502</u>	<u>-</u>
Total	<u>\$ 30,925,871</u>	<u>\$ 623,029</u>	<u>\$1,755,587</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, 2013, 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 2013 was 8.94%. The Authority employer contributions to KPERS for the years ending December 31, 2013, 2012 and 2011 were \$64,810, \$64,872 and \$60,885 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, 2013.

F. Other Postemployment Benefits (OPEB)

As a component unit of the City of Salina, the Authority participates in the City’s defined benefit health care 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.

During 2011, the Salina Public Entities and the U.S. Department of Justice on behalf of the U.S. Army Corps of Engineers engaged in court-supervised, non-binding mediation. During early 2013, the mediation process resulted in a consent decree. The court’s consent decree approved the settlement among the parties and the City of Salina has received federal funds in the amount of \$8,426,700 sufficient to enable the Salina Public Entities to initiate the design of the clean-up.

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>	
2013	1,031,848
2014	1,057,898
2015	840,825
2016	342,653
2017	102,449
Later Years	995,769
Total	<u>\$ 4,371,442</u>

I. Major Customers

The Authority received significant operating revenue from the Kansas Military Board, JRM Enterprises, Inc., d/b/a America Jet, Flower Aviation, Schwan's Global Supply Chain and Learjet Inc. Rent from these fix tenants equals 50% of operating revenue for the year ended December 31, 2013.

J. Non-Operating Revenue and (Expense)

Net non-operating revenue and expense consisted of the following for the years ended December 31, 2013 and 2012:

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Mill levy	\$ 1,788,284	\$ 1,767,338
Interest income	676	1,500
Gain (loss) on sale of assets	<u>51,853</u>	<u>-</u>
Total	<u><u>\$ 1,840,813</u></u>	<u><u>\$ 1,768,838</u></u>
Interest expense		
General obligation bonds	\$ (1,087,231)	\$ (1,136,710)
Special assessment debt	(3,071)	(4,876)
Financing lease	(11,637)	(14,585)
Amortization of bond discount	<u>(18,892)</u>	<u>(18,892)</u>
Total	<u><u>(1,120,831)</u></u>	<u><u>(1,175,063)</u></u>
Net non-operating revenue	<u><u>\$ 719,982</u></u>	<u><u>\$ 593,775</u></u>

K. Commitment Under Operating Lease

The Authority has entered into a certain non-cancellable operating lease agreements which will expire in 2018, for the rental of office equipment. During 2013 the Authority paid \$4,939 and in 2012 paid 11,400 in rentals. Minimum rentals, on an annual basis hereafter are as follows:

<u>Years Ended</u>	
<u>December 31</u>	
2014	4,559
2015	4,559
2016	4,559
2017	4,559
2018	<u>1,520</u>
Total	<u><u>\$ 4,559</u></u>

L. Subsequent Events

The Salina Airport Authority's management has evaluated events and transactions occurring after December 31, 2013 through June 17, 2014. The aforementioned date represents the date the financial statements were available to be issued.

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SALINA Airport

Supplemental Information



SALINA, Kan., (Sept. 19, 2013)- There were multiple injuries and fatalities when a plane crashed at the Salina Regional Airport Thursday morning. It wasn't a real crash, but rather a simulation as part of a training exercise that involved local, state, and federal emergency response partners.

Emergency response personnel and equipment were deployed, and treated the situation as if it were the real thing. Airport fire fighters sprayed foam on a real airplane fuselage on the runway, as Salina Fire fighters and EMS treated and transported victims to Salina Regional Health Center. As rescuers arrived they found victims sprawled out on the runway.

Saline County Emergency Management Director Hannah Furbeck tells KSAL News that the exercise, called "Crash Site", tested response efforts, mutual aid requests, and interoperability. Furbeck said "Crash Site" had been planned for about the last year. She adds that they stage a large interagency operation like this once every three years.

SALINA AIRPORT AUTHORITY
SCHEDULES OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
As of December 31, 2013 and December 31, 2012

	January 1 to December 31	
	<u>2013</u>	<u>2012</u>
Operating Revenues		
Airfield		
Fuel flowage fees	\$ 128,277	\$ 189,370
Hangar rent	360,086	493,747
Landing fees	3,232	3,366
Ramp rent	48,204	51,080
Total Airfield	<u>539,799</u>	<u>737,563</u>
Agri land rent	61,563	70,754
Building rents	1,142,775	1,049,379
Land rents	260,635	236,009
Tank rent	9,084	9,711
Total Building and Land Rents	<u>1,474,057</u>	<u>1,365,853</u>
Other revenue		
Commissions	22,152	17,731
Sale of avgas	40,595	25,678
Less cost of avgas	(38,619)	(24,504)
Other income	29,774	37,847
Total Other Revenue	<u>53,902</u>	<u>56,752</u>
 Total Operating Revenue	 <u>\$ 2,067,758</u>	 <u>\$ 2,160,168</u>

(continued)

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

As of December 31, 2013 and December 31, 2012

(continued)

