

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF

CITY OF SALINA, KANSAS

**300 West Ash Street
P.O. Box 736
Salina, Kansas 67402-0736**

**For the Fiscal Year Ended
December 31, 2012**

**Prepared by Department of Finance and Administration
of City of Salina, Kansas**

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CITY OF SALINA, KANSAS

Comprehensive Annual Financial Report
For the year ended December 31, 2012

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INTRODUCTORY SECTION

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November 1, 2013

To the Citizens of the City of Salina, Kansas:

The Comprehensive Annual Financial Report of the City of Salina, Kansas (the "City") for the year ended December 31, 2012, is hereby submitted. The City's Finance Department prepared the report. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of all various funds and account groups of the City. We believe that all disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Report Format

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical. The introductory section includes a description of the City, including services provided, and explanation of the City's accounting system and budgetary controls, and a brief discussion of the City's economic condition and outlook. The City's organizational chart is also included to assist the reader in understanding the structure of the City. The financial section includes the Independent auditor's report, Management's discussion & analysis, Government wide financial statements, Fund financial statements, Notes to the financial statements, and Individual and combining statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The reader is specifically directed to Management's Discussion and Analysis (MD&A) which immediately follows the independent auditor's report. MD&A provides a narrative explanation and overview of significant features and trends reflected by data in the financial statements.

Accounting Systems and Internal Controls

A critical part of the control system is the City's comprehensive Budgetary and Financial Policies, which establish guidelines for budgetary and financial practices. The Budgetary and Financial Policies are reviewed by the City Commission and updated each year as a part of the budget process.

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

The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Commission. The legal level of budgetary control is maintained at the Fund level, in accordance with State Statutes. However, management control is maintained at the department level. The City uses an encumbrance accounting system, in which estimated purchase amounts are recorded prior to the release of purchase orders to vendors. Open encumbrances are reported as reservations of fund balance at December 31, 2012 in the general fund and the special revenue funds. Various internal compliance procedures are implemented to insure proper implementation of the budget as well as to maintain a degree of accountability for both revenues and expenditures.

Independent Audit

Kansas Statutes Annotated 75-1122 requires an annual audit of the books of account, financial records and transactions of all administrative departments of the City by independent certified public accountants selected by the City Commission. This requirement has been complied with and the auditor's opinion has been included in this report.

Profile of the Community

The Town of Salina was organized in 1858 under the Town and Village Act in the State of Kansas, and became a City of the First Class on July 9, 1920. The City has had a Commission-City Manager form of government since 1921. The Commission is comprised of five members elected at large. Each year the commission chooses one member to act as Mayor. The City Manager is appointed by the Commission, and acts as its primary agent in accordance with state statute. Other city officers and employees are appointed by the City Manager. The current population of the City is 47,910.

The reporting entity includes the City of Salina as well as two discretely presented component units, both proprietary fund types. The Salina Airport Authority operates the Salina Municipal Airport and Airport Industrial Center, and the Salina Housing Authority administers public housing programs within the City of Salina. In addition, the City of Salina participates in two joint ventures with Saline County, the Salina - Saline County Board of Health and the City-County Building Authority. This report includes all funds and account groups of the City.

The City provides a full range of services including police and fire protection, development services, construction and maintenance of streets, drainage facilities and other infrastructure; recreational activities and cultural events; emergency medical services and convention facilities. In addition to general government activities, the City also provides water, wastewater, sanitation, and solid waste services; therefore, these activities are included in the reporting entity.

Economic Outlook and Strength

The City benefits from its location at the junction of Interstate Highways 70 and 135. This convenient location has drawn numerous national and regional companies to open manufacturing or distribution centers in or adjacent to the community. Such companies include Pepsi-cola, Exide Battery, Philips Lighting, El Dorado Bus, and Schwans. Currently manufacturing, retail trade, and service industries rank as the three primary employers in the City. No single industry is dominant.

The City of Salina retains its position near the top of a list of first class cities with respect to "trade pull factor." The pull factor measures the degree to which a city or county area captures retail trade from outside the jurisdiction. A pull factor of greater than 1 indicates that a city is attracting more retail trade from outside the city/county than it is losing to other counties. It is apparent from this that Salina continues to serve as a regional economic hub in 2012.

Major Initiatives

In November, 2008, voters elected to increase the ¼ cent tax to .40 cent, and extend the sunset for an additional ten years, until March 31, 2018. Ninety-three percent (93%) of the tax is to be used for capital improvements and tax stabilization. The remaining tax is to be used for economic development programs.

In 2013 several major projects were initiated, including rehabilitation of the downtown well field, replacement of the downtown street lighting system, initiation of major rehabilitation of the Bicentennial Center, and an affordable work force housing pilot project. In operations, the City initiated an organization-wide “Lean-six-Sigma” initiative targeted towards process improvement and more efficient operation.

Solid Waste disposal is becoming a stable operation, with 80,000 to 90,000 tons being disposed of each year.

The community remains committed to recycling and resource conservation, with several initiatives that began in 1997, including a yard waste recycling and composting program in addition to continuing a mulching mower rebate program. The community currently has about 4,700 yard carts placed to encourage recycling of yard waste as an alternative to disposal. A Pilot residential recycling program was continued in 2004. The curbside recycling program was converted to a permanent service in 2005, with 900 households participating.

Addressing fiduciary pressures generated by a recessionary economy has also been a challenge. The primary approach has been to reduce staffing through attrition, after careful evaluation of each vacancy. By the end of 2012, full time staffing had been reduced from 511 to 465.

The freeze on salaries was removed in 2011, with an allowance granted for an average 2% merit review. However, no general (or “cost of living”) adjustments have been given since 2008.

Capital Improvement Planning

The City's Capital Improvement Plan (CIP) consists of two components. One component consists of “routine” capital—including vehicle and equipment replacement, technology replacement, building repair and improvement, routine pavement maintenance activity, utility system enhancements and similar items. The amount of funding for these projects may fluctuate based on needs and funding availability, however, planned amounts are allocated over a multi-year period. Source of funding for routine capital is current cash resources from the fund appropriate to the nature of the purchase.

The second component of the CIP includes major projects that typically require issuance of bonds or notes, although these projects may also be supplemented with available cash and grant financing. The plan is updated each year after an extensive evaluation of the demands on future financial resources. The Capital Improvement program is scheduled for a major revision as the result of the sales tax to be used for that purpose.

Construction Initiated*:	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund	\$ 520,000	\$ 550,000	\$ 550,000	\$ 550,000
Sales Tax*	1,900,000	2,500,000	2,500,000	2,500,000
Special Park Fund	130,000	150,000	150,000	150,000
Gas Tax Fund	1,300,000	1,300,000	1,300,000	1,300,000
Solid Waste Fund	50,000	105,000	50,000	50,000
Sanitation Fund	210,000	160,000	160,000	160,000
Water & Wastewater Fund	4,000,000	2,500,000	2,500,000	4,500,000
General Obligation Bonds	11,900,000	4,194,000	2,403,000	1,170,000
Revenue Bonds	9,460,000	5,600,000	17,350,000	5,600,000
Other Sources	50,000	50,000	8,000,000	50,000
Total	<u>\$29,520,000</u>	<u>\$ 17,109,000</u>	<u>\$ 34,963,000</u>	<u>\$16,030,000</u>

*The year a project is scheduled reflects the year that construction is initiated. Preliminary work (design, acquisition) may precede this date by one or more years, and permanent financing may not occur until one (or more years depending on project magnitude) subsequent to this date.

Financial Policies

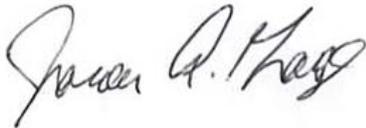
The City has adopted a formal set of Budgetary and Financial Policies, addressing such items as fund balances, capital improvements, operating budgets, long term debt management, accounting, auditing and financial reporting, revenues, cash management and investments. Financial policies contribute to financial stability by:

1. Providing consistent guidance in decision making
2. Establishing appropriate levels of fund balances
3. Governing the use of one time or unanticipated resources
4. Providing a multi-year capital improvements process
5. Establishing responsibilities and deadlines for budget preparation
6. Providing for a balanced annual operating budget
7. Providing guidelines on the use of debt, including appropriate purposes and terms
8. Provide a linkage between capital improvement scheduling and long term debt management planning
9. Require annual audits and financial reporting in conformance with Generally Accepted Accounting Procedures
10. Require timely and regular interim financial reporting to the Governing body
11. Insure the safety of cash and near cash resources (timely collection of Accounts Receivable, etc.).

Acknowledgments

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated, professional advice and effort of the Mize Houser & Company auditing team. A special thank you needs to be given to Valerie Gebhardt, City Accountant, who is responsible for much of the data assembly and reconciliation. Finally, preparation of this report would not have been possible without the support of the City Commission.

Sincerely,

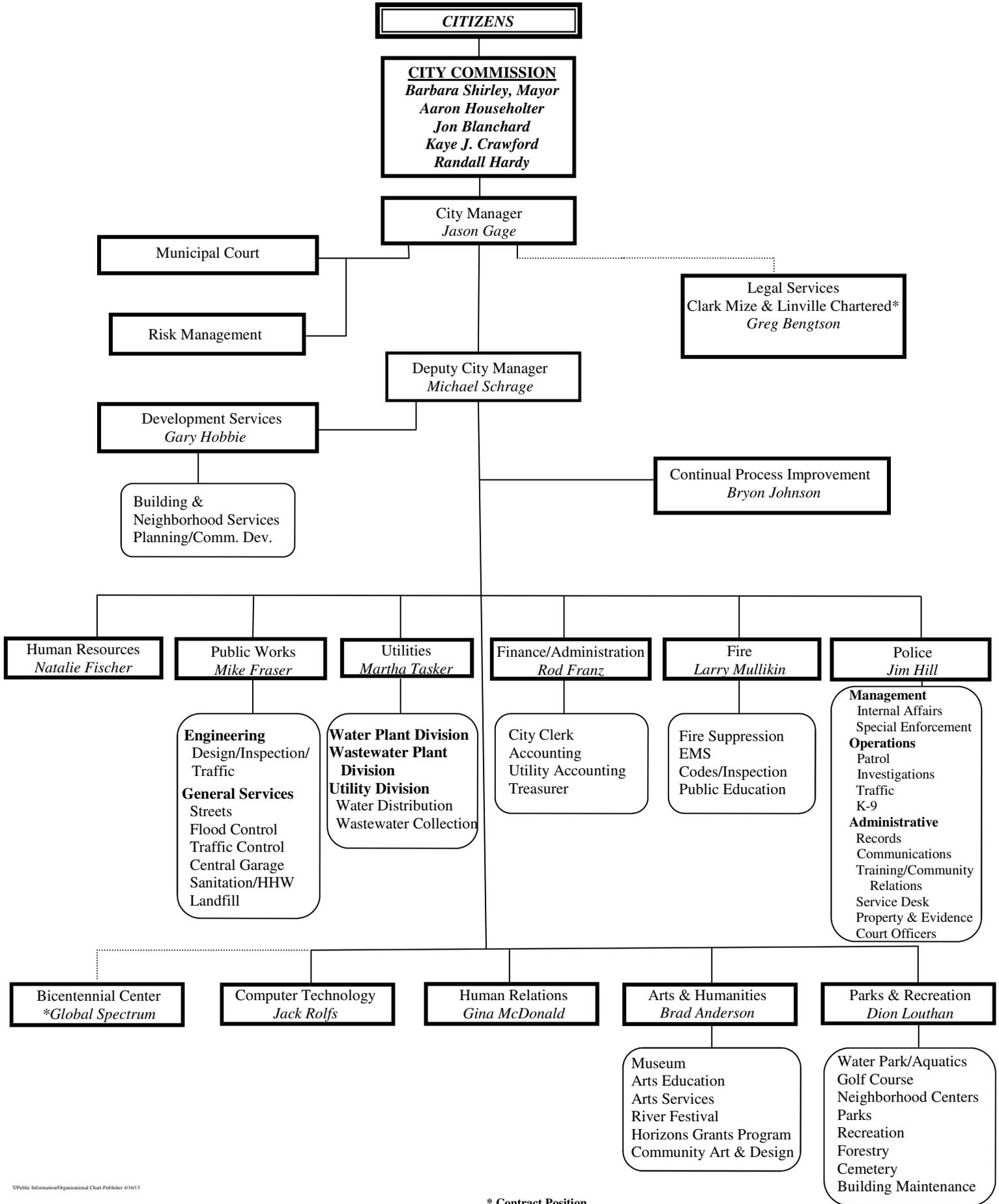


Jason A. Gage
City Manager



Rodney Franz
Director of Finance

City of Salina



City of Salina, Kansas

List of Principal Officials

City Commission

Norman M. Jennings, Mayor
Barbara Shirley, Vice Mayor
Kaye J. Crawford, Commissioner
Samantha P. Angell, Commissioner
Aaron Householter, Commissioner

City Executive Staff

Jason Gage, City Manager
Michael Schrage, Deputy City Manager
Rodney Franz, Director of Finance and Administration
Jack Rolfs, Director of Computer Technology
Natalie Fischer, Director of Human Resources
Greg Bengston, City Attorney
Jim Hill, Chief of Police
Larry Mullikan, Fire Chief
Michael Fraser, Director of Public Works
Martha Tasker, Director of Utilities
Dion Louthan, Director of Parks and Recreation
Jack Rolfs, Director of Computer Technology
Gary Hobbie, Director of Development Services
Brad Anderson, Director of Arts and Humanities
Gina McDonald, Director of Human Relations

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Mayor and City Commissioners
City of Salina, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Salina, Kansas, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City'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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the "Kansas Municipal Accounting and Audit Guide." These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We did not audit the financial statements of the Salina Airport Authority which statements reflect total assets of \$52,209,963 as of December 31, 2012 and total revenues of \$5,708,833 for the year then ended, and the Housing Authority of the City of Salina which statements reflect total assets of \$7,900,623 as of June 30, 2012 and total revenues of \$2,076,075 for the year then ended, which are discretely presented component units in the accompanying financial statements. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Salina Airport Authority and the Housing Authority of the City of Salina is based solely on the reports of the other auditors.

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.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Salina, Kansas, as of December 31, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year 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 through 13 and the schedules of funding progress on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying account and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Mike Houser: Company PA

November 1, 2013

CITY OF SALINA, KANSAS
Management Discussion and Analysis

Year Ended December 31, 2012
(Unaudited)

Management Discussion and Analysis

This section of the report contains an overview and analysis of the City of Salina's financial statements for the fiscal year ended December 31, 2012. The information contained here, as well as the information contained in the letter of transmittal, are intended to provide the reader of the financial statements with a well rounded picture of the City's financial condition.

Financial Highlights

- ◆ Net Position increased by \$5,733,000. Governmental Net Position increased by \$2,187,000, while Business Type Net Position increased by \$3,546,000.
- ◆ The change in net position was due primarily to a reduction in long term liabilities (reflecting, in part, refinancing of debt during the period), and an increase in non-current assets. Unrestricted net position declined slightly, reflecting primarily a decline in current assets.
- ◆ Sales taxes grew modestly (3.6%), a reduction of the previous year's growth. The reduction was focused in the last six months of the year, during which the growth rate was essentially zero.
- ◆ The General Fund balance was essentially stable, falling by \$9,128 on a total of \$3.8 million.
- ◆ Business Type Activities, overall, performed well.
- ◆ The Solid Waste fund had a substantial increase in Net Position due to increases in volume and a significant reduction in operating expenses.
- ◆ The Water and Sewer fund saw significant growth in Net Position despite increases in operating expenditures, due to good revenue production.
- ◆ Sanitation experienced a modest increase in Net Position.
- ◆ The Golf Course improved its position due to both good revenue production and control of expenses.
- ◆ Tax delinquency rates have declined for the second year in a row to 1.5%. This compares to the 2011 rate of 2.7%, and the high (in recent times) of 5.6% in 2010.
- ◆ Personal property taxes continued to decline as a result of the exemption of business equipment from the tax rolls. The annual cost of this change for 2012 was \$393,000, or approximately 1 mill.
- ◆ Investment revenues continue to be very minimal.
- ◆ The unemployment rate declined from 6.3% to 5.1% for December, 2012

The Basic Financial Statements

The basic financial statements of the City include the government-wide financial statements and the fund financial statements. The notes to the financial statements follow the basic financial statements, and are essential for the reader's understanding of the financial statements. Other supplementary information, including the combining schedules for non-major funds and the budgetary comparison reports, are at the end of this report to provide additional information for the reader.

Government-wide Financial Statements

The government-wide financial statements present the results of the City's operations using the accrual basis of accounting, the same basis as is used by private sector businesses. These statements focus on the long-term financial picture of the City as a whole

The Statement of Net Position reports all of the City's assets and liabilities. Net position, the difference between assets and liabilities, is an important measure of the City's overall financial health. Net position represents the total accumulated and unused resources available to the City for the purpose of providing services. Over time, the increases and decreases in net position can be monitored to determine if the City's financial position is improving or deteriorating.

CITY OF SALINA, KANSAS
Management Discussion and Analysis

Year Ended December 31, 2012
(Unaudited)

The Statement of Activities shows how net position has changed during the fiscal year. One unique feature of this statement is how it shows the revenues and expenses related to specific programs and how much of those programs were supported by the general taxes of the City. Since this statement is prepared on the accrual basis of accounting, all revenues and expenses are included, regardless of when cash is actually received. Both statements show the operations of the City broken down between governmental and business type activities. Governmental activities are the operations of the City generally supported by taxes, such as Public Safety (Police, Fire, and EMS), Public Works, Public Health, and Culture & Recreation. Business-type Activities are operations of the City that are intended to recover a significant portion of their costs through user fees and charges. These include Water and Sewer, Refuse collection, the Golf Course, and operation of the City Solid Waste Facility.

The government-wide financial statements include the Salina Airport Authority and Salina Housing Authority as discretely presented component units of the City. Note 1, item A in the Notes to the Financial Statements provides a more complete explanation of the relationship between these entities and the City of Salina.

Fund Financial Statements

The City uses three types of funds to manage its resources: governmental funds, proprietary funds, and fiduciary funds. A fund is a fiscal entity with a set of self-balancing accounts recording financial resources together with all related liabilities and residual equities and balances, and the changes therein. These accounting entities are separated for the purpose of carrying on specific activities or attaining certain objectives in accordance with regulations, restrictions, or limitations.

Governmental fund financial statements are prepared on a modified accrual basis. Under this basis, revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred with the exception of long term debt and similar items which are recorded when due. The focus is on the short-term financial picture of the operations of the individual fund, rather than long-term citywide view provided by the government-wide statements. Major Governmental Funds are presented in individual columns, while Non-major Governmental Funds are aggregated into an "Other Governmental Funds" column. A combining statement for the Non-major funds is presented as supplementary information in the back of the report. The information presented in these statements can be compared to the governmental activities information in the government-wide statements. The reconciliation at the end of the fund financial statements details the relationship between the two types of financial statements.

Proprietary funds fall into two categories: enterprise funds and internal service funds. All proprietary funds are prepared on the accrual basis of accounting, and are used to account for business-type activities. Enterprise fund statements present the same information that is in the government-wide statements for business-type activities, but in greater detail. The City of Salina currently operates four enterprise funds: Sanitation Collection, Solid Waste Disposal, Golf Course, and Water and Sewer. Internal Service funds are used to account for the cost of operations shared by various departments of the City. The city operates five internal service funds. Three of these are for self-insurance activity: Risk Management, Workers Compensation Reserve, and Health Insurance. The remaining two account for our Information Services activity and for the Central Garage operation. A combining statement for these internal service funds can be found in the supplementary information following the notes to the financial statements.

Fiduciary funds are used by the City to account for resources held by the City for a third party. Agency funds are a special class of Fiduciary Fund in which liabilities always equal assets, and thus there are no net assets. The City of Salina operates nine Agency funds. Schedules for these funds may be viewed in the supplementary section of this report.

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used. Permanent funds operated by the City include the Citizenship Trust, Cemetery and Mausoleum Endowments, and the Tri-centennial Commission Fund.

CITY OF SALINA, KANSAS
Management Discussion and Analysis

Year Ended December 31, 2012
(Unaudited)

Notes to the Financial Statements

The notes to the financial statements are an integral part of the basic financial statements since they contain valuable additional information necessary for gaining a complete understanding of the City's financial statements.

Other Information

In addition to the basic financial statements and the notes described above, this report also presents the general fund and major special revenue fund's budgetary statements as required supplementary information directly following the notes to the basic financial statements. The combining statements for the non-major funds are shown after the required supplementary information. Finally, the statistical section includes selected statistical data about the City's operations and economy.

The City as a Whole

This section will identify, discuss, and analyze significant differences and trends that will enhance the reader's understanding of the City's financial position.

Tax Base and Economy

The City of Salina relies on three major groups of revenues to support its operations. Each of these revenue streams has a different revenue base. In declining order of magnitude, they are charges for service, sales taxes, and property taxes. Sales taxes and property taxes apply primarily to Governmental Activities, while charges for services apply to both Governmental (35%) and Business-type (65%) activities.

Charges for Services account for about 48% (\$38,337,000) of the City's revenue stream. Charges for Service depend on both the rate that is set for the activity, as well as the volume of services provided. The following table illustrates service volume and rate adjustments for some of the more significant services for the year ending December 31, 2012.

Description	2011 Volume	2012 Volume	Change	Rate	Comments
Golf Course:					
Rounds, 18 Hole	26,782	35,032	8,250		No fee increase
Rounds, Par 3	3,368	3,010	(358)		No fee increase
Annual Golf Members	18	297	279		No fee increase
Development Services					
Inspections: Building	5,473	5,393	(80)		
Inspections: Minimum Housing Code	NA	4,926			
Permits Issued	2,678	2,265	(413)		
Finance/Administration					
EMS Runs Billed	4,003	4,011	8		
Licenses Issued	1,358	NA			
Water Billings Issued	239,448	239,244	(204)		
Water Metered (in Billion Gallons)	2.30	2.20	-		
Parks and Recreation					
Kenwood Cove Attendance	111,063	100,888	(10,175)		No fee increase
Youth Teams	178	208	30		
Adult Teams	308	292	(16)		
Special Pops Programs	114	118	4		
Trips/Tours offered	54	13	(41)		
Youth Tournament Teams	388	366	(22)		
Adult Tournament Teams	164	144	(20)		
Public Works					
Sanitation Customers	14,604	14,706	102		
Landfill Tonnage	96,178	103,959	7,781		No fee increase
Street Cut and Excavation Permits	201	474	273		
Concrete Permits	143	181	38		
Water and Wastewater					
Water Treated (Billion Gallons)	2.30	2.33	0.03	\$2.00 per month per typical user	
Wastewater Treated (Billion Gallons)	1.45	1.36	(0.09)	\$2.00 per month per typical user	

**In general, if not specified in the table, rates were adjusted an average of about 2% for most services.

CITY OF SALINA, KANSAS
Management Discussion and Analysis

Year Ended December 31, 2012
(Unaudited)

Sales taxes are the next largest component of the revenue mix, providing 21% (\$16,375,000) of the total revenues. The City receives a .90% City-wide sales tax, and also a portion of the County-wide 1% sales tax. Forty-four percent, (a rate of .4%) of the City-wide sales tax is required to be used for special purposes. The remaining .5%, along with the City portion of the Countywide tax is available for general purposes. Total revenue from the sales tax in 2012 was \$ 16,375,000, up from \$ 15,867,000 in 2011. This 3.6% increase follows a 4.1% increase for 2011.

A number of factors affect the sales tax. First are the regional and local economic conditions and relationships. These are most directly reflected in the proceeds of the City-wide tax, which grew by 3.2%, compared to 5.8% in 2011.

The City was unfavorably affected by the formula used to distribute the County-wide sales tax among participating jurisdictions (only Cities and the County participate, School and other special districts do not). The formula is based, in part, on the property tax efforts of each jurisdiction. Because the portion of the overlapping levy attributable to the City of Salina was decreased for 2012, the City's allocated portion of the County-wide sales tax was also decreased from 62.06% in 2011 to 61.72% in 2012.

On November 4, 2008, Salina voters approved an increase of the special purpose .25% tax to a .40% tax. The extended tax is to sunset March 31, 2019. The tax was also modestly re-purposed, for Capital and Economic Development purposes only, as well as retaining a property tax stabilization component.

Property Taxes are the third major component of the revenue mix, accounting for 16% (\$11,864,000) of total revenues. Property taxes consist of two components: Real estate and personal property taxes which are determined by the mill levy set by the city and the assessed value of the property; and motor vehicle taxes, which are established by a countywide average tax rate, and the assessed value of the vehicle.

Real estate assessed value increased by .45%. The total City mill levy was increased slightly, by 1%, while the overlapping levy was essentially stable, increasing by only .004 mill. Tax delinquency decreased from 2.7% to 1.5%.

Personal property value continued to slide, presumably as a result of removing business equipment from the tax base. Personal property value has now dropped to \$18.6 million from its peak of \$39.7 million in 2007. At the 2012 tax rate, this exemption is equivalent to \$393,640 in lost revenue for 2012.

Motor Vehicle value increased by .3%. It is still well below 2010 values, however. Motor vehicle taxes are distributed based on a formula using prior year's tax effort (similar to the Countywide Sales Tax Distribution).

The following table summarizes the comparative property assessed values and tax levy rates:

Comparative Property Values and Tax Levy Rates				
Fiscal (Budget) Year	2011	2012	Change	
Real Estate and Personal Property Assessed Valuation	\$ 402,354,576	\$ 403,850,282	\$ 1,495,706	
City Mill Levy (\$ per \$1,000)				
Operating (General Fund)	19.236	20.326	1.090	
Debt Service	6.786	5.946	(0.840)	
Total City Rate	26.022	26.272	0.250	
Total Overlapping Levy	128.498	128.502	0.004	
Percent of Total Taxes Collected	97.3%	98.5%	1.2%	
Ratio of Total Taxes (including delinquent collections) to taxes levied	99.9%	100.8%	0.9%	
Motor Vehicle Valuation	\$ 47,406,072	\$ 47,533,744	\$ 127,672	

The unemployment rate in Saline County declined slightly from 6.3% in 2011 to 5.1% in 2012, reflecting general economic conditions. This is still slightly below the statewide and significantly below the national unemployment rate. The total labor force increased to 30,206, a change of 13.7%, returning to pre-recession levels.

In 2012, the top ten property taxpayers accounted for 9.99% of total assessed value. This is less concentrated than ten years ago (at 12.21%).

CITY OF SALINA, KANSAS
Management Discussion and Analysis

Year Ended December 31, 2012
(Unaudited)

Statement of Net Position

Net Position may, over time, provide an indicator of a government's financial position. In the case of the City of Salina, assets exceeded liabilities by \$193,381,000 at December 31, 2012. This represents an increase in net position of \$5,733,000 over 2011. A comparative condensed Statement of Net Position at December 31, 2011 and 2012:

Comparative Condensed Statement of Net Position 2011 and 2012
(In \$000)

	Governmental Activities		Business-Type Activities		Total Primary Government				
	2011	2012	2011	2012	2011	% of Total	2012	% of Total	2011 - 2012 Change
Cash and Investments	\$ 17,475	\$ 14,512	\$ 28,047	\$ 25,459	\$ 45,522	16%	\$ 39,971	14%	\$ (5,551)
Other Current Assets	\$ 12,670	\$ 12,525	\$ 2,344	\$ 2,045	\$ 15,014	5%	\$ 14,570	5%	\$ (444)
Noncurrent (Capital) Assets	\$ 164,515	\$ 162,038	\$ 67,639	\$ 76,321	\$ 232,154	79%	\$ 238,359	81%	\$ 6,205
Deferred Outflows of Resources	\$ -	\$ 483	\$ -	\$ 330	\$ -	0%	\$ 813	0%	\$ 813
Total Assets and Deferred Outflows of Resources	\$ 194,660	\$ 189,558	\$ 98,030	\$ 104,155	\$ 292,690	100%	\$ 293,713	100%	\$ 1,023
Current Liabilities	\$ 21,687	\$ 20,990	\$ 2,944	\$ 4,390	\$ 24,631	23%	\$ 25,380	25%	\$ 749
Noncurrent Liabilities	\$ 55,639	\$ 49,047	\$ 24,772	\$ 25,904	\$ 80,411	77%	\$ 74,951	75%	\$ (5,460)
Total Liabilities	\$ 77,326	\$ 70,037	\$ 27,716	\$ 30,294	\$ 105,042	100%	\$ 100,331	100%	\$ (4,711)
Net Position									
Invested in capital assets, net of related debt	\$ 109,289	\$ 112,929	\$ 44,227	\$ 50,857	\$ 153,516	82%	\$ 163,786	85%	\$ 10,270
Restricted for Permanent Funds	\$ 427	\$ 443	\$ -	\$ -	\$ 427	0%	\$ 443	0%	\$ 16
Restricted for Debt Service	\$ 1,285	\$ 639	\$ 1,553	\$ 1,553	\$ 2,838	2%	\$ 2,192	1%	\$ (646)
Unrestricted	\$ 6,333	\$ 5,511	\$ 24,534	\$ 21,450	\$ 30,867	16%	\$ 26,961	14%	\$ (3,906)
Total Net Position	\$ 117,334	\$ 119,522	\$ 70,314	\$ 73,860	\$ 187,648	100%	\$ 193,382	100%	\$ 5,734
Percent of Total Assets	63%	62%	37%	38%	100%		100%		
Cash and Investments as a percentage of current liabilities	81%	69%	953%	580%	185%		157%		

The largest segment of the City's net position (85%) reflects its investment in capital assets (land, buildings, streets and drainage facilities, utility plant, vehicles, equipment, etc.), less any debt used to acquire those assets that is still outstanding. These assets are used to provide services to citizens. As a result, resources required to retire related debt cannot come from liquidation of the asset. Such resources generally must be provided from other sources, such as future taxes or user charges.

A small portion of net position (1%) is restricted for debt service. The remainder (unrestricted) of net position (14%) may be used to meet the City's obligations to citizens and creditors. This is comparable to previous years.

In 2012, the amount invested in capital assets net of related debt increased by \$10,270,000. Unrestricted net position declined by \$4,262,000. These represent diverse changes throughout the financial statement. However, it is clear that for 2012, the City experienced a decline in current assets, including cash and investments.

