FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION

SALINA AIRPORT AUTHORITY
A Component Unit of the
City of Salina, Kansas
For the Fiscal Years Ended December 31, 2017 and 2016

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

CUSIP #794760XXX

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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
of the
SALINA AIRPORT AUTHORITY

A Component Unit of the
City of Salina, Kansas

For the Fiscal Years Ended December 31, 2017 and 2016

Summers, Spencer & Company, P.A.
3025 Courtland Circle, Suite 201
Salina, KS 67401

SALINA AIRPORT AUTHORITY
TABLE OF CONTENTS

For the Year Ended December 31, 2017

Summers, Spencer & Company, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

3025 Cortland Circle, Suite 201
Salina, Kansas 67401
Phone 785.825.5479
Fax 785.825.2446
SSCcpas.com

Independent Auditor's Report

The Board of Directors
Salina Airport Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Salina Airport Authority, a component unit of the City of Salina, Kansas, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Salina Airport Authority, as of December 31, 2017 and 2016, and the changes in financial position, and cash flows thereof 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 3 - 10 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 response 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Salina Airport Authority's basic financial statements. The statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The statistical section has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2019 on our consideration of the 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 compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Salina Airport Authority's internal control over financial reporting and compliance.

Summers, Spencer + Company, P.A

Summers, Spencer & Company, P.A.
Salina, Kansas

March 15, 2019

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, 2017.

The Salina Air Traffic Control Tower (ATCT) ended 2017 having handled 61,141 aircraft operations. This represented a 20.71% decrease in total aircraft operations over the prior year which had seen a 19.97% decrease over 2015. The majority of the decrease is due to K-State Salina discontinuing their professional helicopter flight training program. K-State Salina's expanded professional pilot and helicopter flight training programs had assisted in the upward trend in air traffic in previous years as well as an overall increase in commercial business traffic. Despite the decrease in operations, at the end of 2017, Salina Regional Airport remains ranked the 2nd busiest air traffic control tower in the state. Salina ATCT's national ranking is 263 out of 516 towers.

Salina continues to remain strong as a mid-continent refueling stop and has earned the recognition as "America's Fuel Stop". At the end of 2017, world-class Fixed Based Operator (FBO), Avflight Corporation, completed its fourth year as the aircraft fueling at the Salina Regional Airport. Avflight provides fueling and ground services to the wide mix of air traffic that includes business jets, air carrier, military, and general aviation. Avflight is part of the Avfuel-branded FBO network of 700 independently-owned FBOs around the globe. In addition, Salina continues to remain strong as a base of operations for military and civilian flight training. During 2017, Avflight increased fuel sales to 2.6 million gallons, representing a 41% increase over the prior year following a decrease of 21% from 2015 to 2016. The previous two years (2015 and 2014) both saw double digit year-over-year increases. Avflight's takeover of the fueling operation at SLN and subsequent results has fuel sales on a positive trend.

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 (EAS). On December 21, 2017, the United States Department of Transportation (the Department) selected SkyWest Airlines, Inc. (SkyWest), to provide EAS at Salina, Kansas, using 50-passenger Canadair Regional Jet CRJ200 aircraft for a two-year contract term from April 1, 2018, through March 31, 2020, SkyWest will provide Salina with 12 weekly round trips to Denver International Airport (DEN) and/or Chicago O'Hare International Airport (ORD). The service is branded as United Express.

The Salina Regional Airport's passenger enplanements increased 249% as a result of the commercial market being served with a larger aircraft (30-seater) and also the airport serving numerous aircraft as an Airport of Embarkation/Debarkation (APOE/APOD) for Kansas' army military installation known at Fort Riley. Home of the Army's 1st Infantry division, Fort Riley utilizes the infrastructure at the Airport for the deployment of service men and women and cargo to training venues and military missions throughout the world. In addition to an increase in military aircraft activity, the Airport has benefited from the increase in commercial airline charter operations as a result of serving as an APOE/APOD.

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

	2017	2016	2015
Enplanements - Scheduled Air Carrier & Charter Flights	13,850	3,967	10,079
% increase / (decrease)	249.13%	-60.64%	320.31%
Aircraft Operations - All Categories	61,141	77,111	96,350
% increase / (decrease)	-20.71%	-19.97%	5.76%
Fuel Flowage - (gallons delivered)	2,622,158	1,860,912	2,487,603
% increase / (decrease)	40.91%	-25.19%	26.21%

AIRPORT INDUSTRIAL CENTER ACTIVITY AND HIGHLIGHTS

The Authority owns over 1.2 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 2017, building rents equaled $1,310,833 or 59% of operating revenue. At the end of 2017, the Authority had an occupancy rate of 71% in its building inventory, up significantly from the 60% in 2016. The Authority has made great strides in recent years in re-leasing a portion of the 484,003 sq. ft. of property vacated by Hawker Beechcraft Corporation (HBC) division in Salina in 2012.

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. In addition, the Authority has managed through the termination of four operating revenue leases from three principal tenants since 2012, representing nearly $850,000 in annual operating revenue. Fortunately, since 2012, the Authority has added ten new tenants, diversifying its tenant base and the operating revenue has increased each year since 2012, exceeding the 2012 levels for the first time in 2017.

	2017	2016	2015
Operating revenues	$ 2,213,300	$ 1,956,866	$ 1,876,503
Operating expenses	(2,160,623)	(1,897,869)	(1,951,218)
(Deficit) of revenues over expenses before depreciation	52,677	58,997	(74,715)
Depreciation	(2,593,092)	(2,569,109)	(2,584,667)
Loss before non-operating revenues and expenses	(2,540,415)	(2,510,112)	(2,659,382)
Non-operating revenues and (expenses), net	1,345,160	1,054,861	967,636
Loss before capital contributions	(1,195,255)	(1,455,251)	(1,691,746)
Capital grants and contributions	1,280,204	943,219	217,112
Net position			
Increase (Decrease) in net position	84,949	(512,032)	(1,474,634)
Net position, beginning of period as previoiusly reported	21,723,235	22,235,267	24,247,520
Cumulative chage in accounting principle	-	-	(537,619)
Net position, beginning of year as restated	21,723,235	22,235,267	23,709,901
Net position, end of period	$ 21,808,184	$ 21,723,235	$ 22,235,267

SUMMARY OF OPERATIONS HIGHLIGHTS

Significant items affecting the Summary of Operations and Changes in Net Position for 2017 and 2016 are as follows:

- Operating revenues have increased in recent years due to new tenants and releasing properties as mentioned previously. Also fuel flowage fees derived from the delivery and sale of aviation fuel at the Airport is on an upward trend and increased 40% in 2017 and has reached the highest level in the last nine years. There is a continued trend upward in aircraft operations after a decrease in corporate and general aviation flying due to the economy, which will continue to assist in the upward trend of derived from fuel flowage fees. Military traffic at the Airport continues to remain strong.

- The Authority's operating expenses increased by 13.8% from 2016 to 2017 after decreasing year-over-year expenses for the previous six years.

  - During 2012-2016, 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 very capital intensive years in 2016 and 2017 with investment exceeding $1.49 million in 2016 and $2.1 million in 2017.

- Capital grants and contributions during 2017 totaled $1,280,204 with the significant projects including the design of the Airport's rehabilitation of Taxiway's E & B.

- Ad-valorem tax revenue (mill levy) received by the Authority as a local taxing entity increased 1.3% from 2016 to 2017 and decreased .055% from 2015 to 2016. Interest received on investments decreased significantly in 2017 and 2016 as a result of a reduction in bond proceeds on deposit as well as historical lows in investment yields.

FINANCIAL POSITION SUMMARY

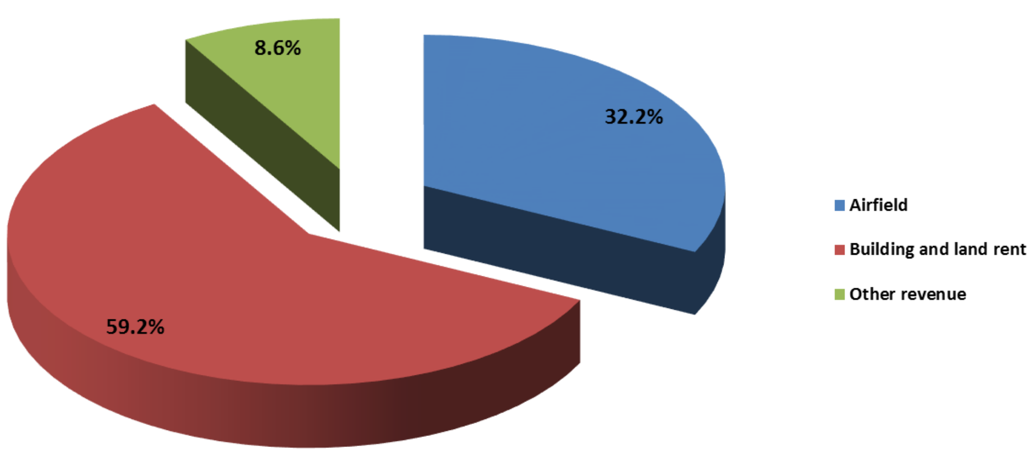
The changes in net position may serve over time as a useful indicator of a government's financial position. The Authority's assets exceeded liabilities by $21,808,184 at the close of 2017. A condensed summary of the Authority's total net position at December 31 for the previous three years is shown on the next page.

