Richland-Lexington Airport District, South Carolina

COLUMBIA METROPOLITAN AIRPORT

Comprehensive Annual Financial Report

Year Ended December 31, 2011

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2011
WITH
INDEPENDENT AUDITORS' REPORT

Issued by:
Finance Department

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2011

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INTRODUCTORY SECTION

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

COLUMBIA METROPOLITAN AIRPORT

Letter of Transmittal

April 12, 2012

To the Members of Richland-Lexington Airport District Commission

We are pleased to submit the "Comprehensive Annual Financial Report" of the Richland Lexington Airport District, South Carolina (the "District") for the Fiscal Year Ended December 31, 2011 ("FY 2011"). This report contains a comprehensive analysis of the District's financial position and activities for the period and is presented in four sections: 1) Introductory Section, consisting of this transmittal letter along with a listing of District officials and its organizational structure; 2) Financial Section, consisting of the independent auditor's report, management's discussion and analysis, basic financial statements, notes to the financial statements, required supplementary information, and detailed revenue and expense schedules; 3) Statistical Section, consisting of pertinent financial, non-financial, and general information indicating trends for comparative fiscal periods; and 4) Single Audit Section, which contains reports on internal controls and compliance with applicable laws and regulations. Since the District is not funded by *ad valorem* property taxes, schedules of property tax data are not included in the Statistical Section of the report.

Responsibility for both accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the District. We believe the enclosed information is accurate in all material aspects, and that it is presented in a manner designed to fairly set forth the financial position and results of operation of the District in accordance with generally accepted accounting principles ("GAAP") in the United States of America; and that all disclosures necessary to enable the reader to gain an understanding of the District's financial activity have been included. Management has established and maintains a system of internal control to provide for this assurance.

The District's annual financial statements have been audited by the independent certified public accounting firm of Scott and Company LLP, of Columbia, South Carolina. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor has rendered an unqualified opinion on the District's financial statements for the year ended December 31, 2011.

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The independent auditor also conducted an audit on the District's Federally-funded programs and awards mandated by the Single Audit Act of 1996 and the OMB Circular A-133, designed to meet the special needs of Federal grantor agencies. The standards governing the "Single Audit" engagement require the auditor to report not only on the fair presentation of the District's annual financial statements, but also on the District's internal controls and compliance with legal requirements, with special emphasis on internal control and legal requirements involving the administration of Federal awards. These reports are included in the Supplementary Federal Financial Assistance Reports Section of this report.

Profile of the Government

The District was created in 1962 as a political subdivision of the state of South Carolina and operates the Columbia Metropolitan Airport (the "Airport") in the unincorporated area of Lexington County, South Carolina. The District operates as a special-purpose entity under the laws of the state of South Carolina and is governed by an appointed commission.

Policy making and legislative authority are vested with the District's Commission which consists of twelve members - five members are nominated by the Lexington County Legislative Delegation, five members are nominated by the Richland County Legislative Delegation, and two members are nominated by the City of Columbia Council. Following nomination, the Governor of the state of South Carolina appoints the members to serve a term of four years.

The District's Commission is responsible, among other things, for hiring the executive director and selecting the independent auditor to audit the annual financial statements. The Airport's Executive Director is responsible for carrying out the policies and ordinances of the District's Commission and to oversee the day-to-day operations of the Airport through the appointment of staff to head various divisions – Human Resources, Marketing, Business Development / Facilities, Public Safety, and Finance / Administration. The District has approximately 75 employees.

A listing of the Commission members and an organizational chart immediately follows this letter.

Factors Affecting Financial Condition

Accounting standards require management of the District to prepare a narrative introduction, overview, and analysis to accompany the basic financial statements. Management's Discussion and Analysis (the "MD&A") is part of the Financial Section of this report. It contains a discussion of the District's current financial statements and activities for the year ended December 31, 2011, and can be found immediately following the *Report of Independent Auditor.* However, the information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the District operates as outlined below.

The Airport
The Airport is comprised of approximately 2,600 acres and is located within the greater metropolitan area of Columbia, South Carolina. The Airport's facilities include two runways (11/29 and 5/23) with lengths of 8,602 and 8,000 feet, respectively; a passenger terminal with 13 aircraft parking positions; parking facilities for 3,505 automobiles; a 108-acre parcel designated as a Foreign Trade Zone; a 448-acre parcel designated for industrial development ("CAE Park"); two fixed based operators ("FBO's") which provide general aviation services; maintenance facilities; and other related facilities and equipment to support public airway travel.