Total liabilities decreased in Governmental Activities, but increased in Business Type Activities. In Governmental Activities, the bulk of the decrease was in long term liabilities, while the performance in Business Activities represented a mixed bag.

During the year ended December 31, 2012, there were several significant events that changed the balance of net position.

Governmental Activities. 2012 saw a decrease in cash and investments in Governmental funds. This is due to flat revenues coupled with continuing upward pressure on expenditures.

CITY OF SALINA, KANSAS
Management Discussion and Analysis

Year Ended December 31, 2012
(Unaudited)

Business-type Activities: The Water and Wastewater fund has a dominant influence on the Business Type Activities net position. The increase in net position is due to good revenue production and controlled expenses.

Statement of Activities

A condensed statement of activities is shown below.

Condensed Comparative Statement of Activities, 2011 and 2012
(In \$000's)

	Governmental Activities		Business-Type		Total Primary Government				2011 - 2012 Change
	2011	2012	2011	2012	2011	%	2012	%	
Program Revenues:									
Charges for Services	\$ 13,470	\$ 12,856	\$ 23,779	\$ 25,481	\$ 37,249	47%	\$ 38,337	48%	\$ 1,088
Operating Grants and Contributions	\$ 2,907	\$ 4,495	\$ 202	\$ -	\$ 3,109	4%	\$ 4,495	6%	\$ 1,386
Capital Grants and Contributions	\$ -	\$ -	\$ 3,804	\$ 274	\$ 3,804	5%	\$ 274	0%	\$ (3,530)
General Revenues:									
Property Taxes	\$ 11,712	\$ 11,865			\$ 11,712	15%	\$ 11,865	15%	\$ 153
Sales Taxes	\$ 15,848	\$ 16,375			\$ 15,848	20%	\$ 16,375	21%	\$ 527
Other Taxes	\$ 6,389	\$ 6,486			\$ 6,389	8%	\$ 6,486	8%	\$ 97
Investment Revenue	\$ 77	\$ 66	\$ 83	\$ 79	\$ 160	0%	\$ 145	0%	\$ (15)
Other Miscellaneous	\$ 872	\$ 660	\$ 330	\$ 434	\$ 1,202	2%	\$ 1,094	1%	\$ (108)
Total Revenues:	\$ 51,275	\$ 52,803	\$ 28,198	\$ 26,268	\$ 79,473	100%	\$ 79,071	100%	\$ (402)
Expenses:									
General Government	\$ 13,615	\$ 11,278			\$ 13,615	18%	\$ 11,278	15%	\$ (2,337)
Public Safety	\$ 18,579	\$ 19,066			\$ 18,579	25%	\$ 19,066	26%	\$ 487
Public Works	\$ 9,858	\$ 10,957			\$ 9,858	13%	\$ 10,957	15%	\$ 1,099
Public Health and Sanitation	\$ 1,368	\$ 1,383			\$ 1,368	2%	\$ 1,383	2%	\$ 15
Culture and Recreation	\$ 6,693	\$ 5,338			\$ 6,693	9%	\$ 5,338	7%	\$ (1,355)
Planning and Development	\$ 3,450	\$ 3,362			\$ 3,450	5%	\$ 3,362	5%	\$ (88)
Solid Waste Disposal			\$ 2,945	\$ 2,066	\$ 2,945	4%	\$ 2,066	3%	\$ (879)
Water and Sewer			\$ 13,597	\$ 14,897	\$ 13,597	18%	\$ 14,897	20%	\$ 1,300
Sanitation			\$ 2,261	\$ 2,441	\$ 2,261	3%	\$ 2,441	3%	\$ 180
Golf Course			\$ 825	\$ 724	\$ 825	1%	\$ 724	1%	\$ (101)
Interest on Long Term Debt	\$ 1,650	\$ 1,914			\$ 1,650	2%	\$ 1,914	3%	\$ 264
Total Expenses	\$ 55,213	\$ 53,298	\$ 19,628	\$ 20,128	\$ 74,841	100%	\$ 73,426	100%	\$ (1,415)
Increase in net position before transfers	\$ (3,938)	\$ (495)	\$ 8,570	\$ 6,140	\$ 4,632		\$ 5,645		\$ 1,013
Transfers and other extraordinary items	\$ 2,362	\$ 30	\$ (2,163)	\$ (30)	\$ -		\$ -		\$ -
Change in Net Position	\$ (1,576)	\$ (465)	\$ 6,407	\$ 6,110	\$ 4,831		\$ 5,645		\$ 814
Net Position January 1	\$ 117,798	\$ 117,334	\$ 63,938	\$ 70,314	\$ 181,736		\$ 187,648		\$ 5,912
Prior Period Adjustment	\$ 1,112	\$ 2,653	\$ (31)	\$ (2,564)	\$ 1,081		\$ 89		\$ (992)
Net Position January 1, restated	\$ 118,910	\$ 119,987	\$ 63,907	\$ 67,750	\$ 182,817		\$ 187,737		\$ 4,920
Net Position December 31	\$ 117,334	\$ 119,522	\$ 70,314	\$ 73,860	\$ 187,648		\$ 193,382		\$ 5,734

Governmental Activities. Total expenses for Governmental Activities for the year ending December 31, 2012 were \$53,298,000 compared to \$55,212,000 in 2011. Governmental activities represent 73% of the City's total expenses. The largest element of Governmental Activity expense was Public Safety, accounting for 34% of the total.

Charges for service attributable to Governmental Activities totaled \$12,856,000 and operating grants for those purposes were \$4,494,000, up substantially compared to 2011. The balance was funded by general revenues. Sales taxes accounted for \$16,375,000 of the general revenues, with property taxes providing \$11,864,000. Net position decreased by \$498,000 as a result of Governmental Activities.

Business Type Activities. Total expenses for Business-type Activities for the year were \$20,130,000, or 27% of the City's total expense. The majority of this expense (\$14,898,000) is attributable to Water and Sewer operations, with the other activities (Solid Waste Disposal, Sanitation, and Golf Course) costing a combined total of \$5,273,000. These activities are primarily supported by user charges, with only \$787,000 coming from general revenues, representing some capital grants and the interest earned on fund balances held by the City. Net position increased

CITY OF SALINA, KANSAS
Management Discussion and Analysis

Year Ended December 31, 2012
(Unaudited)

Fund Financial Analysis

Governmental Funds

Fund Balances:

The table below shows the Governmental Fund balances for major funds for the years ended December 31, 2011 and December 31, 2012.

Governmental Fund Balances, 2011 and 2012				
Fund	2011	2012	Change	
General	\$ 3,836,238	\$ 3,827,110	\$ (9,128)	
Flood and Drainage	\$ 907	\$ -	\$ (907)	
Tourism and Convention	\$ 340,473	\$ 419,505	\$ 79,032	
Special Gas	\$ 1,417,743	\$ 1,375,175	\$ (42,568)	
Bicentennial Center	\$ 142,881	\$ 3,138	\$ (139,743)	
Sales Tax Capital	\$ 1,397,571	\$ 2,010,139	\$ 612,568	
Debt Service	\$ 1,285,830	\$ 639,324	\$ (646,506)	
Capital Projects	\$ 390,852	\$ (922,852)	\$ (1,313,704)	
Other Governmental Funds	\$ 2,792,546	\$ 3,366,098	\$ 573,552	
Total	\$ 11,604,341	\$ 10,717,637	\$ (886,704)	

Total Governmental Fund balances decreased by \$886,704. The reasons for these changes are varied. The most significant change is in the Capital Projects Fund, and is largely the result of Project financing activities. General Fund balances stabilized in 2012. The Flood and Drainage Fund was scheduled for depletion. The Special Sales Tax fund increase is due to, first, deferral of one of the planned projects, and, second, the scheduled transfer (\$400,000) to the Debt Service fund was not made in 2012. This is apparent from the decline in the debt service fund balances.

Revenues and Expenditures:

The following table shows a comparison of revenues and expenditures (including other sources and uses) for major funds for the years ending December 31, 2011 and 2012.

Consolidated Statement of Revenues and Expenditures for Major Funds, 2011 and 2012				
Modified Accrual Basis				
Fund	2011	2012	Change	
Revenues (Including Other Financing Sources)				
General	\$ 35,557,304	\$ 35,986,064	\$ 428,760	
Flood and Drainage Improvement	\$ 18,473	\$ 108	\$ (18,365)	
Tourism and Convention	\$ 1,306,102	\$ 1,429,032	\$ 122,930	
Special Gas	\$ 1,546,045	\$ 1,544,176	\$ (1,869)	
Bicentennial Center	\$ 1,656,762	\$ 1,190,661	\$ (466,101)	
Sales Tax Capital	\$ 3,777,286	\$ 3,888,105	\$ 110,819	
Debt Service	\$ 6,844,521	\$ 9,786,681	\$ 2,942,160	
Capital Projects	\$ 9,896,198	\$ 3,575,743	\$ (6,320,455)	
Other Governmental Funds*	\$ 2,800,508	\$ 2,936,162	\$ 135,654	
Total Revenues	\$ 63,403,199	\$ 60,336,732	\$ (3,066,467)	
Less Other Sources	\$ 14,581,655	\$ 9,698,819	\$ (4,882,836)	
Revenues, net of other sources	\$ 48,821,544	\$ 50,637,913	\$ 1,816,369	
Expenditures (Including Other Financing Uses)				
General	\$ 35,494,671	\$ 35,995,192	\$ 500,521	
Flood and Drainage Improvement	\$ 206,092	\$ 1,015	\$ (205,077)	
Tourism and Convention	\$ 1,332,826	\$ 1,350,000	\$ 17,174	
Special Gas	\$ 1,612,943	\$ 1,586,744	\$ (26,199)	
Bicentennial Center	\$ 1,559,929	\$ 1,330,404	\$ (229,525)	
Sales Tax Capital	\$ 4,534,082	\$ 3,275,537	\$ (1,258,545)	
Debt Service	\$ 6,131,264	\$ 10,476,427	\$ 4,345,163	
Capital Projects	\$ 6,895,345	\$ 3,384,160	\$ (3,511,185)	
Other Governmental Funds*	\$ 2,989,614	\$ 2,362,610	\$ (627,004)	
Total Expenditures	\$ 60,756,766	\$ 59,762,089	\$ (994,677)	
Less Other Uses	\$ 5,692,077	\$ 3,458,438	\$ (2,233,639)	
Expenditures, net of other uses	\$ 55,064,689	\$ 56,303,651	\$ 1,238,962	

CITY OF SALINA, KANSAS
Management Discussion and Analysis

Year Ended December 31, 2012
(Unaudited)

Total revenues and other sources declined by \$2,161,834 from 2011 to 2012. The largest component of this change was in the Capital Projects accounts, and is related to Construction activities. Other changes include decreased General Fund supplements for the Bi-Centennial Center and changes in temporary note activity.

Expenditures generally declined, with the notable exception of the General and Debt Service funds. The increase in the General Fund is due largely to inflationary pressures. The Debt Service Fund was influenced by refinancing activity.

Proprietary Funds

The City of Salina operates four Enterprise Funds as well as five Internal Service Funds. A summarized comparative Statement of Net Position follows for each Enterprise Fund:

Comparative Summary Statement of Net Position; 2011 - 2012

(in \$000's)

	Solid Waste Disposal			Water and Sewer		
	2011	2012	Change	2011	2012	Change
Current Assets	\$ 3,611	\$ 4,524	\$ 913	\$ 25,988	\$ 22,065	\$ (3,923)
Capital Assets	\$ 3,495	\$ 2,933	\$ (562)	\$ 63,184	\$ 72,498	\$ 9,314
Deferred Outflows of Resources	\$ -	\$ -	\$ -	\$ -	\$ 330	\$ 330
Total Assets and Deferred Outflows of Resources	<u>\$ 7,106</u>	<u>\$ 7,457</u>	<u>\$ 351</u>	<u>\$ 89,172</u>	<u>\$ 94,893</u>	<u>\$ 5,721</u>
Current Liabilities	\$ 528	\$ 510	\$ (18)	\$ 2,363	\$ 3,769	\$ 1,406
Noncurrent Liabilities	\$ 2,868	\$ 2,207	\$ (661)	\$ 21,640	\$ 23,581	\$ 1,941
Total Liabilities	<u>\$ 3,396</u>	<u>\$ 2,717</u>	<u>\$ (679)</u>	<u>\$ 24,003</u>	<u>\$ 27,350</u>	<u>\$ 3,347</u>
Invested in Capital, net of related debt	\$ 2,276	\$ 2,117	\$ (159)	\$ 40,991	\$ 47,849	\$ 6,858
Restricted	\$ -	\$ -	\$ -	\$ 1,553	\$ 1,553	\$ -
Unrestricted	\$ 1,434	\$ 2,623	\$ 1,189	\$ 22,625	\$ 18,141	\$ (4,484)
Total Net Position	<u>\$ 3,710</u>	<u>\$ 4,740</u>	<u>\$ 1,030</u>	<u>\$ 65,169</u>	<u>\$ 67,543</u>	<u>\$ 2,374</u>
Current Assets as a percentage of current liabilities	684%	887%		1100%	585%	

	Sanitation			Golf Course		
	2011	2012	Change	2011	2012	Change
Current Assets	\$ 761	\$ 823	\$ 62	\$ 32	\$ 91	\$ 59
Capital Assets	\$ 646	\$ 545	\$ (101)	\$ 314	\$ 345	\$ 31
Deferred Outflows of Resources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Assets and Deferred Outflows of Resources	<u>\$ 1,407</u>	<u>\$ 1,368</u>	<u>\$ (39)</u>	<u>\$ 346</u>	<u>\$ 436</u>	<u>\$ 90</u>
Current Liabilities	\$ 29	\$ 64	\$ 35	\$ 24	\$ 47	\$ 23
Noncurrent Liabilities	\$ 156	\$ 49	\$ (107)	\$ 109	\$ 68	\$ (41)
Total Liabilities	<u>\$ 185</u>	<u>\$ 113</u>	<u>\$ (72)</u>	<u>\$ 133</u>	<u>\$ 115</u>	<u>\$ (18)</u>
Invested in Capital, net of related debt	\$ 646	\$ 545	\$ (101)	\$ 314	\$ 345	\$ 31
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	\$ 576	\$ 710	\$ 134	\$ (101)	\$ (24)	\$ 77
Total Net Position	<u>\$ 1,222</u>	<u>\$ 1,255</u>	<u>\$ 33</u>	<u>\$ 213</u>	<u>\$ 321</u>	<u>\$ 108</u>
Current Assets as a percentage of current liabilities	2624%	1286%		133%	194%	

CITY OF SALINA, KANSAS
Management Discussion and Analysis

Year Ended December 31, 2012
(Unaudited)

Budgetary Highlights

The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Commission. The legal level of budgetary control is maintained at the Fund level, in accordance with State Statutes. Management control is maintained at the departmental level. Within the departments, considerable discretion is permitted. The City uses an encumbrance accounting system, in which estimated purchase orders are recorded prior to the release of purchase orders to vendors. Open purchase orders are reported as reservations of budgetary basis fund balances at December 31, 2012. Formal budgetary amendments are limited to those circumstances in which the need is perceived to alter the total fund budget. Re-allocation among departments or line items are not typically recorded as budgetary amendments.

However, in addition to formal amendments, departments within the City are allowed to transfer budget between line items within a department. Budgets may also be transferred from department to department within each fund. As a result of these transfers, the original budget and the final budgets may not be the same for departments within a fund.

There were a number of funds in which the budgets were amended, including the Risk Management, Solid Waste, Tourism, and the Water and Wastewater Funds.

The City experienced a number of significant variances from budgeted items in the General Fund. However, the total fund was within budgeted expenses. Sales taxes were short of budgetary levels significantly.

Several expenditure items were also significantly over or under budget. Several Departments exceeded budgeted expenditures. In general, retirement system contributions exceeded budget.

Capital Assets and Debt Administration

Capital Assets

The total amount invested in Capital Assets for the City at December 31, 2012 was \$238,359,000 net of accumulated depreciation.

The following table illustrates the Capital Asset balance by various classes of assets at December 31, 2011 and 2012:

Capital Asset Balances Net of Depreciation, 12/31/2011 and 12/31/2012
(In 000's)

	Governmental Activity		Business-type		Total	
	2011	2012	2011	2012	2011	2012
Equipment, Furniture and Fixtures	\$ 1,288	\$ 1,252	\$ 1,729	\$ 1,976	\$ 3,017	\$ 3,228
Vehicles	\$ 2,996	\$ 2,871	\$ 812	\$ 672	\$ 3,808	\$ 3,543
Buildings and Improvements	\$ 22,591	\$ 24,475	\$ 11,904	\$ 11,475	\$ 34,495	\$ 35,950
Land	\$ 22,477	\$ 22,640	\$ 1,541	\$ 1,542	\$ 24,018	\$ 24,182
Infrastructure	\$ 82,609	\$ 101,610	\$ 40,591	\$ 39,694	\$ 123,200	\$ 141,304
Construction in Progress	\$ 32,554	\$ 9,190	\$ 11,062	\$ 20,962	\$ 43,616	\$ 30,152
Total	\$ 164,515	\$ 162,038	\$ 67,639	\$ 76,321	\$ 232,154	\$ 238,359

* Net of Accumulated Depreciation

CITY OF SALINA, KANSAS
Management Discussion and Analysis

Year Ended December 31, 2012
(Unaudited)

Changes to capital assets may be summarized as follows:

Changes to Capital Assets, 2012			
(in 000's)			
	Governmental Activity	Business-Type Activity	Total
Additions	\$ 29,692	\$ 11,995	\$ 41,687
Retirements	\$ (27,599)	\$ (806)	\$ (28,405)
Adjustments	\$ 162	\$ 5	\$ 167
Net Additions	<u>\$ 2,255</u>	<u>\$ 11,194</u>	<u>\$ 13,449</u>
 Depreciation Expense Applied	 <u>\$ 5,289</u>	 <u>\$ 2,483</u>	 <u>\$ 7,772</u>

Additional information on the City's capital assets can be found in Note 4.D. of the notes to the basic financial statements.

Debt Management

The City's general policy for General Obligation Bonds is to issue them for no more than 10 years for the City at Large portion, with some exceptions permitted for extraordinary projects. On special assessment bonds, the maturity may extend to 15 years.

The outstanding General Obligation Bonds for Governmental activities at 12/31/2012 totaled \$49,109,575. In addition, there were temporary notes outstanding in the amount of \$1,485,000.

Business-type activities had \$15,850,228 in Revenue Bonds outstanding, as well as \$9,613,926 in General Obligation Bonds. Revenues generated by user fees are pledged to retire all of the Bonds issued by Business-type activities.

The City engaged in several debt transactions during 2012. On August 1st, the City issued \$2,365,000 in internal improvement bonds. The proceeds were used to finance public improvements to serve a commercial development. Costs will be recovered through special assessments against the benefiting properties over a 15 year period. Also in August, the City refinanced a number of outstanding issues to achieve future debt service savings. Series 2012-B was issued in the amount of \$3,785,000. Final maturity will be reached in 2020.

Also on August 1st, the City issued \$1,485,000 in temporary notes to finance street improvements to a major arterial. This note will be refinanced into a long term bond issue in August, 2013.

Additional information on the City's debt can be found in Note 4, E. of the notes to the basic financial statements.

Requests for Information

This financial report is intended to give the reader a general overview of the City's finances. Questions about information in this report or requests for additional information should be directed to the Director of Finance, Room 206, 300 West Ash Street, Salina, Kansas, 67401.

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BASIC FINANCIAL STATEMENTS

CITY OF SALINA, KANSAS

STATEMENT OF NET POSITION

December 31, 2012

	Primary Government			Component Units	
	Total Governmental Activities	Total Business-type Activities	Total Primary Government	Salina Housing Authority	Salina Airport Authority
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Current assets:					
Cash and investments	\$ 14,512,406	\$ 25,459,075	\$ 39,971,481	\$ 1,618,067	\$ 1,660,132
Receivables (net of allowance for uncollectibles)					
Accounts	1,155,058	1,457,579	2,612,637	15,248	134,386
Taxes	11,093,639	-	11,093,639	-	-
Interest	33,497	16	33,513	-	-
Inventory	242,774	586,568	829,342	17,474	3,260
Restricted cash and investments	-	-	-	162,930	-
Prepaid expenses	-	-	-	32,620	8,936
Total current assets	27,037,374	27,503,238	54,540,612	1,846,339	1,806,714
Noncurrent assets:					
Notes receivable	-	-	-	2,138	-
Capital assets, nondepreciable					
Construction in progress	9,190,083	20,962,212	30,152,295	482,494	734,309
Land	22,640,475	1,541,806	24,182,281	1,456,891	9,872,183
Capital assets, depreciable	221,623,024	102,602,443	324,225,467	7,452,363	68,884,724
Less: Accumulated depreciation	91,415,423	48,785,418	140,200,841	3,339,602	29,087,967
Total noncurrent assets	162,038,159	76,321,043	238,359,202	6,054,284	50,403,249
Total assets	189,075,533	103,824,281	292,899,814	7,900,623	52,209,963
Deferred outflows of resources:					
Deferred charge on bond issuance	483,008	329,943	812,951	-	-
Total deferred outflows of resources	483,008	329,943	812,951	-	-
Total assets and deferred outflows of resources	\$ 189,558,541	\$ 104,154,224	\$ 293,712,765	\$ 7,900,623	\$ 52,209,963
Liabilities:					
Current liabilities:					
Accounts payable	\$ 993,800	\$ 415,671	\$ 1,409,471	\$ 41,427	\$ 76,611
Retainage payable	328,811	1,364,869	1,693,680	-	-
Accrued liabilities	499,216	-	499,216	38,532	147,323
Matured bond principal and interest	145	-	145	-	-
Accrued interest payable	429,113	200,178	629,291	-	370,102
Deposits payable	-	161,252	161,252	83,935	-
Unearned revenue	10,576,448	-	10,576,448	8,530	41,127
Current portion of compensated absences	1,555,549	319,073	1,874,622	13,352	-
Current portion of temporary notes payable	1,485,000	-	1,485,000	-	-
Current portion of revenue bonds payable	-	623,696	623,696	-	-
Current portion of financing leases payable	-	-	-	-	45,826
Current portion of special assessment debt payable	-	-	-	-	21,876
Current portion of general obligation bonds payable	5,121,431	1,304,929	6,426,360	-	895,000
Total current liabilities	20,989,513	4,389,668	25,379,181	185,776	1,597,865
Noncurrent liabilities:					
Accrued liabilities	361,378	-	361,378	48,642	-
Compensated absences	1,501,450	307,978	1,809,428	3,338	-
Net OPEB obligation	3,196,446	367,863	3,564,309	-	-
Revenue bonds payable	-	15,226,532	15,226,532	-	-
Financing leases payable	-	-	-	-	156,791
Special assessment debt payable	-	-	-	-	82,071
General obligation bonds payable	43,988,144	8,308,997	52,297,141	-	23,861,769
Landfill post-closure care liabilities	-	1,693,368	1,693,368	-	-
Total noncurrent liabilities	49,047,418	25,904,738	74,952,156	51,980	24,100,631
Total liabilities	\$ 70,036,931	\$ 30,294,406	\$ 100,331,337	\$ 237,756	\$ 25,698,496
Net Position					
Invested in capital assets, net of related debt	\$ 112,928,584	\$ 50,856,889	\$ 163,785,473	\$ 6,052,146	\$ 25,339,916
Restricted for:					
Permanent funds:					
Expendable	442,509	-	442,509	114,288	-
Debt service	639,324	1,553,016	2,192,340	-	-
Unrestricted	5,511,193	21,449,913	26,961,106	1,496,433	1,171,551
Total net position	\$ 119,521,610	\$ 73,859,818	\$ 193,381,428	\$ 7,662,867	\$ 26,511,467

The notes to the basic financial statements are an integral part of this statement.

CITY OF SALINA, KANSAS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

	Net [Expenses] Revenue and Changes in Net Position								
	Program Revenues				Primary Government			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Business-type Activities	Total Primary Government	Salina Housing Authority	Salina Airport Authority
Governmental activities:									
General government	\$ 11,278,267	\$ 6,327,712	\$ 1,091,708	\$ -	\$ [3,858,847]	\$ -	\$ [3,858,847]	\$ -	\$ -
Public safety	19,065,686	4,290,288	1,284,505	-	[13,490,893]	-	[13,490,893]	-	-
Public works	10,956,931	305,965	1,548,322	-	[9,102,644]	-	[9,102,644]	-	-
Public health and sanitation	1,382,595	46,250	154,001	-	[1,182,344]	-	[1,182,344]	-	-
Culture and recreation	5,338,344	1,728,259	155,343	-	[3,454,742]	-	[3,454,742]	-	-
Planning and development	3,362,142	158,010	260,538	-	[2,943,594]	-	[2,943,594]	-	-
Interest on long-term debt	1,914,286	-	-	-	[1,914,286]	-	[1,914,286]	-	-
Total governmental activities	53,298,251	12,856,484	4,494,417	-	[35,947,350]	-	[35,947,350]	-	-
Business-type activities:									
Solid Waste Disposal	2,066,642	3,137,035	-	124,000	-	1,194,393	1,194,393	-	-
Water and Sewer	14,897,279	19,098,626	-	150,194	-	4,351,541	4,351,541	-	-
Sanitation	2,440,654	2,461,965	-	-	-	21,311	21,311	-	-
Golf Course	723,548	783,169	-	-	-	59,621	59,621	-	-
Total business-type activities	20,128,123	25,480,795	-	274,194	-	5,626,866	5,626,866	-	-
Total primary government	\$ 73,426,374	\$ 38,337,279	\$ 4,494,417	\$ 274,194	[35,947,350]	5,626,866	[30,320,484]	-	-
Component units:									
Salina Housing Authority	\$ 2,177,417	\$ 375,357	\$ 1,572,748	\$ 87,759	-	-	-	[141,553]	-
Salina Airport Authority	5,804,008	2,103,416	-	1,779,827	-	-	-	-	[1,920,765]
Total component units	\$ 7,981,425	\$ 2,478,773	\$ 1,572,748	\$ 1,867,586	-	-	-	[141,553]	[1,920,765]
General Revenues:									
Property taxes levied for									
General purposes					8,272,455	-	8,272,455	-	1,767,338
Debt service					2,438,787	-	2,438,787	-	-
Motor vehicle tax									
General purposes					1,152,767	-	1,152,767	-	-
Sales tax									
General purposes					12,165,281	-	12,165,281	-	-
Selective purposes					4,209,889	-	4,209,889	-	-
Other taxes									
General purposes					6,485,860	-	6,485,860	-	-
Investment revenues					66,375	79,491	145,866	15,275	1,500
Miscellaneous					660,161	433,942	1,094,103	24,936	56,752
Transfers, net					30,000	[30,000]	-	-	-
Subtotal general revenues					35,481,575	483,433	35,965,008	40,211	1,825,590
Change in net position					[465,775]	6,110,299	5,644,524	[101,342]	[95,175]
Net position - beginning					117,334,142	70,313,686	187,647,828	7,764,209	26,606,642
Prior period adjustment					2,653,243	[2,564,167]	89,076	-	-
Net position - beginning, restated					119,987,385	67,749,519	187,736,904	7,764,209	26,606,642
Net position - ending					\$ 119,521,610	\$ 73,859,818	\$ 193,381,428	\$ 7,662,867	\$ 26,511,467

The notes to the basic financial statements are an integral part of this statement.

CITY OF SALINA, KANSAS

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012

	<u>General</u>	<u>Flood & Drainage Improvement</u>	<u>Tourism and Convention</u>	<u>Special Gas</u>
ASSETS				
Cash and investments	\$ 3,120,342	\$ -	\$ 28,785	\$ 1,197,049
Receivables (net)				
Accounts	709,238	-	390,720	-
Taxes	8,335,679	-	-	298,952
Interest	33,497	-	-	-
Inventory	115,900	-	-	-
Due from other funds	31,049	-	-	-
Cash with fiscal agent	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 12,345,705</u>	<u>\$ -</u>	<u>\$ 419,505</u>	<u>\$ 1,496,001</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 344,243	\$ -	\$ -	\$ 118,806
Retainage payable	-	-	-	2,020
Due to other funds	-	-	-	-
Matured principal and interest	-	-	-	-
Temporary notes payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>344,243</u>	<u>-</u>	<u>-</u>	<u>120,826</u>
Deferred inflows of resources				
Unavailable revenue - property taxes	<u>8,174,352</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>8,174,352</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:				
Nonspendable	115,900	-	-	-
Restricted	-	-	419,505	1,160,305
Committed	-	-	-	-
Assigned	539,656	-	-	214,870
Unassigned	<u>3,171,554</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>3,827,110</u>	<u>-</u>	<u>419,505</u>	<u>1,375,175</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,345,705</u>	<u>\$ -</u>	<u>\$ 419,505</u>	<u>\$ 1,496,001</u>

<u>Bicentennial Center</u>	<u>Sales Tax Capital</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 14,057	\$ 2,043,802	\$ 582,412	\$ 1,163,487	\$ 3,390,046	\$ 11,539,980
-	-	-	-	55,100	1,155,058
-	-	2,459,008	-	-	11,093,639
-	-	-	-	-	33,497
-	-	-	-	-	115,900
-	-	-	-	-	31,049
-	-	145	-	-	145
<u>\$ 14,057</u>	<u>\$ 2,043,802</u>	<u>\$ 3,041,565</u>	<u>\$ 1,163,487</u>	<u>\$ 3,445,146</u>	<u>\$ 23,969,268</u>
\$ 10,919	\$ 27,634	\$ -	\$ 280,577	\$ 47,999	\$ 830,178
-	6,029	-	320,762	-	328,811
-	-	-	-	31,049	31,049
-	-	145	-	-	145
-	-	-	1,485,000	-	1,485,000
<u>10,919</u>	<u>33,663</u>	<u>145</u>	<u>2,086,339</u>	<u>79,048</u>	<u>2,675,183</u>
-	-	2,402,096	-	-	10,576,448
-	-	2,402,096	-	-	10,576,448
-	-	-	-	-	115,900
-	-	639,324	-	1,099,754	3,318,888
2,158	1,766,357	-	[4,474,792]	2,190,129	[516,148]
980	243,782	-	3,551,940	76,215	4,627,443
-	-	-	-	-	3,171,554
<u>3,138</u>	<u>2,010,139</u>	<u>639,324</u>	<u>[922,852]</u>	<u>3,366,098</u>	<u>10,717,637</u>
<u>\$ 14,057</u>	<u>\$ 2,043,802</u>	<u>\$ 3,041,565</u>	<u>\$ 1,163,487</u>	<u>\$ 3,445,146</u>	<u>\$ 23,969,268</u>

The notes to the basic financial statements are an integral part of this statement.