The Authority's net position reflects its heavy 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.

	2017	2016	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current and other assets	$ 1,889,263	$ 1,176,664	$ 1,004,510
Capital assets	43,770,431	44,300,702	45,393,524
Deferred Outflows of Resources	1,496,655	76,670	6,417
Total Assets and Deferred Outflows of Resources	$ 47,156,349	$ 45,554,036	$ 46,404,451
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Long-term debt outstanding	22,794,569	21,371,474	21,767,597
Other liabilities	2,457,110	2,345,270	2,287,858
Total liabilities	25,251,679	23,716,744	24,055,455
Deferred Inflows of Resources	96,486	114,057	113,729
NET POSITION			
Net investment in capital assets	19,753,708	21,862,166	22,516,034
Unrestricted	2,054,476	(138,931)	(280,767)
Total net position	21,808,184	21,723,235	22,235,267
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 47,156,349	$ 45,554,036	$ 46,404,451

REVENUES

The following chart shows the major sources and the percentage of total operating revenues for the year ended December 31, 2017:

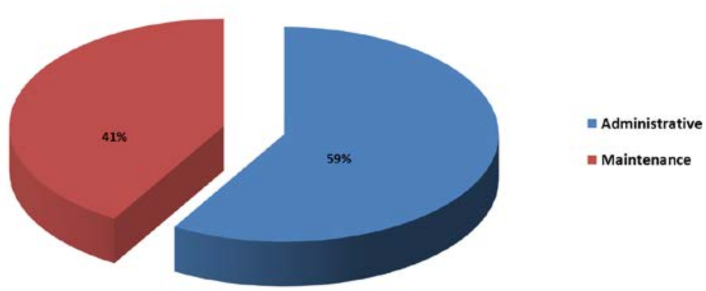


A summary of revenues for the past three years is shown below. Total revenue increased by 7.42% or $295,488 in 2017 over 2016 and by .78% or $31,017 in 2016 over 2015. The increase in operating revenue in 2017 is a result of the increase in building and land rental attributable to increased occupancy rates. Other operating income has increased as a result of new sources of income including equipment rental to visiting military units and flight test activity.

	2017	2016	2015
Operating Revenue:			
Airfield	$ 712,991	$ 676,169	$ 719,505
Building and land rent	1,310,833	1,174,553	1,068,335
Other revenue	189,476	106,144	88,663
Total Operating	2,213,300	1,956,866	1,876,503
Non-Operating Income:			
Mill Levy	2,043,302	2,017,013	2,028,074
Interest Income	974	3,387	286
Gain on sale of assets	22,081	6,903	48,289
Total Non-Operating	2,066,357	2,027,303	2,076,649
TOTAL REVENUE	$ 4,279,657	$ 3,984,169	$ 3,953,152

EXPENSES

The following chart shows the major expense categories and the percentage of total operating expenses for the year ended December 31, 2017:



A summary of expenses for the past three years is shown below. Total operating expenses increased 13.8% in 2017 and decreased 2.73% in 2016 over the prior year. 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. Prior to 2017, the Authority reduced operating expenses year-over-year for the previous six years.

	2017	2016	2015
Operating Expenses			
Administrative	$ 1,264,135	$ 1,183,681	$ 1,253,045
Maintenance	896,488	714,188	698,173
Total Operating	2,160,623	1,897,869	1,951,218
Non-Operating Expense			
Interest Expense	573,533	964,113	1,065,853
Bond Issue Costs	147,664	8,329	43,160
Total Non-Operating	721,197	972,442	1,109,013
TOTAL EXPENSES	$ 2,881,820	$ 2,870,311	$ 3,060,231

CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

Capital grants and contributions during 2017 totaled $1,280,204 which included significant funding through the Federal Aviation Administration's Airport Improvement Program to provide 90% grant funding for the construction of the Airport's rehabilitation of Taxiway's E & B.

The Authority acquired $2,073,730 in capital assets during 2017. Significant items included the construction of the Airport's rehabilitation of Taxiway's E & B. The capital asset investment also included several airport and industrial center building improvement projects. 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 (E) in the notes to the financial statements.

DEBT ADMINISTRATION

The outstanding long-term debt of the Authority was $24,016,722, net of unamortized bond discounts at December 31, 2017. This debt consists of general obligation bonds and City of Salina special assessments. Maturities range from 2019 through 2030. Both principal and interest are payable from the Authority's 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's 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 Director 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

Michelle R. Swanson

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

Michelle R. Swanson, C.M.
Director of Administration and Finance

SALINA AIRPORT AUTHORITY
STATEMENTS OF NET POSITION
For the Years Ended December 31, 2017 and December 31, 2016

ASSETS AND DEFERED OUTFLOWS OF RESOURCES	December 31 2017	December 31 2016
CURRENT ASSETS		
Cash	$ 1,613,791	$ 240,357
Accounts receivable	266,634	789,344
Prepaid expenses	8,838	146,963
Total Current Assets	1,889,263	1,176,664
NON-CURRENT ASSETS		
Capital Assets		
Land	9,888,105	9,857,488
Buildings, improvements and equipment, net of depreciation	30,756,069	32,607,419
Construction in progress	3,126,257	1,835,795
Total Non-Current Assets	43,770,431	44,300,702
TOTAL ASSETS	45,659,694	45,477,366
DEFERRED OUTFLOWS OF RESOURCES		
Deferred KPERS pension funds	105,185	76,670
Deferred advanced refunding	1,391,470	-
Total Deferred Outflows of Resources	1,496,655	76,670
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 47,156,349	$ 45,554,036

(continued)

The accompanying notes are an integral part of these financial statements.

SALINA AIRPORT AUTHORITY
STATEMENTS OF NET POSITION
For the Years Ended December 31, 2017 and December 31, 2016
(continued)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	December 31 2017	December 31 2016
CURRENT LIABILITIES:		
Accounts payable	$ 158,295	$ 154,132
Accrued payroll and expenses	46,379	36,850
Accrued property tax	59,213	61,044
Accrued special assessments	1,282	10,221
Unearned rental and marketing income	46,087	77,078
Accrued interest	270,898	311,276
Current maturities of long-term debt	1,222,153	1,067,061
Total Current Liabilities	1,804,307	1,717,662
NON-CURRENT LIABILITIES		
Bonds and notes payable, less current maturities	22,794,569	21,371,474
Net pension liability	603,456	582,704
Security deposits returnable	49,347	44,904
Total Non-Current Liabilities	23,447,372	21,999,082
Total Liabilities	25,251,679	23,716,744
DEFERRED INFLOWS OF RESOURCES	96,486	114,057
NET POSITION		
Net investment in capital assets	19,753,708	21,862,166
Unrestricted	2,054,476	(138,931)
Net Position	21,808,184	21,723,235
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 47,156,349	$ 45,554,036

The accompanying notes are an integral part of these financial statements.

SALINA AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES and CHANGES IN NET POSITION
For the Years Ended December 31, 2017 and December 31, 2016

	January 1 to December 31	
	2017	2016
Operating Revenues		
Airfield	$ 712,991	$ 676,169
Building and land rent	1,310,833	1,174,553
Other revenue	189,476	106,144
Total Operating Revenues	2,213,300	1,956,866
Operating Expenses		
Administrative	1,264,135	1,183,681
Maintenance	896,488	714,188
Total Operating Expenses	2,160,623	1,897,869
Revenues over Expenses before Depreciation	52,677	58,997
Depreciation	(2,593,092)	(2,569,109)
Operating Loss Before Non-Operating Revenues and Expenses	(2,540,415)	(2,510,112)
Non-Operating Revenues and (Expenses)		
Mill levy	2,043,302	2,017,013
Interest on investments	974	3,387
Interest expense	(573,533)	(964,113)
Bond issue costs	(147,664)	(8,329)
Gain on sale of assets	22,081	6,903
Total Non-Operating Revenues and (Expenses)	1,345,160	1,054,861
Loss before Capital Contributions	(1,195,255)	(1,455,251)
Capital Contributions	1,280,204	943,219
Net Position		
Increase in Net Position	84,949	(512,032)
Net Position, beginning of year	21,723,235	22,235,267
Net position, end of year	$ 21,808,184	$ 21,723,235

The accompanying notes are an integral part of these financial statements.