Local Economy and Air Service Area
The air service area consists of an eleven (11) county area of central South Carolina - Richland, Lexington, Calhoun, Clarendon, Fairfield, Kershaw, Lee, Newberry, Orangeburg, Saluda, and Sumter. The City of Columbia is the center of the air service area. The estimated population of the area in Fiscal Year 2011 was approximately 1,039,870. The economy of the air service area is diverse with approximately 24% of total employment being with manufacturing, with the remainder of employment distributed among healthcare, insurance, colleges and universities, wholesale and retail trade, logistics, and food processing.

Airlines
As of December 31, 2011 the following air carriers presently serve the Airport through a variety of operators that change periodically:

Passenger Airlines:
Delta Airlines, Inc.; American Airlines; US Airways; United Airlines; and Continental Airlines.

Cargo Airlines:
Federal Express, Inc.; Mountain Air Cargo; United Parcel Service Co., and affiliated carriers.

Delta Air Lines and its 'code-sharing' affiliated airlines continue to account for the majority of passengers at approximately 27.07% of the air passenger operations at the Airport. In 1996, United Parcel Service opened a regional package sorting and distribution facility adjacent to the Airport and currently accounts for approximately 15.27% of the airline operations (UPS and feeder carriers) at the Airport.

Airline Agreements
New airline use agreements were completed in October 2009, and effective January 1, 2010. The new agreements are a hybrid of both residual and compensatory rate-setting methodologies. They provide for the allocation of costs into different cost centers to determine the airline's rates and charges. The airfield is a fully residual cost center, while the terminal is compensatory. The new agreements include an airline security reimbursement fee in addition to the landing fee and terminal rents paid by the airlines. The agreement also contains provisions for revenue sharing (50% to airlines and airport) and deficit responsibilities (100% to the airlines) based on the results of each year.

Additionally, and pursuant to certain awards by the Federal Aviation Administration (FAA) of the U.S. Department of Transportation, the District has been given the authority to collect and use a $4.50 per passenger facility charge (PFC's) for a total of $70,528,884 during the duration of the program. PFC's are collected by the air carriers serving the Airport and are remitted monthly, less a prescribed airline administrative cost. The FAA maintains rules and regulations governing the collection and use of the PFC's.

Internal Control
The District's management appreciates the necessity for a comprehensive framework of internal control as defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). To that end, we endeavor to maintain a control environment that supports continuous risk assessment, the proper control activities, reliable and secure information and communication, and appropriate monitoring to ensure the effectiveness and efficiency of our operations, the reliability of our financial reporting, and our compliance with applicable laws and regulations.

Parking Management Agreement
During 2002, the District entered into a contract with Republic Parking System, Inc. to manage the operations of the Airport's public parking facilities. Charges for parking in the facilities are established by the District. The Parking Management Agreement expires on May 31, 2012, and contains a five-year extension at the option of the District.

Rental Car Concession Agreements
The District has entered into substantially similar concession agreements with "on-Airport" rental car companies - Avis, Hertz, Budget, National, Thrifty, Dollar, and Enterprise effective February 1, 2010.

The rental car companies pay rent to the District for "on-Airport" counter and ready-return parking spaces, and sales commissions. Additionally, pursuant to certain amendments to the Rental Car Concession Agreements, a $6.00 per customer per day contract facility charge (CFC's) is collected by the rental concessionaires and remitted to the District monthly. The daily CFC provides for the debt service, rent, and annual operations and maintenance expenses associated with the consolidated service facility.

Other Terminal Concession Agreements
The District maintains several space and sales concession-based lease agreements with concessionaires for food, beverage, retail services and a USO station in the terminal building.

Budgetary and Accounting Procedures

The District operates under a January 1 to December 31 fiscal year. During the summer of each year, the District begins preparation of its annual budget. The Director of Finance and Administration, with input from the department heads, prepares a draft of the budget in report form which is submitted to the Commission's Finance Committee for initial review.

During the budget process, the Executive Director and Director of Finance and Administration make the proposed budget and proposed rates available to the signatory airlines for comment and consultation. A final budget is approved by the Commission prior to the beginning of the new fiscal year.

All financial activities of the District are accounted for within a single proprietary (enterprise) fund, which reflects the District's net assets, revenues, expenses, and changes in net assets using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis concept, revenues are recognized when earned, and expenses are recognized when incurred. Detailed descriptions of the budgetary process and the significant accounting policies of the District are included in the Notes to Financial Statements.

Acknowledgements

The preparation of this report could not be accomplished without the dedicated endeavors of the Finance and Administration Department.