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CITY OF SALINA, KANSAS

RECONCILIATION OF THE TOTAL GOVERNMENTAL FUND BALANCE TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
December 31, 2012

Total Governmental Fund Balances		\$ 10,717,637
Amounts reported for governmental activities in the statement of net position are different because		
Bond issuance costs are shown as current year expenditures in the funds.		
Bond issuance costs		483,008
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
The cost of capital assets is	252,592,284	
Accumulated depreciation is	<u>90,577,217</u>	162,015,067
An internal service fund is used by the City's management to charge the costs of the worker's compensation program. The assets and liabilities of the internal service fund are included with governmental activities.		
		2,003,830
The following liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. These liabilities at year end consist of:		
Compensated absences	2,962,798	
Net OPEB obligation	3,196,446	
Bonds payable	49,109,575	
Accrued interest on the bonds	<u>429,113</u>	<u>[55,697,932]</u>
Net Position of Governmental Activities		<u>\$ 119,521,610</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF SALINA, KANSAS

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	<u>General</u>	<u>Flood & Drainage Improvement</u>	<u>Tourism and Convention</u>	<u>Special Gas</u>
REVENUES:				
Taxes				
Real estate taxes	\$ 8,104,969	\$ -	\$ -	\$ -
Delinquent taxes	167,378	108	-	-
Motor vehicle taxes	852,832	-	-	-
General sales taxes	12,165,281	-	-	-
Selective sales taxes	-	-	-	-
Other taxes	5,057,100	-	1,428,760	-
Intergovernmental	1,080,291	-	-	1,540,622
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	7,678,288	-	-	-
Investment revenue	9,000	-	272	3,554
Reimbursements	-	-	-	-
Miscellaneous	425,970	-	-	-
Total revenues	<u>35,541,109</u>	<u>108</u>	<u>1,429,032</u>	<u>1,544,176</u>
EXPENDITURES:				
Current				
General government	3,574,626	-	-	-
Public safety	18,564,988	-	-	-
Public works	6,541,848	-	-	461,936
Public health and sanitation	1,188,836	-	-	-
Culture and recreation	2,157,195	-	-	-
Planning and development	2,267,262	-	745,875	-
Miscellaneous	-	-	-	-
Capital outlay	721,079	-	-	1,124,808
Debt service				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Deposit to escrow account	-	-	-	-
Total expenditures	<u>35,015,834</u>	<u>-</u>	<u>745,875</u>	<u>1,586,744</u>
Excess [deficiency] of revenue and other sources over [under] expenditures and other [uses]	<u>525,275</u>	<u>108</u>	<u>683,157</u>	<u>[42,568]</u>
OTHER FINANCING SOURCES [USES]				
Issuance of bonds	-	-	-	-
Bond premium	-	-	-	-
Transfers in	444,955	-	-	-
Transfers [out]	<u>[979,358]</u>	<u>[1,015]</u>	<u>[604,125]</u>	<u>-</u>
Total other financing sources [uses]	<u>[534,403]</u>	<u>[1,015]</u>	<u>[604,125]</u>	<u>-</u>
Net change in fund balance	<u>[9,128]</u>	<u>[907]</u>	<u>79,032</u>	<u>[42,568]</u>
Fund balance - Beginning of year	3,836,238	907	340,473	1,417,743
Restatement of prior year fund balance	-	-	-	-
FUND BALANCE - Beginning of year, as restated	<u>3,836,238</u>	<u>907</u>	<u>340,473</u>	<u>1,417,743</u>
Fund balance - End of year	<u>\$ 3,827,110</u>	<u>\$ -</u>	<u>\$ 419,505</u>	<u>\$ 1,375,175</u>

<u>Bicentennial Center</u>	<u>Sales Tax Capital</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 2,361,078	\$ -	\$ -	\$ 10,466,047
-	-	77,709	-	-	245,195
-	-	299,935	-	-	1,152,767
-	-	-	-	-	12,165,281
-	3,882,314	-	-	327,575	4,209,889
-	-	-	-	-	6,485,860
-	-	-	492,219	1,373,584	4,486,716
-	-	1,650,053	664,452	-	2,314,505
-	-	-	-	7,700	7,700
186,418	-	-	-	619,782	8,484,488
618	5,791	10,740	9,202	7,706	46,883
-	-	-	35,500	-	35,500
650	-	5	-	110,457	537,082
<u>187,686</u>	<u>3,888,105</u>	<u>4,399,520</u>	<u>1,201,373</u>	<u>2,446,804</u>	<u>50,637,913</u>
-	-	-	-	-	3,574,626
-	-	-	-	-	18,564,988
-	-	-	-	-	7,003,784
-	-	-	-	154,012	1,342,848
1,250,404	-	-	-	1,041,098	4,448,697
-	-	-	-	242,888	3,256,025
-	-	-	-	35	35
-	1,525,537	-	3,330,021	625,126	7,326,571
-	-	8,446,802	-	145,000	8,591,802
-	-	1,894,098	54,139	154,451	2,102,688
-	-	91,587	-	-	91,587
<u>1,250,404</u>	<u>1,525,537</u>	<u>10,432,487</u>	<u>3,384,160</u>	<u>2,362,610</u>	<u>56,303,651</u>
<u>[1,062,718]</u>	<u>2,362,568</u>	<u>[6,032,967]</u>	<u>[2,182,787]</u>	<u>84,194</u>	<u>[5,665,738]</u>
-	-	3,785,000	2,365,000	-	6,150,000
-	-	51,011	9,370	-	60,381
1,002,975	-	1,551,150	-	489,358	3,488,438
<u>[80,000]</u>	<u>[1,750,000]</u>	<u>-</u>	<u>[43,940]</u>	<u>-</u>	<u>[3,458,438]</u>
<u>922,975</u>	<u>[1,750,000]</u>	<u>5,387,161</u>	<u>2,330,430</u>	<u>489,358</u>	<u>6,240,381</u>
<u>[139,743]</u>	<u>612,568</u>	<u>[645,806]</u>	<u>147,643</u>	<u>573,552</u>	<u>574,643</u>
142,881	1,397,571	1,285,130	390,852	2,792,546	11,604,341
-	-	-	[1,461,347]	-	[1,461,347]
<u>142,881</u>	<u>1,397,571</u>	<u>1,285,130</u>	<u>[1,070,495]</u>	<u>2,792,546</u>	<u>10,142,994</u>
<u>\$ 3,138</u>	<u>\$ 2,010,139</u>	<u>\$ 639,324</u>	<u>\$ [922,852]</u>	<u>\$ 3,366,098</u>	<u>\$ 10,717,637</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF SALINA, KANSAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

Total Net Change In Fund Balances - Governmental Funds	\$	574,643
Amounts reported for governmental activities in the statement of activities are different because		
Capital outlays to purchase or build assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period.		
Gain on sale of assets	33,756	
Proceeds from sale of assets	[52,503]	
Capital outlays	2,642,629	
Depreciation expense	<u>[5,283,853]</u>	[2,659,971]
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which interest decreased.		
		83,567
An internal service fund is used by the city's management to charge the costs of certain activities to the individual funds. The revenues and expenses of certain internal service fund is reported with governmental activities.		
		[323,518]
Some expenses reported in the statement of activities, such as compensated absences and other post employment benefits, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		[355,008]
Bond and temporary note proceeds are other financing sources in the governmental funds, but they increase long-term liabilities in the statement of net position and do not affect the statement of activities. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
		[6,482,126]
Repayment of bond principal and bond issuance costs is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.		
		<u>8,696,638</u>
Changes In Net Position of Governmental Activities	\$	<u>[465,775]</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF SALINA, KANSAS

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 December 31, 2012

	Business-Type Activities: Enterprise Funds				Total Enterprise Funds	Internal Service Funds
	Solid Waste Disposal	Water and Sewer	Sanitation	Golf Course		
Assets and deferred outflows of resources:						
Current assets:						
Cash and investments	\$ 4,259,781	\$ 20,444,868	\$ 685,735	\$ 68,691	\$ 25,459,075	\$ 2,972,281
Receivables (net of allowance for uncollectibles)						
Accounts	263,944	1,056,391	137,244	-	1,457,579	-
Interest	16	-	-	-	16	-
Inventory and prepaid supplies	-	564,114	-	22,454	586,568	126,874
Total current assets	<u>4,523,741</u>	<u>22,065,373</u>	<u>822,979</u>	<u>91,145</u>	<u>27,503,238</u>	<u>3,099,155</u>
Capital assets:						
Nondepreciable capital assets:						
Construction in progress	-	20,962,212	-	-	20,962,212	-
Land	682,000	844,806	-	15,000	1,541,806	-
Depreciable capital assets:						
Capital assets	8,344,630	91,663,027	1,558,313	1,036,473	102,602,443	861,298
Less: accumulated depreciation	<u>6,093,488</u>	<u>40,972,444</u>	<u>1,013,242</u>	<u>706,244</u>	<u>48,785,418</u>	<u>838,206</u>
Total capital assets	<u>2,933,142</u>	<u>72,497,601</u>	<u>545,071</u>	<u>345,229</u>	<u>76,321,043</u>	<u>23,092</u>
Deferred outflows of resources:						
Deferred charge on bond issuance	-	329,943	-	-	329,943	-
Total deferred outflows of resources	-	<u>329,943</u>	-	-	<u>329,943</u>	-
Total assets and deferred outflows of resources	<u>\$ 7,456,883</u>	<u>\$ 94,892,917</u>	<u>\$ 1,368,050</u>	<u>\$ 436,374</u>	<u>\$ 104,154,224</u>	<u>\$ 3,122,247</u>
Liabilities:						
Current liabilities						
Accounts payable	\$ 66,599	\$ 329,462	\$ 13,836	\$ 5,774	\$ 415,671	\$ 163,622
Retainage payable	-	1,364,869	-	-	1,364,869	-
Interest payable	5,751	194,427	-	-	200,178	-
Meter deposits payable	-	161,252	-	-	161,252	-
Current portion of compensated absences payable	33,734	194,255	50,304	40,780	319,073	47,934
Current portion of accrued claims payable	-	-	-	-	-	499,216
Current portion of general obligation bonds payable	403,881	901,048	-	-	1,304,929	-
Current portion of revenue bonds payable	-	623,696	-	-	623,696	-
Total current liabilities	<u>509,965</u>	<u>3,769,009</u>	<u>64,140</u>	<u>46,554</u>	<u>4,389,668</u>	<u>710,772</u>
Noncurrent liabilities:						
Compensated absences payable	32,561	187,500	48,555	39,362	307,978	46,267
Accrued claims payable	-	-	-	-	-	361,378
Net OPEB Obligation	68,677	270,091	-	29,095	367,863	-
Payable from restricted assets						
General obligation bonds payable	411,959	7,897,038	-	-	8,308,997	-
Revenue bonds payable	-	15,226,532	-	-	15,226,532	-
Landfill post-closure care liabilities	<u>1,693,368</u>	-	-	-	<u>1,693,368</u>	-
Total noncurrent liabilities	<u>2,206,565</u>	<u>23,581,161</u>	<u>48,555</u>	<u>68,457</u>	<u>25,904,738</u>	<u>407,645</u>
Total liabilities	<u>\$ 2,716,530</u>	<u>\$ 27,350,170</u>	<u>\$ 112,695</u>	<u>\$ 115,011</u>	<u>\$ 30,294,406</u>	<u>\$ 1,118,417</u>
Net position						
Invested in capital assets, net of related debt	\$ 2,117,302	\$ 47,849,287	\$ 545,071	\$ 345,229	\$ 50,856,889	\$ 23,092
Restricted						
Restricted for bond retirement	-	1,553,016	-	-	1,553,016	-
Unrestricted	<u>2,623,051</u>	<u>18,140,444</u>	<u>710,284</u>	<u>[23,866]</u>	<u>21,449,913</u>	<u>1,980,738</u>
Total net position	<u>\$ 4,740,353</u>	<u>\$ 67,542,747</u>	<u>\$ 1,255,355</u>	<u>\$ 321,363</u>	<u>\$ 73,859,818</u>	<u>\$ 2,003,830</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF SALINA, KANSAS

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2012

	Business-Type Activities: Enterprise Funds				Total Enterprise Funds	Internal Service Funds
	Solid Waste Disposal	Water and Sewer	Sanitation	Golf Course		
Operating revenues						
Charges for services	\$ 3,137,035	\$ 19,098,626	\$ 2,461,965	\$ 783,169	\$ 25,480,795	\$ 9,049,963
Miscellaneous	28,303	356,848	69	48,722	433,942	140,082
Total operating revenues	<u>3,165,338</u>	<u>19,455,474</u>	<u>2,462,034</u>	<u>831,891</u>	<u>25,914,737</u>	<u>9,190,045</u>
Operating expenses						
General government	-	-	-	-	-	9,518,987
Public works	1,487,731	12,192,431	2,330,752	-	16,010,914	-
Recreation	-	-	-	691,839	691,839	-
Depreciation	560,092	1,779,746	110,357	32,596	2,482,791	4,698
Total operating expenses	<u>2,047,823</u>	<u>13,972,177</u>	<u>2,441,109</u>	<u>724,435</u>	<u>19,185,544</u>	<u>9,523,685</u>
Operating income [loss]	<u>1,117,515</u>	<u>5,483,297</u>	<u>20,925</u>	<u>107,456</u>	<u>6,729,193</u>	<u>[333,640]</u>
Nonoperating revenues [expenses]						
Investment revenue	12,302	64,800	2,293	96	79,491	10,122
Debt service	[21,472]	[892,911]	-	-	[914,383]	-
Gain/[loss] on disposal of fixed assets	2,653	1,485	455	887	5,480	-
Accretion of bond premium	-	11,560	-	-	11,560	-
Amortization of bond issuance costs	-	[45,236]	-	-	[45,236]	-
Total nonoperating revenues [expenses]	<u>[6,517]</u>	<u>[860,302]</u>	<u>2,748</u>	<u>983</u>	<u>[863,088]</u>	<u>10,122</u>
Income [loss] before transfers	<u>1,110,998</u>	<u>4,622,995</u>	<u>23,673</u>	<u>108,439</u>	<u>5,866,105</u>	<u>[323,518]</u>
Transfers from [to] other funds						
Transfers [out]	-	[30,000]	-	-	[30,000]	-
Total transfers	<u>-</u>	<u>[30,000]</u>	<u>-</u>	<u>-</u>	<u>[30,000]</u>	<u>-</u>
Capital contributions	<u>124,000</u>	<u>150,194</u>	<u>-</u>	<u>-</u>	<u>274,194</u>	<u>-</u>
Change in net position	<u>1,234,998</u>	<u>4,743,189</u>	<u>23,673</u>	<u>108,439</u>	<u>6,110,299</u>	<u>[323,518]</u>
Net position, January 1	3,709,743	65,168,435	1,222,584	212,924	70,313,686	2,327,348
Restatement	<u>[204,388]</u>	<u>[2,368,877]</u>	<u>9,098</u>	<u>-</u>	<u>[2,564,167]</u>	<u>-</u>
Net position, January 1, restated	<u>3,505,355</u>	<u>62,799,558</u>	<u>1,231,682</u>	<u>212,924</u>	<u>67,749,519</u>	<u>2,327,348</u>
Net position, December 31	<u>\$ 4,740,353</u>	<u>\$ 67,542,747</u>	<u>\$ 1,255,355</u>	<u>\$ 321,363</u>	<u>\$ 73,859,818</u>	<u>\$ 2,003,830</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF SALINA, KANSAS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2012

	Business-Type Activities: Enterprise Funds				Total Enterprise Funds	Internal Service Funds
	Solid Waste Disposal	Water and Sewer	Sanitation	Golf Course		
Cash flows from operating activities						
Cash received from customers and users	\$ 3,104,214	\$ 19,065,947	\$ 2,463,893	\$ 783,168	\$ 25,417,222	\$ 9,197,593
Cash paid to suppliers of goods or services	[1,288,458]	[8,393,905]	[1,744,666]	[378,901]	[11,805,930]	[8,832,087]
Cash paid to employees	[472,279]	[2,916,093]	[657,992]	[325,374]	[4,371,738]	[632,635]
Other operating receipts	28,303	356,848	69	48,722	433,942	140,082
Net cash provided by [used in] operating activities	<u>1,371,780</u>	<u>8,112,797</u>	<u>61,304</u>	<u>127,615</u>	<u>9,673,496</u>	<u>[127,047]</u>
Cash flows from capital and related financing activities						
Purchase and construction of capital assets	[91,429]	[11,114,179]	-	[63,863]	[11,269,471]	-
Capital contributions	124,000	150,194	-	-	274,194	-
Proceeds from sale of capital assets	7,800	1,485	455	887	10,627	-
Principal payments - general obligation bonds	[519,963]	[1,002,432]	-	-	[1,522,395]	-
Principal payments - revenue bonds	-	[340,000]	-	-	[340,000]	-
Interest paid	[24,235]	[901,261]	-	-	[925,496]	-
Net cash provided by [used in] capital and related financing activities	<u>[503,827]</u>	<u>[13,206,193]</u>	<u>455</u>	<u>[62,976]</u>	<u>[13,772,541]</u>	<u>-</u>
Cash flows from investing activities						
Interest received	<u>12,302</u>	<u>64,800</u>	<u>2,293</u>	<u>97</u>	<u>79,492</u>	<u>10,121</u>
Cash flows from noncapital financing activities						
Transfers [out]	-	[30,000]	-	-	[30,000]	-
Net cash provided by [used in] noncapital financing activities	<u>-</u>	<u>[30,000]</u>	<u>-</u>	<u>-</u>	<u>[30,000]</u>	<u>-</u>
Net increase [decrease] in cash and cash equivalents	<u>880,255</u>	<u>[5,058,596]</u>	<u>64,052</u>	<u>64,736</u>	<u>[4,049,553]</u>	<u>[116,926]</u>
Cash and cash equivalents, January 1	3,379,526	24,042,117	621,683	3,955	28,047,281	3,089,207
Restatement	-	1,461,347	-	-	1,461,347	-
Cash and cash equivalents, January 1, restated	<u>3,379,526</u>	<u>25,503,464</u>	<u>621,683</u>	<u>3,955</u>	<u>29,508,628</u>	<u>3,089,207</u>
Cash and cash equivalents, December 31	<u>\$ 4,259,781</u>	<u>\$ 20,444,868</u>	<u>\$ 685,735</u>	<u>\$ 68,691</u>	<u>\$ 25,459,075</u>	<u>\$ 2,972,281</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF SALINA, KANSAS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (Continued)
 For the Year Ended December 31, 2012

	Business-Type Activities: Enterprise Funds				Total Enterprise Funds	Internal Service Funds
	Solid Waste Disposal	Water and Sewer	Sanitation	Golf Course		
Reconciliation of operating [loss] income to net cash provided by [used in] operating activities						
Operating income [loss]	\$ 1,117,515	\$ 5,483,297	\$ 20,925	\$ 107,456	\$ 6,729,193	\$ [333,640]
Adjustments to reconcile operating income [loss] to net cash provided by [used in] operating activities						
Depreciation expense	560,092	1,779,746	110,357	32,596	2,482,791	4,698
[Increase] decrease in accounts receivable	[32,821]	[30,027]	1,928	-	[60,920]	-
[Increase] decrease in inventory	-	[20,062]	-	5,196	[14,866]	[11,180]
Increase [decrease] in accounts payable	44,407	67,018	6,977	2,820	121,222	63,568
Increase [decrease] in retainage payable	-	756,650	-	-	756,650	-
Increase [decrease] in accrued compensated absences	6,740	18,608	[19,053]	[28,736]	[22,441]	1,878
Increase [decrease] in claims payable	-	-	-	-	-	147,629
Increase [decrease] in landfill postclosure liabilities	[348,886]	-	-	-	[348,886]	-
Increase [decrease] in net OBEB obligation	24,733	60,219	[59,830]	8,283	33,405	-
Increase [decrease] in meter deposits payable	-	[2,652]	-	-	[2,652]	-
Net cash provided by [used in] operating activities	<u>\$ 1,371,780</u>	<u>\$ 8,112,797</u>	<u>\$ 61,304</u>	<u>\$ 127,615</u>	<u>\$ 9,673,496</u>	<u>\$ [127,047]</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF SALINA, KANSAS
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
December 31, 2012

ASSETS

Cash and investments	\$ 322,790
Total assets	<u>\$ 322,790</u>

LIABILITIES AND FUND BALANCES

Liabilities	
Accounts payable	\$ 322,790
Total liabilities	<u>\$ 322,790</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Salina, Kansas (the City) is a municipal corporation governed by a mayor and a five-member commission. These financial statements present the City and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government wide statements to emphasize that it is legally separated from the government.

Discretely Presented Component Units

City of Salina Airport Authority - The Salina Airport Authority was created for the purpose of accepting as surplus property portions of the former Schilling A.F.B that was closed by the United States Department of Defense in June 1965. One of the primary functions of the Airport Authority is to facilitate the continued growth of jobs and payroll at the Airport Industrial Center. The Airport Authority is managed and controlled by a five-member Board of Directors appointed by the Salina City Commission. Any director may be removed by a majority vote of the Salina City Commission. The Airport Authority's basic mill levy (up to 3 mills) requires the approval of the City Commission. The Commission must also approve the issuance of general obligation debt by the Airport Authority. The Airport Authority has a December 31 fiscal year end.

Housing Authority of the City of Salina - The purpose of the Housing Authority of the City of Salina (Housing Authority) is to administer Public Housing Programs authorized by the United States Housing Act of 1937. The Mayor of the City of Salina appoints the governing board. The City Commission may remove commissioners of the Housing Authority. The City must issue revenue bonds for the Housing Authority. The financial liability of the Housing Authority is essentially supported by the operating and debt service subsidies received under contract from the Federal government. The Housing Authority has a June 30 fiscal year end. Information in the accompanying financial statements covers the fiscal year ended June 30, 2012.

Complete financial statements for each of the individual component units may be obtained at the entity's administrative offices.

Salina Airport Authority
3237 Arnold Ave.
Salina, KS

Housing Authority of
the City of Salina
469 S. 5th
Salina, KS

Joint Ventures

The City of Salina also participates with Saline County in two joint ventures. The Salina-Saline County Board of Health was organized by the City and County to promote public health. The City and County organized the Salina County-City Building Authority to acquire, operate and maintain facilities for the administrative offices of both governments. The primary governments each have an ongoing financial responsibility for the joint ventures. Separate financial statements are available from the governing boards of each joint venture.

	(GAAP Basis)	(Kansas Regulatory Basis)
	Board of Health (Audited)	Building Authority (Audited)
Total net position/unencumbered cash, December 31, 2012	\$ 1,627,417	\$ 975,862
Total change in net position/change in unencumbered cash, year ended December 31, 2012	[70,219]	44,822
Total revenues/cash receipts, year ended December 31, 2012	3,887,627	865,855
Total revenues/cash receipts from City of Salina	1,018,101	821,033

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Joint Ventures (Continued)

Complete financial statements for each of the joint ventures may be obtained at the entity's administrative offices.

Salina-Saline County Board of Health
125 West Elm Street
Salina, KS

Salina County-City
Building Authority
300 West Ash Street
Salina, KS

B. Government-wide and fund financial statements

The statement of net position and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's governmental and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational requirements of a particular program. Taxes and other items, which are not classified as program revenues, are presented as general revenues of the city.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net position. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The internal service funds account for risk management, worker's compensation, health insurance, central garage and information services that are provided to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

Agency funds are custodial in nature and do not measure results of operations or have a measurement focus. Agency funds do however use the accrual basis of accounting. Agency funds are used to account for assets held as an agent for individuals, other governmental units, private organizations and/or other funds.

The City reports the following major governmental funds:

General fund - To account for resources traditionally associated with government, which are not required legally, or by sound financial management to be accounted for in another fund.

Flood and drainage improvement fund - To account for property tax revenues to be used for capital improvements to the flood control and stormwater drainage systems.

Tourism and convention fund - To account for transient guest tax revenues, which are specifically restricted to promotion and tourism activities.

Special gas fund - To account for the City's share of motor fuel tax revenues, which are legally restricted to the maintenance, or improvement of streets within the City.

Bicentennial Center fund - To account for the activities of the City's convention center.

Sales tax capital fund - To account for 87.5% of the 1/4 cent sales tax designated for capital, debt, and human services purposes.

Debt service fund - To account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Capital projects fund - To account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

The City reports the following major proprietary funds:

Sanitation fund - To account for the operations of the City's refuse collection service.

Solid waste disposal fund - To account for the activities of the City's landfill.

Golf course fund - To account for the operations of the municipal golf course.

Water and sewer fund - To account for the activities of the City's water and sewer operations.

D. Assets, Liabilities, Fund Balance, and Net Position

1. Pooled cash and investments

The City maintains a cash and investment pool that is available for use by all funds managed by the city. Each fund type's portion of this pool is displayed in the financial statements as "Cash and Investments." The city'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 the date of acquisition. Investments in the Kansas Municipal Pool are carried at fair value.

Cash balances from all funds are invested to the extent available in certificates of deposit and other authorized investments. Investments with maturity dates greater than three months are stated separately. Earnings from these investments, unless specifically designated, are allocated monthly to the investing fund based on the percentage of funds invested to total investments. All investments are carried at fair value.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Accounts Receivable. The City records revenues when services are provided. All receivables are shown net of an allowance for doubtful accounts.

Property taxes receivable. Collection of current year property tax by the County Treasurer is not completed, apportioned or distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the City and, therefore, are not susceptible to accrual. Accruals of uncollected current year property taxes are offset by deferred revenue and are identical to the adopted budget for 2013. It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the accounting period, and further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

2. Receivables and Payables (Continued)

The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas are the responsibility of the various counties. The County Appraiser annually determines assessed valuations on January 1 and the County Clerk spreads the annual assessment on the tax rolls. The County Treasurer is the tax collection agent for all taxing entities within the County. In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Property taxes are levied and liens against property are placed on November 1 of the year prior to the fiscal year for which they are budgeted. Payments are due November 1, becoming delinquent, with penalty, December 21. Payments of 50% are accepted through December 20, with the second 50% then being due on or before May 10 of the following year. This procedure eliminates the need to issue tax anticipation notes since funds will be on hand prior to the beginning of each fiscal year. The City Treasurer draws down all available funds from the County Treasurer's office in two-month intervals. Taxes remaining due and unpaid at February 15 and July 1 are subject to collection procedures prescribed in state statutes.

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed.

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

4. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets used in governmental fund types of the City are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type is included in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the primary government, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Other equipment	5 -15
Vehicles	6 -10
Infrastructure	30 -50

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Fund Balance, and Net Position (Continued)

5. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All employees of the City, except temporary and part time employees, may accumulate sick leave at a rate of 8 or 11 hours per month depending on their work duty schedule. There is no limit on the amount of sick leave that can be accumulated. Employees with more than five years of service with the City are paid for one-third of their accumulated sick leave at their current wage scale upon termination of employment in good standing. In 2001, a limited buy back policy was instituted.

All regular employees are entitled to paid vacation time. Such leave is granted each year of employment. Employees must use 50% of leave accrued each calendar year and an employee's maximum accrued vacation leave balance cannot exceed 250 hours (or 350 hours for employees working 24 hour shifts). Employees are paid for all accumulated vacation leave at their current wage scale upon termination of employment.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability in the government fund financial statements that will pay it. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Vested or accumulated vacation leave of the business-type funds and government wide financial statements are recorded as an expense and liability of those funds as the benefits accrue to employees. A liability is recorded for accumulated rights to receive sick pay benefits that are payable upon termination of employment.

The General Fund, Bicentennial Center Fund, Central Garage Fund, Information Systems Fund, Sanitation Fund, Solid Waste Fund, Golf Course Fund, and Water and Sewer Fund have been used in prior years to liquidate the liability for compensated absences.

6. Temporary Notes

Upon authorization for the issuance of general obligation bonds for certain improvements, Kansas law permits the temporary financing of such improvements by the issuance of temporary notes. Temporary notes issued may not exceed the aggregate amount of bonds authorized, are interest bearing and have a maturity date not later than four years from the date of issuance of such temporary notes. Temporary notes outstanding are retired from the proceeds of the sale of general obligation bonds.

7. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Fund Balance, and Net Position (Continued)

8. Fund Balances

In the fund financial statements, governmental funds report fund balance in the following classifications: nonspendable, restricted, committed, assigned and unassigned. Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Restricted fund balance indicates that constraints have been placed on the use of resources either by being externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Committed fund balances include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city commission. Assigned fund balances include amounts that are constrained by the City management's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available restricted amounts are considered to be spent first. When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balance is available, the following is the order in which resources will be expended: committed, assigned and unassigned.

The following is the detail for fund balance classifications in the financial statements:

	Major Governmental Funds							Other Governmental Funds	Total Governmental Funds
	General	Tourism and Convention	Special Gas	Bicentennial Center	Sales Tax Capital	Debt Service	Capital Projects		
Fund Balances:									
Nonspendable for:									
Inventory	\$ 115,900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 115,900
Restricted for:									
Public works	-	-	1,160,305	-	-	-	-	-	1,160,305
Public health and sanitation	-	-	-	-	-	-	-	21	21
Culture and recreation	-	-	-	-	-	-	-	88,145	88,145
Planning and development	-	419,505	-	-	-	-	-	289,897	709,402
Debt payments	-	-	-	-	-	639,324	-	721,691	1,361,015
Committed for:									
Public safety	-	-	-	-	-	-	-	381,466	381,466
Culture and recreation	-	-	-	2,158	-	-	-	591,307	593,465
Planning and development	-	-	-	-	-	-	-	33,655.00	33,655
Cemetery	-	-	-	-	-	-	-	436,787	436,787
Capital improvements	-	-	-	-	1,766,357	-	[4,474,792]	746,914	[1,961,521]
Assigned for:									
General government	24,635	-	-	-	-	-	-	-	24,635
Public safety	1,029	-	-	-	-	-	-	-	1,029
Public works	19,664	-	214,870	-	-	-	-	-	234,534
Culture and recreation	13,035	-	-	980	-	-	-	-	14,015
Planning and development	68,410	-	-	-	-	-	-	-	68,410
Capital improvements	412,883	-	-	-	243,782	-	3,551,940	76,215	4,284,820
Unassigned:	3,171,554	-	-	-	-	-	-	-	3,171,554
Total Fund Balances	\$ 3,827,110	\$ 419,505	\$ 1,375,175	\$ 3,138	\$ 2,010,139	\$ 639,324	\$ [922,852]	\$ 3,366,098	\$ 10,717,637

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Fund Balance, and Net Position (Continued)

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on bond issuance reported in the government-wide statement of net position. A deferred charge on bond issuance results from the difference in the carrying value of the debt and its reacquisition price. This amount is deferred and amortized over the life of the - debt.