SALINA AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
(DIRECT METHOD)
For the Years Ended December 31, 2017 and December 31, 2016

	January 1 to December 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from providing services	$ 2,162,372	$ 1,868,694
Cash paid to employees for services	(821,501)	(724,184)
Cash paid to suppliers for goods and services	(1,249,957)	(1,124,098)
Net Cash Provided by Operating Activities	90,914	20,412
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of property, plant and equipment	(2,073,730)	(1,489,872)
Proceeds from capital grants	1,280,204	943,219
Change in grants receivable	573,638	(573,638)
Proceeds from property tax	2,043,302	2,017,013
Proceeds from sale of capital assets	32,990	20,489
Principal payments on debt	(1,253,283)	(1,095,956)
Proceeds of new borrowing	2,831,470	657,000
Deferred advanced refunding	(1,391,470)	-
Bond issuance costs	(147,664)	(8,329)
Interest paid on long-term debt	(613,911)	(972,452)
Net Cash Provided (Used) by Capital and Related Financing Activities	1,281,546	(502,526)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on deposits	974	3,387
INCREASE (DECREASE) IN CASH	1,373,434	(478,727)
CASH BALANCE - January 1	240,357	719,084
CASH BALANCE - December 31	$ 1,613,791	$ 240,357

The Authority received capital equipment having a fair value of $43,048 in 2016 and $166,210 in 2017. 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)
For the Years Ended December 31, 2017 and December 31, 2016

RECONCILIATION OF OPERATING LOSS TO NET
CASH PROVIDED BY OPERATING ACTIVITIES

	January 1 to December 31 2017	2016
OPERATING LOSS	$ (2,540,415)	$ (2,510,112)
ADJUSTMENTS RECONCILING OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	2,593,092	2,569,109
Decrease (Increase) in operating assets		
Accounts receivable	(50,928)	(88,172)
Prepaid expenses	138,125	10,929
Change in deferred outflows of resources	(28,515)	(70,253)
Increase (Decrease) in operating liabilities		
Accounts payable (operations)	4,163	63,005
Accrued payroll expenses	9,529	(15,031)
Accrued property tax and special assessments	(10,770)	(16,186)
Unearned rental income	(30,991)	32,866
Security deposits	4,443	7,202
Net pension liability	20,752	36,727
Change in defered inflows of resources	(17,571)	328
Total Adjustments	2,631,329	2,530,524
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 90,914	$ 20,412

The accompanying notes are an integral part of these financial statements.

Salina Airport Authority
NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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 financial statements.

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 years ended December 31, 2017 and December 31, 2016, the Authority did not adopt any new accounting standards issued by GASB.

C. Property Taxes

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

D. Pending Accounting Pronouncements

The Authority is preparing to implement the following Statements of Governmental Accounting Standards, established by the Governmental Accounting Standards Board (GASB) on or before the required implementation date. Management is currently evaluating the effect that the standards will have on the financial statements.

- GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.
- GASB Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73
- GASB Statement No. 83, Certain Asset Retirement Obligations
- GASB Statement No. 87, Leases
- GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period

E. 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 estimates the United States military 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.

The Authority keeps record of the military donated assets having an original cost by the military of $5,000 or less in order to meet the tracking requirement and will treat as a consumable because the Authority believes the fair value of these is less than $1,000 each.

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:

Assets	Years
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, 2017 and 2016 was $33,070 and $29,321 respectively.

Balance January 1, 2017	Increase	Decrease	Balance December 31, 2017
$ 26,321	$ 12,202	$ (5,453)	$ 33,070

Balance January 1, 2016	Increase	Decrease	Balance December 31, 2016
$ 50,747	$ 5,406	$ (29,832)	$ 26,321

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, 2017 and 2016, the Authority had cash and cash equivalents as listed below:

	December 31, 2017	December 31, 2016
Gross Cash Balances		
Cash	$ 1,613,791	$ 240,357
Less deposits in transit and petty cash	(50)	(66,835)
Add uncleared checks	40,922	88,586
Bank Balance	1,654,663	262,108
Less FDIC Coverage	426,512	262,108
Balances Securable by Collateral	$ 1,228,151	$ -
Security Provided by Depositories	$ 2,426,012	$ 1,508,704

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 AAAf/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:

	2017	**2016**
Receivables		
Accounts	$ 268,134	$ 790,844
Less: allowance for uncollectibles	(1,500)	(1,500)
Total	$ 266,634	$ 789,344

C. Capital Assets

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

	Balance January 1, 2017	Additions	Dispositions	Reclassify	Balance December 31, 2017
Capital Assets					
Non-Depreciable					
Land	$ 9,857,488	$ 30,617	$ -	$ -	$ 9,888,105
Construction in progress	1,835,795	1,290,462		-	3,126,257
Total Non-Depreciable	11,693,283	1,321,079	-	-	13,014,362
Depreciable					
Buildings and improvements	27,103,642	140,422	-	-	27,244,064
Airfield and improvements	40,640,670	385,751	-	-	41,026,421
Equipment	4,118,439	226,478	(55,063)	-	4,289,854
Total Depreciable	71,862,751	752,651	(55,063)	-	72,560,339
Total Non-Depreciable & Depreciable	$ 83,556,034	$ 2,073,730	$ (55,063)	$ -	$ 85,574,701
Accumulated depreciation					
Buildings and improvements	$ (12,317,883)	$ (1,010,598)	$ -		$ (13,328,481)
Airfield and improvements	(23,481,883)	(1,407,631)	-		(24,889,514)
Equipment	(3,455,566)	(174,863)	44,154	-	(3,586,275)
Total Accumulated Depreciation	(39,255,332)	(2,593,092)	44,154	-	(41,804,270)
Total Capital Assets	$ 44,300,702	$ (519,362)	$ (10,909)	$ -	$ 43,770,431

Capital Assets	Balance January 1, 2016	Additions	Dispositions	Reclassify	Balance December 31, 2016
Non-Depreciable					
Land	$ 9,843,426	$ 14,062	$ -		$ 9,857,488
Construction in progress	906,356	1,024,689	-	(95,250)	1,835,795
Total Non-Depreciable	10,749,782	1,038,751	-	(95,250)	11,693,283
Depreciable					
Buildings and improvements	26,689,553	321,854	-	92,235	27,103,642
Airfield and improvements	40,610,996	23,799	-	5,875	40,640,670
Equipment	4,031,680	105,466	(15,847)	(2,860)	4,118,439
Total Depreciable	71,332,229	451,119	(15,847)	95,250	71,862,751
Total Non-Depreciable & Depreciable	$ 82,082,011	$ 1,489,870	$ (15,847)	$ -	$ 83,556,034
Accumulated depreciation					
Buildings and improvements	$ (11,324,371)	$ (993,512)	$ -		$ (12,317,883)
Airfield and improvements	(22,100,201)	(1,381,682)	-		(23,481,883)
Equipment	(3,263,914)	(193,915)	2,263	-	(3,455,566)
Total Accumulated Depreciation	(36,688,486)	(2,569,109)	2,263	-	(39,255,332)
Total Capital Assets	$ 45,393,524	$ (1,079,239)	$ (13,584)	$ -	$ 44,300,702

D. Long-Term Liabilities

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

	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017	Current Maturities December 31, 2017
Long-term Liabilities					
General obligation bonds	$ 22,632,000	$ 2,520,000	$ 1,065,000	$ 24,087,000	$ 1,220,000
Less unamortized discount	(204,733)	(53,956)	(179,204)	(79,485)	-
Net pension liability	582,704	20,752	-	603,456	
Special assessment debt	11,268	-	2,061	9,207	2,153
Security deposits returnable	44,904	5,745	1,302	49,347	-
Total Long-Term Liabilities	$ 23,066,143	$ 2,492,541	$ 889,159	$ 24,669,525	$ 1,222,153
Current Maturities	(1,067,061)			(1,222,153)	
Long Term Liability Net	$ 21,999,082			$ 23,447,372	

	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016	Current Maturities December 31, 2016
Long-term Liabilities					
General obligation bonds	$ 23,010,000	$ 657,000	$ 1,035,000	$ 22,632,000	$ 1,065,000
Less unamortized discount	(218,671)	-	(13,938)	(204,733)	-
Financing lease payable	55,696	-	55,696	-	-
Net pension liability	545,977	36,727	-	582,704	
Special assessment debt	30,465	-	19,197	11,268	2,061
Security deposits returnable	37,702	7,202	-	44,904	-
Total Long-Term Liabilities	$ 23,461,169	$ 700,929	$ 1,095,955	$ 23,066,143	$ 1,067,061
Current Maturities	(1,109,893)			(1,067,061)	
Long Term Liability Net	$ 22,351,276			$ 21,999,082	

The following is a detailed listing of the Authority's long-term debt including general obligation bonds and special assessment debt at December 31, 2017:

	Original Issue	Interest Rates	Bonds Outstanding
General Obligation Debt			
General Obligation 2009-B, due 2021	$ 6,080,000	4.78%	$ 1,545,000
General Obligation 2011-A, due 2023	11,820,000	3.89%	3,160,000
General Obligation 2015-A, due 2025	3,075,000	2.67%	2,195,000
General Obligation 2016-1 Temp Note, due 2019	657,000	0.90%	657,000
General Obligation 2017-1 Temp Note, due 2019	1,440,000	1.43%	1,440,000
General Obligation 2017-A, due 2030	10,255,000	3.04%	10,255,000
General Obligation 2017-B due 2025	4,835,000	3.02%	4,835,000
Plus unamortized bond premium			33,023
Less unamortized bond discount			(112,508)
Total General Obligation Debt			24,007,515
Special Assessment Debt			
Hangar 600 Sanitary Sewer, due 2021	27,599	4.47%	9,207
Total Long Term Debt			$ 24,016,722

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

Year	Bonds Outstanding	Interest Due	Total
2018	$ 1,220,000	$ 746,880	$ 1,966,880
2019	1,310,000	652,277	1,962,277
2020	1,350,000	612,110	1,962,110
2021	1,400,000	565,880	1,965,880
2022	1,455,000	511,135	1,966,135
2023-2027	7,970,000	1,852,938	9,822,938
2028-2031	7,285,000	575,795	7,860,795
	$ 21,990,000	$ 5,517,015	$ 27,507,015

The 2017-1 outstanding temporary notes, which were issued to temporarily finance the rehabilitation of a public street within the Salina Airport Industrial Center, will be paid in full in 2019 with funds from the City of Salina, KS. The Authority's outstanding 2016-1 temporary notes will be refinanced in 2019 with Authority issued General Obligation bonds.