Respectfully submitted,

/S/ Gregory K. Hornsby, CPA

Director of Finance and Administration

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
DECEMBER 31, 2011

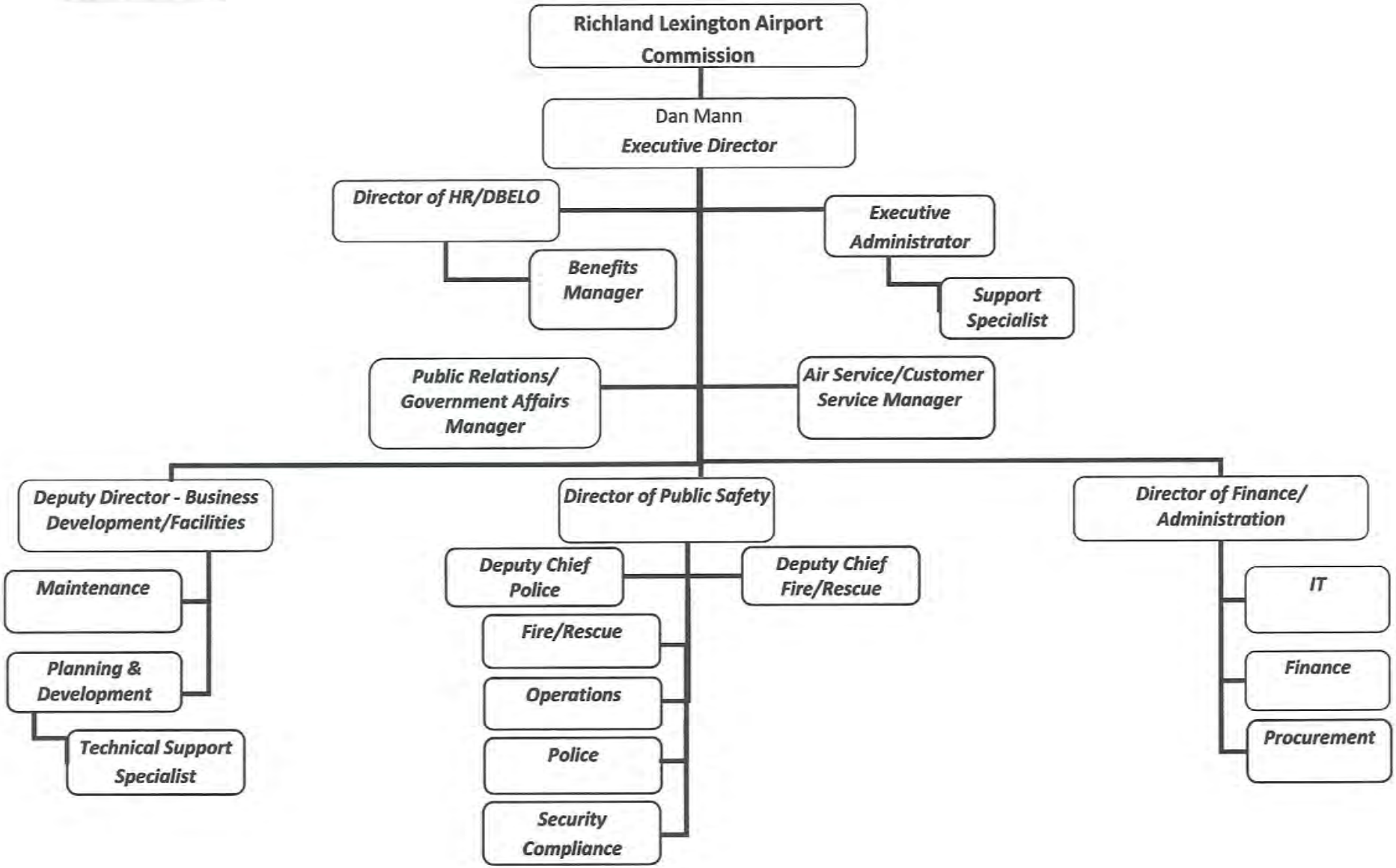
Members of the Commission

Robert W. Price, Jr., Chairman
Anne M. Sinclair, Vice Chairman
Hazel L. Bennett
James A. Compton
Jerrod F. Howard
David N. Jordan
Larry L. Koester
F. Xavier Starkes
James L. Whitmire
Roxanne Wilson

Administrative Officials

Dan E. Mann, A.A.E., Executive Director
Randy M. Blackmon, Director of Public Safety
Chappelle Broome, Director of Human Resources
Lynne W. Douglas, Director of Marketing & Community Relations
Charles M. Henderson, A.A.E., Deputy Director
Gregory K. Hornsby, C.P.A., Director of Finance & Administration

COLUMBIA METROPOLITAN AIRPORT ORGANIZATIONAL CHART



FINANCIAL SECTION

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Independent Auditors' Report