	January 1 to December 31	
	<u>2013</u>	<u>2012</u>
Operating Expenses		
Administrative		
A/E, consultants, brokers	\$ 16,928	\$ 33,624
Airport promotion	20,836	8,671
Computer network administration	9,790	14,348
Dues and subscriptions	28,614	30,791
Employee retirement	64,810	64,902
FICA and medicare	54,935	58,699
Industrial development	15,000	15,000
Insurance, property	152,132	134,120
Insurance, medical	179,658	176,041
Kansas unemployment tax	744	790
Legal and accounting	36,465	34,350
Office salaries	415,859	415,882
Office supplies	8,794	8,221
Other administrative	12,492	12,505
Postage	2,849	1,820
Property taxes	179,082	196,027
Special events	123	6,666
Telephone	16,070	17,844
Training	6,637	-
Travel and meetings	11,015	14,966
	<hr/>	<hr/>
Total Administrative Expenses	<u>\$ 1,232,833</u>	<u>\$ 1,245,267</u>

(continued)

SALINA AIRPORT AUTHORITY
SCHEDULES OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
As of December 31, 2013 and December 31, 2012
(continued)

	January 1 to December 31	
	<u>2013</u>	<u>2012</u>
Maintenance Expenses		
Airfield maintenance	\$ 15,347	\$ 20,315
Airport security	17	361
Building maintenance	50,157	64,159
Equipment fuel and repairs	102,406	85,655
Fire services	-	5,025
Grounds maintenance	939	5,775
Maintenance salaries	355,388	353,994
Other maintenance expenses	20,462	22,646
Snow removal expense	17,538	-
Utilities	310,623	311,161
	<u>872,877</u>	<u>869,091</u>
Total Maintenance Expenses		
	<u>2,105,710</u>	<u>2,114,358</u>
Total Operating Expenses		
Excess (Deficit) of Revenues over Expenses before Depeciation	(37,952)	45,810
Depreciation	<u>2,588,107</u>	<u>2,514,587</u>
Operating Loss Before Non-Operating Revenues and Expenses	<u>(2,626,059)</u>	<u>(2,468,777)</u>
Non-Operating Revenues and (Expenses)		
Mill levy	1,788,284	1,767,338
Interest income	676	1,500
Interest expense	(1,120,831)	(1,175,063)
Gain (loss) on sale of assets	51,853	-
	<u>719,982</u>	<u>593,775</u>
Total Non-Operating Revenue (Expense)		
Loss Before Capital Contributions	(1,906,077)	(1,875,002)
Capital Contributions	<u>623,029</u>	<u>1,779,827</u>
Net Position		
(Decrease) in Net Position	(1,283,048)	(95,175)
Net Position, beginning period	<u>26,511,467</u>	<u>26,606,642</u>
Net Position, end of period	<u>\$25,228,419</u>	<u>\$26,511,467</u>

SALINA AIRPORT AUTHORITY
CAPITAL EXPENDITURES

January 1 to December 31

2013

AIRPORT IMPROVEMENTS

L854 Radio Controller - Radio/Receiver Decoder (Pilot Controlled Lighting)	\$ 2,232
Taxiway G Pavement Rehabilitation	47,156
North Taxiway Alpha Lighting System Replacement (LEDs)	491,004
Total Airport Improvements	<u>540,392</u>

BUILDINGS

Bldg. #122 Asbestos Abatement	18,171
Bldg. #122 - HVAC Replacement	28,769
Bldg. #655 gas utility separation into 3 separately metered units	7,599
Bldg. #820 - water fountain	2,072
Bldg. #313 entry door replacement	3,296
Bldg. #520, Unit C, HVAC replacement	4,270
Hangar #626 renovations (door replacements, installations, exterior painting & rehabilitation)	26,320
Hangar #959 rehabilitation preliminary design	12,408
Transload Facility Fencing	4,195
Acquire 4 new meters @ PH305	57,178
Install (8) meters (Tank 1, 2, 4, 6, 7, 8, 9, & 11)	7,941
Total Buildings	<u>172,219</u>

EQUIPMENT

Hangar #606 Data Network	19,572
Ipad for Executive Director	930
Hangar #606 Toshiba Phone System	4,314
Samsung 55" LCD Monitor - Bldg. #120 Conference Room	1,049
HVAC Recovery System and Tools	1,698
Emergency Response Lighting Equipment; Executive Director Vehicle	2,769
2001 Great Plains TS750 Sprayer	7,200
Total Equipment	<u>37,532</u>

CONSTRUCTION IN PROGRESS

Airport Master Plan Update (AIP-35)	375,425
Jumper Road GA Hangars (3 T-Hangars; 1 box Hangar)	49,711
Wings Over Salina Museum	4,332
Total Construction in Progress	<u>429,468</u>

LAND

Environmental SAFB	85,514
West Vortex Ave. Lot Replat	6,000
Demo & Dispose 72' Diameter above ground storage tank	3,000
Total Land	<u>94,514</u>

TOTAL CAPITAL EXPENDITURES

<u>\$ 1,274,125</u>

SALINA AIRPORT AUTHORITY
 GENERAL OBLIGATION IMPROVEMENT BONDS
 SERIES 2005 - A
 December 31, 2013

Date of issue:		August 1, 2005
Amount of issue:	\$	3,635,000
		4.75% to 5.25%
Maturity date:		September 1, 2020
Principal paid:	\$	1,235,000
Outstanding balance:	\$	2,400,000