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

Year	Principal	Interest Due	Total
2018	$ 2,153	$ 412	$ 2,565
2019	2,249	315	2,564
2020	2,350	215	2,565
2021	2,455	110	2,565
	$ 9,207	$ 1,052	$ 10,259

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	2017	2016
Federal	$ 31,401,955	$899,586	$ 900,171
State	2,215,849	-	-
Total	$ 33,617,804	$899,586	$ 900,171

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, 2017, 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. The report is also available on the KPERS website at www.kpers.org. Financial statements provided by KPERS are prepared in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

The employer rate established by statute is 9.18% for the calendar year 2017 and 8.46% for the calendar year 2016. The Authority's employer contributions to KPERS for the years ending December 31, 2017, 2016, and 2015 were $66,939, $63,433 and $70,006 respectively, equal to the statutorily required contributions for each year. These amounts are included in general expense as shown in the statement of activities.

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

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

The allocation percentages for the Authority's share of the collective pension amounts as of June 30, 2017 and 2016 were based on the ratio of its contributions to the total of the employer and nonemployer contributions of the group for the fiscal years ended June 30, 2017 and 2016, respectively. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2017, the proportion recognized by the State of Kansas on behalf of the Authority was 0.041662%, which was an increase of 0.003996% from the proportion measured at June 30, 2016.

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry age normal
Inflation	2.75 percent
Salary Increase	3.50 to 12.00 percent, including price inflation
Investment Rate of Return	7.75 percent compounded annually, net of investment expense, including price inflation

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

The actuarial assumptions used in the December 31, 2016, valuation were based on the results of an actuarial experience study conducted for the period January 1, 2013, through December 31, 2015. The experience study is dated November 18, 2016.

The actuarial assumptions changes adopted by the Pension Plan for all groups based on the experience study:

- Price inflation assumption lowered from 3.00 percent to 2.75 percent
- Investment return assumption was lowered from 8.00 percent to 7.75 percent
- General wage growth assumption was lowered from 4.00 to 3.5 percent
- Payroll growth assumption was lowered from 4.00 percent to 3.00 percent

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, dated November 18, 2016, as provided by KPERS' investment consultant, are summarized in the following table:

Asset class	Long-term target allocation	Long-term expected real rate of return
Global Equity	47.00 %	6.80 %
Fixed Income	13.00	1.25
Yield driven	8.00	6.55
Real return	11.00	1.71
Real estate	11.00	5.05
Alternatives	8.00	9.85
Short-term investments	2.00	(0.25)
Total	100.00 %	

Discount Rate

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate was based on member and employer contributions as outlined below:

In KPERS, the State/School and Local groups do not necessarily contribute the full actuarial determined rate. Based on legislation first passed in 1993 and subsequent legislation, the employer contribution rates certified by the Board may not increase by more than the statutory cap. The statutory cap for Fiscal Year 2017 was 1.2 percent.

In recent years, the Legislature has made several changes to statutory rates that deviate from the scheduled contribution increases set under the caps established in 2012 for the State/School group. Under 2015 SB 4, the previously certified State/School statutory rate for

Fiscal Year 2015 of 11.27 percent was reduced to 8.65 percent for the last half of the fiscal year as part of the Governor's allotment. That same session, SB 228 recertified statutory rates for the State/School group to 10.91 percent for Fiscal Year 2016 and 10.81 percent for Fiscal Year 2017 in anticipation of the issuance of $1 billion in pension obligation bonds. Legislation in the 2016 session (SB 161) provided for the delay of up to $100 million in State and School contributions to the Pension Plan. Legislation passed by the 2017 Legislature removed the repayment provisions included in SB 161.

In addition, 2017 S Sub. For Sub. HB 2052 delayed $64.1 million in Fiscal Year State/School contributions, to be repaid over 20 years in level dollar installments. The first-year payment of $6.4 million was received in July 2017 and appropriations for Fiscal Year 2018 are intended to fully fund the State/School group statutory contribution rate of 12.01 percent for that year. Additional legislation in the 2017 Session (S Sub for HB 2002) provided for a reduction of $194 million from the previously certified contribution rate of 13.21 percent in the State/School contributions for Fiscal Year 2019. Like the Fiscal Year 2017 reduction, it is to be paid back over a 20-year period, beginning in Fiscal Year 2020. Therefore, both reductions will be accounted for as long-term receivables by the Pension Plan.

Based on employer contribution history as described above, it is a reasonable estimate that the State/School group's contribution rate may not be certified at the statutory rate. It has been assumed that contribution rates will be made within the same range as have been seen in the past few years. Using this assumption actuarial modeling indicates that employer contribution rates for the State/School group are sufficient to avoid a depletion date.

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

2017

1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
$869,108	$603,456	$379,521

2016

1% Decrease (7%)	Discount Rate (8%)	1% Increase (9%)
$798,690	$582,704	$39,566

Pension expense - For the year ended December 31, 2017, the Authority recognized pension expense of $41,605, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. Total pension expense for the year ended December 31, 2016 was $31,386.

Deferred Outflows and Inflows of Resources Related to Pension - The Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for December 31, 2017 and 2016:

	2017 Deferred outflows of resources	2017 Deferred inflows of resources	2016 Deferred outflows of resources	2016 Deferred inflows of resources
Differences between actual and expected experience	$ 2,919	$ 20,866	$ 3,382	$ 10,517
Net differences between projected and actual earnings on investments	18,930	-	68,835	-
Changes of assumptions	32,499	4,413	-	5,451
Contributions made after measurement date	5,290	-	4,453	-
Changes in proportion	45,547	71,207	-	98,089
Total	$ 105,185	$ 96,486	$ 76,670	$ 114,057

The $5,290 reported as deferred outflows of resources related to pensions resulting from Authority contributions made after the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018.

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

Years ending December 31,	2017	2016
2017	$ -	$ (21,570)
2018	(12,691)	(21,570)
2019	7,594	1,749
2020	9,651	4,648
2021	(2,028)	(5,097)
2022	6,172	-

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, 2017 and 2016.

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 (the Base or Site) to the Authority on or about September 9, 1966. The property is now known to contain areas of extensive soil and groundwater contamination, which is a result of the use and disposal of chlorinated solvents during military operations at the Base from 1942 until Base closure in 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 (Corps) is the lead agency for the Department at formerly used defense sites. The Corps has investigated the soil and groundwater contamination at the Site under the regulatory oversight of the U.S. Environmental Protection Agency (EPA) and the Kansas Department of Health and Environment (KDHE). The Site is not designated as a National Priority List Superfund site, but investigation and remediation are required to be in compliance with the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA).

Potential liability for contamination under CERCLA 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 Site, the Authority is potentially liable under CERCLA, although the Authority believes that it has meritorious defenses to such liability.

The Authority is considered to be a Potentially Responsible Party (PRP) for the Site, primarily due to its status as a property owner. The Authority, City of Salina, Unified School District No. 305 and the Kansas Board of Regents (Kansas State University Polytechnic Campus), (collectively Salina Public Entities) currently own over 90% of the nearly 4,000 acres of the Base property. No third party has asserted any claim for bodily injury or property damage.

Beginning in August 2007, the Salina Public Entities initiated settlement negotiations with the U.S. Federal Government. The negotiation objectives at that time included transferring the responsibility for completing the cleanup from the U.S. to the Salina Public Entities. The local objective was to reach a settlement agreement with the U.S. 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, by and through its environmental consultant, 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 Corps.