Board of Commissioners
Richland-Lexington Airport District, South Carolina

We have audited the accompanying basic financial statements of Richland-Lexington Airport District, (the "District"), as listed in the table of contents, as of and for the year ended December 31, 2011. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year total comparative financial information presented has been derived from the District's 2010 audited financial statements. Those financial statements were audited by us and our report dated April 18, 2011 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Richland-Lexington Airport District as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 12, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considering in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14 and other required supplemental information on pages 36 and 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the District taken as a whole. The introductory section, the other financial information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analyses as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements. The accompanying Schedule of Passenger Facility Charges (PFC's) and Expenses is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies,* issued by the Federal Aviation Administration, and is not a required part of the basic financial statements. The other financial information, Schedule of Expenditures of Federal Awards, and Schedule of Passenger Facility Charges 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. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied to the basic financial statements and, accordingly, we express no opinion on them.

Scott and Company LLP

April 12, 2012
Columbia, South Carolina

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011

Introduction

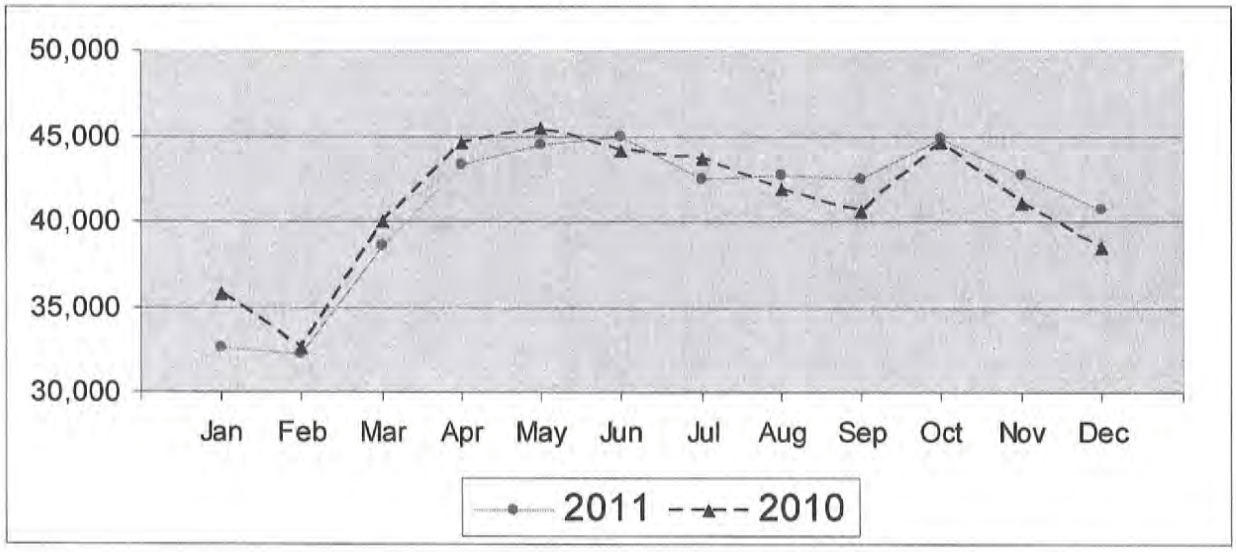
The Richland Lexington Airport District, South Carolina, is pleased to present its Annual Financial Report in accordance with Statement of Governmental Accounting Standards No. 34, entitled *Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments* (GASB 34). Below is management's required discussion and analysis.

Operating and Financial Highlights

The District's year ended December 31, 2011 saw the end of the monthly declining passenger traffic trend which started in 2005, however, for the year, enplanements were down compared to 2010. Increased seat capacity and competitive fares offered by incumbent airlines contributed to an improved traffic comparison that started in the summer. The increased traffic and aggressive expense management combined to produce a favorable financial performance in 2011.

The following are key operational and financial highlights:

- 491,921 passengers were enplaned in fiscal year 2011, which was a .14% decrease from the 492,598 passengers enplaned in fiscal year 2010. Air service averaged 37 daily flights each month. Enplanements by month are shown in the following chart.