Schedule of Bond Interest and Principal Payments

Due in <u>Year</u>	<u>Bond Interest</u>	<u>Bond Principal</u>
2014	119,838	290,000
2015	104,612	305,000
2016	88,600	320,000
2017	73,400	340,000
2018	57,250	360,000
2019-2020	<u>59,500</u>	<u>785,000</u>
	<u>\$ 503,200</u>	<u>\$ 2,400,000</u>

SALINA AIRPORT AUTHORITY
GENERAL OBLIGATION IMPROVEMENT BONDS
SERIES 2007-A
December 31, 2013

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:	\$	315,000
Outstanding balance:	\$	690,000

Schedule of Bond Interest and Principal Payments

Due in <u>Year</u>	Bond <u>Interest</u>	Bond <u>Principal</u>
2014	34,743	60,000
2015	31,983	65,000
2016	28,928	70,000
2017	25,568	70,000
2018	22,138	75,000
2019-2022	47,525	350,000
	\$190,885	\$ 690,000

SALINA AIRPORT AUTHORITY
GENERAL OBLIGATION BONDS
SERIES 2009-A
December 31, 2013

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

Due in <u>Year</u>	<u>Bond Interest</u>	<u>Bond Principal</u>
2014	85,648	-
2015	85,648	-
2016	85,648	-
2017	85,648	-
2018	85,648	-
2019-2029	<u>836,200</u>	<u>2,025,000</u>
	<u>\$ 1,264,440</u>	<u>\$ 2,025,000</u>

SALINA AIRPORT AUTHORITY
TAXABLE GENERAL OBLIGATION BONDS
SERIES 2009-B
December 31, 2013

Date of issue:	June 1, 2009
Amount of issue:	\$ 6,080,000
Interest rate:	4.998%
Maturity date:	September 1, 2026
Principal paid:	\$ 1,075,000
Outstanding balance:	\$ 5,005,000

Schedule of Bond Interest and Principal Payments

Due in <u>Year</u>	Bond <u>Interest</u>	Bond <u>Principal</u>
2014	235,275	315,000
2015	225,038	325,000
2016	213,663	335,000
2017	200,263	345,000
2018	186,463	360,000
2019-2026	790,888	3,325,000
	\$ 1,851,590	\$ 5,005,000

SALINA AIRPORT AUTHORITY
TAXABLE GENERAL OBLIGATION Bonds
SERIES 2011-A
December 31, 2013

Date of issue:	August 17, 2011
Amount of issue:	\$ 11,820,000
Interest rate:	4.64%
Maturity date:	September. 1, 2030
Principal paid:	\$ 260,000
Outstanding balance:	\$ 11,560,000

Schedule of Bond Interest and Principal Payments

Due in <u>Year</u>	Bond <u>Interest</u>	Bond <u>Principal</u>
2014	489,032	260,000
2015	485,653	260,000
2016	481,362	265,000
2017	475,665	275,000
2018	468,928	275,000
2019-2030	<u>3,655,210</u>	<u>10,225,000</u>
	<u><u>\$ 6,055,850</u></u>	<u><u>\$ 11,560,000</u></u>

SALINA AIRPORT AUTHORITY
GENERAL OBLIGATION Bonds
SERIES 2011-B
December 31, 2013

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

Due in <u>Year</u>	Bond <u>Interest</u>	Bond <u>Principal</u>
2014	103,331	-
2015	103,331	-
2016	103,331	-
2017	103,331	-
2018	103,331	
2018-2031	1,318,969	2,505,000
	\$ 1,835,624	\$ 2,505,000

SALINA AIRPORT AUTHORITY
SPECIAL ASSESSMENT DEBT-STREET AND UTILITY IMPROVEMENT
Airport Industrial Center Subdivisions
December 31, 2013

Date of loan:		September 11, 2002
Amount of loan:	\$	306,582
Interest rate:		3.79%
Maturity date:		October 1, 2016
Principal paid:	\$	256,771
Outstanding balance:	\$	49,811

Schedule of Loan Interest and Principal Payments

Due in <u>Year</u>	Loan <u>Interest</u>	Loan <u>Principal</u>
2014	1,888	15,990
2015	1,282	16,596
2016	653	17,225
	<u>\$ 3,823</u>	<u>\$ 49,811</u>

SALINA AIRPORT AUTHORITY
SPECIAL ASSESSMENT DEBT-SANITARY SEWER EXTENSION
HANGAR 600
December 31, 2013

Date of loan:		April 23, 2007
Amount of loan:	\$	27,599
Interest rate:		4.47%
Maturity date:		December 20, 2021
Principal paid:	\$	8,934
Outstanding balance:	\$	18,665

Schedule of Loan Interest and Principal Payments

Due in <u>Year</u>	Loan <u>Interest</u>	Loan <u>Principal</u>
2014	757	1,808
2015	676	1,888
2016	592	1,973
2017	504	2,061
2018	412	2,153
2019-2021	640	7,054
	<u>\$ 3,581</u>	<u>\$ 16,937</u>

SALINA AIRPORT AUTHORITY
FINANCING LEASE PAYABLE
December 31, 2013

Date of loan:	September 28, 2006
Amount of loan:	\$ 425,000
Interest rate:	6.609%
Maturity date:	September 1, 2016
Principal paid:	\$ 268,209
Outstanding balance:	\$ 156,791

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>
2014	9,567	48,905
2015	6,282	52,190
2016	2,776	55,696
	\$ 18,625	\$ 156,791