Subsequently, on January 23, 2009, the Salina Public Entities delivered a demand letter to the Corps. The letter demanded that settlement negotiations begin immediately with the U.S. Department of Justice. On May 14, 2009 the Authority was notified that the Corps referred the Base 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 did 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 the 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: Count I Citizen Suit Claim Pursuant to 42 U.S.C.§ 9659(a)(2), Count II Citizen Suit Claim Pursuant to 42 U.S.C.§ 9659(a)(1), Count III Claim for Recovery of Response Costs Pursuant to 42 U.S.C.§ 9607(a) and Count IV Claim for Declaratory Judgment Pursuant to 42 U.S.C.§ 9613(g)(2).

On or about October 6, 2010, Defendants filed their motion to dismiss and to strike, primarily with respect to the citizen suit claims. 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' requests 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 III 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 filings and, if necessary, plan to take an interlocutory appeal to the Tenth Circuit to contest the rulings.

On or about April 22, 2011, Defendants filed their Answer to First Amended Complaint and Counterclaim against the Salina Public Entities. Count I of the Counterclaim alleges a claim for contribution under CERCLA, 42 U.S.C.§ 9613(f)(1). Count II of the Counterclaim alleges a claim for cost recovery under CERCLA, 42 U.S.C.§ 9607(a)(1). Count II alleges costs incurred by the U.S. Environmental Protection Agency of approximately $1,838,241 as of September 30, 2007, and alleges costs incurred by the Corps of approximately $14,915,228 as of April 17, 2009. The Salina Public Entities intend to vigorously contest the claims brought against them and will assert, among other defenses, the third party defense under 42 U.S.C.§ 9607(b)(3).

The parties agreed on a mediation to discuss settlement. The mediation sessions occurred in October 2011, and the mediation discussions continued for over a year. The parties have now agreed upon a partial settlement. The partial settlement includes payment by the U.S. in exchange for performance by the Salina Public Entities of a remedial investigation/feasibility study through entry of a Corrective Action Decision by KDHE (the "Work"). The present cost estimate of the Work is less than $10,000,000. The agreement is that the U.S. will pay 90% of the cost of the Work with the Salina Public Entities responsible for payment of the remaining 10%. It is anticipated that the agreed share of the Salina Public Entities will be paid by the City of Salina. Also, the claims and counterclaims in the lawsuit have been dismissed without prejudice with provisions tolling any and all statutes of limitation. No party is obligated under the settlement agreement to implement the Corrective Action Decision upon its entry by KDHE, and the parties will either negotiate an agreement to implement such Corrective Action Decision or refile their claims in court. The Salina Public Entities have entered into a Consent Agreement and Final Order ("CAFO") with KDHE, which is conditioned upon the U.S.'s payment to the City. On May 2, 2013, the U.S. District Court for the District of Kansas entered its Consent Decree. City of Salina, Kansas, et al. v. United States of America, et al., Case No. 1 0-CV -2298 CM/DJW. The Court's Consent Decree approved the settlement among the parties. The current status is that the U.S. wire transferred $8,426,700 to the account of the City, and the City added the share of the Salina Public Entities in the amount of $936,300 to the account.

The Remedial Investigation (RI) portion of the CAFO scope of work was completed during Q1 2018. The Feasibility Study portion of the CAFO scope of work was also completed during Q1 2018. The Feasibility Study (FS) and Proposed Plan (PP) portions of the CAFO scope of were completed during 2018 and submitted to KDHE. The Corrective Action Decision (CAD) document is scheduled to be issued by KDHE during 2019.

Although the claims and counterclaims in the lawsuit have been dismissed without prejudice, the Authority intends to vigorously pursue its claims that the U.S. should implement the Corrective Action Decision upon its entry by KDHE and its defenses against any claims brought against it. Based on presently known information, the Authority has determined that while a possible liability exists, at this time, no reasonable estimate of the possible liability can be made. Therefore, no liability related to that matter has been recorded.

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:

Years Ending December 31	
2018	$ 1,019,865
2019	884,426
2020	812,385
2021	755,828
2022	603,593
Later Years	2,538,058
Total	$ 6,614,155

I. Major Customers

The Authority received significant operating revenue from Learjet, Inc., Avflight Salina, Kansas Erosion Products, LLC, Tischlerei-Fine Woodworking, LLC, and Exide Battery. Rent from these five tenants equals 40.3% of operating revenue for the year ended December 31, 2017. Additionally, for the year ended December 31, 2016, the Authority's top five tenants, Learjet, Inc., Avflight Salina, Kansas Erosion Products, LLC, Tischlerei-Fine Woodworking, LLC and the Kansas Military Board, provided 43.9% of operating revenue.

J. Non-Operating Revenue and (Expense)

Net non-operating revenue and expense consisted of the following for the years ended December 31, 2017 and 2016:

	December 31,	
	2017	**2016**
Mill levy	$ 2,043,302	$ 2,017,013
Interest income	974	3,387
Gain on sale of assets	22,081	6,903
Total	2,066,357	2,027,303
Interest expense		
General obligation bonds	(567,660)	(948,929)
Special assessment debt	(504)	(1,245)
Bond issuance costs	(147,664)	(8,329)
Financing lease	-	-
Amortization of bond discount	(5,369)	(13,939)
Total	(721,197)	(972,442)
Net non-operating revenue	$ 1,345,160	$ 1,054,861

K. Commitment Under Operating Lease

The Authority has entered into a certain non-cancellable operating lease agreement which will expire in 2018, for the rental of office equipment. During both 2017 and 2016 the Authority paid $4,559 in rentals. Minimum rentals, on an annual basis hereafter are as follows:

Years Ending December 31	
2018	1,520
Total	$ 1,520

L. Subsequent Events

The Salina Airport Authority's management has evaluated events and transactions occurring after December 31, 2017 through March 15, 2019. The aforementioned date represents the date the financial statements were available to be issued.

In late December 2017, the United States Department of Transportation (the Department) selected SkyWest Airlines, Inc. (SkyWest), to provide EAS at Salina, Kansas, using 50-passenger Canadair Regional Jet CRJ200 aircraft for a two-year contract term from April 1, 2018, through March 31, 2020, SkyWest will provide Salina with 12 weekly round trips to Denver International Airport (DEN) and/or Chicago O'Hare International Airport (ORD). The service is branded as United Express. As a result of the enhanced air service, during 2018, passenger enplanements reached 20,299, a level not seen at Airport since 1980. The FAA classifies airports as "Primary" whose annual enplanements exceed 10,000. This Primary classification enables the Authority to be eligible for $1,000,000 of entitlement grant funding through the Federal Aviation Administration. This funding can be used for certain capital improvements to the Salina Regional Airport.

During 2018, the Authority received a $682,821 Federal Aviation Administration Airport Improvement Program grant to fund the acquisition of a new 3,000-gallon Aircraft Rescue and Fire Fighting (ARFF) truck and associated equipment. With this new addition to the fleet put into service on January 12, 2019, the Authority can provide up to Index E ARFF coverage with modern equipment for the users of the Salina Regional Airport including our newest commercial air carrier and the largest military aircraft utilizing the airport.

SALINA AIRPORT AUTHORITY
SCHEDULES OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
For the Years Ended December 31, 2017 and December 31, 2016

	January 1 to December 31	
	2017	2016
Operating Revenues		
Airfield		
Fuel flowage fees	$ 202,728	$ 145,280
Hangar rent	416,818	469,826
Landing fees	46,873	8,545
Ramp rent	46,572	52,518
Total Airfield	712,991	676,169
Building and Land Rents		
Agri land rent	55,774	56,354
Building rents	1,028,932	919,606
Land rents	216,391	188,897
Tank rent	9,736	9,696
Total Building and Land Rents	1,310,833	1,174,553
Other revenue		
Airport Marketing	63,952	31,185
Commissions	36,544	20,895
Other income	88,980	54,064
Total Other Revenue	189,476	106,144
Total Operating Revenue	$ 2,213,300	$ 1,956,866

(continued)

SALINA AIRPORT AUTHORITY
SCHEDULES OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
For the Years Ended December 31, 2017 and December 31, 2016
(continued)

	January 1 to December 31	
	2017	2016
Operating Expenses		
Administrative		
A/E, consultants, brokers	$ 10,307	$ 33,076
Airport promotion	72,558	44,998
Bad debt expense	-	2,191
Computer network administration	15,298	16,049
Dues and subscriptions	26,970	23,047
Employee retirement	41,605	31,386
FICA and medicare	57,094	51,886
Industrial development	25,000	15,000
Insurance, property	142,721	142,859
Insurance, medical	191,254	164,895
Kansas unemployment tax	769	709
Legal and accounting	19,274	31,129
Office salaries	462,291	431,540
Office supplies	8,125	8,394
Other administrative	9,523	6,216
Postage	2,165	1,769
Property taxes	151,239	151,003
Special events	389	-
Telephone	17,608	16,318
Training	175	1,411
Travel and meetings	9,770	9,805
Total Administrative Expenses	$ 1,264,135	$ 1,183,681

(continued)

SALINA AIRPORT AUTHORITY
SCHEDULES OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
For the Years Ended December 31, 2017 and December 31, 2016
(continued)