10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

11. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Note 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service fund, and enterprise funds.

The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding year on or before August 1.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5.
3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The 2012 budget was amended for the Water and Sewer Fund, Risk Management Fund, Solid Waste Disposal Fund and Tourism and Convention Fund.

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Note 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

The statutes permit management to transfer budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received, and expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year end.

A legal operating budget is not required for capital projects funds, non-major debt service funds, trust funds, and the following special revenue funds: Flood & Drainage Improvement, Bicentennial Center Event, HUD Community Development, Community Development Revolving, Heritage Commission, HOME 2012, KDOT Signals 9th Street, CDBG ED, HPRP, Special Law Enforcement, Police Grants, DARE Donations, War Memorial Maintenance, Federal Care Grant and Police Department Federal Forfeiture Funds. A legal operating budget is not required for the following Enterprise funds: Solid Waste Disposal, Water and Sewer, Sanitation and Golf Course funds. A legal operating budget is also not required for the Internal Service funds. Actual to budget comparisons for these funds that present budgets to the Commissioners are shown strictly for informational purposes.

Spending in funds, which are not subject to the legal annual operating budget requirements are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

B. Legal Debt Margin

The City is subject to the municipal finance law of the state of Kansas which limits the bonded debt (exclusive of revenue bonds and special assessment bonds) the city may have outstanding to 30 percent of the assessed value of all tangible taxable property within the city, as certified to the county clerk on the proceeding August 25. At December 31, 2012, the statutory limit for the City was \$135,421,208, providing a debt margin of 86,111,763.

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Note 3. RESTATEMENT OF EQUITY

Following the close of the previous fiscal year, it was discovered that several capital assets were misclassified or recorded incorrectly. Additionally, it was discovered that accounts receivable had not been properly recorded. Accordingly, the beginning net position/fund balances were restated, the effects of which are as follows:

	Governmental <u>Activities</u>	Capital Projects <u>Fund</u>	Solid Waste Disposal <u>Fund</u>	Water and Sewer <u>Fund</u>	Sanitation <u>Fund</u>
Net Position/Fund Balance, December 31, 2011	\$ 117,334,142	\$ 390,852	\$ 3,709,743	\$ 65,168,435	\$ 1,222,584
Capital Asset Adjustment	188,314	-	[87,693]	[20,643]	9,098
Fund Reclassification	[1,461,347]	[1,461,347]	-	1,461,347	-
General Obligation Bonds Payable Adjustment	<u>3,926,276</u>	<u>-</u>	<u>[116,695]</u>	<u>[3,809,581]</u>	<u>-</u>
Net Position/Fund Balance, December 31, 2011, Restated	<u>\$ 119,987,385</u>	<u>\$ [1,070,495]</u>	<u>\$ 3,505,355</u>	<u>\$ 62,799,558</u>	<u>\$ 1,231,682</u>

Note 4. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City's cash is considered to be active funds by management and is invested according to KSA 9-1401. The statute requires that banks eligible to hold active funds have a main or branch bank in the county in which the City is located or in a county adjacent to the City and the banks provide an acceptable rate for active funds.

Various City investments are considered to be idle funds by management and are invested according to KSA 12-1675. The statute requires that the City invest its idle funds in only temporary notes of the City, bank certificates of deposit, repurchase agreements, and if eligible banks do not offer an acceptable rate for the funds: U.S. Treasury bills or notes or the Municipal Investment Pool (KMIP). Maturities of the above investments may not exceed two years by statute.

Some of the City's investments are of bond proceeds invested pursuant to KSA 10-131. This statute allows additional investment authority beyond that of KSA 12-1675. Investments of bond proceeds may follow KSA 12-1675 or include other investments such as the KMIP, direct obligations of the U.S. government or any agency thereof, investment agreements with a financial institution the obligations of which at the time of investment are rated in either of the three highest rating categories by Moody's investors service or Standard and Poor's corporation, and various other investments as specified in KSA 10-131.

At December 31, 2012, the City has the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Kansas Municipal Investment Pool	\$ 305,237	S&P AAAf/S1+
U.S. Government Securities	<u>21,027,849</u>	N/A
Total fair value	<u>\$ 21,333,086</u>	

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012

Note 4. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest by the U.S. government or any agency thereof, with maturities up to four years. No more than 10 percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

The City's investment policy provides direction on concentration risk. The City policy states that funds shall be diversified to reduce the extent of losses due to having an unbalanced portfolio in terms of maturities, instrument type, and issuers. Therefore, portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector. Liquidity, free of market risk, shall be assured through practices insuring that the next disbursement date and payroll date are covered through maturing investments, marketable U.S. Treasury Bills, the Municipal Investment Pool, or money market accounts.

Default risk shall be minimized by requiring that all security purchases occur on a delivery vs. payment basis, and that all securities are adequately collateralized.

Risk of market price volatility shall be controlled through the adoption of a "buy and hold" strategy whereby the City holds each investment to maturity, coupled with maintenance of an adequate liquidity position to insure the ability to meet normal anticipated cash flow needs.

When advantageous, it is allowable to sell investments to realize a gain due to price fluctuations; however, such transactions shall not be a part of the normal course of business.

The City recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to control risk due to issuer default. In the event of a default by a specific issuer, the Director of Finance and Administration shall review, and, if appropriate, proceed to liquidate securities having comparable credit risks.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy for custodial credit risk require that the depository banks will maintain 100% security in the form of FDIC coverage and pledged collateral according to KSA 9-1402.

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Note 4. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of year end, including the applicable allowances for doubtful accounts, are as follows:

	General	Tourism and Convention	Special Gas	Debt Service	Other Governmental	Subtotal
Primary Government						
Receivables:						
Accounts	\$ 3,299,591	\$ 390,720	\$ -	\$ -	\$ 56,973	\$ 3,747,284
Taxes	8,335,679	-	298,952	2,459,008	-	11,093,639
Interest	33,497	-	-	-	-	33,497
Gross receivables	<u>11,668,767</u>	<u>390,720</u>	<u>298,952</u>	<u>2,459,008</u>	<u>56,973</u>	<u>14,874,420</u>
Less: allowance for uncollectibles	<u>[2,590,353]</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>[1,873]</u>	<u>[2,592,226]</u>
Total	<u>\$ 9,078,414</u>	<u>\$ 390,720</u>	<u>\$ 298,952</u>	<u>\$ 2,459,008</u>	<u>\$ 55,100</u>	<u>\$ 12,282,194</u>
			Sanitation	Solid Waste Disposal	Water and Sewer	Total
Primary Government						
Receivables:						
Accounts			\$ 209,309	\$ 263,944	\$ 1,611,089	\$ 5,831,626
Taxes			-	-	-	11,093,639
Interest			-	16	-	33,513
Gross receivables			<u>209,309</u>	<u>263,960</u>	<u>1,611,089</u>	<u>16,958,778</u>
Less: allowance for uncollectibles			<u>[72,065]</u>	<u>-</u>	<u>[554,698]</u>	<u>[3,218,989]</u>
Total			<u>\$ 137,244</u>	<u>\$ 263,960</u>	<u>\$ 1,056,391</u>	<u>\$ 13,739,789</u>
Component Units						
Salina Airport Authority						
Accounts						\$ 135,370
Less: allowance for uncollectibles						<u>[984]</u>
Total Salina Airport Authority						<u>134,386</u>
Salina Housing Authority						
Accounts						13,689
Other						<u>1,559</u>
Total Salina Housing Authority						<u>15,248</u>
Total						<u>\$ 149,634</u>

C. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2012, is as follows:

Fund Types	Due From	Due To
General Fund	\$ 31,049	\$ -
Other Government Funds	<u>-</u>	<u>31,049</u>
	<u>\$ 31,049</u>	<u>\$ 31,049</u>

The City uses interfund receivables and payables as needed when pooled cash is negative within a fund until investments mature or grant proceeds are received. All payables are cleared in less than one year.

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Note 4. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

	Balance 12/31/2011	Adjustments	Adj. Bal. 12/31/2011	Additions	Retirements	Balance 12/31/2012
City governmental activities:						
Governmental activities:						
Capital assets, not being depreciated						
Construction in progress	\$ 32,554,357	\$ 63,285	\$ 32,617,642	\$ 3,622,135	\$ 27,049,694	\$ 9,190,083
Land	22,477,191	163,284	22,640,475	-	-	22,640,475
Capital assets, being depreciated						
Infrastructure	146,145,697	86,866	146,232,563	22,398,049	-	168,630,612
Buildings and improvements	36,233,800	[18,097]	36,215,703	2,985,633	-	39,201,336
Vehicles	8,330,055	384,707	8,714,762	478,676	407,972	8,785,466
Equipment, furniture and fixtures	5,457,201	[517,975]	4,939,226	207,830	141,446	5,005,610
Total capital assets	<u>251,198,301</u>	<u>162,070</u>	<u>251,360,371</u>	<u>29,692,323</u>	<u>27,599,112</u>	<u>253,453,582</u>
Less accumulated depreciation for:						
Infrastructure	63,537,634	86,659	63,624,293	3,397,201	-	67,021,494
Buildings and improvements	13,643,237	[16,288]	13,626,949	1,099,311	-	14,726,260
Vehicles	5,333,636	414,440	5,748,076	561,532	395,781	5,913,827
Equipment, furniture and fixtures	4,169,281	[511,055]	3,658,226	230,506	134,890	3,753,842
Total accumulated depreciation	<u>86,683,788</u>	<u>[26,244]</u>	<u>86,657,544</u>	<u>5,288,550</u>	<u>530,671</u>	<u>91,415,423</u>
Governmental activities capital assets, net	<u>\$ 164,514,513</u>	<u>\$ 188,314</u>	<u>\$ 164,702,827</u>	<u>\$ 24,403,773</u>	<u>\$ 27,068,441</u>	<u>\$ 162,038,159</u>
Business-type activities:						
Capital assets, not being depreciated						
Construction in progress	\$ 11,062,055	\$ -	\$ 11,062,055	\$ 10,626,076	\$ 725,919	\$ 20,962,212
Land	1,541,002	804	1,541,806	-	-	1,541,806
Capital assets, being depreciated						
Infrastructure	71,303,594	-	71,303,594	736,188	-	72,039,782
Buildings and improvements	22,587,106	[7,173]	22,579,933	-	-	22,579,933
Vehicles	2,983,160	-	2,983,160	47,037	31,877	2,998,320
Equipment, furniture and fixtures	4,434,559	11,848	4,446,407	586,090	48,089	4,984,408
Total capital assets	<u>113,911,476</u>	<u>5,479</u>	<u>113,916,955</u>	<u>11,995,391</u>	<u>805,885</u>	<u>125,106,461</u>
Less accumulated depreciation for:						
Infrastructure	30,713,404	54,521	30,767,925	1,577,942	-	32,345,867
Buildings and improvements	10,683,173	[2,726]	10,680,447	424,133	-	11,104,580
Vehicles	2,170,960	21,290	2,192,250	166,306	31,877	2,326,679
Equipment, furniture and fixtures	2,705,192	31,632	2,736,824	314,410	42,942	3,008,292
Total accumulated depreciation	<u>46,272,729</u>	<u>104,717</u>	<u>46,377,446</u>	<u>2,482,791</u>	<u>74,819</u>	<u>48,785,418</u>
Business-type activities capital assets, net	<u>\$ 67,638,747</u>	<u>\$ [99,238]</u>	<u>\$ 67,539,509</u>	<u>\$ 9,512,600</u>	<u>\$ 731,066</u>	<u>\$ 76,321,043</u>

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Note 4. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

The City's depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General government	\$ 7,975
Public safety	571,333
Public works	3,686,903
Public health	39,747
Culture and recreation	876,475
Planning and development	106,117
Total depreciation	<u>\$ 5,288,550</u>
Business-type Activities:	
Solid Waste Disposal	\$ 560,092
Water and Sewer	1,779,746
Sanitation	110,357
Golf Course Division	32,596
Total depreciation	<u>\$ 2,482,791</u>

E. Long-Term Debt

Following is a summary of changes in long-term debt for fiscal year 2012:

	Balance January 1, 2012	Restatements	Restated Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012	Amounts Due Within One Year
Governmental activities:							
General obligation bonds	\$ 55,225,670	\$ [3,926,276]	\$ 51,299,394	\$ 6,201,011	\$ 8,390,830	\$ 49,109,575	\$ 5,121,431
Accrued compensation	3,089,134	-	3,089,134	1,523,414	1,555,549	3,056,999	1,555,549
Temporary notes	3,400,000	-	3,400,000	1,485,000	3,400,000	1,485,000	1,485,000
Total	<u>\$ 61,714,804</u>	<u>\$ [3,926,276]</u>	<u>\$ 57,788,528</u>	<u>\$ 9,209,425</u>	<u>\$ 13,346,379</u>	<u>\$ 53,651,574</u>	<u>\$ 8,161,980</u>
Business-type activities:							
General obligation bonds	\$ 7,217,907	\$ 3,926,276	\$ 11,144,183	\$ -	\$ 1,530,257	\$ 9,613,926	\$ 1,304,929
Revenue bonds	16,193,925	-	16,193,925	-	343,697	15,850,228	623,696
Accrued compensation	649,491	-	649,491	296,633	319,073	627,051	319,073
Total	<u>\$ 24,061,323</u>	<u>\$ 3,926,276</u>	<u>\$ 27,987,599</u>	<u>\$ 296,633</u>	<u>\$ 2,193,027</u>	<u>\$ 26,091,205</u>	<u>\$ 2,247,698</u>
Component Units:							
General obligation bonds	\$ 26,170,000	\$ -	\$ 26,170,000	\$ -	\$ 1,090,000	\$ 25,080,000	\$ 895,000
Less unamortized discount	[342,123]	-	[342,123]	-	[18,892]	[323,231]	-
Financing lease	245,558	-	245,558	-	42,941	202,617	45,826
Special assessment debt	125,013	-	125,013	-	21,066	103,947	21,876
Total component units	<u>\$ 26,198,448</u>	<u>\$ -</u>	<u>\$ 26,198,448</u>	<u>\$ -</u>	<u>\$ 1,135,115</u>	<u>\$ 25,063,333</u>	<u>\$ 962,702</u>

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Note 4. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-Term Debt (Continued)

The following is a detailed listing of the city's long-term debt including general obligation bonds, revenue bonds, temporary notes and loans payable:

<i>Primary Government</i> General Obligation Bonds	Original Issue	Interest Rates	Bonds Outstanding
Internal Improvements 2003A, due 10/1/2018	4,350,000	2.13% to 3.85%	\$ 320,000
Refunding 2004A, due 8/1/2015	5,585,000	2.10% to 4.00%	760,000
Internal Improvements 2005A, due 10/1/2020	4,210,000	2.95% to 4.25%	330,000
Internal Improvements 2006A, due 10/1/2026	2,200,000	3.55% to 5.50%	1,540,000
Internal Improvements 2006B, due 10/1/2021	885,000	4.00% to 4.50%	465,000
Internal Improvements 2007A, due 10/1/2027	6,545,000	4.25% to 4.625%	4,725,000
Internal Improvements 2008A, due 10/1/2023	3,720,000	3.25% to 4.00%	2,750,000
Internal Improvements 2008B, due 7/1/2028	3,525,000	3.65% to 5.00%	3,295,000
Internal Improvements 2009A, due 10/1/2029	23,695,000	2.00% to 5.00%	20,123,956
Internal Improvements 2010A, due 10/1/2025	6,916,592	2.00% to 3.875%	5,271,046
Internal Improvements 2010B, due 10/1/2023	7,973,044	0.50% to 3.00%	6,605,652
Internal Improvements 2011A, due 10/1/2031	6,587,985	2.00% to 5.00%	6,336,836
Internal Improvements 2012A, due 10/1/2027	2,383,903	1.00% to 2.45%	2,383,903
Refunding 2012B, due 10/1/2020	3,817,108	1.00% to 1.40%	3,817,108
Total general obligation bonds			<u>\$ 58,723,501</u>
Revenue Bonds			
Revenue 2011, due 10/1/31	\$ 16,193,925	2.00% to 4.60%	<u>\$ 15,850,228</u>
Total revenue bonds			<u>\$ 15,850,228</u>
Temporary Notes			
Series 2012-1, due 8/1/2013	\$ 1,485,000	1.00%	<u>\$ 1,485,000</u>
Total temporary notes			<u>\$ 1,485,000</u>

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Note 4. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-Term Debt (Continued)

<i>Component Unit</i>	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Bonds Outstanding</u>
<i>Salina Airport Authority</i>			
General Obligation Bonds			
General Obligation 2005A, due 2020	\$ 3,635,000	4.75% to 5.25%	\$ 2,675,000
General Obligation 2007A, due 2022	1,005,000	4.60% to 6.00%	745,000
General Obligation 2009A, due 2029	2,025,000	4.31%	2,025,000
General Obligation 2009B, due 2026	6,080,000	3.00% to 5.50%	5,310,000
General Obligation 2011A, due 2030	11,820,000	4.64%	11,820,000
General Obligation 2011B, due 2031	2,505,000	4.28%	2,505,000
Less unamortized bond discount			<u>[323,231]</u>
Total general obligation bonds			<u>24,756,769</u>
Special Assessment Debt			
Airport Industrial Center, due 2016	565,235	3.79%	85,281
Hangar 600 Sanitary Sewer, due 2021	27,599	4.47%	<u>18,666</u>
Total special assessment debt			<u>103,947</u>
Financing Lease, due 2016	425,000	6.609%	<u>202,617</u>
Total			<u>\$ 25,063,333</u>

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

<u>Year</u>	<u>General Obligation - Primary Government</u>		
	<u>Bonds Outstanding</u>	<u>Interest Due</u>	<u>Total</u>
2013	\$ 6,426,360	\$ 1,988,727	\$ 8,415,087
2014	6,111,360	1,756,057	7,867,417
2015	5,331,360	1,586,570	6,917,930
2016	5,166,360	1,429,056	6,595,416
2017	4,941,359	1,271,396	6,212,755
2018-2022	18,653,766	3,985,209	22,638,975
2023-2027	9,866,399	1,459,252	11,325,651
2028-2031	<u>2,226,537</u>	<u>170,205</u>	<u>2,396,742</u>
Total	<u>\$ 58,723,501</u>	<u>\$ 13,646,472</u>	<u>\$ 72,369,973</u>

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Note 4. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-Term Debt (Continued)

Year	General Obligation - Component Units		
	Bonds	Interest	Total
	Outstanding	Due	
2013	\$ 895,000	\$ 1,096,914	\$ 1,991,914
2014	925,000	1,067,866	1,992,866
2015	955,000	1,036,264	1,991,264
2016	990,000	1,001,531	1,991,531
2017	1,030,000	963,874	1,993,874
2018-2022	5,840,000	4,129,521	9,969,521
2023-2027	7,290,000	2,683,322	9,973,322
2028-2031	7,155,000	819,200	7,974,200
Total	<u>\$ 25,080,000</u>	<u>\$ 12,798,492</u>	<u>\$ 37,878,492</u>

Annual debt service requirements to maturity for revenue bonds to be paid with utility revenues:

Year	Revenue Bonds - Primary Government		
	Bonds	Interest	Total
	Outstanding	Due	
2013	\$ 623,696	\$ 590,191	\$ 1,213,887
2014	633,696	577,791	1,211,487
2015	643,696	565,191	1,208,887
2016	663,696	549,191	1,212,887
2017	678,696	529,391	1,208,087
2018-2022	3,758,480	2,318,619	6,077,099
2023-2027	4,498,480	1,563,177	6,061,657
2028-2031	4,349,788	504,816	4,854,604
Total	<u>\$ 15,850,228</u>	<u>\$ 7,198,367</u>	<u>\$ 23,048,595</u>

Annual debt service requirements to maturity for temporary notes - to be paid through the issuance of general obligation bonds:

Year	Temporary Notes - Primary Government		
	Bonds	Interest	Total
	Outstanding	Due	
2013	<u>\$ 1,485,000</u>	<u>\$ 15,510</u>	<u>\$ 1,500,510</u>

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Note 4. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-Term Debt (Continued)

Annual debt service requirements to maturity for financing lease - to be paid from rental revenue:

<u>Year</u>	<u>Financing Lease - Component Units</u>		
	<u>Lease Outstanding</u>	<u>Interest Due</u>	<u>Total</u>
2013	\$ 45,826	\$ 12,646	\$ 58,472
2014	48,905	9,567	58,472
2015	52,190	6,282	58,472
2016	55,696	2,776	58,472
Total	<u>\$ 202,617</u>	<u>\$ 31,271</u>	<u>\$ 233,888</u>

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

<u>Year</u>	<u>Special Assessment Debt - Component Units</u>		
	<u>Assessment Outstanding</u>	<u>Interest Due</u>	<u>Total</u>
2013	\$ 21,876	\$ 4,067	\$ 25,943
2014	22,717	3,226	25,943
2015	23,590	2,352	25,942
2016	24,497	1,446	25,943
2017	2,061	504	2,565
2018-2021	9,206	1,051	10,257
Total	<u>\$ 103,947</u>	<u>\$ 12,646</u>	<u>\$ 116,593</u>

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Note 4. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-Term Debt (Continued)

Special assessments. As provided by Kansas statutes, projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the debt service fund. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate project. Special assessments received after the issuance of bonds are recorded as revenue in the debt service fund. The special assessments are not recorded as revenue when levied against the respective property owners as such amounts are not available to finance current year operations. The special assessment debt is a contingent obligation of the City to the extent of property owner defaults, which have historically been immaterial.

Conduit debt. The City has entered into several conduit debt arrangements wherein the City issues industrial revenue bonds to finance a portion of the construction of facilities by private enterprises. In return, the private enterprises have executed mortgage notes or leases with the City. The City is not responsible for payment of the original bonds, but rather the debt is secured only by the cash payments agreed to be paid by the private enterprises under the terms of the mortgage or lease agreements. Generally, the conduit debt is arranged so that payments required by the private enterprises are equal to the mortgage payments schedule related to the original debt. At December 31, 2012, total outstanding conduit debt was \$72,370,000.

Defeased debt. July 15, 2012, the City issued \$3,785,000 of Series 2012B General Obligation Refunding and Improvement Bonds with interest ranging from 1.0% to 1.40% to current refund all \$1,010,000 of the outstanding Series 2004B General Obligation Internal Improvement Bonds with interest rates ranging from 3.40% to 4.00% and to advance refund \$1,125,000 of the Series 2003A General Obligation Internal Improvement Bonds with interest rates ranging from 3.40% to 3.85% and \$1,535,000 of the Series 2005A General Obligation Internal Improvement Bonds with interest rates ranging from 3.45% to 4.00%. The net proceeds were used to establish an escrow account invested in U.S. Government Securities to pay the outstanding principal of the Series 2003A General Obligation Internal Improvement Bonds, the outstanding principal of the Series 2005A General Obligation Internal Improvement Bonds and the interest due on the refunding general obligation bonds. As a result, these portions of the 2003A and 2005A bonds were considered to be defeased and the liability for the defeased bonds has been removed from the City's financial statements. The combined refunding transactions resulted in an economic gain of \$236,475 and a reduction of \$308,436 in future debt payments.

F. Reconciliation of Transfers

A reconciliation of interfund transfers follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Funds:		
General fund	\$ 444,955	\$ 979,358
Flood and drainage improvement fund	-	1,015
Tourism and convention fund	-	604,125
Bicentennial center fund	1,002,975	80,000
Sales tax capital fund	-	1,750,000
Debt service	1,551,150	-
Capital projects fund	-	43,940
Other governmental funds	489,358	-
Water and sewer fund	-	30,000
	<u> </u>	<u> </u>
Total Transfers	<u>\$ 3,488,438</u>	<u>\$ 3,488,438</u>

The City uses interfund transfers to share administrative costs between funds.

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Note 5. OTHER INFORMATION

A. Defined Benefit Pension Plan

Plan description. The City participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are cost-sharing multiple-employer defined benefit pension plans as provided by Kansas statutes (KSA 74-4901 et seq). KPERS and KP&F provide retirement benefits, life insurance, disability income benefits and death benefits. Kansas law established and amends benefit provisions. KPERS and KP&F issue a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to 611 South Kansas, Suite 100; Topeka, Kansas 66603 or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at up to 6% of covered salary. K.S.A. 74-4975 establishes the KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414 (h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate was 7.54% from January 1 to December 31, 2012. The City employer contributions to KPERS for the years ending December 31, 2012, 2011, and 2010 were \$1,081,438, \$987,826 and \$1,039,728, respectively, equal to the required contributions for each year. The KP&F employer rate established for fiscal years beginning in 2012 is 19.81%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which are determined separately for each participating employer. The City's contributions to KP&F for the years ended December 31, 2012, 2011, and 2010 were \$2,007,908, \$1,787,801 and \$1,664,356, respectively, equal to the required contributions for each year.

B. Deferred Compensation Plan

The City offers its employees a deferred compensation plan ("Plan") created in accordance with Internal Revenue Code Section 457. The Plan, available to all City 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 City's general creditors.

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

The City Commission has adopted by resolution a salary reduction flexible benefit plan ("Plan") under Section 125 of the Internal Revenue Code. All City employees working more than 20 hours per week are eligible to participate in the Plan beginning after two full months 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 City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters and other events for which the City carries commercial insurance. No significant reductions in insurance coverage from that of the prior year have occurred. Settlements have not exceeded insurance coverage for each of the past three years.

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Note 5. OTHER INFORMATION (Continued)

D. Risk Management (Continued)

The City has established a limited risk management program for workers' compensation. The program covers all City employees. Premiums are paid into the Workers' Compensation Reserve Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. An excess coverage insurance policy covers individual claims in excess of \$250,000 (\$350,000 for claims involving employees classified as policemen or firemen). Incurred claims, including incurred but not reported claims, have been accrued based primarily upon subsequent payments. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amounts of payouts and other economic and social factors. The liability for claims and judgments is reported in the Workers' Compensation Reserve Fund because it is expected to be liquidated with expendable available financial resources. Of the liability, \$131,792 is considered to be due within one year. Changes in the balances of claims liabilities during the past two years are as follows:

	<u>2012</u>	<u>2011</u>
Unpaid claims, January 1	\$ 321,790	\$ 425,582
Incurred claims (including IBNRs)	677,862	126,625
Claim payments	<u>[506,482]</u>	<u>[230,417]</u>
Unpaid claims, December 31	<u>\$ 493,170</u>	<u>\$ 321,790</u>

The City established a limited risk management program for employee health and dental insurance in 1997. The program covers eligible City employees. Premiums are paid into the health insurance fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. An excess coverage insurance policy covers individual claims in excess of \$50,000. Incurred claims, including incurred but not reported claims, have been accrued based primarily upon subsequent payments. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amounts of payouts and other economic and social factors. The liability for claims and judgments is reported in the Health Insurance Fund because it is expected to be liquidated with expendable available financial resources. Therefore, all of the liability is considered to be due within one year. Changes in the balances of claims liabilities during the past two years are as follows:

	<u>2012</u>	<u>2011</u>
Unpaid claims, January 1	\$ 391,175	\$ 382,502
Incurred claims (including IBNRs)	4,014,478	4,229,571
Claim payments	<u>[4,038,229]</u>	<u>[4,220,898]</u>
Unpaid claims, December 31	<u>\$ 367,424</u>	<u>\$ 391,175</u>

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Note 5. OTHER INFORMATION (Continued)

E. Capital Projects

Capital projects often extend over two or more fiscal years. The following is a schedule, which compares the project authorization including allowable interest revenue to total project expenditures from project inception to December 31, 2012.

<u>Project</u>	<u>Authorization</u>	<u>Expenditures</u>
N Ohio Grade Separation Structure Demolition	\$ 6,617,581	\$ 6,523,887
Markley, Magnolia, Valleyview Sanitary Sewer Improvements and Manhole and Wastewater Pump Station Rehabilitation	5,150,000	1,071,877
South 9th Corridor, Phase IV	6,500,000	6,240,715
Stone Lake	1,460,979	10,220
East Magnolia Road Replacement	4,500,000	3,294,853
Aviation Service Center	5,500,000	4,225,450
Fire Station # 1	2,265,206	1,929,031
Quail Meadows Estates, IV	408,745	2,000
Downtown Wellfield Improvements	9,330,000	1,473,998
Advanced Meter Infrastructure	39,850,000	14,714,908
Downtown Lighting Replacement	3,110,000	3,108,534

Project overages in the Bicentennial Improvements project will be reimbursed by special sales tax proceeds.

F. Contingent Liabilities

The City receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass-through aid. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims would not have a material effect on any of the financial statements of the City at December 31, 2012.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

G. Municipal Solid Waste Landfill

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste, and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense of the solid waste fund in each period based on landfill capacity used as of each balance sheet date. The \$1,693,368 reported as landfill closure and postclosure care liability at December 31 represents the cumulative amount reported to date based on the use of 28.8% of the estimated capacity of the landfill.

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012

Note 5. OTHER INFORMATION (Continued)

G. Municipal Solid Waste Landfill (Continued)

The City's solid waste fund will recognize the remaining estimate cost of closure and postclosure care of \$4,181,503 as the remaining estimated capacity is filled over the remaining life expectancy of 141.8 years.

These amounts are based on what it would cost to perform all closure and postclosure care in 2012. Actual cost may be higher due to inflation, changes, in technology or changes in regulations. The City is required by State and Federal laws and regulations to provide assurances of financial responsibility for closure and post-closure care. The City has elected to utilize the Local Government Financial test promulgated by the U.S. Environmental Protection Agency (at 40 CFR 258.74(f)) and the Kansas Department of Health and Environment to provide these assurances. Any future closure or post-closure care costs will be provided through the normal budgeting and rate setting process, including the issuance of general obligation bonds, if necessary.