SALINA AIRPORT AUTHORITY
INSURANCE IN FORCE
December 31, 2013

<u>Insurance Policy</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Wausau Genral Insurance Company on behalf of USAIG Pol. #WCH-Z91-547496-013	Worker's Compensation and Employer's Liability	\$ 500,000
National Union Fire Ins. Co. Chartis Aerospace Pol. #AP3229456-19	Bodily Injury & Liability Hangar Keepers	\$ 2,000,000 \$ 1,000,000
Affiliated FM Pol. #EM918	Deluxe Property-Building, contents, stock, personal property of others, EDP equipment, business income Extra expense EDP media	\$62,381,369 \$ 1,000,000 \$ 500,000
Philadelphia Insurance Company Pol. #PHPK959069	Vehicles & Equipment Bodily Injury/Property Damage Medical payments Uninsured motorists Underinsured Motorist	\$ 1,000,000 \$ 5,000 \$ 1,000,000 \$ 1,000,000
RLI Insurance Company Pol. #ILM0702816	Inland Marine - Equipment	\$ 1,531,488
Hartford Fire Insurance Company Pol. #37BPEGK1280	Crime Policy Employee theft, forgery, alteration, computer fraud, faithful performance	\$ 250,000
Darwin Select Insurance Company Pol. #020-4091	Public Officials and Employment Practices Liability Each claim Aggregate limit	\$ 2,000,000 \$ 2,000,000
Great American Alliance Ins. Co. Pol. # KST7882933-19	Underground Storage Tank Liability Each incident Aggregate limit Aggregate defense expense limit	\$ 1,000,000 \$ 1,000,000 \$ 1,000,000
ACE American Insurance Company Pol. #G24735898-001	Above Ground Storage Tank Liability Each incident Policy aggregate limit Aggregate defense expense limit Total Policy Aggregate	\$ 1,000,000 \$ 1,000,000 \$ 1,000,000 \$ 2,000,000

SALINA Airport

Authority

Statistical



More than 850 children of all ages were on hand to greet Santa as he flew into the Salina Regional Airport for his annual welcome party, Candy Canes and Airplanes, Dec. 7.

K-State student organizations, CAPS of Salina, the Salina Military Affairs Council, the Patriot Business Program, Salina Bombers, the 108th Army Aviation Support Facility and the 284th Air Support Operations Squadron acted as Santa's helpers providing aircraft tours and crafts and activities for all those attending the event.

Father Christmas used Salina as a forward operating location to put the finishing touches on his Naughty and Nice List as well as prepare for the big day.

STATISTICAL Table of Contents

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 POSITION
FOR YEARS ENDED DECEMBER 31,

	2004	2005	2006
TOTAL REVENUES			
OPERATING REVENUES			
Airfield	\$ 204,310	\$ 237,506	\$ 263,524
Fuel flowage fees	235,362	259,981	247,740
Building and land rent	890,631	1,106,146	1,294,166
Other revenue	21,874	49,654	70,605
TOTAL OPERATING REVENUES	1,352,177	1,653,287	1,876,035
TOTAL EXPENSES			
OPERATING EXPENSES			
Administrative	928,769	1,039,270	1,043,176
Maintenance	465,326	618,346	627,546
TOTAL OPERATING EXPENSES	1,394,095	1,657,616	1,670,722
OPERATING INCOME BEFORE DEPRECIATION	(41,918)	(4,329)	205,313
DEPRECIATION	1,151,664	1,392,316	1,580,750
OPERATING LOSS	(1,193,582)	(1,396,645)	(1,375,437)
NON-OPERATING INCOME AND (EXPENSES)			
Mill levy	1,036,579	1,058,688	1,184,481
Interest on investments and financing lease	126,949	118,087	148,936
Interest expense	(348,784)	(374,851)	(500,431)
Bond Issue Costs	-	-	-
Gain (loss) on sale of assets	59,943	204,083	10,777
TOTAL NON-OPERATING INCOME AND (EXPENSES)	874,687	1,006,007	843,763
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(318,895)	(390,638)	(531,674)
CAPITAL CONTRIBUTIONS	2,289,342	3,186,636	1,204,559
INCREASE (DECREASE) IN NET POSITION	1,970,447	2,795,998	672,885
NET POSITION AT YEAR END COMPOSED OF:			
Invested in capital assets, net of related debt	18,468,297	24,193,395	24,442,779
Restricted	85,000	85,000	85,000
Unrestricted	3,447,198	518,098	941,600
	<u>\$22,000,495</u>	<u>\$24,796,493</u>	<u>\$25,469,378</u>

Note <1> The 2010 Investment in Capital Assets, Net of Related Debt was adjusted by \$130,729 in accordance with GASB Statement 65. See Note I to the Financial Statements - Summary of Significant Accounting Policies.