	January 1 to December 31	
	2017	2016
Maintenance Expenses		
Airfield maintenance	$ 23,071	$ 33,712
Airport security	997	582
Building maintenance	106,497	75,786
Equipment fuel and repairs	123,747	64,407
Fire services	16,718	14,952
Grounds maintenance	4,481	3,396
Maintenance salaries	349,681	277,613
Other maintenance expenses	16,602	15,403
Snow removal expense	514	3,163
Utilities	254,180	225,174
Total Maintenance Expenses	896,488	714,188
Total Operating Expenses	2,160,623	1,897,869
Surplus of Revenues over Expenses before Depeciation	52,677	58,997
Depreciation	2,593,092	2,569,109
Operating Loss Before Non-Operating Revenues and Expenses	(2,540,415)	(2,510,112)
Non-Operating Revenues and (Expenses)		
Mill levy	2,043,302	2,017,013
Interest income	974	3,387
Interest expense	(573,533)	(964,113)
Bond issue costs	(147,664)	(8,329)
Gain on sale of assets	22,081	6,903
Total Non-Operating Revenue (Expense)	1,345,160	1,054,861
Loss Before Capital Contributions	(1,195,255)	(1,455,251)
Capital Contributions	1,280,204	943,219
Net Position		
Increase (Decrease) in Net Position	84,949	(512,032)
Net Position, beginning of year	21,723,235	22,235,267
Net Position, end of year	$21,808,184	$21,723,235

SALINA AIRPORT AUTHORITY
CAPITAL EXPENDITURES
January 1 to December 31

		2017
AIRFIELD IMPROVEMENTS		
Runway 17/35 Improvements Slurry Seal and Remarking	$	197,230
Airfield Guidance Signage		12,079
Txy A Improvements (crack sealing & markings)		32,802
Rwy 17/35 Improvements - Rubber Removal		4,943
General Aviation Ramp Repairs		3,807
H600 Ramp Improvements		5,925
Rwy 18/36 Pavement Markings		3,117
Rwy 17/35 Shoulder (N 2,510') Improvements		67,658
Perimeter Fence Improvements		2,337
H606 Ramp Improvements		49,727
Corporate hangar (SAS) Entry Road Pavement Improvements		6,125
Total Airfield Improvements		385,751
BUILDINGS		
Bldg. 614 Exterior Lighting Improvements		1,853
Hangar 509 Wireless Network System		12,427
Bldg. 620 Improvements (fencing & equip. yard)		13,180
Bldg. 655 Concrete Ramp Construction (south side)		19,755
Bldg. 655 Electrical Upgrades (15 switches)		1,470
Hangar 703 Overhead Door Replacement		2,313
Hangar 600 Improvements (HVAC & electrical upgrades)		7,282
Hangar 606 Wireless Network System		10,014
Bldg. 700 Improvements (sewer pipe replacement)		1,524
Bldg. 700 North Automatic Door Replacement		4,562
Bldg. 120 Improvements (Terminal Bldg. furniture & fixtures)		13,056
Bldg. 120 Improvements (Terminal Bldg. 2nd floor remodel - kitchenette)		3,180
Bldg. 120 HVAC Compressor Replacement (east unit, 2nd floor)		2,456
Bldg. 655 Fire Main Improvements		16,652
Above Ground Storage Tank Improvements (#784)		20,000
Hangar 959 Electrical Improvements		10,700
Total Building Improvements		140,422
EQUIPMENT		
Rebuild Power Steering - 2002 Oshkosh Plow #2 (Model 81308187072)		6,241
Rebuild of Paint Machine #1 (Lazer line Paint Machine)		1,155
Rebuild of Paint Machine #2 (Lazer line Paint Machine)		1,329
ARFF 4 Tanker Truck Conversion		46,408
2 Handheld UHF/VHF Radios		1,425
Desktop Computers (Ops Mgr, ARFF station watchroom and MX shop)		3,710
DRMO Equipment		166,210
Total Equipment Additions		226,478
CONSTRUCTION IN PROGRESS		
Steve Fossett Plaza		214,409
AIP-36 Txy E Rehab Construction		924,381
AIP-37 Txy B & E Rehab Design		4,500
AIP-38 Txy B Rehab Const. Phase 2		46,325

(continued)

SALINA AIRPORT AUTHORITY
CAPITAL EXPENDITURES
January 1 to December 31
(continued)

Engineering Design - Reconstruction of West Beechcraft Road	126,513
ARFF 3 Replacement (1996 Int. Paystar 5000) Insurance Settlements	(25,667)
Total Construction in Progress	1,290,462
LAND	
Former Schilling Air Force Base environmental project	30,617
Total Land	30,617
TOTAL CAPITAL EXPENDITURES	$ 2,073,730

SALINA AIRPORT AUTHORITY
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Kansas Public Employees Retirement System

	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability	0.006611%	0.006321%	0.006081%
Proportionate share of the collective net pension liability	$ 603,456	$ 582,704	$ 545,977
Covered payroll from the period July 1 - June 30 ^	$ 708,538	$ 645,485	$ 694,613
Net pension liability as a percentage of covered-employee payroll	85.17%	90.27%	78.60%
Plan fiduciary net position as a percentage of the total pension liability	67.12%	65.10%	64.95%

*Information reported above is as of the KPERS measurement date of June 30. GASB 68 requires a presentation of 10 years. As of June 30, 2017 only three years of information was available.

^ Covered payroll is measured as of the measurement date ending June 30.

SALINA AIRPORT AUTHORITY
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Kansas Public Employees Retirement System
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required employer contribution	$ 66,198	$ 61,622	$ 70,005	$ 68,904	$ 66,865	$ 66,766	$ 63,035	$ 58,161	$ 50,760	$ 36,532
Contributions in relation to the contractually required contribution	(66,198)	(61,622)	(70,005)	(68,904)	(66,865)	(66,766)	(63,035)	(58,161)	(50,760)	(36,532)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll^	758,750	652,874	672,878	709,510	747,901	800,522	814,408	814,570	778,822	618,933
Contributions as a percentage of covered-employee payroll	8.72%	9.44%	10.40%	9.71%	8.94%	8.34%	7.74%	7.14%	6.52%	5.90%

^ Covered payroll is measured as of the fiscal year ended December 31.

SALINA AIRPORT AUTHORITY
TAXABLE GENERAL OBLIGATION BONDS
SERIES 2009-B
December 31, 2017

Date of issue:		June 1, 2009
Amount of issue:	$	6,080,000
Interest rate:		4.779%
Maturity date:		September 1, 2021
Principal paid:	$	4,535,000
Outstanding balance:	$	1,545,000

Schedule of Bond Interest and Principal Payments

Due in Year		Bond Interest		Bond Principal
2018	$	72,675	$	360,000
2019		53,375		375,000
2020		40,500		395,000
2021		20,750		415,000
	$	187,300	$	1,545,000

SALINA AIRPORT AUTHORITY
TAXABLE GENERAL OBLIGATION BONDS
SERIES 2011-A
December 31, 2017

Date of issue:	August 17, 2011
Amount of issue:	$ 11,820,000
Interest rate:	3.887%
Maturity date:	September. 1, 2023
Principal paid:	$ 8,660,000
Outstanding balance:	$ 3,160,000

Schedule of Bond Interest and Principal Payments

Due in Year	Bond Interest	Bond Principal
2018	$ 119,658	$ 275,000
2019	111,545	280,000
2020	102,585	280,000
2021	92,505	715,000
2022	65,335	740,000
2023	36,105	870,000
	$ 527,733	$ 3,160,000

SALINA AIRPORT AUTHORITY
TAXABLE GENERAL OBLIGATION BONDS
SERIES 2015-A
December 31, 2017

Date of issue:	August 28, 2015
Amount of issue:	$ 3,075,000
Interest rate:	2.672%
Maturity date:	September 1, 2025
Principal paid:	$ 880,000
Outstanding balance:	$ 2,195,000

Schedule of Bond Interest and Principal Payments

Due in Year	Bond Interest	Bond Principal
2018	$ 54,568	$ 455,000
2019	45,468	560,000
2020	32,868	580,000
2021	18,368	170,000
2022	13,693	175,000
2023-2025	17,680	255,000
	$ 182,643	$ 2,195,000

SALINA AIRPORT AUTHORITY
TAXABLE GENERAL OBLIGATION BONDS
SERIES 2017-A
December 31, 2017

Date of issue:	July 12, 2017
Amount of issue:	$ 10,255,000
Interest rate:	3.0353%
Maturity date:	September 1, 2030
Principal paid:	$ -
Outstanding balance:	$ 10,255,000

Schedule of Bond Interest and Principal Payments

Due in Year	Bond Interest	Bond Principal
2018	$ 336,607	$ 105,000
2019	294,590	70,000
2020	293,358	70,000
2021	291,958	75,000
2022	290,308	515,000
2023-2030	1,345,648	9,420,000
	$ 2,852,467	$ 10,255,000