H. Environmental Matters

The Kansas Department of Health and Environment (KDHE) issued a report in 1994 indicating the presence of volatile organic compounds at levels requiring remediation at the Salina Public Water Supply Wells Site. The City adopted a proactive Policy and Action Plan to remediate the groundwater contamination, and on December 7, 1994, the City and KDHE entered into a Consent Order and Settlement Agreement under which the City assumed primary responsibility for the further investigation and remediation of the groundwater contamination. Field testing work has been completed. The necessary remediation work will be conducted over the next several years at a yet undetermined cost to the City's Water and Sewer Fund.

The U.S. Department of Defense transferred property located at the former Schilling Air Force Base (the Base or Site) to the City 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 City is potentially liable under CERCLA, although the City believes that it has meritorious defenses to such liability.

The City is considered to be a Potentially Responsible Party (PRP) for the Site, primarily due to its status as a property owner. The Salina Airport Authority, City of Salina, Unified School District No. 305 and the Kansas Board of Regents (Kansas State University at Salina) (collectively 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.

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Note 5. OTHER INFORMATION (Continued)

H. Environmental Matters (Continued)

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 City was notified that the Corp 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).

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Note 5. OTHER INFORMATION (Continued)

H. Environmental Matters (Continued)

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. 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. 10-CV-2298 CM/DJW. The Court's Consent Decree approved the settlement among the parties. The current status is that the City is waiting for the U.S. to wire transfer \$8,426,700 to the City before the City is required to fulfill its obligations under KDHE's CAFO.

Although the claims and counterclaims in the lawsuit have been dismissed without prejudice, the City 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 City 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.

I. Postemployment Health Care Plan

Plan Description. The City operates a single employer defined benefit healthcare plan 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.

Funding Policy. The contribution requirements of plan participants and the City are established and amended by the City. The required contribution is based on projected pay-as-you-go financing requirements. Plan participants contributed approximately \$124,000 to the Plan (approximately 100% of total premiums) through their required contribution of \$408 per month for retiree-only coverage and \$1,095 for family coverage.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Note 5. OTHER INFORMATION (Continued)

I. Postemployment Health Care Plan (Continued)

The following table shows the components of the City's annual OPEB cost for the Plan for the year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation to the Plan:

Annual required contribution	\$ 556,901
Interest on Net OPEB Obligation	94,255
Adjustment to Annual Required Contribution	<u>[104,730]</u>
Annual OPEB cost (expense)	546,426
Benefit payments	<u>[124,000]</u>
Change in net OPEB obligation	422,426
Net OPEB obligation - beginning of year	<u>3,141,883</u>
Net OPEB obligation - end of year	<u>\$ 3,564,309</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended December 31, 2012 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2008	\$ 910,418	\$ 96,672	\$ 813,746
December 31, 2009	957,353	100,000	1,671,099
December 31, 2010	921,492	199,000	2,393,591
December 31, 2011	977,292	229,000	3,141,883
December 31, 2012	546,426	124,000	3,564,309

Funding Status and Funding Progress. As of the year ended December 31, 2012, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits was \$5,171,261 and the actuarial value of asset was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,171,261. The covered payroll (annual payroll of active employees covered by the plan) was \$21,937,142, and the ratio of the UAAL to the covered payroll was 23.57%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statement, presents multiyear trend information about whether the actuarial value of plan assets (if any) are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF SALINA, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Note 5. OTHER INFORMATION (Continued)

I. Postemployment Health Care Plan (Continued)

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan participants) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan participants to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the year ended December 31, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3.00% investment rate of return, which is the rate of the employer's own investments as there are no plan assets and an initial annual medical and dental healthcare cost trend of 7.90%, reduced by decrements to an ultimate rate 4.50% after eighty years. The UAAL is being amortized as a level dollar over an open thirty-year period.

J. Subsequent Events

In February, 2013, the City issued Series 2013-A general obligation internal improvement bonds in the amount of \$1,360,000. The bond proceeds will be used to fund various capital projects. The City will make the first payment on bonds on April 1, 2014 and the last payment on October 1, 2028. The interest rate on the bonds ranges from 0.60% to 3.65%.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF SALINA, KANSAS

OTHER POST-EMPLOYMENT BENEFITS
 REQUIRED SUPPLEMENTARY INFORMATION
 December 31, 2012

Schedule of Employer Contributions:

Fiscal Year <u>Ended</u>	Annual OPEB <u>Cost</u>	Annual OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
December 31, 2008	\$ 910,418	\$ 96,672	\$ 813,746
December 31, 2009	957,353	100,000	1,671,099
December 31, 2010	921,492	199,000	2,393,591
December 31, 2011	977,292	229,000	3,141,883
December 31, 2012	546,426	124,000	3,564,309

Schedule of Funding Progress:

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets (a) <u>Assets (a)</u>	Actuarial Accrued Liability (b) <u>Liability (b)</u>	Unfunded AAL <u>(b) - (a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as Percent of Payroll <u>(b-a)/(c)</u>
12/31/2008	\$ -	\$ 8,917,346	\$ 8,917,346	0.0%	\$ 21,874,112	40.77%
12/31/2009	-	8,917,346	8,917,346	0.0%	22,397,996	39.81%
12/31/2010	-	9,019,806	9,019,806	0.0%	22,613,236	39.89%
12/31/2011	-	9,019,806	9,019,806	0.0%	21,942,428	41.11%
12/31/2012	-	5,171,261	5,171,261	0.0%	21,937,142	23.57%

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
GENERAL FUND

For the Year Ended December 31, 2012

	Actual	Budgeted Amounts		Variance with Final Budget Positive [Negative]
		Original	Final	
Revenues				
Taxes				
Real estate taxes	\$ 8,104,969	\$ 7,952,829	\$ 7,952,829	\$ 152,140
Delinquent taxes	167,378	292,488	292,488	[125,110]
Motor vehicle taxes	862,318	862,743	862,743	[425]
General sales tax	12,165,281	12,244,244	12,244,244	[78,963]
Other taxes	4,116,845	4,715,000	4,715,000	[598,155]
Total taxes	<u>25,416,791</u>	<u>26,067,304</u>	<u>26,067,304</u>	<u>[650,513]</u>
Charges for services				
General charges	31,092	-	-	31,092
General government	240	7,725	7,725	[7,485]
Public safety	3,880,242	3,820,506	3,820,506	59,736
Public works	305,965	161,000	161,000	144,965
Health and sanitation	60,666	54,000	54,000	6,666
Culture and recreation	1,023,862	1,171,200	1,171,200	[147,338]
Community and economic development	10,785	8,652	8,652	2,133
Total charges for services	<u>5,312,852</u>	<u>5,223,083</u>	<u>5,223,083</u>	<u>89,769</u>
Operating grants, restricted				
General grants	154,001	185,000	185,000	[30,999]
Public safety	894,492	919,759	919,759	[25,267]
Community and economic development	30,455	30,000	30,000	455
Total operating grants, restricted	<u>1,078,948</u>	<u>1,134,759</u>	<u>1,134,759</u>	<u>[55,811]</u>
Operating grants, unrestricted				
General grants	2,350	-	-	2,350
Public works	305	3,000	3,000	[2,695]
Culture and recreation	52,437	15,000	15,000	37,437
Total operating grants, unrestricted	<u>55,092</u>	<u>18,000</u>	<u>18,000</u>	<u>37,092</u>
Interest income				
General interest	6,240	65,000	65,000	[58,760]
Total interest income	<u>6,240</u>	<u>65,000</u>	<u>65,000</u>	<u>[58,760]</u>
Interfund services provided				
General services	1,057,755	932,338	932,338	125,417
General government	2,232,316	1,755,876	1,755,876	476,440
Community and economic development	59,840	50,501	50,501	9,339
Total interfund services provided	<u>3,349,911</u>	<u>2,738,715</u>	<u>2,738,715</u>	<u>611,196</u>
Miscellaneous revenues				
General miscellaneous revenues	115,804	120,000	120,000	[4,196]
General government	170	-	-	170
Public safety	181,845	199,000	199,000	[17,155]
Public works	3,422	10,000	10,000	[6,578]
Culture and recreation	16,712	18,000	18,000	[1,288]
Total miscellaneous revenues	<u>317,953</u>	<u>347,000</u>	<u>347,000</u>	<u>[29,047]</u>
Proceeds of capital assets				
General sales	-	30,000	30,000	[30,000]
Total proceeds of capital assets	<u>-</u>	<u>30,000</u>	<u>30,000</u>	<u>[30,000]</u>
Total revenues	<u>35,537,787</u>	<u>35,623,861</u>	<u>35,623,861</u>	<u>[86,074]</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
GENERAL FUND (Continued)
For the Year Ended December 31, 2012

	Actual	Budgeted Amounts		Variance with Final Budget Positive [Negative]
		Original	Final	
Expenditures				
General Government				
City commission	\$ 90,029	\$ 99,383	\$ 99,383	\$ 9,354
City manager	649,220	627,061	627,061	[22,159]
Legal	550,631	305,300	305,300	[245,331]
Finance	567,694	580,398	580,398	12,704
Human resources	352,288	349,756	349,756	[2,532]
Total general government	<u>2,209,862</u>	<u>1,961,898</u>	<u>1,961,898</u>	<u>[247,964]</u>
Public Safety				
Police	8,613,895	8,516,779	8,516,779	[97,116]
Municipal court	1,471,362	1,514,085	1,514,085	42,723
Fire	8,480,760	8,057,954	8,057,954	[422,806]
Total public safety	<u>18,566,017</u>	<u>18,088,818</u>	<u>18,088,818</u>	<u>[477,199]</u>
Public Works				
Buildings and general improvements	1,061,879	1,114,742	1,114,742	52,863
Engineering	1,017,444	1,002,377	1,002,377	[15,067]
Streets	1,791,486	1,865,808	1,865,808	74,322
Flood works	213,001	217,227	217,227	4,226
Traffic control	819,601	830,545	830,545	10,944
Total public works	<u>4,903,411</u>	<u>5,030,699</u>	<u>5,030,699</u>	<u>127,288</u>
Public Health and Sanitation				
Cemetery	158,860	148,878	148,878	[9,982]
Health department	1,029,976	1,018,101	1,018,101	[11,875]
Total public health and sanitation	<u>1,188,836</u>	<u>1,166,979</u>	<u>1,166,979</u>	<u>[21,857]</u>
Culture and Recreation				
Parks	1,647,530	1,463,944	1,463,944	[183,586]
Swimming pools	396,943	454,188	454,188	57,245
Neighborhood centers	40,456	46,154	46,154	5,698
Recreation	1,259,199	1,599,442	1,599,442	340,243
Smoky Hill museum	473,632	454,863	454,863	[18,769]
Total culture and recreation	<u>3,817,760</u>	<u>4,018,591</u>	<u>4,018,591</u>	<u>200,831</u>
Community Development				
Human relations	333,246	331,432	331,432	[1,814]
Development services	1,272,025	1,206,796	1,206,796	[65,229]
Total community development	<u>1,605,271</u>	<u>1,538,228</u>	<u>1,538,228</u>	<u>[67,043]</u>
Capital Outlay				
Capital outlay	907,726	700,000	700,000	[207,726]
Cash Reserve	1,562,824	5,659,224	5,659,224	4,096,400
Total expenditures	<u>34,761,707</u>	<u>38,164,437</u>	<u>38,164,437</u>	<u>3,402,730</u>
Excess [deficiency] of revenues over [under] expenditures	<u>776,080</u>	<u>[2,540,576]</u>	<u>[2,540,576]</u>	<u>3,316,656</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
GENERAL FUND (Continued)
For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Other financing sources [uses]				
Transfer in	\$ 44,955	\$ 500,000	\$ 500,000	\$ [455,045]
Transfer [out]	<u>[1,132,822]</u>	<u>[1,253,464]</u>	<u>[1,253,464]</u>	<u>120,642</u>
Total other financing sources [uses]	<u>[1,087,867]</u>	<u>[753,464]</u>	<u>[753,464]</u>	<u>[334,403]</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	[311,787]	[3,294,040]	[3,294,040]	2,982,253
Unreserved fund balance, January 1	2,574,341	3,294,040	3,294,040	[719,699]
Prior year cancelled encumbrances	<u>4,938</u>	<u>-</u>	<u>-</u>	<u>4,938</u>
Unreserved fund balance, December 31	2,267,492	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,267,492</u>
Reconciliation to GAAP				
Interest receivable	33,497			
Accounts receivable	709,238			
Taxes receivable	8,335,679			
Inventory	115,900			
Deferred revenue	[8,174,352]			
Current year encumbrances	<u>539,656</u>			
GAAP Fund Balance, December 31	<u>\$ 3,827,110</u>			

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
 TOURISM AND CONVENTION FUND
 For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with
		<u>Original</u>	<u>Final</u>	Final Budget Positive [Negative]
Revenues				
Taxes				
Other taxes	\$ 1,376,312	\$ 1,350,000	\$ 1,376,711	\$ [399]
Interest income				
General interest	<u>271</u>	<u>-</u>	<u>-</u>	<u>271</u>
Total revenues	<u>1,376,583</u>	<u>1,350,000</u>	<u>1,376,711</u>	<u>[128]</u>
Expenditures				
Community Development				
Tourism	<u>745,875</u>	<u>750,000</u>	<u>760,633</u>	<u>14,758</u>
Total expenditures	<u>745,875</u>	<u>750,000</u>	<u>760,633</u>	<u>14,758</u>
Excess [deficiency] of revenues over [under] expenditures	<u>630,708</u>	<u>600,000</u>	<u>616,078</u>	<u>14,630</u>
Other financing sources [uses]				
Transfer [out]	<u>[604,125]</u>	<u>[600,000]</u>	<u>[616,078]</u>	<u>11,953</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>26,583</u>	<u>-</u>	<u>-</u>	<u>26,583</u>
Unreserved fund balance, January 1	<u>2,202</u>	<u>-</u>	<u>-</u>	<u>2,202</u>
Unreserved fund balance, December 31	<u>28,785</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,785</u>
Reconciliation to GAAP				
Accounts receivable	<u>390,720</u>			
GAAP Fund Balance, December 31	<u>\$ 419,505</u>			

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
 SPECIAL GAS FUND
 For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Operating grants, restricted				
Public works	\$ 1,374,319	\$ 1,418,502	\$ 1,418,502	\$ [44,183]
Interest income				
General interest	<u>3,552</u>	<u>6,000</u>	<u>6,000</u>	<u>[2,448]</u>
Total revenues	<u>1,377,871</u>	<u>1,424,502</u>	<u>1,424,502</u>	<u>[46,631]</u>
Expenditures				
Public Works				
Streets	1,543,870	1,585,999	1,585,999	42,129
Cash Reserve	<u>-</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
Total expenditures	<u>1,543,870</u>	<u>2,085,999</u>	<u>2,085,999</u>	<u>542,129</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[165,999]</u>	<u>[661,497]</u>	<u>[661,497]</u>	<u>495,498</u>
Other financing sources [uses]				
Transfer in	<u>180,000</u>	<u>180,000</u>	<u>180,000</u>	<u>-</u>
Total other financing sources [uses]	<u>180,000</u>	<u>180,000</u>	<u>180,000</u>	<u>-</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	14,001	[481,497]	[481,497]	495,498
Unreserved fund balance, January 1	826,461	481,497	481,497	344,964
Prior year cancelled encumbrances	<u>22,911</u>	<u>-</u>	<u>-</u>	<u>22,911</u>
Unreserved fund balance, December 31	863,373	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 863,373</u>
Reconciliation to GAAP				
Taxes receivable	298,952			
Retainage payable	[2,020]			
Current year encumbrances	<u>214,870</u>			
GAAP Fund Balance, December 31	<u>\$ 1,375,175</u>			

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
 BICENTENNIAL CENTER FUND
 For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with
		<u>Original</u>	<u>Final</u>	Final Budget Positive [Negative]
Revenues				
Charges for services				
Culture and recreation	\$ 241,384	\$ 793,456	\$ 793,456	\$ [552,072]
Interest income				
General interest	618	-	-	618
Miscellaneous revenues				
General miscellaneous revenues	649	-	-	649
Total revenues	<u>242,651</u>	<u>793,456</u>	<u>793,456</u>	<u>[550,805]</u>
Expenditures				
Culture and Recreation				
Bicentennial Center	1,239,384	1,594,704	1,594,704	355,320
Cash Reserve	-	228,948	228,948	228,948
Total expenditures	<u>1,239,384</u>	<u>1,823,652</u>	<u>1,823,652</u>	<u>584,268</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[996,733]</u>	<u>[1,030,196]</u>	<u>[1,030,196]</u>	<u>33,463</u>
Other financing sources [uses]				
Transfer in	1,002,975	1,000,000	1,000,000	2,975
Transfer [out]	<u>[92,000]</u>	<u>[12,000]</u>	<u>[12,000]</u>	<u>[80,000]</u>
Total other financing sources [uses]	<u>910,975</u>	<u>988,000</u>	<u>988,000</u>	<u>[77,025]</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>[85,758]</u>	<u>[42,196]</u>	<u>[42,196]</u>	<u>[43,562]</u>
Unreserved fund balance, January 1	<u>87,916</u>	<u>42,293</u>	<u>42,293</u>	<u>45,623</u>
Unreserved fund balance, December 31	2,158	<u>\$ 97</u>	<u>\$ 97</u>	<u>\$ 2,061</u>
Reconciliation to GAAP				
Current year encumbrances	<u>980</u>			
GAAP Fund Balance, December 31	<u>\$ 3,138</u>			

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
 SALES TAX CAPITAL FUND
 For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Taxes				
Selective sales tax	\$ 3,882,314	\$ 3,760,230	\$ 3,760,230	\$ 122,084
Interest income				
General interest	5,790	20,000	20,000	[14,210]
Total revenues	<u>3,888,104</u>	<u>3,780,230</u>	<u>3,780,230</u>	<u>107,874</u>
Expenditures				
Capital Outlay	984,227	2,140,000	2,140,000	1,155,773
Cash Reserve	-	501,441	501,441	501,441
Total expenditures	<u>984,227</u>	<u>2,641,441</u>	<u>2,641,441</u>	<u>1,657,214</u>
Excess [deficiency] of revenues over [under] expenditures	<u>2,903,877</u>	<u>1,138,789</u>	<u>1,138,789</u>	<u>1,765,088</u>
Other financing sources [uses]				
Transfer [out]	[1,750,000]	[1,350,000]	[1,350,000]	[400,000]
Total other financing sources [uses]	<u>[1,750,000]</u>	<u>[1,350,000]</u>	<u>[1,350,000]</u>	<u>[400,000]</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	1,153,877	[211,211]	[211,211]	1,365,088
Unreserved fund balance, January 1	610,134	211,211	211,211	398,923
Prior year cancelled encumbrances	2,346	-	-	2,346
Unreserved fund balance, December 31	1,766,357	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,766,357</u>
Reconciliation to GAAP				
Current year encumbrances	<u>243,782</u>			
GAAP Fund Balance, December 31	<u>\$ 2,010,139</u>			

See independent auditor's report on the financial statements.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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CITY OF SALINA, KANSAS

COMBINING STATEMENTS - NONMAJOR FUNDS
NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Business improvement district fund - State law allows businesses within an area to voluntarily establish an improvement City. This fund is used to account for the assessments made on the District. All revenues are to be used within the Business Improvement District.

Neighborhood park fund - To account for fees collected from new residential building projects in Salina. Expenditures are for acquisition or development of neighborhood parks in the growing areas of the community.

Special parks and recreation fund - To account for liquor tax revenues, which must be used for park maintenance and improvements.

Special alcohol fund - To account for liquor tax revenues, which must be used for programs, which address prevention, education or intervention for drug and alcohol abuse.

Bicentennial center event fund - To account for the revenues and expenses associated with special events (concerts, shows, etc.) at the City's convention center.

HUD community development fund - To account for grants received from the state to be used for housing or economic development purposes.

Community development revolving fund - To account for funds, which may be loaned for housing and economic development, purposes, to later be repaid and reused on a revolving basis.

Heritage commission fund - To account for revenues and expenses associated with heritage preservation activities.

Sales tax economic development fund - To account for 12.5% of the 1/4 cent sales tax designated for economic Development purposes.

HOME 2012 - To account for grants received from the federal government to be used for housing rehabilitation.

KDOT Signals 9th Street - To account for funds received from the Kansas Department of Transportation for 9th Street signal replacement.

Fair housing fund - To account for grants received from the federal government to be used to monitor and mediate fair housing complaints.

CDBG ED fund- To account for grants received from the federal government to be used for economic development loans to qualifying businesses.

HPRP fund - To account for grants received from the federal government to be used for housing rehabilitation.

Special law enforcement fund - To account for revenues received from the sale of forfeited assets acquired during drug enforcement activities. Expenses are limited to capital items to be used for further drug enforcement activities.

Police grants fund - To account for revenues from grants, which are to be used for special police activities, including the D.A.R.E. program

D.A.R.E. donations fund - To account for donations to the D.A.R.E. program.

War memorial maintenance fund - To account for monies to be used for maintenance of the local war memorial.

Arts & humanities fund - To account for revenues and expenses associated with arts and humanities activities.

Federal CARE Grant - To account for revenue and expenses associated with the CARE Grant.

Police Department Federal Forfeiture Funds - To account for revenue and expenses associated with federal Equitable Sharing Program funds.

CITY OF SALINA, KANSAS

COMBINING STATEMENTS - NONMAJOR FUNDS
NONMAJOR PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Cemetery endowment fund - To account for amounts expended for perpetual care of the City cemetery. Interest earnings are used for cemetery maintenance.

Mausoleum endowment fund - To account for amounts charged for perpetual care of the City mausoleum. Interest earnings are used for mausoleum maintenance.

Tricentennial commission fund - To account for donations to be used to celebrate the nation's tricentennial in the year 2076.

CITY OF SALINA, KANSAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2012

	Total Nonmajor Special Revenue <u>Funds</u>	Total Nonmajor Permanent <u>Funds</u>	Nonmajor Debt Service <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
ASSETS				
Cash and investments	\$ 2,225,846	\$ 442,509	\$ 721,691	\$ 3,390,046
Receivables				
Accounts	<u>55,100</u>	<u>-</u>	<u>-</u>	<u>55,100</u>
Total assets	<u>\$ 2,280,946</u>	<u>\$ 442,509</u>	<u>\$ 721,691</u>	<u>\$ 3,445,146</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 47,999	\$ -	\$ -	\$ 47,999
Due to other funds	<u>31,049</u>	<u>-</u>	<u>-</u>	<u>31,049</u>
Total liabilities	<u>79,048</u>	<u>-</u>	<u>-</u>	<u>79,048</u>
Fund balances:				
Restricted	378,063	-	721,691	1,099,754
Committed	1,747,620	442,509	-	2,190,129
Assigned	<u>76,215</u>	<u>-</u>	<u>-</u>	<u>76,215</u>
Total fund balances	<u>2,201,898</u>	<u>442,509</u>	<u>721,691</u>	<u>3,366,098</u>
Total liabilities and fund balances	<u>\$ 2,280,946</u>	<u>\$ 442,509</u>	<u>\$ 721,691</u>	<u>\$ 3,445,146</u>

See independent auditor's report on the financial statements.

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CITY OF SALINA, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	Total Nonmajor Special Revenue Funds	Total Nonmajor Permanent Funds	Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 327,575	\$ -	\$ -	\$ 327,575
Intergovernmental	928,097	-	445,487	1,373,584
Charges for services	605,364	14,418	-	619,782
Licenses and permits	7,700	-	-	7,700
Investment revenue	6,271	1,385	50	7,706
Miscellaneous	<u>110,457</u>	<u>-</u>	<u>-</u>	<u>110,457</u>
Total revenues	<u>1,985,464</u>	<u>15,803</u>	<u>445,537</u>	<u>2,446,804</u>
EXPENDITURES				
Current				
Culture and recreation	1,041,098	-	-	1,041,098
Public health and sanitation	154,012	-	-	154,012
Planning and development	242,888	-	-	242,888
Miscellaneous	-	35	-	35
Debt service				
Principal retirement	25,000	-	120,000	145,000
Interest and other charges	2,606	-	151,845	154,451
Capital outlay	<u>625,126</u>	<u>-</u>	<u>-</u>	<u>625,126</u>
Total expenditures	<u>2,090,730</u>	<u>35</u>	<u>271,845</u>	<u>2,362,610</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[105,266]</u>	<u>15,768</u>	<u>173,692</u>	<u>84,194</u>
Other financing sources [uses]				
Transfers in	<u>489,358</u>	<u>-</u>	<u>-</u>	<u>489,358</u>
Total other financing sources [uses]	<u>489,358</u>	<u>-</u>	<u>-</u>	<u>489,358</u>
Net change in fund balance	384,092	15,768	173,692	573,552
Fund balance - Beginning of year	<u>1,817,806</u>	<u>426,741</u>	<u>547,999</u>	<u>2,792,546</u>
Fund balance - End of year	<u>\$ 2,201,898</u>	<u>\$ 442,509</u>	<u>\$ 721,691</u>	<u>\$ 3,366,098</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2012

	Business Improvement <u>District</u>	Neighborhood <u>Park</u>	Special Parks & <u>Recreation</u>	Special <u>Alcohol</u>
ASSETS				
Cash and investments	\$ 1,731	\$ 219,458	\$ 99,692	\$ 21
Receivables				
Accounts	<u>55,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 56,831</u>	<u>\$ 219,458</u>	<u>\$ 99,692</u>	<u>\$ 21</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,729	\$ -	\$ 11,547	\$ -
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,729</u>	<u>-</u>	<u>11,547</u>	<u>-</u>
 Fund balance:				
Restricted	55,102	-	88,145	21
Committed	-	219,458	-	-
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance [deficit]	<u>55,102</u>	<u>219,458</u>	<u>88,145</u>	<u>21</u>
 Total liabilities and fund balances	 <u>\$ 56,831</u>	 <u>\$ 219,458</u>	 <u>\$ 99,692</u>	 <u>\$ 21</u>

Bicentennial Center <u>Event</u>	HUD Community <u>Dev.</u>	Comm. Development. <u>Revolving</u>	Heritage <u>Commission</u>	Sales Tax Economic <u>Development</u>	HOME <u>2012</u>	KDOT Signals <u>9th Street</u>
\$ 126,895	\$ 72,109	\$ 173,655	\$ 4	\$ 860,381	\$ -	\$ -
-	-	-	-	-	-	-
<u>\$ 126,895</u>	<u>\$ 72,109</u>	<u>\$ 173,655</u>	<u>\$ 4</u>	<u>\$ 860,381</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ 25,000	\$ -	\$ -
-	-	-	-	-	10,602	1,650
-	-	-	-	25,000	10,602	1,650
-	72,109	173,655	-	-	-	-
126,895	-	-	4	835,381	[10,602]	[77,865]
-	-	-	-	-	-	76,215
<u>126,895</u>	<u>72,109</u>	<u>173,655</u>	<u>4</u>	<u>835,381</u>	<u>[10,602]</u>	<u>[1,650]</u>
<u>\$ 126,895</u>	<u>\$ 72,109</u>	<u>\$ 173,655</u>	<u>\$ 4</u>	<u>\$ 860,381</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS (Continued)
 December 31, 2012

	<u>Fair Housing</u>	<u>CDBG ED</u>	<u>HPRP</u>	<u>Special Law Enforcement</u>
ASSETS				
Cash and investments	\$ 31,969	\$ 2,472	\$ -	\$ 2,864
Receivables				
Accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 31,969</u>	<u>\$ 2,472</u>	<u>\$ -</u>	<u>\$ 2,864</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 65	\$ -	\$ -	\$ -
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>65</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Fund balance:				
Restricted	-	2,472	-	-
Committed	31,904	-	-	2,864
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance [deficit]	<u>31,904</u>	<u>2,472</u>	<u>-</u>	<u>2,864</u>
 Total liabilities and fund balances	 <u>\$ 31,969</u>	 <u>\$ 2,472</u>	 <u>\$ -</u>	 <u>\$ 2,864</u>

<u>Police Grants</u>	<u>DARE Donations</u>	<u>War Memorial Maintenance</u>	<u>Arts & Humanities</u>	<u>Federal CARE Grant</u>	<u>Police Department Federal Forfeiture Funds</u>	<u>Totals</u>
\$ -	\$ 1,747	\$ 35,035	\$ 213,855	\$ -	\$ 383,958	\$ 2,225,846
-	-	-	-	-	-	55,100
<u>\$ -</u>	<u>\$ 1,747</u>	<u>\$ 35,035</u>	<u>\$ 213,855</u>	<u>\$ -</u>	<u>\$ 383,958</u>	<u>\$ 2,280,946</u>
\$ -	\$ -	\$ -	\$ 9,658	\$ -	\$ -	\$ 47,999
5,356	-	-	-	13,441	-	31,049
<u>5,356</u>	<u>-</u>	<u>-</u>	<u>9,658</u>	<u>13,441</u>	<u>-</u>	<u>79,048</u>
-	-	-	-	[13,441]	-	378,063
[5,356]	1,747	35,035	204,197	-	383,958	1,747,620
-	-	-	-	-	-	76,215
<u>[5,356]</u>	<u>1,747</u>	<u>35,035</u>	<u>204,197</u>	<u>[13,441]</u>	<u>383,958</u>	<u>2,201,898</u>
<u>\$ -</u>	<u>\$ 1,747</u>	<u>\$ 35,035</u>	<u>\$ 213,855</u>	<u>\$ -</u>	<u>\$ 383,958</u>	<u>\$ 2,280,946</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2012