Operating and Financial Highlights (continued)

- Operating revenues were $15.0 million.
- Operating expenses before depreciation were $10.2 million, which was a 15.35% decrease from fiscal year 2010.
- Net change in net assets as a ratio to the total of net operating revenue, non-operating revenues, and capital contributions was a negative 3.27% in fiscal year 2011, a decrease from the positive 22.17% achieved in fiscal year 2010.
- Debt service coverage ratio on the annual debt service requirement was 169%, which exceeded the required Revenue Bond covenants.
- The total of cash and cash equivalents and temporary investments (not including restricted assets of the same description) increased by approximately $3.5 million in fiscal year 2011.
- Total assets at December 31, 2011 were $176.5 million and were in excess of liabilities by approximately $99.5 million (i.e. net assets). The net assets are comprised of $71.5 million invested in capital assets (net of related debt), $10.1 million in net assets that are restricted for debt service, projects, and other purposes, and $17.9 million that is unrestricted.
- The District capitalized $1.8 million as a transfer from construction in progress to capital assets for airfield projects.
- Long-term debt activity was comprised of the annual payment of $2.4 million in bond principal. No debt was issued, nor was any existing debt refinanced.
- The District's balance sheet positions improved from 2010. Despite a loss from operations and significantly decreased grant revenue, the District experienced improvements in unrestricted cash and unrestricted net assets from the previous year.

Overview of Annual Financial Report

Management's Discussion and Analysis ("MD&A") serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the District's budgeting and other management tools were used for this analysis.

The District's financial statements include Balance Sheets; Statements of Revenues, Expenses, and Changes in Net Assets; Statements of Cash Flows; and Notes to Financial Statements. The balance sheets present the financial position of the District on a full accrual historical cost basis. While the balance sheets provide information about the nature and amount of resources and obligations at the end of a year, the statements of revenues, expenses, and changes in net assets present the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. These statements also provide certain information about the District's recovery of its costs.

Overview of Annual Financial Report (continued)

The Statements of Cash Flows present changes in cash and cash equivalents, resulting from operating, financing, and investing activities. These statements present cash receipts and cash disbursement information, without consideration of the earnings event, when obligations arise, or depreciation of capital assets.

The Notes to Financial Statements provide disclosures and other information that is essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances, activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

The financial statements were prepared by the District's staff from the detailed books and records of the District. The financial statements were audited during the independent external audit process performed by Scott and Company LLP of Columbia, South Carolina.

Summary of Organization and Business

The District is described in *Note 1* of the Notes to Financial Statements.

Based on its State Statute, the District has the ability to issue general obligation ("G.O.") debt, but it has not done so since 1985. The District's last G.O. bond was satisfied in fiscal year 1999. Airport operations are otherwise funded from airline and non-airline customer and tenant revenues.

As discussed in the 2009 MD&A, the new airline-airport use agreements (the "agreements") were effective January 1, 2010, and expire December 31, 2014. Airfield and terminal direct and indirect costs are reported in these two airline-related cost centers. The non airline-related cost centers are Parking/Roadway; Cargo; Rental Car; Other Leased Sites; and Indirect.

The airfield cost center is residual, meaning that the airlines completely underwrite the cost of operating the airfield with no profit opportunity or risk for the District. The terminal cost center is compensatory, meaning that the airlines pay only for the cost of operating the airline areas. The airlines lease preferential space (ex: ticket counters, offices, etc) and are allocated common space (ex: terminal and concourse) used by their passengers.

Airlines are either signatory parties to the agreement, or non-signatories. Signatory airlines participate in a defined distribution of net revenues or revenue deficits, depending on the annual results of the District's operations through December 31, 2014. Non-signatory airlines do not have the risks or potential rewards associated with agreement and are granted a permit to operate, which may be terminated with 30-days notice. Additionally, the rates applied to non-signatory airlines include a twenty-five percent (25%) premium over signatory rates.

Summary of Organization and Business (continued)

Passenger air carriers include operators for Delta Airlines, American Airlines, Continental, US Airways, and United Airlines. Cargo air carrier service was provided by United Parcel Service and affiliated "feeder" airlines carriers, Federal Express, and Mountain Air Cargo. Of these carriers, American Airlines, Mountain Air Cargo, and the UPS "feeder" airlines are non-signatory airlines.

Non-airline customers and tenants include Paradies (retail concessionaire), Concessions International (food concessionaire), Travel Incorporated, several rental car agencies, United Services Organization, Federal government agencies (FAA, NOAA, TSA,), SC Department of Aeronautics, SCANA, fixed-based operators and an aircraft maintenance organization.

The District also owns an industrial park adjacent to the Airport. The park is 439 acres, with 153 acres sold by the District to Lexington County in 1999 and 2000, which are occupied by Flextronics (computers), Harsco Rail (transportation), Akebono (automotive), Allied Air (construction), and Beverage South. Other tenants include United Parcel Service (freight COD), CEE-US (utilities), and Communications Management Inc (information technology). A portion of the park is reserved for future aviation-related development, and the remainder is available for sale.