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

2007	2008	2009	2010	2011	2012	2013
\$ 376,553	\$ 470,182	\$ 502,193	\$ 654,786	\$ 613,721	\$ 548,193	\$ 411,522
246,113	210,292	165,443	191,027	167,569	189,370	128,277
1,525,071	1,407,984	1,402,230	1,497,330	1,491,710	1,365,853	1,474,057
53,772	47,591	28,710	48,206	33,965	56,752	53,902
2,201,509	2,136,049	2,098,576	2,391,349	2,306,965	2,160,168	2,067,758
1,161,530	1,303,374	1,352,357	1,414,922	1,385,079	1,245,267	1,232,833
807,485	941,926	867,771	821,798	771,450	869,091	872,877
1,969,015	2,245,300	2,220,128	2,236,720	2,156,529	2,114,358	2,105,710
232,494	(109,251)	(121,552)	154,629	150,436	45,810	(37,952)
1,650,187	1,606,811	1,748,348	2,290,253	2,407,566	2,514,587	2,588,107
(1,417,693)	(1,716,062)	(1,869,900)	(2,135,624)	(2,257,130)	(2,468,777)	(2,626,059)
1,201,602	1,256,816	1,327,647	1,768,154	1,795,660	1,767,338	1,788,284
241,478	185,215	74,313	9,948	9,856	1,500	676
(774,315)	(1,022,539)	(1,014,129)	(1,003,998)	(973,882)	(1,175,063)	(1,120,831)
-	-	-	-	(103,580)	-	-
281,803	16,321	-	(86,067)	19,039	-	51,853
950,568	435,813	387,831	688,037	747,093	593,775	719,982
(467,125)	(1,280,249)	(1,482,069)	(1,447,587)	(1,510,037)	(1,875,002)	(1,906,077)
404,773	1,650,041	3,770,558	1,172,507	457,227	1,779,827	623,029
(62,352)	369,792	2,288,489	(275,080)	(1,052,810)	(95,175)	(1,283,048)
13,515,783	24,471,896	26,410,681	23,586,562	22,065,441	25,339,916	24,818,560
-	-	-	-	-	-	-
11,891,243	1,304,922	1,654,626	4,072,936	4,541,202	1,171,551	409,859
\$25,407,026	\$25,776,818	\$ 28,065,307	\$ 27,659,498	\$26,606,688	\$26,511,467	\$25,228,419

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

	2004	2005	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from providing services	\$1,459,696	\$2,107,817	\$1,993,164
Cash paid to employees for services	(472,178)	(504,691)	(552,966)
Cash paid to suppliers for goods and services	(871,435)	(1,157,454)	(1,087,149)
NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES	116,083	445,672	353,049
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of property, plant and equipment	(4,126,043)	(5,948,674)	(5,130,780)
Purchases in satisfaction of maintenance agreement	(5,863)	(1,350)	(15,143)
Proceeds from capital grants	2,289,342	3,186,636	1,204,559
Return of capital grant proceeds	-	-	-
Proceeds from property tax	1,036,579	1,058,688	1,184,481
Proceeds from sale of capital assets	-	-	-
Principal payments on debt	(988,922)	(4,388,400)	(1,019,673)
Proceeds of new borrowing	3,255,000	3,635,000	3,350,000
Principal received on financing lease	88,823	96,320	104,453
Interest received on financing lease	100,623	93,126	84,993
Bond defeasance and issue costs paid	(6,147)	(22,183)	(13,024)
Interest paid on long-term debt	(294,691)	(356,080)	(407,795)
NET CASH PROVIDED (USED) IN CAPITAL AND RELATED FINANCING ACTIVITIES	1,348,701	(2,646,917)	(657,929)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on deposits	28,960	25,463	68,896
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,493,744	(2,175,782)	(235,984)
CASH AND CASH EQUIVALENTS, beginning of year	1,468,276	2,962,020	786,238
CASH AND CASH EQUIVALENTS, end of year	\$2,962,020	\$ 786,238	\$ 550,254

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,

2007	2008	2009	2010	2011	2012	2013
\$ 4,588,310	\$ 2,426,455	\$ 1,974,744	\$2,374,283	\$ 2,466,747	\$ 2,091,754	\$ 2,162,181
(638,839)	(790,936)	(830,298)	(825,454)	(812,393)	(784,733)	(766,300)
(1,281,618)	(1,475,036)	(1,457,074)	(1,136,760)	(1,315,871)	(1,345,746)	(1,469,899)
2,667,853	160,483	(312,628)	412,069	338,483	(38,725)	(74,018)
(3,242,102)	(8,663,391)	(6,999,968)	(3,471,985)	(1,962,366)	(4,789,419)	(1,238,629)
(21,601)	(7,912)	(3,445)	-	-	-	-
404,773	1,552,002	3,674,507	1,077,310	443,681	1,755,598	623,029
-	-	-	-	-	-	-
1,201,602	1,256,816	1,327,647	1,768,154	1,795,660	1,767,338	1,788,284
-	-	-	(86,067)	19,039	-	218,361
(1,048,833)	(3,946,317)	(4,739,437)	(8,162,886)	(12,756,306)	(1,154,007)	(959,134)
12,007,599	-	8,012,154	11,675,000	14,060,137	-	-
113,279	122,855	133,242	144,485	-	-	-
76,167	66,592	56,204	-	-	-	-
(59,955)	-	(75,986)	(39,535)	(103,580)	-	-
(376,499)	(1,249,490)	(922,725)	(1,145,591)	(754,537)	(1,190,236)	(1,131,523)
9,054,430	(10,868,845)	462,193	1,758,885	741,728	(3,610,726)	(699,612)
182,515	125,309	15,550	9,948	9,856	1,500	676
11,904,798	(10,583,053)	165,115	2,180,902	1,090,067	(3,647,951)	(772,954)
550,254	12,455,052	1,871,999	2,037,114	4,218,016	5,308,083	1,660,132
\$ 12,455,052	\$ 1,871,999	\$ 2,037,114	\$4,218,016	\$ 5,308,083	\$ 1,660,132	\$ 887,178