SALINA AIRPORT AUTHORITY
TAXABLE GENERAL OBLIGATION BONDS
SERIES 2017-B
December 31, 2017

Date of issue:	July 17, 2017
Amount of issue:	$ 4,835,000
Interest rate:	3.015%
Maturity date:	September 1, 2031
Principal paid:	$ -
Outstanding balance:	$ 4,835,000

Schedule of Bond Interest and Principal Payments

Due in Year	Bond Interest	Bond Principal
2018	$ 163,373	$ 25,000
2019	143,300	25,000
2020	142,800	25,000
2021	142,300	25,000
2022	141,800	25,000
2023-2031	1,029,300	4,710,000
	$ 1,762,873	$ 4,835,000

SALINA AIRPORT AUTHORITY
TAXABLE GENERAL OBLIGATION TEMPORARY NOTES
SERIES 2016-1
December 31, 2017

Date of issue:	September 15, 2016
Amount of issue:	$ 657,000
Interest rate:	.900%
Maturity date:	09/01/2019
Principal paid:	$ -
Outstanding balance:	$ 657,000

Schedule of Bond Interest and Principal Payments

Due in Year	Bond Interest	Bond Principal
2018	$ 5,913	
2019	5,913	657,000
	$ 11,826	$ 657,000

SALINA AIRPORT AUTHORITY
GENERAL OBLIGATION TEMPORARY NOTES
SERIES 2017-1
December 31, 2017

Date of issue:	December 28, 2017
Amount of issue:	$ 1,440,000
Interest rate:	1.425%
Maturity date:	January 1, 2019
Principal paid:	$ -
Outstanding balance:	$ 1,440,000

Schedule of Bond Interest and Principal Payments

Due in Year	Bond Interest	Bond Principal
2018	-	-
2019	20,764	1,440,000
	$ 20,764	$ 1,440,000

SALINA AIRPORT AUTHORITY
SPECIAL ASSESSMENT DEBT-SANITARY SEWER EXTENSION
HANGAR 600
December 31, 2017

Date of loan:	April 23, 2007
Amount of loan:	$ 27,599
Interest rate:	4.47%
Maturity date:	December 20, 2021
Principal paid:	$ 18,392
Outstanding balance:	$ 9,207

Schedule of Loan Interest and Principal Payments

Due in Year	Loan Interest	Loan Principal
2018	$ 412	$ 2,153
2019	315	2,249
2020	215	2,350
2021	110	2,455
	$ 1,052	$ 9,207

SALINA AIRPORT AUTHORITY
INSURANCE IN FORCE
December 31, 2017

Insurance Policy	Type of Coverage	Amount of Coverage
Old Republic Insurance Company	Worker's compensation	
Pol. #0CAV04369401	and employer's liability	$ 1,000,000
Old Republic Insurance Company	Bodily Injury & liability	$ 2,000,000
Pol. #PR00262102	Hangar keepers	$ 1,000,000
Affiliated FM		
Pol. #EQ417	Deluxe property-building, contents, stock,	
	personal property of others, EDP equipment,	
	business income (rents)	$69,187,790
	Extra expense	$ 1,000,000
	Data processing media	$ 500,000
Philadelphia Insurance Company		
Pol. #PHPK1579648	Vehicles & equipment	
	Bodily injury/property damage	$ 1,000,000
	Medical payments	$ 5,000
	Uninsured motorists	$ 1,000,000
	Underinsured motorist	$ 1,000,000
Atlantic Specialty Insurance Company		
Pol. #790-01-42-26-0003	Inland marine - equipment	$ 1,419,688
Hartford Fire Insurance Company	Crime policy	
Pol. #37FA0293328-17	Employee theft, forgery, alteration, computer	
	fraud, faithful performance	$ 250,000
Allied World	Public officials and employment practices liability	
Pol. #0202-4091	Each claim	$ 2,000,000
	Aggregate limit	$ 2,000,000
Great American Alliance Ins. Co.	Underground storage tank liability	
Pol. # KST7882933-223	Each incident	$ 1,000,000
	Aggregate limit	$ 1,000,000
	Defense expense limit each incident	$ 100,000

Summers, Spencer & Company, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

3025 Cortland Circle, Suite 201
Salina, Kansas 67401
Phone 785.825.5479
Fax 785.825.2446
SSCcpas.com

INDEPENDENT AUDITOR'S 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 of 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, the financial statements of Salina Airport Authority, which comprise the statement of net position as of December 31, 2016, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 15, 2019.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a material weakness.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Summers, Spencer & Company, P.A

Summers, Spencer & Company, P.A.
Salina, Kansas

March 15, 2019

Summers, Spencer & Company, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

3025 Cortland Circle, Suite 201
Salina, Kansas 67401
Phone 785.825.5479
Fax 785.825.2446
SSCcpas.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

To the Board of Directors of Salina Airport Authority:

Report on Compliance for the Major Federal Programs

We have audited Salina Airport Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Salina Airport Authority's major federal programs for the year ended December 31, 2016. Salina Airport Authority's major federal programs are identified in the Summary of Auditor's Results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Salina Airport Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Salina Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Salina Airport Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Salina Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2016-002. Our opinion on each major federal program is not modified with respect to this matter.

Salina Airport Authority's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Salina Airport Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of Salina Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Salina Airport Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Salina Airport Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-002, that we consider to be a significant deficiency.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Summers, Spencer + Company, P.A

Summers, Spencer & Company, P.A.
Salina, Kansas

March 15, 2019

SALINA AIRPORT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2016

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Salina Airport Authority were prepared in accordance with U.S. GAAP.

2. A material weakness disclosed during the audit of the financial statements is reported in the Independent Auditor's 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.* No significant deficiencies are reported.

3. No instances of noncompliance material to the financial statements of Salina Airport Authority, which would require to be reported in accordance with *Government Auditing Standards,* were disclosed during the audit.

4. A significant deficiency disclosed during the audit of the major federal award programs is reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance. No material weaknesses are reported.

5. The auditor's report on compliance for each major federal program for Salina Airport Authority expresses an unmodified opinion on all major federal programs.

6. No audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this schedule.

7. The program tested as a major program was:

   CFDA No. 20.601 Airport Improvement Program

8. The threshold for distinguishing Type A and Type B programs was $750,000 for major Federal programs.

9. Salina Airport Authority was determined to not be a low-risk auditee.

SALINA AIRPORT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2016

FINDINGS – FINANCIAL STATEMENTS

2016-001 Significant Changes to the Trial Balance Presented for Audit (Material Weakness)

Criteria: An effective internal control system over financial reporting provides reasonable assurance that assets are safeguarded against loss and theft, and that reliable financial statements are prepared in accordance with the appropriate accounting standards and in compliance with applicable laws and regulations.

Condition: We noted that the Authority's financial statement closing process for the fiscal year ended 2016 was ineffective to meet these objectives. The Authority was unable to close its books and generate year end reports in a timely manner.

Cause: No internal controls were in place to ensure that the financial reconciliations could take place in a timely manner.

Effect: As a result, during the audit, there were significant delays in receiving requested audit documents and various schedules. In addition, significant changes were made to the trial balance after fieldwork and necessitated further reconciliations.

Recommendation: We recommend that Salina Airport Authority implement financial closing procedures that would result in a timely close and preparation of financial statements. In addition, prior to the audit, the Authority should endeavor to reconcile all accounts to the general ledger.

2016-002 Reporting to the Federal Audit Clearinghouse (Significant Deficiency)

Federal Agency: Department of Transportation
Program Name: Airport Improvement Program
CFDA Number: 20.106
Award period: Year ended December 31, 2016

Compliance Requirement: Reporting

Criteria: According to the Office of Management and Budget, the audit package and the data collection form shall be submitted to the Federal Audit Clearinghouse within 30 days after receipt of the auditor's report or 9 months after the end of the fiscal year —whichever comes first.

Condition: Audit tests revealed that required submission of the audit package and the data collection form was not submitted to the Federal Audit Clearinghouse for the audit of fiscal year ended December 31, 2016 in a timely manner.

Cause: No internal controls were in place to ensure that the audit package and data collection form were submitted to the Federal Audit Clearinghouse within the required timeline for the audit of fiscal year ended December 31, 2016.

Effect: The Authority's lack of proper internal control over the timely submission of the audit package and data collection form to the Federal Audit Clearinghouse. No questioned costs relate to this finding.

Recommendation: We recommend that Salina Airport Authority implement internal control procedures that will ensure timely submission of the audit package and data collection form to the Federal Audit Clearinghouse within the required timeline.

SALINA AIRPORT AUTHORITY

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

FOR THE EYAR ENDED DECEMBER 31, 2016

Finding 2016-001:

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and will implement financial closing procedures that would result in a timely close and preparation of financial statements. In addition, prior to the audit, the Authority will endeavor to reconcile all accounts to the general ledger.

Finding 2016-002:

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and will implement procedures that will ensure timely submission of the audit package and data collection form to the Federal Audit Clearinghouse.

SALINA AIRPORT AUTHORITY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

None.