	Business Improvement <u>District</u>	Neighborhood <u>Park</u>	Special Parks & <u>Recreation</u>	Special <u>Alcohol</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	154,001	154,001
Charges for services	87,384	-	-	-
Licenses and permits	-	7,700	-	-
Investment revenue	24	720	225	28
Miscellaneous	-	-	<u>1,932</u>	-
Total Revenues	<u>87,408</u>	<u>8,420</u>	<u>156,158</u>	<u>154,029</u>
Expenditures				
Current				
Culture and recreation	-	-	-	-
Public health and sanitation	-	-	-	154,012
Planning and development	83,475	-	-	-
Debt service				
Principal retirement	-	-	25,000	-
Interest and other charges	-	-	2,606	-
Capital outlay	-	18,096	85,643	-
Total Expenditures	<u>83,475</u>	<u>18,096</u>	<u>113,249</u>	<u>154,012</u>
Excess [deficiency] of revenues over [under] expenditures	<u>3,933</u>	<u>[9,676]</u>	<u>42,909</u>	<u>17</u>
Other financing sources [uses]				
Transfers in	-	-	-	-
Total other financing sources [uses]	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	3,933	[9,676]	42,909	17
Fund balance, beginning of year	<u>51,169</u>	<u>229,134</u>	<u>45,236</u>	<u>4</u>
Fund balance, end of year	<u>\$ 55,102</u>	<u>\$ 219,458</u>	<u>\$ 88,145</u>	<u>\$ 21</u>

Bicentennial Center <u>Event</u>	HUD Community <u>Development</u>	Community Development <u>Revolving</u>	Heritage <u>Commission</u>	Sales Tax Economic <u>Development</u>	HOME <u>2012</u>	KDOT Signals <u>9th Street</u>
\$ -	\$ -	\$ -	\$ -	\$ 327,575	\$ -	\$ -
-	-	-	-	-	56,000	-
156,243	-	-	-	-	-	-
-	-	-	-	-	-	-
-	229	552	-	2,694	-	-
-	-	-	-	-	-	-
<u>156,243</u>	<u>229</u>	<u>552</u>	<u>-</u>	<u>330,269</u>	<u>56,000</u>	<u>-</u>
128,195	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	57	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	452,000	66,602	1,650
<u>128,195</u>	<u>-</u>	<u>57</u>	<u>-</u>	<u>452,000</u>	<u>66,602</u>	<u>1,650</u>
<u>28,048</u>	<u>229</u>	<u>495</u>	<u>-</u>	<u>[121,731]</u>	<u>[10,602]</u>	<u>[1,650]</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
28,048	229	495	-	[121,731]	[10,602]	[1,650]
<u>98,847</u>	<u>71,880</u>	<u>173,160</u>	<u>4</u>	<u>957,112</u>	<u>-</u>	<u>-</u>
<u>\$ 126,895</u>	<u>\$ 72,109</u>	<u>\$ 173,655</u>	<u>\$ 4</u>	<u>\$ 835,381</u>	<u>\$ [10,602]</u>	<u>\$ [1,650]</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (Continued)
For the Year Ended December 31, 2012

	Fair <u>Housing</u>	CDBG <u>ED</u>	<u>HPRP</u>	Special Law <u>Enforcement</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	100,668	-	18,788	-
Charges for services	-	-	-	-
Licenses and permits	-	-	-	-
Investment revenue	47	-	-	9
Miscellaneous	-	-	-	-
Total Revenues	<u>100,715</u>	<u>-</u>	<u>18,788</u>	<u>9</u>
Expenditures				
Current				
Culture and recreation	-	-	-	-
Public health and sanitation	-	-	-	-
Planning and development	73,167	-	18,788	-
Debt service				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>73,167</u>	<u>-</u>	<u>18,788</u>	<u>-</u>
Excess [deficiency] of revenues over [under] expenditures	<u>27,548</u>	<u>-</u>	<u>-</u>	<u>9</u>
Other financing sources [uses]				
Transfers in	-	-	-	-
Total other financing sources [uses]	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	27,548	-	-	9
Fund balance, beginning of year	<u>4,356</u>	<u>2,472</u>	<u>-</u>	<u>2,855</u>
Fund balance, end of year	<u>\$ 31,904</u>	<u>\$ 2,472</u>	<u>\$ -</u>	<u>\$ 2,864</u>

<u>Police Grants</u>	<u>DARE Donations</u>	<u>War Memorial Maintenance</u>	<u>Arts & Humanities</u>	<u>Federal Care Grant</u>	<u>Police Department Federal Forfeiture Funds</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 327,575
-	-	-	-	54,626	390,013	928,097
-	-	-	361,737	-	-	605,364
-	-	-	-	-	-	7,700
-	5	111	1,182	-	445	6,271
-	-	-	108,525	-	-	110,457
-	5	111	471,444	54,626	390,458	1,985,464
-	-	338	912,565	-	-	1,041,098
-	-	-	-	-	-	154,012
-	-	-	-	67,401	-	242,888
-	-	-	-	-	-	25,000
-	-	-	-	-	-	2,606
[5,365]	-	-	-	-	6,500	625,126
[5,365]	-	338	912,565	67,401	6,500	2,090,730
5,365	5	[227]	[441,121]	[12,775]	383,958	[105,266]
-	-	-	489,358	-	-	489,358
-	-	-	489,358	-	-	489,358
5,365	5	[227]	48,237	[12,775]	383,958	384,092
[10,721]	1,742	35,262	155,960	[666]	-	1,817,806
\$ [5,356]	\$ 1,747	\$ 35,035	\$ 204,197	\$ [13,441]	\$ 383,958	\$ 2,201,898

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS
 COMBINING BALANCE SHEET
 NONMAJOR PERMANENT FUNDS
 December 31, 2012

ASSETS	Cemetery Endowment	Mausoleum Endowment	Tricentennial Commission	Total
Cash and investments	\$ 434,784	\$ 2,003	\$ 5,722	\$ 442,509
Total assets	<u>\$ 434,784</u>	<u>\$ 2,003</u>	<u>\$ 5,722</u>	<u>\$ 442,509</u>
 LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-
 Fund balances				
Committed	<u>434,784</u>	<u>2,003</u>	<u>5,722</u>	<u>442,509</u>
Total liabilities and fund balances	<u>\$ 434,784</u>	<u>\$ 2,003</u>	<u>\$ 5,722</u>	<u>\$ 442,509</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
For the Year Ended December 31, 2012

	Cemetery Endowment	Mausoleum Endowment	Tricentennial Commission	Total
Revenues				
Charges for services	\$ 14,418	\$ -	\$ -	\$ 14,418
Investment revenue	<u>1,361</u>	<u>6</u>	<u>18</u>	<u>1,385</u>
Total revenues	<u>15,779</u>	<u>6</u>	<u>18</u>	<u>15,803</u>
Expenditures				
Miscellaneous	<u>35</u>	<u>-</u>	<u>-</u>	<u>35</u>
Total expenditures	<u>35</u>	<u>-</u>	<u>-</u>	<u>35</u>
Net change in fund balance	15,744	6	18	15,768
Fund balances - beginning of year	<u>419,040</u>	<u>1,997</u>	<u>5,704</u>	<u>426,741</u>
Fund balances - end of year	<u>\$ 434,784</u>	<u>\$ 2,003</u>	<u>\$ 5,722</u>	<u>\$ 442,509</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
 BUSINESS IMPROVEMENT CITY FUND
 For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Charges for services				
Community and economic development	\$ 83,453	\$ 90,000	\$ 90,000	\$ [6,547]
Interest income				
General interest	<u>24</u>	<u>500</u>	<u>500</u>	<u>[476]</u>
Total revenues	<u>83,477</u>	<u>90,500</u>	<u>90,500</u>	<u>[7,023]</u>
Expenditures				
Community Development				
Business Improvement District	<u>83,475</u>	<u>90,500</u>	<u>90,500</u>	<u>7,025</u>
Total expenditures	<u>83,475</u>	<u>90,500</u>	<u>90,500</u>	<u>7,025</u>
Excess [deficiency] of revenues over [under] expenditures	2	-	-	2
Unreserved fund balance, January 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unreserved fund balance, December 31	2	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>
Reconciliation to GAAP				
Accounts receivable	<u>55,100</u>			
GAAP Fund Balance, December 31	<u>\$ 55,102</u>			

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
 NEIGHBORHOOD PARK FUND
 For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Charges for services				
Public works	\$ 7,700	\$ 20,000	\$ 20,000	\$ [12,300]
Interest income				
General interest	<u>720</u>	<u>4,000</u>	<u>4,000</u>	<u>[3,280]</u>
Total revenues	<u>8,420</u>	<u>24,000</u>	<u>24,000</u>	<u>[15,580]</u>
Expenditures				
Public Works				
Parks	18,096	-	-	[18,096]
Cash reserve	<u>-</u>	<u>270,254</u>	<u>270,254</u>	<u>270,254</u>
Total expenditures	<u>18,096</u>	<u>270,254</u>	<u>270,254</u>	<u>252,158</u>
Excess [deficiency] of revenues over [under] expenditures	[9,676]	[246,254]	[246,254]	236,578
Unreserved fund balance, January 1	<u>229,134</u>	<u>246,254</u>	<u>246,254</u>	<u>[17,120]</u>
Unreserved fund balance/GAAP fund balance December 31	<u>\$ 219,458</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 219,458</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
 SPECIAL PARKS AND RECREATION FUND
 For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Operating grants, restricted				
Culture and recreation	\$ 154,002	\$ 160,000	\$ 160,000	\$ [5,998]
Operating grants, unrestricted				
Culture and recreation	1,932	-	-	1,932
Interest income				
General interest	<u>224</u>	<u>4,000</u>	<u>4,000</u>	<u>[3,776]</u>
Total revenues	<u>156,158</u>	<u>164,000</u>	<u>164,000</u>	<u>[7,842]</u>
Expenditures				
Public Works				
Parks	113,249	110,000	110,000	[3,249]
Cash Reserve	<u>-</u>	<u>108,185</u>	<u>108,185</u>	<u>108,185</u>
Total expenditures	<u>113,249</u>	<u>218,185</u>	<u>218,185</u>	<u>104,936</u>
Excess [deficiency] of revenues over [under] expenditures	<u>42,909</u>	<u>[54,185]</u>	<u>[54,185]</u>	<u>97,094</u>
Other financing sources [uses]				
Transfer [out]	<u>-</u>	<u>[30,000]</u>	<u>[30,000]</u>	<u>30,000</u>
Total other financing sources [uses]	<u>-</u>	<u>[30,000]</u>	<u>[30,000]</u>	<u>30,000</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	42,909	[84,185]	[84,185]	127,094
Unreserved fund balance, January 1	<u>45,236</u>	<u>94,185</u>	<u>94,185</u>	<u>[48,949]</u>
Unreserved fund balance/GAAP fund balance December 31	<u>\$ 88,145</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 78,145</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
 SPECIAL ALCOHOL FUND
 For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Operating grants, restricted				
Health and sanitation	\$ 154,001	\$ 160,000	\$ 160,000	\$ [5,999]
Interest income				
General interest	<u>28</u>	<u>-</u>	<u>-</u>	<u>28</u>
Total revenues	<u>154,029</u>	<u>160,000</u>	<u>160,000</u>	<u>[5,971]</u>
Expenditures				
Public Health and Sanitation				
Special alcohol	<u>154,012</u>	<u>160,000</u>	<u>160,000</u>	<u>5,988</u>
Total expenditures	<u>154,012</u>	<u>160,000</u>	<u>160,000</u>	<u>5,988</u>
Excess [deficiency] of revenues over [under] expenditures	17	-	-	17
Unreserved fund balance, January 1	<u>4</u>	<u>1</u>	<u>1</u>	<u>3</u>
Unreserved fund balance/GAAP fund balance December 31	<u>\$ 21</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 20</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
 SALES TAX ECONOMIC DEVELOPMENT FUND
 For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Taxes				
Selective sales tax	\$ 327,575	\$ 321,422	\$ 321,422	\$ 6,153
Interest income				
General interest	<u>2,695</u>	<u>10,000</u>	<u>10,000</u>	<u>[7,305]</u>
Total revenues	<u>330,270</u>	<u>331,422</u>	<u>331,422</u>	<u>[1,152]</u>
Expenditures				
Community Development				
Economic development	422,000	315,444	315,444	[106,556]
Cash Reserve	<u>-</u>	<u>569,978</u>	<u>569,978</u>	<u>569,978</u>
Total expenditures	<u>422,000</u>	<u>885,422</u>	<u>885,422</u>	<u>463,422</u>
Excess [deficiency] of revenues over [under] expenditures	[91,730]	[554,000]	[554,000]	462,270
Unreserved fund balance, January 1	907,111	554,009	554,009	353,102
Prior year cancelled encumbrances	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
Unreserved fund balance/GAAP fund balance December 31	<u>\$ 835,381</u>	<u>\$ 9</u>	<u>\$ 9</u>	<u>\$ 835,372</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
 FAIR HOUSING FUND
 For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Operating grants, restricted				
Community and economic development	\$ 100,668	\$ 65,000	\$ 65,000	\$ 35,668
Interest income				
General interest	<u>47</u>	<u>1,000</u>	<u>1,000</u>	<u>[953]</u>
Total revenues	<u>100,715</u>	<u>66,000</u>	<u>66,000</u>	<u>34,715</u>
Expenditures				
Community Development				
Human relations	13,327	26,450	26,450	13,123
Cash Reserve	<u>-</u>	<u>11,438</u>	<u>11,438</u>	<u>11,438</u>
Total expenditures	<u>13,327</u>	<u>37,888</u>	<u>37,888</u>	<u>24,561</u>
Excess [deficiency] of revenues over [under] expenditures	<u>87,388</u>	<u>28,112</u>	<u>28,112</u>	<u>59,276</u>
Other financing sources [uses]				
Transfer [out]	<u>[59,840]</u>	<u>[59,840]</u>	<u>[59,840]</u>	<u>-</u>
Total other financing sources [uses]	<u>[59,840]</u>	<u>[59,840]</u>	<u>[59,840]</u>	<u>-</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	27,548	[31,728]	[31,728]	59,276
Unreserved fund balance, January 1	<u>4,356</u>	<u>31,729</u>	<u>31,729</u>	<u>[27,373]</u>
Unreserved fund balance/GAAP fund balance December 31	<u>\$ 31,904</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 31,903</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
 ARTS & HUMANITIES FUND
 For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Charges for services				
Culture and recreation	\$ 470,238	\$ 437,450	\$ 437,450	\$ 32,788
Interest income				
General interest	1,182	2,000	2,000	[818]
Miscellaneous revenues				
Culture and recreation	<u>25</u>	<u>500</u>	<u>500</u>	<u>[475]</u>
Total revenues	<u>471,445</u>	<u>439,950</u>	<u>439,950</u>	<u>31,495</u>
Expenditures				
Culture and Recreation				
Arts and humanities	562,953	615,107	615,107	52,154
Smoky Hill River Festival	349,613	366,050	366,050	16,437
Cash Reserve	<u>-</u>	<u>36,565</u>	<u>36,565</u>	<u>36,565</u>
Total expenditures	<u>912,566</u>	<u>1,017,722</u>	<u>1,017,722</u>	<u>105,156</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[441,121]</u>	<u>[577,772]</u>	<u>[577,772]</u>	<u>136,651</u>
Other financing sources [uses]				
Transfer in	<u>489,358</u>	<u>489,358</u>	<u>489,358</u>	<u>-</u>
Total other financing sources [uses]	<u>489,358</u>	<u>489,358</u>	<u>489,358</u>	<u>-</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	48,237	[88,414]	[88,414]	136,651
Unreserved fund balance, January 1	<u>155,960</u>	<u>88,414</u>	<u>88,414</u>	<u>67,546</u>
Unreserved fund balance/GAAP fund balance December 31	<u>\$ 204,197</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,197</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
DEBT SERVICE FUND

For the Year Ended December 31, 2012

	Actual	Budgeted Amounts		Variance with Final Budget Positive [Negative]
		Original	Final	
Revenues				
Taxes				
Real estate taxes	\$ 2,361,078	\$ 2,331,479	\$ 2,331,479	\$ 29,599
Delinquent taxes	77,709	40,000	40,000	37,709
Motor vehicle taxes	292,127	304,367	304,367	[12,240]
Total taxes	<u>2,730,914</u>	<u>2,675,846</u>	<u>2,675,846</u>	<u>55,068</u>
Charges for services				
Special assessments	1,650,053	1,449,340	1,449,340	200,713
Interest income				
General interest	7,844	10,000	10,000	[2,156]
Miscellaneous revenues				
General miscellaneous revenues	5	140,000	140,000	[139,995]
Other financing sources				
General sources	<u>203,593</u>	<u>100,000</u>	<u>100,000</u>	<u>103,593</u>
Total revenues	<u>4,592,409</u>	<u>4,375,186</u>	<u>4,375,186</u>	<u>217,223</u>
Expenditures				
Debt Service				
Principal	4,776,802	4,806,122	4,806,122	29,320
Interest and other charges	1,819,221	1,761,508	1,761,508	[57,713]
Cash Reserve	-	398,497	398,497	398,497
Total expenditures	<u>6,596,023</u>	<u>6,966,127</u>	<u>6,966,127</u>	<u>370,104</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[2,003,614]</u>	<u>[2,590,941]</u>	<u>[2,590,941]</u>	<u>587,327</u>
Other financing sources [uses]				
Transfer in	<u>1,350,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>[450,000]</u>
Total other financing sources [uses]	<u>1,350,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>[450,000]</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>[653,614]</u>	<u>[790,941]</u>	<u>[790,941]</u>	<u>137,327</u>
Unreserved fund balance, January 1	<u>1,236,026</u>	<u>790,941</u>	<u>790,941</u>	<u>445,085</u>
Unreserved fund balance December 31	582,412	\$ -	\$ -	\$ <u>582,412</u>
Reconciliation to GAAP				
Taxes receivable	2,459,008			
Deferred revenue	<u>[2,402,096]</u>			
GAAP Fund Balance, December 31	<u>\$ 639,324</u>			

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN NET ASSETS - BUDGET AND ACTUAL (NON - GAAP BASIS)
 SOLID WASTE DISPOSAL FUND
 For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Charges for services				
Health and sanitation	\$ 2,631,069	\$ 2,407,000	\$ 2,627,000	\$ 4,069
Interest income				
General interest	10,141	7,000	7,000	3,141
Interfund services provided				
Health and sanitation	480,944	463,808	480,000	944
Miscellaneous revenues				
Health and sanitation	<u>28,303</u>	<u>42,310</u>	<u>42,000</u>	<u>[13,697]</u>
Total revenues	<u>3,150,457</u>	<u>2,920,118</u>	<u>3,156,000</u>	<u>[5,543]</u>
Expenditures				
Public Health and Sanitation				
Solid waste	1,699,581	1,745,381	1,757,849	58,268
Hazardous waste disposal	<u>85,995</u>	<u>94,972</u>	<u>94,972</u>	<u>8,977</u>
Total public health and sanitation	<u>1,785,576</u>	<u>1,840,353</u>	<u>1,852,821</u>	<u>67,245</u>
Capital Outlay	<u>103,229</u>	<u>145,700</u>	<u>145,700</u>	<u>42,471</u>
Cash Reserve	<u>-</u>	<u>2,514,198</u>	<u>414,106</u>	<u>414,106</u>
Total expenditures	<u>1,888,805</u>	<u>4,500,251</u>	<u>2,412,627</u>	<u>523,822</u>
Excess [deficiency] of revenues over [under] expenditures	<u>1,261,652</u>	<u>[1,580,133]</u>	<u>743,373</u>	<u>518,279</u>
Other financing sources [uses]				
Transfers [out]	<u>[2,879,118]</u>	<u>[577,500]</u>	<u>[2,987,650]</u>	<u>108,532</u>
Total other financing sources [uses]	<u>[2,879,118]</u>	<u>[577,500]</u>	<u>[2,987,650]</u>	<u>108,532</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>[1,617,466]</u>	<u>[2,157,633]</u>	<u>[2,244,277]</u>	<u>626,811</u>
Unreserved fund balances, January 1	<u>2,410,471</u>	<u>2,457,633</u>	<u>2,824,577</u>	<u>[414,106]</u>
Unreserved fund balances, December 31	<u>\$ 793,005</u>	<u>\$ 300,000</u>	<u>\$ 580,300</u>	<u>\$ 212,705</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL (NON - GAAP BASIS)
WATER AND SEWER FUND

For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Charges for services				
Water and wastewater	<u>\$ 18,558,324</u>	<u>\$ 17,120,756</u>	<u>\$ 18,532,279</u>	<u>\$ 26,045</u>
Interest income				
General interest	<u>41,719</u>	<u>25,000</u>	<u>40,000</u>	<u>1,719</u>
Interfund services provided				
General services	<u>28,989</u>	<u>30,900</u>	<u>30,000</u>	<u>[1,011]</u>
Water and wastewater	<u>75,135</u>	<u>-</u>	<u>-</u>	<u>75,135</u>
Total interfund services	<u>104,124</u>	<u>30,900</u>	<u>30,000</u>	<u>74,124</u>
Miscellaneous revenues				
General miscellaneous revenues	<u>203</u>	<u>-</u>	<u>-</u>	<u>203</u>
Water and wastewater	<u>609,776</u>	<u>470,000</u>	<u>562,315</u>	<u>47,461</u>
Total miscellaneous revenues	<u>609,979</u>	<u>470,000</u>	<u>562,315</u>	<u>47,664</u>
Total revenues	<u>19,314,146</u>	<u>17,646,656</u>	<u>19,164,594</u>	<u>149,552</u>
Expenditures				
Water and Wastewater				
Water	<u>7,767,373</u>	<u>7,669,776</u>	<u>8,444,955</u>	<u>677,582</u>
Sewer	<u>2,716,832</u>	<u>2,886,672</u>	<u>2,789,632</u>	<u>72,800</u>
Total water and wastewater	<u>10,484,205</u>	<u>10,556,448</u>	<u>11,234,587</u>	<u>750,382</u>
Capital Outlay	<u>1,573,781</u>	<u>4,533,000</u>	<u>2,601,300</u>	<u>1,027,519</u>
Cash Reserve	<u>-</u>	<u>4,826,479</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>12,057,986</u>	<u>19,915,927</u>	<u>13,835,887</u>	<u>1,777,901</u>
Excess [deficiency] of revenues over [under] expenditures	<u>7,256,160</u>	<u>[2,269,271]</u>	<u>5,328,707</u>	<u>1,927,453</u>
Other financing sources [uses]				
Transfers in	<u>845,685</u>	<u>-</u>	<u>845,685</u>	<u>-</u>
Transfers [out]	<u>[9,293,000]</u>	<u>[3,849,008]</u>	<u>[9,929,048]</u>	<u>636,048</u>
Total other financing sources [uses]	<u>[8,447,315]</u>	<u>[3,849,008]</u>	<u>[9,083,363]</u>	<u>636,048</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>[1,191,155]</u>	<u>[6,118,279]</u>	<u>[3,754,656]</u>	<u>2,563,501</u>
Unreserved fund balances, January 1	<u>9,988,454</u>	<u>6,118,279</u>	<u>9,988,454</u>	<u>-</u>
Unreserved fund balances, December 31	<u>\$ 8,797,299</u>	<u>\$ -</u>	<u>\$ 6,233,798</u>	<u>\$ 2,563,501</u>

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CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL (NON - GAAP BASIS)
SANITATION FUND

For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Charges for services				
Health and sanitation	\$ 2,455,085	\$ 2,345,000	\$ 2,345,000	\$ 110,085
Interest income				
General interest	2,293	3,500	3,500	[1,207]
Charges for services				
Miscellaneous revenues	<u>69</u>	<u>-</u>	<u>-</u>	<u>69</u>
Total revenues	<u>2,457,447</u>	<u>2,348,500</u>	<u>2,348,500</u>	<u>108,947</u>
Expenditures				
Public Health and Sanitation				
Sanitation	2,104,971	2,092,745	2,092,745	[12,226]
Cash Reserve	<u>-</u>	<u>543,348</u>	<u>543,348</u>	<u>543,348</u>
Total expenditures	<u>2,104,971</u>	<u>2,636,093</u>	<u>2,636,093</u>	<u>531,122</u>
Excess [deficiency] of revenues over [under] expenditures	<u>352,476</u>	<u>[287,593]</u>	<u>[287,593]</u>	<u>[422,175]</u>
Other financing sources [uses]				
Transfers [out]	<u>[295,400]</u>	<u>[310,000]</u>	<u>[310,000]</u>	<u>14,600</u>
Total other financing sources [uses]	<u>[295,400]</u>	<u>[310,000]</u>	<u>[310,000]</u>	<u>14,600</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	57,076	[597,593]	[597,593]	[407,575]
Unreserved fund balance, January 1	<u>614,823</u>	<u>597,594</u>	<u>597,594</u>	<u>17,229</u>
Unreserved fund balances, December 31	<u>\$ 671,899</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ [390,346]</u>

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CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL (NON - GAAP BASIS)
GOLF COURSE FUND

For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Taxes				
General sales tax	\$ 26,232	\$ 27,500	\$ 27,500	\$ [1,268]
Charges for services				
Culture and recreation	756,937	696,741	696,741	60,196
Interest income				
General interest	96	200	200	[104]
Miscellaneous revenues				
General miscellaneous revenues	678	1,000	1,000	[322]
Culture and recreation	48,931	45,000	45,000	3,931
Total miscellaneous revenues	49,609	46,000	46,000	3,609
Total revenues	832,874	770,441	770,441	62,433
Expenditures				
Culture and Recreation				
Golf course	770,958	763,172	763,172	[7,786]
Cash Reserve	-	75,470	75,470	75,470
Total expenditures	770,958	838,642	838,642	67,684
Excess [deficiency] of revenues over [under] expenditures	61,916	[68,201]	[68,201]	130,117
Unreserved fund balances, January 1	1,001	122,202	122,202	[121,201]
Unreserved fund balances, December 31	\$ 62,917	\$ 54,001	\$ 54,001	\$ 8,916

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CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
 RISK MANAGEMENT FUND
 For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Interest income				
General interest	\$ -	\$ 1,400	\$ -	\$ -
Interfund services provided				
General services	374,708	393,547	393,547	[18,839]
Miscellaneous revenues				
General miscellaneous revenues	<u>89,561</u>	<u>40,200</u>	<u>70,258</u>	<u>19,303</u>
Total revenues	<u>464,269</u>	<u>435,147</u>	<u>463,805</u>	<u>464</u>
Expenditures				
Other				
Risk management	598,206	425,650	527,867	[70,339]
Capital Outlay	-	-	1,000	1,000
Cash Reserve	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>598,206</u>	<u>475,650</u>	<u>528,867</u>	<u>[69,339]</u>
Excess [deficiency] of revenues over [under] expenditures	[133,937]	[40,503]	[65,062]	[68,875]
Unreserved fund balance, January 1	<u>67,945</u>	<u>40,503</u>	<u>67,945</u>	<u>-</u>
Unreserved fund balance, December 31	<u>\$ [65,992]</u>	<u>\$ -</u>	<u>\$ 2,883</u>	<u>\$ [68,875]</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
 WORKERS' COMPENSATION RESERVE FUND
 For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Interest income				
General interest	\$ 2,174	\$ 2,500	\$ 2,500	\$ [326]
Interfund services provided				
General services	388,600	388,600	388,600	-
Miscellaneous revenues				
General miscellaneous revenues	<u>1,558</u>	<u>-</u>	<u>-</u>	<u>1,558</u>
Total revenues	<u>392,332</u>	<u>391,100</u>	<u>391,100</u>	<u>1,232</u>
Expenditures				
Other				
Worker's compensation	335,102	297,762	297,762	[37,340]
Cash Reserve	<u>-</u>	<u>753,275</u>	<u>753,275</u>	<u>753,275</u>
Total expenditures	<u>335,102</u>	<u>1,051,037</u>	<u>1,051,037</u>	<u>715,935</u>
Excess [deficiency] of revenues over [under] expenditures	57,230	[659,937]	[659,937]	717,167
Unreserved fund balance, January 1	<u>520,251</u>	<u>660,057</u>	<u>660,057</u>	<u>[139,806]</u>
Unreserved fund balance, December 31	<u>\$ 577,481</u>	<u>\$ 120</u>	<u>\$ 120</u>	<u>\$ 577,361</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
 HEALTH INSURANCE FUND
 For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Interest income				
General interest	\$ 6,103	\$ 5,000	\$ 5,000	\$ 1,103
Interfund Services Provided				
General services	5,554,123	5,761,728	5,761,728	[207,605]
Miscellaneous revenues				
General miscellaneous revenues	<u>40,234</u>	<u>36,000</u>	<u>36,000</u>	<u>4,234</u>
Total revenues	<u>5,600,460</u>	<u>5,802,728</u>	<u>5,802,728</u>	<u>[202,268]</u>
Expenditures				
Other				
Health insurance	5,613,453	6,198,248	6,198,248	584,795
Cash Reserve	<u>-</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>
Total expenditures	<u>5,613,453</u>	<u>7,698,248</u>	<u>7,698,248</u>	<u>2,084,795</u>
Excess [deficiency] of revenues over [under] expenditures	[12,993]	[1,895,520]	[1,895,520]	1,882,527
Unreserved fund balance, January 1	<u>1,915,707</u>	<u>1,895,520</u>	<u>1,895,520</u>	<u>20,187</u>
Unreserved fund balance, December 31	<u>\$ 1,902,714</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,902,714</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
 CENTRAL GARAGE FUND
 For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Interest income				
General interest	\$ 541	\$ 40	\$ 40	\$ 501
Interfund services provided				
General services	1,684,410	1,625,000	1,625,000	59,410
Miscellaneous revenues				
General miscellaneous revenues	<u>8,729</u>	<u>8,000</u>	<u>8,000</u>	<u>729</u>
Total revenues	<u>1,693,680</u>	<u>1,633,040</u>	<u>1,633,040</u>	<u>60,640</u>
Expenditures				
Other				
Central garage	1,678,627	1,644,464	1,644,464	[34,163]
Cash Reserve	<u>-</u>	<u>121,482</u>	<u>121,482</u>	<u>121,482</u>
Total expenditures	<u>1,678,627</u>	<u>1,765,946</u>	<u>1,765,946</u>	<u>87,319</u>
Excess [deficiency] of revenues over [under] expenditures	15,053	[132,906]	[132,906]	147,959
Other financing sources [uses]				
Transfers in	-	30,000	30,000	[30,000]
Transfers [out]	<u>[8,844]</u>	<u>[8,844]</u>	<u>[8,844]</u>	<u>-</u>
Total other financing sources [uses]	<u>[8,844]</u>	<u>21,156</u>	<u>21,156</u>	<u>[30,000]</u>
Excess [deficiency] of revenues and other financing sources over [under] expenditures and other financing [uses]	6,209	[111,750]	[111,750]	117,959
Unreserved fund balance, January 1	<u>100,000</u>	<u>111,750</u>	<u>111,750</u>	<u>[11,750]</u>
Unreserved fund balance, December 31	<u>\$ 106,209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,209</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (NON - GAAP BASIS)
 INFORMATION SYSTEMS FUND
 For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Charges for services				
General charges	\$ 100,623	\$ 106,000	\$ 106,000	\$ [5,377]
Interest income				
General interest	1,304	668	668	636
Interfund services provided				
General services	947,500	1,197,500	1,197,500	[250,000]
Miscellaneous revenues				
General miscellaneous revenues	<u>-</u>	<u>2,889</u>	<u>2,889</u>	<u>[2,889]</u>
Total revenues	<u>1,049,427</u>	<u>1,307,057</u>	<u>1,307,057</u>	<u>[257,630]</u>
Expenditures				
Other				
Information services	1,018,105	1,221,750	1,221,750	203,645
Cash Reserve	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Total expenditures	<u>1,018,105</u>	<u>1,321,750</u>	<u>1,321,750</u>	<u>303,645</u>
Excess [deficiency] of revenues over [under] expenditures	<u>31,322</u>	<u>[14,693]</u>	<u>[14,693]</u>	<u>46,015</u>
Other financing sources [uses]				
Transfers [out]	<u>[77,316]</u>	<u>[77,316]</u>	<u>[77,316]</u>	<u>-</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>[45,994]</u>	<u>[92,009]</u>	<u>[92,009]</u>	<u>46,015</u>
Unreserved fund balance, January 1	<u>160,000</u>	<u>102,758</u>	<u>102,758</u>	<u>57,242</u>
Unreserved fund balance, December 31	<u>\$ 114,006</u>	<u>\$ 10,749</u>	<u>\$ 10,749</u>	<u>\$ 103,257</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one agency to other departments or agencies of the government and to other governmental units on a cost reimbursement basis.