Salina Airport Authority
CAPITAL EXPENDITURE HISTORY
 Ten Years Ended December 31, 2013

<u>Fiscal Year</u>	<u>Equipment</u>	<u>Building Additions</u>	<u>Land</u>	<u>Infrastructure</u>	<u>Airfield</u>	<u>Construction in Progress</u>	<u>Total Capital Expenditures</u>
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
2012	217,548	2,911,756	306,847	-	2,225,668	244,851	5,906,670
2013	37,532	172,219	94,514	-	540,392	429,468	1,274,125

Source: Salina Airport Authority Records

Salina Airport Authority
General Obligation Debt Service Coverage
 Ten Fiscal Years Ended December 31, 2013

Fiscal Year	November Assessed Valuation	Motor Vehicle Valuation	Valuation Total	Capacity of Valuation Total	General Obligation Debt	Revenue Bond Debt	Special Assessment Debt	Financing Leases / Other Loans Payable	Temporary Notes	Total Debt	Remaining Capacity	Total Debt Per Capita
2004	335,262,182	48,687,121	383,949,303	11,518,479	5,435,000	170,000	475,917	165,593	3,255,000	9,501,510	2,828,479	173
2005	352,823,785	49,367,870	402,191,655	12,065,750	8,220,000	90,000	326,619	111,490	-	8,748,109	3,845,750	161
2006	377,917,187	50,551,299	428,468,486	12,854,055	7,370,000	-	302,137	481,299	2,925,000	11,078,436	2,559,055	205
2007	392,728,487	50,548,706	443,277,193	44,327,719	7,490,000	-	255,270	391,932	13,900,000	22,037,202	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	18,090,885	27,633,380	331
2009	397,470,626	50,330,252	447,800,878	44,780,088	13,782,154	-	207,948	323,500	7,050,000	21,363,602	23,947,934	393
2010	400,248,283	48,184,331	448,432,614	44,843,261	12,792,154	-	145,299	285,796	11,652,467	24,875,716	20,398,640	439
2011	402,354,576	47,406,062	449,760,638	44,976,064	25,808,985	-	125,014	245,558	-	26,179,557	19,167,079	475
2012	403,850,282	47,553,744	451,404,026	45,140,403	24,756,769	-	103,947	202,617	-	25,063,333	20,383,634	449
2013	405,107,476	48,882,411	453,989,887	45,398,989	23,880,661	-	66,746	156,791	-	24,104,198	21,518,328	431

Note: Details regarding the Authority's outstanding debt can be found in the notes to the financial statements.
 The special assessment and financing lease/other loans 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, 2013

Fiscal Year	Saline County	City of Salina	Unified School Dist. #305	Salina Airport Authority	State of Kansas	Other Special Taxing Districts	Total
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
2012	34.823	26.19	58.649	4.007	1.5	6.628	131.797
2013	37.895	26.927	58.116	4.504	1.5	6.937	135.879

Note:

Funds generated from the Salina Airport Authority's 2012 mill levy become available during calendar year 2013 and are budgeted accordingly.

Source: Saline County Clerk

**Salina Airport Authority
Principal Customers
Current and Ten Years Ago**

Company	2013			2003		
	<u>Revenue</u>	<u>Rank</u>	<u>Percentage of</u> <u>Revenue</u>	<u>Revenue</u>	<u>Rank</u>	<u>Percentage of</u> <u>Revenue</u>
Kansas Military Board	\$632,215	1	30.57%	-	-	-
JRM Enterprises, Inc, d/b/a America Jet (formerly Moore's Midway Aviation)	133,703	2	6.47%	150,025	4	9.45%
Flower Aviation	\$118,016	3	5.71%	\$157,417	3	0.0994
Learjet Inc.	\$86,111	4	4.16%	-	-	-
Schwan's Global Supply Chain	\$106,645	5	5.16%	\$87,114	5	0.055
Tischlerei - Fine Woodworking, LLC	69,719	6	3.37%	-	-	-
Two Rivers Vending Co.,Inc.	60,505	7	2.93%	48,993	6	3.09%
Kansas State University-Salina	59,261	8	2.87%	232,891	2	14.71%
Universal Forest Products	48,980	9	2.37%			
CAV Aerospace, Inc.	41,903	10	2.03%	31,390	8	1.98%
Beechcraft Corporation (Formerly Hawker Beechcraft Corporation and Raytheon Aircraft Co.)	-	-	-	265,230	1	16.75%
Geocore Services	-	-	-	35,280	7	2.23%
AcuStep	-	-	-	24,448	9	1.54%
Federal Aviation Administration	-	-	-	22,350	10	1.41%
	<u>\$ 1,357,058</u>		<u>65.64%</u>	<u>\$ 1,055,138</u>		<u>66.60%</u>

Source: Salina Airport Authority Records

Salina Airport Authority

MILL LEVY REVENUE

Ten Years Ended December 31, 2012

<u>Fiscal Year</u>	<u>Mil Levy Revenue</u>
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
2012	1,767,338
2013	1,788,284