Summers, Spencer & Company, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

3025 Cortland Circle, Suite 201
Salina, Kansas 67401
Phone 785.825.5479
Fax 785.825.2446
SSCcpas.com

Independent Auditor's Report

The Board of Directors
Salina Airport Authority

Report on the Schedule of Expenditures of Federal Awards

We have audited the accompanying schedule of expenditures of federal awards of Salina Airport Authority for the year ended December 31, 2016, and the related notes (the financial statement).

Management's Responsibility

Management is responsible for the preparation and fair presentation of this financial statement 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 a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the expenditures of federal awards of Salina Airport Authority for the year ended December 31, 2016, in accordance with accounting principles generally accepted in the United States of America.

Summers, Spencer & Company, P.A.

Summers, Spencer & Company, P.A.
Salina, Kansas
March 15, 2019

SALINA AIRPORT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor/Program or Cluster Title	***Federal CFDA Number***	***Name of Grant - Grant ID No.***	***Federal Expenditures***
Department of Transportation			
Airport Improvement Program			
Airport Improvement Program	20.106	Airport Improvement Program--3-20-0072-036-2016	$ 865,121
Airport Improvement Program	20.106	Airport Improvement Program--3-20-0072-037-2014	35,050
Total Airport Improvement Program			900,171
Total Department of Transportation			900,171
Total Expenditures of Federal Awards			$ 900,171

The accompanying notes are an integral part of this schedule

SALINA AIRPORT AUTHORITY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1 – Basis of presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Salina Airport Authority (the Authority) under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

Note 2 – Summary of significant accounting policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – De minimis indirect cost rate

In accordance with Section 2 U.S. *Code of Federal Regulations* Part 200.412 the Authority is allowed to elect to use the ten percent de minimis indirect cost rate. The Authority has not elected to use this rate.

Summers, Spencer & Company, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

3025 Cortland Circle, Suite 201
Salina, Kansas 67401
Phone 785.825.5479
Fax 785.825.2446
SSCcpas.com

INDEPENDENT AUDITOR'S 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 of 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, the financial statements of Salina Airport Authority, which comprise the statement of net position as of December 31, 2017, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 15, 2019.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a material weakness.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Summers, Spencer & Company, P.A

Summers, Spencer & Company, P.A.
Salina, Kansas

March 15, 2019

Summers, Spencer & Company, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

3025 Cortland Circle, Suite 201
Salina, Kansas 67401
Phone 785.825.5479
Fax 785.825.2446
SSCcpas.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

To the Board of Directors of Salina Airport Authority:

Report on Compliance for the Major Federal Programs

We have audited Salina Airport Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Salina Airport Authority's major federal programs for the year ended December 31, 2017. Salina Airport Authority's major federal programs are identified in the Summary of Auditor's Results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Salina Airport Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Salina Airport Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Salina Airport Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Salina Airport Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2017-002. Our opinion on each major federal program is not modified with respect to this matter.

Salina Airport Authority's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Salina Airport Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of Salina Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Salina Airport Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Salina Airport Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-002, that we consider to be a significant deficiency.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Summers, Spencer + Company, P.A

Summers, Spencer & Company, P.A.
Salina, Kansas

March 15, 2019

SALINA AIRPORT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2017

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Salina Airport Authority were prepared in accordance with U.S. GAAP.

2. A material weakness disclosed during the audit of the financial statements is reported in the Independent Auditor's 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.* No significant deficiencies are reported.

3. No instances of noncompliance material to the financial statements of Salina Airport Authority, which would require to be reported in accordance with *Government Auditing Standards,* were disclosed during the audit.

4. A significant deficiency disclosed during the audit of the major federal award programs is reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance. No material weaknesses are reported.

5. The auditor's report on compliance for each major federal program for Salina Airport Authority expresses an unmodified opinion on all major federal programs.

6. No audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this schedule.

7. The program tested as a major program was:

   CFDA No. 20.601 Airport Improvement Program

8. The threshold for distinguishing Type A and Type B programs was $750,000 for major Federal programs.

9. Salina Airport Authority was determined to not be a low-risk auditee.

SALINA AIRPORT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2017

FINDINGS – FINANCIAL STATEMENTS

2017-001 Significant Changes to the Trial Balance Presented for Audit (Material Weakness) (Repeat Finding)

Criteria: An effective internal control system over financial reporting provides reasonable assurance that assets are safeguarded against loss and theft, and that reliable financial statements are prepared in accordance with the appropriate accounting standards and in compliance with applicable laws and regulations.

Condition: We noted that the Authority's financial statement closing process for the fiscal year ended 2016 was ineffective to meet these objectives. The Authority was unable to close its books and generate year end reports in a timely manner.

Cause: No internal controls were in place to ensure that the financial reconciliations could take place in a timely manner.

Effect: As a result, during the audit, there were significant delays in receiving requested audit documents and various schedules. In addition, significant changes were made to the trial balance after fieldwork and necessitated further reconciliations.

Recommendation: We recommend that Salina Airport Authority implement financial closing procedures that would result in a timely close and preparation of financial statements. In addition, prior to the audit, the Authority should endeavor to reconcile all accounts to the general ledger.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS

2017-002 Reporting to the Federal Audit Clearinghouse (Significant Deficiency) (Repeat Finding)

Federal Agency: Department of Transportation
Program Name: Airport Improvement Program
CFDA Number: 20.106
Award period: Year ended December 31, 2017

Compliance Requirement: Reporting

Compliance Requirement: Reporting

Criteria: According to the Office of Management and Budget, the audit package and the data collection form shall be submitted to the Federal Audit Clearinghouse within 30 days after receipt of the auditor's report or 9 months after the end of the fiscal year —whichever comes first.

Condition: Audit tests revealed that required submission of the audit package and the data collection form was not submitted to the Federal Audit Clearinghouse for the audit of fiscal year ended December 31, 2017 in a timely manner.

Cause: No internal controls were in place to ensure that the audit package and data collection form were submitted to the Federal Audit Clearinghouse within the required timeline for the audit of fiscal year ended December 31, 2017.

Effect: The Authority's lack of proper internal control over the timely submission of the audit package and data collection form to the Federal Audit Clearinghouse. No questioned costs relate to this finding.

Recommendation: We recommend that Salina Airport Authority implement internal control procedures that will ensure timely submission of the audit package and data collection form to the Federal Audit Clearinghouse within the required timeline.

SALINA AIRPORT AUTHORITY

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

FOR THE EYAR ENDED DECEMBER 31, 2017

Finding 2017-001:

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and will implement financial closing procedures that would result in a timely close and preparation of financial statements. In addition, prior to the audit, the Authority will endeavor to reconcile all accounts to the general ledger.

Finding 2017-002:

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and will implement procedures that will ensure timely submission of the audit package and data collection form to the Federal Audit Clearinghouse.

SALINA AIRPORT AUTHORITY

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2017

Finding 2016-001:

Repeat finding in current year referenced as Finding 2017-001

Finding 2016-002:

Repeat finding in current year referenced as Finding 2017-002

Summers, Spencer & Company, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
3025 Cortland Circle, Suite 201
Salina, Kansas 67401
Phone 785.825.5479
Fax 785.825.2446
SSCcpas.com

Independent Auditor's Report

The Board of Directors
Salina Airport Authority

Report on the Schedule of Expenditures of Federal Awards

We have audited the accompanying schedule of expenditures of federal awards of Salina Airport Authority for the year ended December 31, 2017, and the related notes (the financial statement).

Management's Responsibility

Management is responsible for the preparation and fair presentation of this financial statement 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 a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the expenditures of federal awards of Salina Airport Authority for the year ended December 31, 2017, in accordance with accounting principles generally accepted in the United States of America.

Summers, Spencer + Company, P.A.

Summers, Spencer & Company, P.A.

Salina, Kansas

March 15, 2019

SALINA AIRPORT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Grantor/Program or Cluster Title	***Federal CFDA Number***	***Name of Grant - Grant ID No.***	***Federal Expenditures***
Department of Transportation			
Airport Improvement Program			
Airport Improvement Program	20.106	Airport Improvement Program--3-20-0072-036-2016	$ 852,224
Airport Improvement Program	20.106	Airport Improvement Program--3-20-0072-037-2014	5,670
Airport Improvement Program	20.106	Airport Improvement Program--3-20-0072-038-2017	41,692
Total Airport Improvement Program			899,586
Total Department of Transportation			899,586
Total Expenditures of Federal Awards			$ 899,586

The accompanying notes are an integral part of this schedule

SALINA AIRPORT AUTHORITY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1 – Basis of presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Salina Airport Authority (the Authority) under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

Note 2 – Summary of significant accounting policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – De minimis indirect cost rate

In accordance with Section 2 U.S. *Code of Federal Regulations* Part 200.412 the Authority is allowed to elect to use the ten percent de minimis indirect cost rate. The Authority has not elected to use this rate.

SALINA Airport Authority

Salina Regional SLN Airport

SALINA Airport Industrial Center

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