Risk management fund - To account for the accumulation and allocation of costs associated with risk management activities and the purchase of various forms of insurance.

Workers' compensation reserve fund - To account for the costs of providing a partially self-insured workers' compensation plan and for accumulating the necessary reserve amounts.

Health insurance fund - To account for the costs of providing a partially self-insured health insurance and for accumulating the necessary reserve amounts.

Central garage fund - To account for the accumulation and allocation for costs associated with the City's centralized vehicle repair shop.

Information services fund - To account for the accumulation and allocation of costs associated with electronic data processing.

CITY OF SALINA, KANSAS

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
December 31, 2012

	Risk Management	Workers' Compensation Reserve	Health Insurance	Central Garage	Information Systems	Total Internal Service Funds
ASSETS						
Current assets:						
Cash and investments	\$ [63,982]	\$ 712,325	\$ 1,903,339	\$ 153,391	\$ 267,208	\$ 2,972,281
Inventory and prepaid supplies	-	-	-	126,874	-	126,874
Total current assets	<u>[63,982]</u>	<u>712,325</u>	<u>1,903,339</u>	<u>280,265</u>	<u>267,208</u>	<u>3,099,155</u>
Capital assets:						
Capital assets	-	-	-	184,084	677,214	861,298
Less: accumulated depreciation	-	-	-	160,992	677,214	838,206
Total capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,092</u>	<u>-</u>	<u>23,092</u>
Total assets	<u>\$ [63,982]</u>	<u>\$ 712,325</u>	<u>\$ 1,903,339</u>	<u>\$ 303,357</u>	<u>\$ 267,208</u>	<u>\$ 3,122,247</u>
Liabilities:						
Current liabilities (payable from current assets):						
Accounts payable	\$ 2,010	\$ 5,858	\$ 625	\$ 47,182	\$ 107,947	\$ 163,622
Current portion of compensated absences payable	-	-	-	18,592	29,342	47,934
Current portion of accrued claims payable	-	131,792	367,424	-	-	499,216
Total current liabilities (payable from current assets)	<u>2,010</u>	<u>137,650</u>	<u>368,049</u>	<u>65,774</u>	<u>137,289</u>	<u>710,772</u>
Noncurrent liabilities:						
Compensated absences payable	-	-	-	17,946	28,321	46,267
Accrued claims payable	-	361,378	-	-	-	361,378
Total noncurrent liabilities	<u>-</u>	<u>361,378</u>	<u>-</u>	<u>17,946</u>	<u>28,321</u>	<u>407,645</u>
Total liabilities	<u>\$ 2,010</u>	<u>\$ 499,028</u>	<u>\$ 368,049</u>	<u>\$ 83,720</u>	<u>\$ 165,610</u>	<u>\$ 1,118,417</u>
Net Position						
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ 23,092	\$ -	\$ 23,092
Unrestricted	<u>[65,992]</u>	<u>213,297</u>	<u>1,535,290</u>	<u>196,545</u>	<u>101,598</u>	<u>1,980,738</u>
Total net position	<u>\$ [65,992]</u>	<u>\$ 213,297</u>	<u>\$ 1,535,290</u>	<u>\$ 219,637</u>	<u>\$ 101,598</u>	<u>\$ 2,003,830</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUND
For the Year Ended December 31, 2012

	Risk Management	Workers' Compensation Reserve	Health Insurance	Central Garage	Information Systems	Total Internal Service Funds
Operating revenues						
Charges for services	\$ 374,708	\$ 388,599	\$ 5,554,123	\$ 1,684,410	\$ 1,048,123	\$ 9,049,963
Miscellaneous	89,561	1,558	40,234	8,729	-	140,082
Total operating revenues	<u>464,269</u>	<u>390,157</u>	<u>5,594,357</u>	<u>1,693,139</u>	<u>1,048,123</u>	<u>9,190,045</u>
Operating expenses						
General government	694,469	506,482	5,589,702	1,675,254	1,053,080	9,518,987
Depreciation	-	-	-	4,698	-	4,698
Total operating expenses	<u>694,469</u>	<u>506,482</u>	<u>5,589,702</u>	<u>1,679,952</u>	<u>1,053,080</u>	<u>9,523,685</u>
Operating income [loss]	<u>[230,200]</u>	<u>[116,325]</u>	<u>4,655</u>	<u>13,187</u>	<u>[4,957]</u>	<u>[333,640]</u>
Other operating revenues [expenses]						
Investment income	-	2,174	6,103	541	1,304	10,122
Total other operating revenues [expenses]	<u>-</u>	<u>2,174</u>	<u>6,103</u>	<u>541</u>	<u>1,304</u>	<u>10,122</u>
Change in net position	[230,200]	[114,151]	10,758	13,728	[3,653]	[323,518]
Net position, January 1	<u>164,208</u>	<u>327,448</u>	<u>1,524,532</u>	<u>205,909</u>	<u>105,251</u>	<u>2,327,348</u>
Net position, December 31	<u>\$ [65,992]</u>	<u>\$ 213,297</u>	<u>\$ 1,535,290</u>	<u>\$ 219,637</u>	<u>\$ 101,598</u>	<u>\$ 2,003,830</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2012

	Risk Management	Workers' Compensation Reserve	Health Insurance	Central Garage	Information Services	Total Internal Service Funds
Cash flows from operating activities						
Cash received from customers and users	\$ 374,708	\$ 559,979	\$ 5,530,372	\$ 1,684,411	\$ 1,048,123	\$ 9,197,593
Cash paid to suppliers of goods or services	[699,810]	[500,624]	[5,589,577]	[1,467,131]	[574,945]	[8,832,087]
Cash paid to employees	-	-	-	[223,541]	[409,094]	[632,635]
Other operating receipts	89,561	1,558	40,234	8,729	-	140,082
Net cash provided by [used in] operating activities	<u>[235,541]</u>	<u>60,913</u>	<u>[18,971]</u>	<u>2,468</u>	<u>64,084</u>	<u>[127,047]</u>
Cash flows from investing activities						
Interest received	-	2,174	6,103	540	1,304	10,121
Net increase [decrease] in cash and cash equivalents	[235,541]	63,087	[12,868]	3,008	65,388	[116,926]
Cash and cash equivalents, January 1	<u>171,559</u>	<u>649,238</u>	<u>1,916,207</u>	<u>150,383</u>	<u>201,820</u>	<u>3,089,207</u>
Cash and cash equivalents, December 31	<u>\$ [63,982]</u>	<u>\$ 712,325</u>	<u>\$ 1,903,339</u>	<u>\$ 153,391</u>	<u>\$ 267,208</u>	<u>\$ 2,972,281</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS (Continued)
For the Year Ended December 31, 2012

	<u>Risk Management</u>	<u>Workers' Compensation Reserve</u>	<u>Health Insurance</u>	<u>Central Garage</u>	<u>Information Services</u>	<u>Total Internal Service Funds</u>
Reconciliation of operating [loss] income to net cash provided by [used in] operating activities						
Operating income [loss]	\$ [230,200]	\$ [116,325]	\$ 4,655	\$ 13,187	\$ [4,957]	\$ [333,640]
Adjustments to reconcile operating income [loss] to net cash provided by [used in] operating activities						
Depreciation expense	-	-	-	4,698	-	4,698
[Increase] decrease in inventory	-	-	-	[11,180]	-	[11,180]
Increase [decrease] in accounts payable	[5,341]	5,858	125	[3,201]	66,127	63,568
Increase [decrease] in accrued compensated absences	-	-	-	[1,036]	2,914	1,878
Increase [decrease] in claims payable	-	<u>171,380</u>	<u>[23,751]</u>	-	-	<u>147,629</u>
Net cash provided by [used in] operating activities	<u>\$ [235,541]</u>	<u>\$ 60,913</u>	<u>\$ [18,971]</u>	<u>\$ 2,468</u>	<u>\$ 64,084</u>	<u>\$ [127,047]</u>

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

AGENCY FUNDS

Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

Special assessment escrow agency fund - To account for property owners' prepayment on outstanding special assessments.

Fire insurance proceeds agency fund - To account for insurance proceeds received for severely damaged buildings the insurance proceeds, plus interest, are returned to the property owners when the buildings are repaired or demolished.

PEGS access agency fund - To account for revenues collected on behalf of the community access television system for public, educational and governmental programming.

Payroll clearing agency fund - To account for interfund payroll receivables and payables for all City funds.

Court bond and restitution agency fund - To account for bonds and restitution remitted to the court and awaiting court orders for distribution.

Police investigation account agency fund - To account for monies held by the police department for use in investigations.

Fire cam agency fund - To account for donations received and used for fire equipment.

Citizenship agency fund – To account for donations received and used for the citizenship fund.

Section 125 plan agency fund - To account for monies held for the Section 125 plan.

CITY OF SALINA, KANSAS

COMBINING BALANCE SHEET
 AGENCY FUNDS
 December 31, 2012

	Special Assessment Escrow	Fire Insurance Proceeds	PEGS Access	Payroll Clearing	Court Bond and Restitution	Police Investigation Account	Fire Cam	Citizenship	Section 125 Plan	Totals
ASSETS:										
Cash and investments	\$ 137,964	\$ 5,957	\$ 5,119	\$ [254,213]	\$ 80,514	\$ 2,414	\$ 785	\$ 3,713	\$ 340,537	\$ 322,790
Total assets	\$ 137,964	\$ 5,957	\$ 5,119	\$ [254,213]	\$ 80,514	\$ 2,414	\$ 785	\$ 3,713	\$ 340,537	\$ 322,790
LIABILITIES:										
Accounts payable	\$ 137,964	\$ 5,957	\$ 5,119	\$ [254,213]	\$ 80,514	\$ 2,414	\$ 785	\$ 3,713	\$ 340,537	\$ 322,790
Total liabilities	\$ 137,964	\$ 5,957	\$ 5,119	\$ [254,213]	\$ 80,514	\$ 2,414	\$ 785	\$ 3,713	\$ 340,537	\$ 322,790

See independent auditor's report on the financial statements.

CITY OF SALINA, KANSAS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

For the Year Ended December 31, 2012

	Balance December 31, <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>2012</u>
Cash and investments				
Special Assessment Escrow	\$ 135,344	\$ 2,620	\$ -	\$ 137,964
Fire Insurance Proceeds	10,316	39,427	43,786	5,957
PEGS Access	5,103	236,526	236,510	5,119
Payroll Clearing	[251,057]	-	3,156	[254,213]
Court Bond and Restitution	70,921	9,593	-	80,514
Police Investigation Account	2,125	289	-	2,414
Fire Cam Fund	783	2	-	785
Citizenship Trust	3,702	11	-	3,713
Section 125 Plan Fund	<u>336,063</u>	<u>343,557</u>	<u>339,083</u>	<u>340,537</u>
 Total Assets	 <u>\$ 313,300</u>	 <u>\$ 632,025</u>	 <u>\$ 622,535</u>	 <u>\$ 322,790</u>
 Accounts Payable				
Special Assessment Escrow	\$ 135,344	\$ 2,620	\$ -	\$ 137,964
Fire Insurance Proceeds	10,316	39,427	43,786	5,957
PEGS Access	5,103	236,526	236,510	5,119
Payroll Clearing	[251,057]	-	3,156	[254,213]
Court Bond and Restitution	70,921	9,593	-	80,514
Police Investigation Account	2,125	289	-	2,414
Fire Cam Fund	783	2	-	785
Citizenship Trust	3,702	11	-	3,713
Section 125 Plan Fund	<u>336,063</u>	<u>343,557</u>	<u>339,083</u>	<u>340,537</u>
 Total liabilities	 <u>\$ 313,300</u>	 <u>\$ 632,025</u>	 <u>\$ 622,535</u>	 <u>\$ 322,790</u>

See independent auditor's report on the financial statements.

STATISTICAL SECTION

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Schedule 1
City of Salina, Kansas
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(in 000's)

Fiscal Year	2003		2004		2005		2006		2007		2008		2009		2010		2011		2012			
	Amount	%																				
Governmental Activities																						
Invested in capital assets, net of related debt	\$ 82,312	86%	\$ 92,948	92%	\$ 110,184	92%	\$ 117,810	93%	\$ 115,029	90%	\$ 118,965	93%	\$ 101,974	85%	\$ 113,001	96%	\$ 109,289	93%	\$ 112,929	94%	\$ 112,929	94%
Restricted	\$ 1,584	2%	\$ 1,317	1%	\$ 1,642	1%	\$ 1,106	1%	\$ 1,609	1%	\$ 1,212	1%	\$ 1,174	1%	\$ 988	1%	\$ 1,712	1%	\$ 1,062	1%	\$ 1,062	1%
Unrestricted	\$ 11,742	12%	\$ 7,057	7%	\$ 7,422	6%	\$ 7,678	6%	\$ 11,356	9%	\$ 7,745	6%	\$ 16,706	14%	\$ 3,808	3%	\$ 6,333	5%	\$ 5,511	5%	\$ 5,511	5%
Total Governmental Net Position	\$ 95,638	100%	\$ 101,321	100%	\$ 119,248	100%	\$ 126,594	100%	\$ 127,994	100%	\$ 127,922	100%	\$ 119,854	100%	\$ 117,797	100%	\$ 117,334	100%	\$ 117,334	100%	\$ 119,522	100%
Business Type Activities																						
Invested in capital assets, net of related debt	\$ 36,599	76%	\$ 38,560	77%	\$ 40,968	79%	\$ 43,510	81%	\$ 45,435	80%	\$ 45,931	79%	\$ 48,234	79%	\$ 48,078	75%	\$ 44,227	63%	\$ 44,227	63%	\$ 50,857	69%
Restricted		0%	\$ 1,406	3%	\$ 1,109	2%	\$ 1,123	2%	\$ 1,151	2%	\$ 1,211	2%	\$ 1,563	3%	\$ 1,553	2%	\$ 1,553	2%	\$ 1,553	2%	\$ 1,553	2%
Unrestricted	\$ 11,710	24%	\$ 9,837	20%	\$ 9,821	19%	\$ 9,300	17%	\$ 10,412	18%	\$ 11,197	19%	\$ 11,482	19%	\$ 14,306	22%	\$ 24,528	35%	\$ 24,528	35%	\$ 21,450	29%
Total business type activities net position	\$ 48,308	100%	\$ 49,803	100%	\$ 51,897	100%	\$ 53,933	100%	\$ 56,998	100%	\$ 58,339	100%	\$ 61,269	100%	\$ 63,937	100%	\$ 70,308	100%	\$ 70,308	100%	\$ 73,860	100%
Primary Government																						
Invested in capital assets, net of related debt	\$ 118,911	83%	\$ 131,507	87%	\$ 151,152	88%	\$ 161,320	89%	\$ 160,464	87%	\$ 164,896	89%	\$ 150,208	83%	\$ 161,080	89%	\$ 153,516	82%	\$ 153,516	82%	\$ 163,786	85%
Restricted	\$ 1,584	1%	\$ 2,723	2%	\$ 2,750	2%	\$ 2,229	1%	\$ 2,761	1%	\$ 2,423	1%	\$ 2,727	1%	\$ 2,541	1%	\$ 3,216	2%	\$ 3,216	2%	\$ 2,635	1%
Unrestricted	\$ 23,451	16%	\$ 16,894	11%	\$ 17,243	10%	\$ 16,978	9%	\$ 21,768	12%	\$ 18,942	10%	\$ 28,188	16%	\$ 18,115	10%	\$ 30,867	16%	\$ 30,867	16%	\$ 26,961	14%
Total primary government net position	\$ 143,947	100%	\$ 151,124	100%	\$ 171,144	100%	\$ 180,527	100%	\$ 184,992	100%	\$ 186,261	100%	\$ 181,123	100%	\$ 181,736	100%	\$ 187,599	100%	\$ 187,599	100%	\$ 193,382	100%

Note 1: All amounts are shown in thousands of dollars

Source: City of Salina Comprehensive Annual Financial Reports, 2003 - 2012

Schedule 2
City of Salina, Kansas
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(in 000's)

	2003	2004	2005	2006	Fiscal Year 2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities:										
General government	\$ 6,767	\$ 4,931	\$ 4,904	\$ 6,319	\$ 6,732	\$ 6,791	\$ 14,664	\$ 10,845	\$ 13,614	\$ 11,278
Public safety	\$ 12,636	\$ 13,548	\$ 14,159	\$ 14,621	\$ 16,877	\$ 18,440	\$ 16,539	\$ 18,592	\$ 18,579	\$ 19,066
Public works	\$ 7,896	\$ 7,958	\$ 8,420	\$ 8,609	\$ 9,258	\$ 9,706	\$ 9,781	\$ 9,782	\$ 9,858	\$ 10,957
Public health and sanitation	\$ 906	\$ 1,016	\$ 1,102	\$ 1,214	\$ 1,281	\$ 1,310	\$ 1,390	\$ 1,365	\$ 1,368	\$ 1,383
Culture and recreation	\$ 4,657	\$ 4,784	\$ 5,071	\$ 4,961	\$ 5,658	\$ 5,582	\$ 5,397	\$ 8,572	\$ 6,693	\$ 5,338
Planning and development	\$ 4,507	\$ 4,130	\$ 2,714	\$ 2,697	\$ 2,814	\$ 3,481	\$ 3,375	\$ 3,716	\$ 3,450	\$ 3,362
Interest on long term debt	\$ 1,085	\$ 786	\$ 742	\$ 972	\$ 1,295	\$ 1,454	\$ -	\$ 2,256	\$ 1,650	\$ 1,914
Total governmental activities expenses	\$ 38,455	\$ 37,152	\$ 37,112	\$ 39,393	\$ 43,916	\$ 46,764	\$ 51,146	\$ 55,128	\$ 55,212	\$ 53,298
Business-type Activities:										
Solid waste disposal	\$ 2,367	\$ 2,818	\$ 2,608	\$ 2,471	\$ 2,088	\$ 2,008	\$ 2,287	\$ 3,010	\$ 2,945	\$ 2,067
Water and sewer	\$ 11,572	\$ 11,552	\$ 11,262	\$ 11,676	\$ 12,227	\$ 13,284	\$ 12,995	\$ 14,050	\$ 13,597	\$ 14,897
Sanitation	\$ 1,682	\$ 1,920	\$ 1,889	\$ 1,945	\$ 2,038	\$ 2,184	\$ 2,224	\$ 2,261	\$ 2,261	\$ 2,441
Golf course	\$ 786	\$ 817	\$ 893	\$ 852	\$ 884	\$ 884	\$ 897	\$ 817	\$ 825	\$ 723
Total business-type activities expenses	\$ 16,407	\$ 17,107	\$ 16,652	\$ 16,944	\$ 17,236	\$ 18,360	\$ 18,403	\$ 20,138	\$ 19,628	\$ 20,128
Total primary government expenses	\$ 54,862	\$ 54,260	\$ 53,764	\$ 56,337	\$ 61,153	\$ 65,124	\$ 69,549	\$ 75,266	\$ 74,840	\$ 73,426
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	\$ 3,472	\$ 3,712	\$ 3,926	\$ 4,177	\$ 4,309	\$ 4,581	\$ 4,599	\$ 5,143	\$ 6,106	\$ 6,328
Public safety	\$ 2,672	\$ 2,770	\$ 3,368	\$ 3,603	\$ 3,539	\$ 3,588	\$ 2,913	\$ 3,969	\$ 3,766	\$ 4,290
Public works	\$ 160	\$ 155	\$ 163	\$ 169	\$ 457	\$ 120	\$ 164	\$ 198	\$ 262	\$ 306
Public health and sanitation	\$ -	\$ 35	\$ 31	\$ 36	\$ 33	\$ 39	\$ 42	\$ 37	\$ 43	\$ 46
Culture and recreation	\$ 2,031	\$ 2,073	\$ 2,276	\$ 1,883	\$ 2,050	\$ 2,139	\$ 1,936	\$ 2,817	\$ 3,140	\$ 1,728
Planning and development	\$ 93	\$ 198	\$ 95	\$ 114	\$ 101	\$ 240	\$ 267	\$ 144	\$ 153	\$ 158
Operating grants and contributions	\$ 2,751	\$ 3,197	\$ 2,798	\$ 3,145	\$ 3,381	\$ 3,752	\$ 3,163	\$ 3,415	\$ 2,907	\$ 4,495
Capital grants and contributions	\$ -	\$ -	\$ 13,875	\$ 3,091	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total governmental program revenues	\$ 11,178	\$ 12,140	\$ 26,532	\$ 16,216	\$ 13,871	\$ 14,458	\$ 13,084	\$ 15,723	\$ 16,377	\$ 17,351
Business-type activities:										
Charges for services:										
Solid waste disposal	\$ 2,361	\$ 2,489	\$ 2,344	\$ 2,674	\$ 2,789	\$ 2,749	\$ 2,903	\$ 2,853	\$ 2,904	\$ 3,137
Water and sewer	\$ 12,129	\$ 12,362	\$ 12,704	\$ 12,949	\$ 14,054	\$ 14,073	\$ 14,980	\$ 16,520	\$ 17,904	\$ 19,099
Sanitation	\$ 1,795	\$ 1,814	\$ 1,881	\$ 1,988	\$ 2,112	\$ 2,172	\$ 2,292	\$ 2,310	\$ 2,334	\$ 2,462
Golf course	\$ 773	\$ 791	\$ 799	\$ 773	\$ 723	\$ 751	\$ 757	\$ 736	\$ 636	\$ 783
Operating grants and contributions	\$ -	\$ 368	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 202	\$ -
Capital grants and contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,804	\$ 274
Total business type program revenues	\$ 17,058	\$ 17,824	\$ 17,728	\$ 18,385	\$ 19,678	\$ 19,744	\$ 20,932	\$ 22,419	\$ 27,784	\$ 25,755
Total primary government program revenues	\$ 28,237	\$ 29,964	\$ 44,260	\$ 34,601	\$ 33,549	\$ 34,202	\$ 34,016	\$ 38,142	\$ 44,161	\$ 43,106
Net (Expense) Revenue										
Governmental Activities	\$ (27,276)	\$ (25,012)	\$ (10,580)	\$ (23,176)	\$ (30,046)	\$ (32,306)	\$ (38,062)	\$ (39,405)	\$ (38,835)	\$ (35,947)
Business-type activities:	\$ 651	\$ 717	\$ 1,076	\$ 1,441	\$ 2,442	\$ 1,384	\$ 2,529	\$ 2,281	\$ 8,156	\$ 5,627
Total primary government net expense	\$ (26,625)	\$ (24,296)	\$ (9,504)	\$ (21,736)	\$ (27,604)	\$ (30,922)	\$ (35,533)	\$ (37,124)	\$ (30,679)	\$ (30,320)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property Taxes, General Purpose	\$ 5,862	\$ 6,576	\$ 6,766	\$ 7,144	\$ 7,376	\$ 7,818	\$ 9,019	\$ 7,803	\$ 7,783	\$ 8,272
Property Taxes, Debt Service	\$ 1,732	\$ 1,329	\$ 1,351	\$ 1,402	\$ 1,471	\$ 1,529	\$ 1,711	\$ 2,230	\$ 2,779	\$ 2,439
Motor Vehicle Tax	\$ 1,208	\$ 1,057	\$ 1,079	\$ 1,105	\$ 1,131	\$ 1,195	\$ 1,135	\$ 1,145	\$ 1,150	\$ 1,153
Sales Tax, General Purpose	\$ 9,913	\$ 10,501	\$ 10,556	\$ 11,137	\$ 11,472	\$ 11,986	\$ 11,669	\$ 11,118	\$ 11,767	\$ 12,165
Selective Sales Tax	\$ 2,114	\$ 2,264	\$ 2,280	\$ 2,417	\$ 2,484	\$ 2,589	\$ 3,380	\$ 4,108	\$ 4,080	\$ 4,210
Other taxes	\$ 3,345	\$ 3,426	\$ 3,557	\$ 5,076	\$ 5,445	\$ 5,747	\$ 5,791	\$ 6,298	\$ 6,390	\$ 6,486
Special Assessments	\$ 1,448	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment revenues	\$ 331	\$ 390	\$ 544	\$ 1,123	\$ 1,255	\$ 805	\$ 277	\$ 81	\$ 77	\$ 66
Miscellaneous	\$ 1,442	\$ 1,084	\$ 1,209	\$ 1,044	\$ 890	\$ 812	\$ 505	\$ 565	\$ 872	\$ 660
Transfers, net	\$ 80	\$ 24	\$ 114	\$ 330	\$ 672	\$ 60	\$ 255	\$ 92	\$ 199	\$ 30
Total governmental activities	\$ 27,475	\$ 26,651	\$ 27,456	\$ 30,779	\$ 32,195	\$ 32,540	\$ 33,742	\$ 33,440	\$ 35,097	\$ 35,481
Business-type activities:										
Investment revenues	\$ 101	\$ 222	\$ 328	\$ 453	\$ 641	\$ 300	\$ 242	\$ 67	\$ 84	\$ 79
Miscellaneous	\$ 165	\$ 93	\$ 150	\$ 217	\$ 201	\$ 118	\$ 352	\$ 341	\$ 330	\$ 434
Transfers, net	\$ (80)	\$ (24)	\$ (114)	\$ (330)	\$ (672)	\$ (60)	\$ (255)	\$ (92)	\$ (199)	\$ (30)
Total business-type activities	\$ 186	\$ 291	\$ 364	\$ 340	\$ 170	\$ 358	\$ 339	\$ 316	\$ 215	\$ 483
Total primary government	\$ 27,661	\$ 26,942	\$ 27,820	\$ 31,119	\$ 32,366	\$ 32,898	\$ 34,081	\$ 33,756	\$ 35,312	\$ 35,964
Change in Net Position										
Governmental activities	\$ 199	\$ 1,638	\$ 16,877	\$ 7,602	\$ 2,150	\$ 234	\$ (4,320)	\$ (5,965)	\$ (3,738)	\$ (466)
Business-type activities	\$ 838	\$ 1,008	\$ 1,440	\$ 1,780	\$ 2,612	\$ 1,742	\$ 2,868	\$ 2,597	\$ 8,371	\$ 6,110
Total primary government	\$ 1,037	\$ 2,647	\$ 18,316	\$ 9,383	\$ 4,762	\$ 1,976	\$ (1,452)	\$ (3,368)	\$ 4,633	\$ 5,644

Source: City of Salina Comprehensive Annual Financial Reports, 2003 - 2012

Schedule 3
City of Salina, Kansas
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(in 000's)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 309	\$ 160	\$ 421	\$ 242	\$ 396	\$ 274	\$ 508	\$ 99	\$ -	\$ -
Nonspendable									\$ 90	\$ 116
Restricted									\$ -	\$ -
Committed									\$ -	\$ -
Assigned									\$ 293	\$ 540
Unreserved/Unassigned	<u>\$ 6,467</u>	<u>\$ 7,151</u>	<u>\$ 6,646</u>	<u>\$ 7,983</u>	<u>\$ 6,935</u>	<u>\$ 5,756</u>	<u>\$ 4,580</u>	<u>\$ 3,518</u>	<u>\$ 3,454</u>	<u>\$ 3,172</u>
Total General Fund	<u>\$ 6,776</u>	<u>\$ 7,311</u>	<u>\$ 7,067</u>	<u>\$ 8,225</u>	<u>\$ 7,331</u>	<u>\$ 6,030</u>	<u>\$ 5,088</u>	<u>\$ 3,617</u>	<u>\$ 3,837</u>	<u>\$ 3,828</u>
Restatement								\$ 156		
Restated Fund Balance								<u>\$ 3,773</u>		
All other Governmental Funds										
Reserved	\$ 2,096	\$ 2,610	\$ 2,369	\$ 2,469	\$ 2,796	\$ 3,951	\$ 11,092	\$ 6,413	\$ -	\$ -
Nonspendable									\$ -	\$ -
Restricted									\$ 3,611	\$ 3,319
Committed									\$ 127	\$ (516)
Assigned									\$ 4,323	\$ 4,087
Unreserved/Unassigned	<u>\$ 7,624</u>	<u>\$ (2,959)</u>	<u>\$ 156</u>	<u>\$ 42</u>	<u>\$ 2,946</u>	<u>\$ 354</u>	<u>\$ 4,024</u>	<u>\$ (1,130)</u>	<u>\$ -</u>	<u>\$ -</u>
Total all other governmental funds	<u>\$ 9,720</u>	<u>\$ (349)</u>	<u>\$ 2,525</u>	<u>\$ 2,511</u>	<u>\$ 5,742</u>	<u>\$ 4,305</u>	<u>\$ 15,116</u>	<u>\$ 5,283</u>	<u>\$ 8,061</u>	<u>\$ 6,890</u>