Source: Salina Airport Authority Records

Salina Airport Authority

AIR TRAFFIC, FUEL FLOWAGE AND ENPLANEMENT TRENDS

Ten Years Ended December 31, 2013

<u>Fiscal Year</u>	<u>Air Traffic Operations</u>	<u>Fuel Flowage Gallons</u>	Passenger Enplanements		<u>Total Enplanements</u>
			<u>Scheduled Air Carrier</u>	<u>Non-Scheduled Air Carrier</u>	
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	3,778,794	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	2,763,991	1,698	1,446	3,144
2011	69,207	2,386,670	2,705	212	2,917
2012	97,338	2,594,049	2,546	980	3,526
¹ 2013	90,131	1,757,980	2,361	-	-

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 Seven Years Prior

Employer	2013			2006¹		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Salina Regional Health Center	1,662	1	5.7%	1,600	3	3.7%
USD #305	1,547	2	5.4%	1,659	2	4.7%
Schwan's Global Supply Chain, Inc.	1,400	3	4.8%	1,800	1	5.1%
Great Plains Manufacturing	672	4	2.3%	-	-	-
Exide Technologies	672	5	2.3%	750	4	2.1%
Philips Lighting Company	450	6	1.6%	490	7	1.4%
City of Salina	424	7	1.5%	723	5	2.0%
Dillons Stores	415	8	1.4%	-	-	-
Wal-Mart	362	9	1.3%	421	8	1.2%
Solomon Corporation	344	10	1.2%	-	-	-
Blue Beacon International	-	-	-	544	6	1.5%
Assurian, Inc	-	-	-	374	9	1.0%
Hawker Beechcraft Corp.	-	-	-	350	10	1.0%
Total	7,948		27.5%	8,711		23.7%

Source: Salina Area Chamber of Commerce¹-2004 Historical records not available

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

Function	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Administration	4	4	5	6	7	7	7	7	6	5
¹ Aircraft Rescue and Firefighting (ARFF) and Operations	3	3	3	6	6	6	5	5	5	4
¹ Airport and Industrial Center Maintenance	4	4	4	5	5	5	5	5	5	5
Total	11	11	12	17	18	18	17	17	16	14

Source: Salina Airport Authority Records

¹ During years 2003-2007, 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
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	55,606	39,384	2,195,520,000	37.7	5.8%	81.4%	9,318
2011	55,844	39,910	2,228,710,000	37.8	6.2%	84.5%	9,259
2012	55,988	41,070	n/a	38.3	5.9%	89.4%	9,201
2013	n/a	n/a	n/a	n/a	5.2%	n/a	9,197

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 2013 assessed valuations, and the percentage each taxpayer comprised of the total assessed valuation of the City.

<u>Company</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Valuation</u>
Westar Energy	Utility	9,256,960	2.05%
Schwan's Logistics LLC (Tony's Pizza)	Manufacturing	8,007,991	1.77%
Garrison Salina Owner LLC	Regional Shopping Center	4,950,001	1.10%
Salina Regional Health Centers	Hospital and Medical Offices	4,768,349	1.06%
Kansas Gas Service	Utility	3,590,817	0.80%
Gateway Adams Inc. (Midstate Plaza)	Regional Shopping Center	3,534,018	0.78%
Wal-Mart Stores (includes Sam's)	Discount Chain Store	3,458,961	0.77%
Menard Inc.	Home Improvement Store	2,629,399	0.58%
Great Plains Manufacturing	Manufacturing	2,404,823	0.53%
Dillon Companies Inc	Grocery	<u>2,396,753</u>	<u>0.53%</u>
		\$44,998,072	9.97%

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 years shown.