Financial Analysis

The following condensed financial statements and other selected information serve as the key financial data and indicators for management, monitoring, and planning. Comments regarding year-to-year variances are included in each section by the name of the statement or account.

CONDENSED BALANCE SHEET

	December 31, 2011	December 31, 2010
Assets:		
Current assets	**$ 12,422,353**	$ 8,452,205
Restricted assets	**11,971,540**	12,064,078
Capital assets, net	**144,031,807**	150,013,391
Other long-term assets	**8,042,360**	8,490,522
Total Assets	**$ 176,468,060**	$ 179,020,196
Liabilities:		
Current liabilities	**$ 6,473,137**	$ 5,918,062
Long-term liabilities	**70,510,884**	72,886,745
Total Liabilities	**76,984,021**	78,804,807
Net Assets:		
Invested in capital assets, net	**71,515,684**	74,948,911
Restricted	**10,048,959**	9,140,254
Unrestricted	**17,919,396**	16,126,224
Total Net Assets	**99,484,039**	100,215,389
Total Liabilities and Net Assets	**$ 176,468,060**	$ 179,020,196

Balance Sheet (Financial Position)

Overall, the District's financial position has improved in 2011. Unrestricted cash and temporary investments increased by $3.5 million due primarily to a $1 million increase in net cash provided by operating activities, decreased capital expenditures net of federal grants received, and a $1 million decrease in the "Funds Available" for debt service coverage reclassified from unrestricted to restricted current assets. The District had 260.82 days cash on hand to meet operating and debt service funding needs, as compared to 189.67 days in 2010.

The accounts receivable from vendors portion of "Receivables, net" increased by a total of $0.4 million, and the number of days operating revenue in receivables increased to 39.44 from 30.33 in 2010. The majority of increase is related to an owner-financed land sale to a local church for a small parcel on the south side of the airfield. It should be noted that the 2010 Receivables, net amount has been adjusted to reflect an immaterial reclassification of a prior year's adjustment to credit balances in specific accounts.

The balances for accrued interest receiveable, inventory, and prepaid expenses are materially consistent with the 2010 balances.

The current ratio (current unrestricted assets divided by current unrestricted liabilities) declined to 7.89, based on the increase in current unrestricted liabilities, which is discussed below.

Restricted cash and cash equivalents includes a $2.0 million reclassification of "Other Funds Available" from current "unrestricted" cash and cash equivalents to the restricted asset of the same name for the purpose of computing debt service coverage, as shown in the "Schedule of Debt Service Coverage."

Restricted temporary investments represent those investments held in trust as the Series 2001A Debt Service Reserve fund which have maturities within one year of the balance sheet date. The remainder of this fund with investment maturities exceeding one year of the balance sheet date is reported on the Balance Sheet as a non-current restricted investment. These investments are discussed in Note 3.

Grant funds receivable increased by $0.4 million, related to grant fund requests from work performed on the Pitts Dam, airfield signage, and terminal renovations.

Capital assets net of accumulated depreciation decreased by approximately $6.3 million. Additions and construction projects included the completion of the Runway 11/29 rehabilitation project, and continuing projects in the airfield and a terminal renovation project. These and other minor projects and additions totaled approximately $2.8 million, but were offset by $8.7 million of depreciation expense. The District sold a small parcel of land to a local church, reducing land by $0.1 million. A reconciliation of all changes to capital assets is provided in Note 5.

Other Assets includes bond issuance costs and airline contract development costs net of accumulated amortization. It also includes intangible assets associated with the FAA Noise Program improvements to nearby homes affected by air traffic noise, net of accumulated amortization. The intangible assets are avigation easements which ensure building compliance with FAA-mandated building height restrictions in controlled air space. These costs were previously reported as a capital asset, net of depreciation, but have been reclassified for both comparative years as Other Assets to properly reflect the nature of the asset. This reclassification is addressed in Notes 1, 5, 7 and 9.