Source: City of Salina Comprehensive Annual Financial Reports, 2003 - 2012

Schedule 4
City of Salina, Kansas
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(in 000's)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes (see Schedule 5)	\$ 24,174	\$ 25,152	\$ 25,590	\$ 28,282	\$ 29,379	\$ 30,788	\$ 32,706	\$ 32,702	\$ 33,949	\$ 34,724
Intergovernmental	\$ 2,731	\$ 5,659	\$ 2,785	\$ 3,127	\$ 3,363	\$ 3,741	\$ 3,153	\$ 3,404	\$ 2,901	\$ 4,487
Special Assessments	\$ 1,448	\$ 1,340	\$ 1,143	\$ 1,207	\$ 1,444	\$ 1,178	\$ 1,269	\$ 1,385	\$ 1,535	\$ 2,315
Licenses and permits	\$ 20	\$ 18	\$ 14	\$ 18	\$ 18	\$ 10	\$ 10	\$ 11	\$ 6	\$ 8
Charges for services	\$ 6,146	\$ 6,364	\$ 7,225	\$ 7,099	\$ 7,131	\$ 7,415	\$ 6,767	\$ 8,934	\$ 9,730	\$ 8,484
Investment revenue	\$ 322	\$ 362	\$ 486	\$ 1,021	\$ 983	\$ 490	\$ 210	\$ 64	\$ 69	\$ 47
Reimbursements	\$ 52	\$ 465	\$ 650	\$ 406	\$ 153	\$ 39	\$ 140	\$ 70	\$ 32	\$ 36
Miscellaneous	\$ 1,208	\$ 509	\$ 501	\$ 488	\$ 650	\$ 597	\$ 438	\$ 448	\$ 599	\$ 537
Total revenues	\$ 36,100	\$ 39,870	\$ 38,392	\$ 41,648	\$ 43,120	\$ 44,258	\$ 44,693	\$ 47,018	\$ 48,821	\$ 50,638
Expenditures										
General Government	\$ 2,208	\$ 2,685	\$ 2,706	\$ 2,721	\$ 2,842	\$ 3,600	\$ 3,007	\$ 3,549	\$ 3,461	\$ 3,574
Public Safety	\$ 12,208	\$ 12,724	\$ 13,673	\$ 14,309	\$ 16,175	\$ 17,945	\$ 17,883	\$ 18,229	\$ 18,118	\$ 18,564
Public Works	\$ 5,106	\$ 5,157	\$ 5,508	\$ 5,712	\$ 6,171	\$ 6,593	\$ 6,643	\$ 6,634	\$ 6,569	\$ 7,004
Public Health and Sanitation	\$ 882	\$ 981	\$ 1,067	\$ 1,178	\$ 1,245	\$ 1,276	\$ 1,353	\$ 1,332	\$ 1,330	\$ 1,343
Culture and Recreation	\$ 4,355	\$ 4,470	\$ 4,776	\$ 4,653	\$ 5,204	\$ 5,142	\$ 4,947	\$ 5,777	\$ 5,900	\$ 4,449
Planning and Development	\$ 4,405	\$ 4,025	\$ 2,607	\$ 2,588	\$ 2,707	\$ 3,377	\$ 3,269	\$ 3,609	\$ 3,344	\$ 3,256
Miscellaneous	\$ 20	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32	\$ -	\$ -
Capital Outlay	\$ 5,165	\$ 10,824	\$ 8,580	\$ 10,783	\$ 7,615	\$ 10,581	\$ 17,707	\$ 18,603	\$ 9,847	\$ 7,327
Debt Service										
Principal	\$ 7,179	\$ 2,611	\$ 2,534	\$ 2,625	\$ 4,806	\$ 2,812	\$ 4,667	\$ 5,959	\$ 4,411	\$ 8,592
Interest	\$ 1,063	\$ 866	\$ 755	\$ 1,009	\$ 1,266	\$ 1,567	\$ 1,596	\$ 2,258	\$ 2,084	\$ 2,103
Deposit to Escrow	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 107	\$ -	\$ 92
Total Expenditures	\$ 42,591	\$ 44,343	\$ 42,208	\$ 45,578	\$ 48,031	\$ 52,892	\$ 61,072	\$ 66,089	\$ 55,064	\$ 56,304
Other financing sources (uses)										
Bonds and Notes issued	\$ 8,600	\$ 6,707	\$ 4,210	\$ 4,885	\$ 6,545	\$ 7,245	\$ 23,695	\$ 7,034	\$ 6,565	\$ 6,150
Bond and Note Premium						\$ 80	\$ 1,369	\$ 47	\$ 23	\$ 60
Transfers in	\$ 600	\$ 1,066	\$ 1,399	\$ 2,245	\$ 2,349	\$ 2,823	\$ 3,617	\$ 5,076	\$ 7,994	\$ 3,488
Transfers out	\$ (600)	\$ (1,087)	\$ (1,365)	\$ (2,055)	\$ (1,737)	\$ (2,763)	\$ (3,422)	\$ (4,984)	\$ (5,692)	\$ (3,458)
Issuance Costs	\$ (9)	\$ (2)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	\$ -	\$ (5,389)	\$ -	\$ -	\$ 91	\$ -	\$ -	\$ -	\$ 156	\$ -
Total other financing sources (uses)	\$ 8,591	\$ 1,296	\$ 4,244	\$ 5,075	\$ 7,248	\$ 7,385	\$ 25,259	\$ 7,173	\$ 9,046	\$ 6,240
Net change in fund balance	\$ 2,100	\$ (3,177)	\$ 428	\$ 1,145	\$ 2,337	\$ (1,250)	\$ 8,880	\$ (11,898)	\$ 2,803	\$ 574
Debt service as a percentage of non-capital expenditures	28%	12%	11%	12%	18%	12%	17%	21%	17%	28%

Source: City of Salina Comprehensive Annual Financial Reports, 2003 - 2012

Schedule 5
City of Salina, Kansas
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(in 000's)

	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Real Estate	\$ 7,417	\$ 7,677	\$ 7,904	\$ 8,373	\$ 8,662	\$ 9,084	\$ 9,971	\$ 9,756	\$ 10,288	\$ 10,466
Delinquent	\$ 177	\$ 228	\$ 213	\$ 173	\$ 185	\$ 263	\$ 760	\$ 278	\$ 274	\$ 245
Motor Vehicle	\$ 1,208	\$ 1,057	\$ 1,079	\$ 1,105	\$ 1,131	\$ 1,120	\$ 1,135	\$ 1,145	\$ 1,150	\$ 1,153
General Sales	\$ 9,913	\$ 10,501	\$ 10,556	\$ 11,137	\$ 11,472	\$ 11,986	\$ 11,669	\$ 11,117	\$ 11,767	\$ 12,165
Selective Sales	\$ 2,114	\$ 2,264	\$ 2,280	\$ 2,417	\$ 2,484	\$ 2,589	\$ 3,380	\$ 4,108	\$ 4,080	\$ 4,210
Other Taxes	\$ 3,345	\$ 3,426	\$ 3,557	\$ 5,076	\$ 5,445	\$ 5,747	\$ 5,791	\$ 6,298	\$ 6,390	\$ 6,485
Total Taxes	<u>\$ 24,174</u>	<u>\$ 25,152</u>	<u>\$ 25,590</u>	<u>\$ 28,282</u>	<u>\$ 29,379</u>	<u>\$ 30,788</u>	<u>\$ 32,706</u>	<u>\$ 32,702</u>	<u>\$ 33,949</u>	<u>\$ 34,724</u>

Source: City of Salina Comprehensive Annual Financial Reports, 2003 - 2012

Schedule 6
City of Salina, Kansas
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal (Budget) Year	Assessed Value										Estimated Total Market Value (Note 2)	Assessed Value to Est. Market Value
	Real Estate	Personal Property	State Assessed	Vehicle Assessed Value	Excluding Motor Vehicles	Motor Vehicle (Note 1)	Taxable Assessed Value	Motor Vehicle (Note 1)	State Assessed	Vehicle Assessed Value		
2003	267,175,443	35,093,154	14,866,008	317,134,605	24.092	45,965,839	363,100,444	45,965,839	14,866,008	317,134,605	2,296,900,695	15.81
2004	277,456,813	35,386,133	15,750,780	328,593,726	24.013	46,679,982	375,273,018	46,679,982	15,750,780	328,593,726	2,368,264,683	15.85
2005	282,517,284	35,410,526	17,334,372	335,262,182	24.063	48,687,121	383,949,303	48,687,121	17,334,372	335,262,182	2,529,377,135	15.18
2006	296,537,399	38,662,356	17,624,030	352,823,785	23.999	49,367,870	402,191,655	49,367,870	17,624,030	352,823,785	2,229,131,633	18.04
2007	321,695,326	39,691,690	16,530,171	377,917,187	23.789	50,551,299	428,468,486	50,551,299	16,530,171	377,917,187	2,416,543,103	17.73
2008	342,045,389	35,089,042	15,594,056	392,728,487	23.959	50,548,706	443,277,193	50,548,706	15,594,056	392,728,487	2,612,229,468	16.97
2009	356,678,712	28,373,980	14,929,456	399,982,148	25.886	51,351,656	451,333,804	51,351,656	14,929,456	399,982,148	2,914,775,730	15.48
2010	358,979,211	24,760,806	13,730,609	397,470,626	25.855	50,330,252	447,800,878	50,330,252	13,730,609	397,470,626	2,893,359,541	15.48
2011	367,750,803	19,918,188	14,685,585	402,354,576	26.022	47,406,062	449,760,638	47,406,062	14,685,585	402,354,576	2,869,531,746	15.67
2012	369,416,422	18,654,394	15,779,466	403,850,282	26.022	47,553,744	451,404,026	47,553,744	15,779,466	403,850,282	2,884,188,981	15.65

Note 1: The tax rate for motor vehicles is set based on the average countywide tax rate. The City of Salina then receives a share of that based on relative value.

Note 2: The estimated market value excludes the value of the State assessed properties. Market value information is not available for those properties. However, state assessed property is generally assessed at 33% of market value, except for railroads, which are assessed at 25% of market value.

Note 3: The Direct rate is expressed in dollars per thousand dollars of assessed value.

Source: Saline County Clerk

Schedule 7
City of Salina, Kansas
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

Fiscal (Budget) Year	City of Salina			Saline County			USD 305 (2)			Other (1)		Total
	Operatin g Millage	Debt Service Millage	Total City Millage	Operatin g Millage	Debt Service Millage	Total County Millage	Operatin g Millage	Debt Service Millage	Total USD Millage	Other	Other	
2003	18.581	5.511	24.092	25.667		25.657	38.569	18.815	57.384	9.684		116.817
2004	20.017	3.996	24.013	28.081		28.081	38.288	18.344	56.632	9.848		118.574
2005	20.055	4.008	24.063	28.874		28.874	42.175	17.491	59.666	10.984		123.587
2006	20.001	3.989	23.990	28.579		28.579	40.136	15.046	55.182	10.960		118.711
2007	19.835	3.954	23.789	27.955		27.955	41.903	13.349	55.252	10.726		117.722
2008	20.047	3.912	23.959	27.435		27.435	42.761	12.229	54.990	10.775		117.159
2009	21.749	4.137	25.886	29.347		29.347	46.339	12.208	58.547	10.971		124.751
2010	20.082	5.773	25.855	31.303		31.303	45.341	13.155	58.496	12.401		128.055
2011	19.236	6.786	26.022	31.432		31.432	45.818	13.095	58.913	12.131		128.498
2012	20.326	5.946	26.272	32.576		31.432	47.127	11.693	58.820	11.978		128.502

Source: Saline County Clerk

(1) The "Other" column includes the State of Kansas, the Salina Airport Authority, and the Salina Public Library. Beginning in 2005, this also includes Kansas State Extension District #3.

(2) A small portion of Salina is covered by USD 306, USD 307, or USD 400. Total Tax Rates are different in the areas covered by these jurisdictions.

Schedule 8
City of Salina, Kansas
Principal Property Tax Payors
Current Year and Ten Years Ago

Taxpayer	Type of Business	2003 (2002 Assessed Value)			2012 (2011 Assessed Value)		
		Assessed Valuation	% of Total Valuation	Rank	Assessed Valuation	% of Total Valuation	Rank
Schwan's Sales	Pizza Manufacturing	\$ 7,383,290	2.12%	1	\$ 8,050,871	1.78%	1
Western Resources	Utility	6,892,106	1.98%	2	7,852,360	1.74%	2
Warmack, Salina Partnership (IPFOA) (Now Garrison Salina)	Retail Shopping Mall	5,922,724	1.70%	3	6,160,267	1.36%	3
Salina Regional Health Center	Hospital and Medical Offices	3,698,229	1.06%	6	4,317,497	0.96%	4
Menard Inc.	Home Improvement				3,552,360	0.79%	5
Gateway Properties	Shopping Mall (Midstate)				3,551,440	0.79%	6
Wal-Mart Stores, Inc.	Discount Retail Stores	4,066,871	1.17%	5	3,458,708	0.77%	7
Kansas Gas Service	Utility	2,515,059	0.72%	8	3,352,360	0.74%	8
Southwestern Bell	Telephone Utility	4,951,865	1.42%	4	2,464,079	0.55%	9
Great Plains Manufacturing	Manufacturing	2,066,176	0.59%	9	2,346,169	0.52%	10
Lowe's Home Center	Building supply Center	3,038,352	0.87%	7			
Dillon's	Grocery Chain	1,956,466	0.56%	10			
Combined Valuation of the Ten Largest Taxpayers		\$ 42,491,138			\$ 45,106,111		
City Valuation		\$ 348,064,983			\$ 451,404,026		
Percent of Total City Assessed Valuation (1)			12.21%			9.99%	

Source: Saline County Clerk's Office

Schedule 9
City of Salina, Kansas
Property Tax Levies and Distributions
Last Ten Fiscal Years

Fiscal (Budget) Year	Taxes Levied for the fiscal year	Current Year Tax Distributions			Total Tax Distributions	
		Amount	Percentage	Delinquent Collections (1)	Amount	Percentage of levy
2003	7,640,249	7,417,427	97.1%	176,906	7,594,333	99.4%
2004	7,890,387	7,677,415	97.3%	227,578	7,904,993	100.2%
2005	8,067,300	7,904,231	98.0%	382,236	8,286,467	102.7%
2006	8,467,343	8,373,363	98.9%	173,093	8,546,456	100.9%
2007	8,990,268	8,661,700	96.3%	185,488	8,847,188	98.4%
2008	9,409,338	9,083,917	96.5%	262,511	9,346,428	99.3%
2009	10,354,161	9,923,959	95.8%	759,764	10,683,723	103.2%
2010	10,276,905	9,704,937	94.4%	278,656	9,983,593	97.1%
2011	10,570,419	10,287,770	97.3%	273,843	10,561,613	99.9%
2012	10,570,420	10,411,299	98.5%	245,086	10,656,385	100.8%

(1) Delinquent collections are reported in the aggregate for all previous years. Data is not currently available for "collected in subsequent years"

Source: Saline County Treasurer's Office

Schedule 10
 City of Salina, Kansas
 Direct Sales Rate by Taxing Entity
 Last Ten Fiscal Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
City Direct Tax Rate (Note 3)										
General	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Special Purpose	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%/0.40%	0.40%	0.40%	0.40%
County-wide Tax Rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Portion of County-wide tax allocated to City (July Percentage)	63.20%	62.20%	61.60%	61.81%	61.92%	62.31%	62.46%	61.58%	63.34%	61.72%

In addition to the direct tax, the City receives a portion of the Countywide sales tax, based on a formula distribution. The formula is based on property tax effort and population, and is adjusted in January and July of each year.

In November 2008, the voters approved an increase in the Special Purpose Tax rate from .25% to .40%, to be effective April 1, 2009.

Source: Kansas Department of Revenue

Schedule 11
City of Salina, Kansas
Water Sales by Class of Customer

Last Ten Fiscal Years

Rate Class	2003		2004		2005		2006		2007		2008		2009		2010		2011		2012	
	Accts Billed	Water Sold	Accts Billed	Water Sold																
Residential	17,315	1,205,142	17,432	1,127,078	17,576	1,187,130	17,637	1,164,293	17,750	1,080,015	17,813	994,875	17,792	1,043,774	17,838	1,127,864	17,899	1,194,629	17,893	1,225,931
Commercial	1,503	352,025	1,542	346,251	1,580	358,659	1,586	357,488	1,592	331,440	1,591	333,720	1,589	339,507	1,568	350,633	1,574	372,499	1,565	38,547
Industrial	43	205,574	43	203,977	43	181,325	43	180,900	46	237,698	48	203,491	46	152,910	44	183,166	44	180,277	42	174,595
Government	118	66,134	126	66,623	146	102,994	150	74,768	151	58,568	152	68,366	104	41,793	85	42,714	97	55,910	99	54,618
Apartment	200	56,587	198	56,251	195	56,359	187	56,340	184	55,500	182	64,703	182	64,703	172	71,121	168	72,562	169	70,263
Schools	80	43,645	82	43,571	81	41,187	81	44,925	80	36,953	81	38,835	84	39,815	85	46,366	85	53,679	81	57,027
Industrial Special	1	38,002	1	39,167	1	39,551	1	37,508	1	35,813	1	42,574	1	32,934	1	44,457	1	44,051	1	40,448
Consumed in Production	25	36,185	22	32,324	21	31,570	19	28,583	18	26,070	18	28,699	18	26,223	17	32,604	13	22,728	12	19,266
Rural Water	1	27,918	1	27,277	1	28,889	1	28,395	1	23,963	1	24,798	1	22,824	1	23,854	1	28,621	1	25,930
Hospitals	14	24,721	14	22,884	15	17,126	15	13,088	15	13,755	15	18,723	13	20,488	12	18,503	10	15,674	10	17,896
Religious/Non Profit	37	8,074	40	9,362	40	9,521	39	8,888	41	7,463	40	6,913	39	7,312	39	5,569	38	5,690	38	5,399
Other Taxable Deductions	6	11,105	6	10,690	5	8,995	5	6,630	5	9,975	4	8,023	-	-	-	-	-	699	0	-
Engineering Studies	8	9,307	8	9,339	8	6,283	8	6,135	8	5,805	8	5,327	8	6,176	8	5,266	7	3,754	8	6,104
Providing Taxable Service	2	5,232	2	5,562	2	5,677	2	5,850	2	5,010	2	4,663	2	4,869	2	5,494	2	4,827	2	6,118
Sale of Component Parts	8	5,428	8	5,265	8	5,473	8	5,280	8	5,040	8	5,748	8	5,200	8	5,851	8	5,454	8	5,726
Fire Hydrant	3	5,015	3	2,887	4	5,232	3	1,598	2	4,953	3	1,147	2	1,032	3	2,424	3	1,389	4	2,533
Industrial Consumed in Produ	1	1,624	3	2,206	3	2,350	3	3,510	3	3,593	3	3,230	3	2,314	3	4,083	3	3,260	3	3,543
Sales of Farm Equipment	1	203	1	131	1	213	1	308	1	180	1	256	1	205	1	213	1	56	1	83
19,368	2,101,921	19,531	2,010,864	19,730	2,088,534	19,789	2,024,483	19,908	1,937,333	19,971	1,854,091	19,893	1,818,879	19,887	1,970,202	19,954	2,065,759	19,937	2,100,966	

Water Rate Schedule:
Monthly Meter Charge (6/8") \$ 2.89 \$ 3.05 \$ 3.21 \$ 3.38 \$ 3.57 \$ 4.44 \$ 4.51 \$ 4.60 \$ 4.74
Commodity Charge (per 000 gal.):
0 - 2000 gal. \$ 2.09 \$ 2.13 \$ 2.16 \$ 2.21 \$ 2.42 \$ 2.54 \$ 2.55 \$ 2.77 \$ 3.88
2001 - 10,000 gal \$ 1.87 \$ 1.91 \$ 1.94 \$ 1.99 \$ 2.20 \$ 2.31 \$ 2.31 \$ 2.55 \$ 3.88
Over 10,000 gal. \$ 1.68 \$ 1.71 \$ 1.73 \$ 1.77 \$ 1.97 \$ 2.07 \$ 2.07 \$ 2.55 \$ 3.88
Excess Use Charge \$ 1.68 \$ 1.71 \$ 1.73 \$ 1.77 \$ 1.97 \$ 2.07 \$ 2.07 \$ 2.55 \$ 3.88
Wastewater Rate Schedule:
Monthly Base Charge \$ 2.75 \$ 2.89 \$ 3.03 \$ 3.18 \$ 3.34 \$ 3.51 \$ 3.51 \$ 3.62 \$ 4.61
Unit cost (per 000 gal.): \$ 1.99 \$ 2.11 \$ 2.23 \$ 2.36 \$ 2.50 \$ 2.63 \$ 2.63 \$ 2.88 \$ 4.48

Water sold is expressed in thousands of gallons.
Number of Accounts billed is the annual number of billings for each class divided by 12.
Monthly meter charge increases with the size of the meter.
Residential Wastewater is calculated based on Winter Quarter water consumption. Other accounts are based on monthly water consumption.
2008 Water Consumption Rate Structure changed from a decreasing tier structure to one rate and Excess Use Charge which is double the consumption rate
*In 2011, basis for measurement was switched from cubic feet to gallons. The adjustments and conversions necessary for this table have not yet been completed.
Source: City of Salina Water Customer Accounting Office.

Schedule 12
City of Salina, Kansas
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Lease	Temporary Notes		General Obligation Bonds	Water Revenue Bonds	Loans Payable	Temporary Notes				
2003	20,744,309	60,000	4,250,000		5,228,397	6,215,000	8,082,199	2,533,972		47,113,877	3.4%	1,023.70
2004	19,257,270	41,150	6,875,000		7,400,295	5,615,000	7,777,264	-		46,965,979	3.3%	1,024.00
2005	21,202,921	20,944	2,700,000		6,258,456	4,990,000	7,460,602	-		42,632,923	2.9%	927.53
2006	21,497,408	-	9,200,000		5,175,780	4,350,000	7,130,852	-		47,354,040	2.9%	1,030.42
2007	25,436,632	-	7,625,000		3,888,368	3,710,000	6,786,743	-		47,446,743	2.7%	1,010.80
2008	29,869,930	-	5,005,000		2,780,069	3,030,000	6,428,759	-		47,113,758	2.5%	1,014.12
2009	52,067,590	-	-		2,320,000	2,320,000	5,862,516	-		62,570,106	3.5%	1,346.09
2010	53,120,952	-	2,500,000		8,614,576	1,580,000	-	-		65,815,528	3.8%	1,425.20
2011	55,225,670	-	3,400,000		7,417,907	16,193,925	-	-		82,237,502	4.3%	1,723.80
2012	49,109,575	-	1,485,000		9,613,926	15,850,228	-	-		76,058,729	3.8%	1,587.53

Source: City of Salina Comprehensive Annual Financial Reports, 2003 - 2012

Schedule 13
City of Salina, Kansas
Ratio of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding							Percentage of Actual Taxable Value of	Per Capita
	General Obligation Bonds	Capital Lease	Temporary Notes	Total	Less Debt Service Fund	Net General Bonded Debt			
2003	25,972,706	60,000	6,783,972	32,816,678	1,584,330	31,232,348	8.6%	678.62	
2004	26,657,565	41,150	6,875,000	33,573,715	1,317,062	32,256,653	8.6%	703.30	
2005	27,461,377	20,944	2,700,000	30,182,321	1,407,529	28,774,792	7.5%	626.03	
2006	26,673,188	-	9,200,000	35,873,188	1,494,320	34,378,868	8.5%	748.08	
2007	29,325,000	-	7,625,000	36,950,000	1,210,457	35,739,543	8.3%	761.39	
2008	32,649,999	-	5,005,000	37,654,999	792,744	36,862,255	8.3%	793.45	
2009	54,387,590	-	-	54,387,590	735,291	53,652,299	11.9%	1,154.23	
2010	61,735,528	-	2,500,000	64,235,528	571,873	63,663,655	14.2%	1,378.60	
2011	62,443,577	-	3,400,000	65,843,577	1,236,026	64,607,551	14.4%	1,354.26	
2012	58,723,501	-	1,485,000	60,208,501	582,412	59,626,089	13.2%	1,244.54	

Source: City of Salina Comprehensive Annual Financial Reports, 2003 - 2012

Schedule 14
City of Salina, Kansas
Direct and Overlapping Governmental Activities Debt
As of December 31, 2012

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to City of Salina	Amount Applicable to the City of Salina
Direct:			
City of Salina	\$ 35,739,543	100%	\$ 35,739,543
Overlapping:			
Salina Airport Authority	25,080,000	100%	25,080,000
Saline County	-	76%	-
USD 305	<u>37,355,000</u>	94%	<u>34,971,751</u>
Total Overlapping Debt	62,435,000		60,051,751
Total Direct and Overlapping Debt	<u>98,174,543</u>		<u>95,791,294</u>
Per Capita Direct and Overlapping debt			\$ 1,999.40

Percentage of debt applicable to the City of Salina is based on the proportion that the assessed valuation of the City of Salina bears to the assessed valuation of the overlapping entity.

Source: Saline County Clerk

Schedule 15
 City of Salina, Kansas
 Legal Debt Margin
 Last Ten Fiscal Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Legal Debt Margin Calculation for 2012										
Assessed Valuation:		\$ 451,404,026								
Debt Limit (30% of Assessed Value)		135,421,208								
Debt Applicable to limit:			50,594,575							
Total Bonded Debt		76,058,729								
Less GO Debt Attributable to Exempt Purposes		9,613,926								
Less Revenue Bonds		15,850,228								
Less Temporary Notes		-								
Less Fund Balance designated for Debt Service		582,412								
Total Debt Applicable to Limitation		50,012,163								
Legal debt margin		85,409,045								
Debt Limit	\$ 108,930,133	\$ 112,581,905	\$ 115,184,791	\$ 120,657,497	\$ 128,539,768	\$ 133,224,043	\$ 135,400,141	\$ 134,340,263	\$ 134,928,191	\$ 135,421,208
Total net debt applicable to limit	31,172,348	32,485,503	28,774,792	28,774,792	35,739,543	36,862,255	53,652,299	58,411,185	57,747,032	50,012,163
Legal debt margin	77,757,785	80,096,402	86,409,999	91,882,705	92,800,225	96,361,788	81,747,842	75,929,078	77,181,159	85,409,045

Total net debt applicable to the limit	29%	29%	25%	24%	28%	28%	40%	43%	43%	37%
as a percentage of debt limit										

Schedule 16
City of Salina, Kansas
Pledged Revenue Coverage
Last Ten Fiscal Years

Water/Sewer Revenue Bonds						
Fiscal Year	Utility Service Charges	Less:		Principal	Interest	Coverage
		Operating Expenses	Net Available Revenue			
2003	12,129,440	10,682,725	1,446,715	791,394	477,400	114%
2004	12,361,877	10,654,249	1,707,628	904,935	542,722	118%
2005	12,703,953	10,468,771	2,235,182	941,662	542,722	151%
2006	12,949,169	10,894,968	2,054,201	969,748	461,470	144%
2007	14,054,466	11,545,842	2,508,624	983,479	589,288	160%
2008	14,072,513	12,754,057	1,318,456	1,038,000	515,459	85%
2009	14,980,874	12,524,390	2,456,484	1,276,243	455,294	142%
2010	16,520,055	13,571,098	2,948,957	740,000	91,450	355%
2011	17,905,056	12,963,891	4,941,165	1,580,000	496,760	238%
2012	19,098,626	13,963,941	5,134,685	340,000	596,992	548%

Source: City of Salina Comprehensive Annual Financial Reports, 2003 - 2012

Schedule 17
 City of Salina, Kansas
 Demographic and Economic Statistics
 Last Ten Fiscal Years

Fiscal Year	Population	Per Capita Personal Income (Saline)	Personal Income, Salina (interpolated)	Unemployment Rate	Labor Force, Saline County
2003	46,023	29,755	\$ 1,369,414,365	4.6%	30,086
2004	45,865	31,175	\$ 1,429,841,375	4.8%	30,600
2005	45,964	32,387	\$ 1,488,636,068	4.4%	30,358
2006	45,956	35,759	\$ 1,643,340,604	3.7%	30,539
2007	46,940	36,781	\$ 1,726,500,140	3.3%	30,843
2008	46,458	40,675	\$ 1,889,679,150	3.9%	29,222
2009	46,483	38,204	\$ 1,775,836,532	5.7%	26,806
2010	46,180	37,978	\$ 1,753,824,040	6.4%	26,155
2011	47,707	39,910	\$ 1,903,986,370	6.3%	26,556
2012	47,910	41,842	\$ 2,004,650,220	5.1%	30,206

Sources:
 Population: Kansas Division of the Budget.

Personal income for Salina is derived from the population and per capita personal income for Saline County Per Capita Personal income as reported by the Bureau of Economic analysis, as of 6/27/2013
 2012 Per Capita Personal Income projected

Schedule 18
City of Salina, Kansas
Principal Employers
Current Year and Nine Years Ago

Employer	Type of Business	2003			2012		
		Employees	Rank	Percentage of Labor Force	Employees	Rank	Percentage of Labor Force
Tony's Pizza Service (Schwans)	Frozen Pizza Manufacturing	2,300	1	7.9%	1,800	1	6.2%
USD # 305	Public School System	935	3	3.2%	1,659	2	5.7%
Salina Regional Health Center	Health Care	1,082	2	3.7%	1,300	3	4.4%
Exide Battery's	Automotive Battery Manufacturer	825	4	2.8%	750	4	2.6%
Phillips Lighting Co.	Fluorescent Lamps	620	6	2.1%	490	5	1.7%
City of Salina	City Government	509	7	1.7%	465	6	1.6%
Walmart	Retail				421	7	1.4%
Dillon Stores					343	8	1.2%
Solomon Corp	Electrical Equipment				324	9	1.1%
Saline County	County Government				277	10	0.9%
Great Plains Manufacturing	Agricultural and Landscaping Equipment	497	8	1.7%			
EI Dorado National	Busses/Recreational Vehicles	264	9	0.9%			
Raytheon Aircraft	Aircraft Manufacturing	653	5	2.2%			
OCCK	Assembly	263	10	0.9%			
Total		7,685		26.3%	7,829		26.8%

Source: Salina Chamber of Commerce