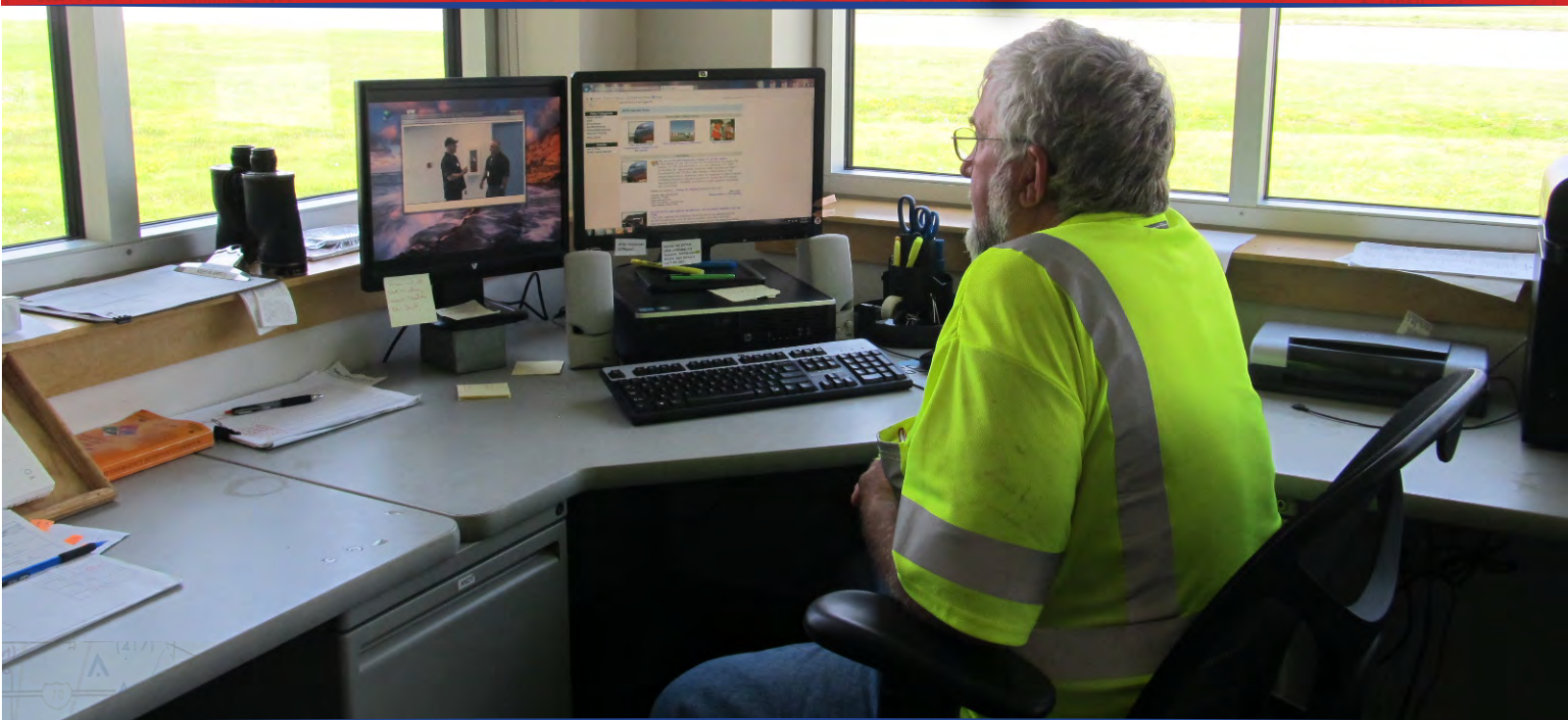
<u>Levy Year</u>	<u>Tax Rate</u>	<u>Taxes Levied</u>	<u>Current Tax Collections</u>		<u>Current and Delinquent Tax Collections</u>	
			<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
2013*	26.927	\$10,917,915	\$7,319,511	67.0%	\$7,330,363	67.1%
2012	26.190	10,588,130	10,280,446	97.1	10,336,293	97.6
2011	26.272	10,582,043	10,276,937	97.1	10,522,106	99.4
2010	26.022	10,425,260	9,823,578	94.2	10,118,285	97.1
2009	25.855	10,289,701	9,827,807	95.5	10,126,228	98.4
2008	25.886	10,369,087	9,825,122	94.8	10,119,876	97.6
2007	23.959	9,432,248	8,941,650	94.8	9,209,900	97.6
2006	23.789	9,029,080	8,648,305	95.8	8,907,754	98.6
2005	23.999	8,478,392	8,223,308	97.0	8,470,007	99.9
2004	24.063	8,085,633	7,894,014	97.6	8,130,384	100.5
2003	24.013	7,901,005	7,668,663	97.1	7,898,723	99.8
2002	24.092	7,654,034	7,390,547	96.6	7,612,263	99.5
2001	24.365	7,306,926	7,082,098	96.9	7,294,560	99.8

*Collections as of May 5, 2014.

Source: Saline County

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SALINA Airport *Authority* Compliance



The Salina Regional Airport is one of 90 airports across the nation that the American Association of Airport Executives has recognized with an ANTN Digicast Excellence in Airport Training award for training completed in calendar year 2013.

“I was pleased to recently learn that Salina Regional Airport was recognized with the ANTN Digicast Excellence in Airport Training award,” said Jerry Moran, U.S. Senate. “As a fellow advocate for aviation, I appreciate your commitment, dedication and leadership in training and advancement. You and your staff should be proud of the work being done at Salina Regional Airport.”

The ANTN Digicast Excellence in Airport Training award signifies that airport employees and others working at these facilities have completed a specified amount of federally mandated airport-specific and continuing education training using ANTN Digicast's Web-based training system.

CLUBINE & RETTELE CHARTERED

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

To the Board of Directors
Salina Airport Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the Kansas Municipal Audit and Accounting Guide, prescribed by the Director of Accounts and Reports, Department of Administration of the State of Kansas, the financial statements of the Salina Airport Authority as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements which collectively comprise Salina Airport Authority's basic financial statements and have issued our report thereon dated June 17, 2014.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CLUBINE AND RETTELE, CHARTERED

Clubine and Rettelle, Chartered

Salina, Kansas
June 17, 2014

2013 Salina Airport Authority



The sound of thunder could be heard across several counties in June 2013.

The thunderous sound wasn't created by a thunderstorm, but by artillery guns being fired at Smoky Hill Air National Guard Range.

"We appreciate the support of the local citizens of Salina and the support of communities that we have received," said Marine Maj. Aaron Doty, the officer in charge of the operation. "The ability to train at night streamlines the techniques we use in night operations. This type of training is critical for combat integration of the Air Force and Special Ops."

Participating in the exercise are A-10 Thunderbolt IIs from the 442nd Fighter Wing out of Whiteman Air Force Base in Missouri; four AH-6 Little Bird helicopters; an AC-130 Spectre gunship; a PC-12, and an OV-10 Bronco. Officials said Army National Guard UH-60 Black Hawks also are being used.