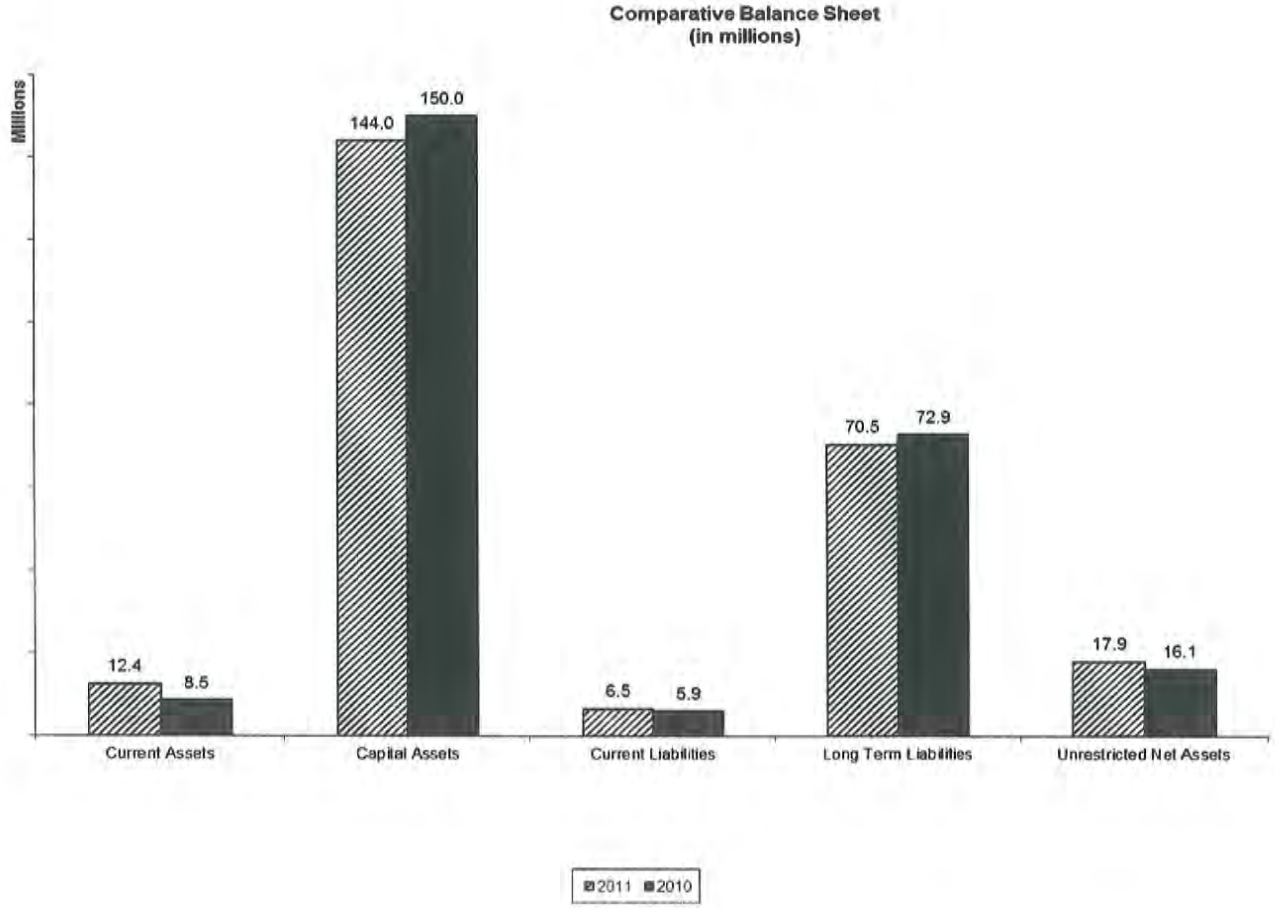
Balance Sheet (Financial Position) (continued)

Current "unrestricted" liabilities increased by approximately $0.7 million, a net of the $0.4 million reduction in the 2010 accrued payroll and the $1.1 million signatory airline rebate. The rebate represents amounts due to the signatory airlines based upon a year-end reconciliation of costs allocated to airline cost centers (airfield, terminal, and security fees) as well as an equal sharing of the contractually defined "revenue balance".

As noted in the Operating and Financial Highlights, no additional long-term debt was added or refinanced.

No changes to the retiree health benefit were made in 2011, and the liability at December 31, 2011 increased $0.1 million from 2010. Further discussion of this subject is presented in Note 11 – Post Employment Benefits Other Than Pension.

Total net assets decreased by $0.7 million, primarily due to decreased Airport Improvement Program ("AIP") grant revenue. As mentioned in the discussion of Other Assets, the reclassification of intangible assets from Capital assets to Other assets does impact the presentation of Net Assets Invested in capital assets, net of debt. Further discussion of AIP projects is presented in the *Non-Operating Revenues and Expenses* section.



CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	Years Ended December 31,	
	2011	2010
Operating revenues (before Signatory Airline (rebate) surcharge)	**$ 16,113,791**	$ 16,975,844
Signatory Airline (rebate) surcharge	**(1,081,934)**	79,729
Total Operating Revenues	**15,031,857**	17,055,573
Operating expenses (before depreciation)	**10,216,048**	12,068,951
Depreciation	**8,698,300**	8,562,304
Total Operating Expenses	**18,914,348**	20,631,255
Loss from operations	**(3,882,491)**	(3,575,682)
Net non-operating revenues (expenses)	**452,476**	(2,224,088)
Grant revenues	**2,698,665**	12,963,580
Net Change in Net Assets	**$ (731,350)**	$ 7,163,810

CONDENSED STATEMENT OF REVENUES

	Years Ended December 31,	
	2011	2010
Landing fees	**$ 3,370,969**	$ 3,642,910
Leased sites	**6,464,225**	6,469,045
Terminal rent	**5,909,693**	6,302,656
Passenger Facility Charges (PFC's)	**1,905,561**	1,915,574
Contract Facility Charges (CFC's)	**2,516,880**	1,787,847
Grant revenue	**2,698,665**	12,963,580
Investment income	**48,018**	95,809
Other (Operating & Non-Operating)	**425,389**	561,233
Gain/(loss) on sale/retirement of assets	**121,354**	(1,511,460)
Signatory Airline (rebate) surcharge	**(1,081,934)**	79,729
Total Revenues	**$ 22,378,820**	$ 32,306,923

Operating Revenues

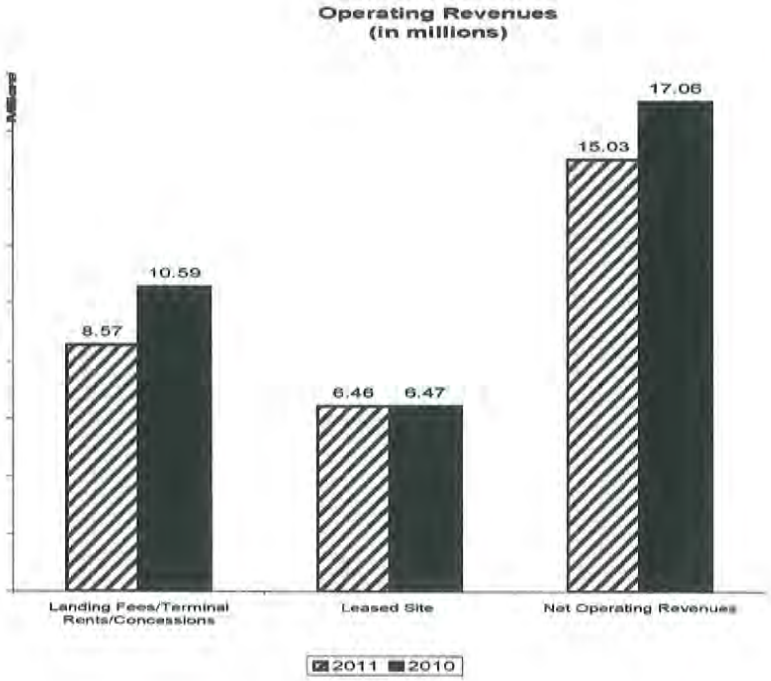
Revenue from operations is comprised of airfield landing fees, rental fees from tenants (on the airport campus and in the terminal), airline security reimbursement fee, parking (included in Leased Sites), concessions, and a small amount of other revenue. Net operating revenue of approximately $15.0 million is a $2.0 million decrease from the 2010 net operating revenue.

The decrease in net operating revenue was primarily due to the $1.9 million decrease in net airline revenue in 2011. As previously discussed in the **Summary of Organization and Business** section, airline-related cost is allocated to the associated airline cost center to compute the airline revenue necessary for each cost center.

For the year 2011, the signatory airline reconciliation produced a rebate of $1.1 million. Based upon the reconciliation, $0.3 million of airline revenue in excess of the final cost allocation was charged to all airlines operating at the District. The remaining $0.8 million of the rebate represents the equal distribution of the revenue balance, which is the excess of total revenues over total expenses. Total expenses include contractually-defined deposits into Operating and Maintenance and Repair and Replacement Funds. Total revenues include both operating and non-operating revenues, while total expenses include both operating and capital expenses.

Non-operating revenues include Passenger Facility Charges ("PFCs") and Contract Facility Charges ("CFCs"). PFCs in excess of eligible debt service and CFCs in excess of the contractually defined "CFC Requirement" are not credited to the airlines. Capital expenses include debt service on the outstanding General Aviation Revenue Bonds as well as capital asset acquisition cost, net of associated Airport Improvement Program reimbursements.

The 2011 airline rates were: landing fees of $3.26 per 1,000 lbs. of certificated landed weight, terminal rental rates of $32.99 per square foot, and security fee reimbursement of $1.36 per enplaned passenger. Parking rates remained a maximum of $8.00 per day for surface parking, $12.00 per day for the garage, and $14.00 per day for valet parking services.



CONDENSED STATEMENT OF EXPENSES

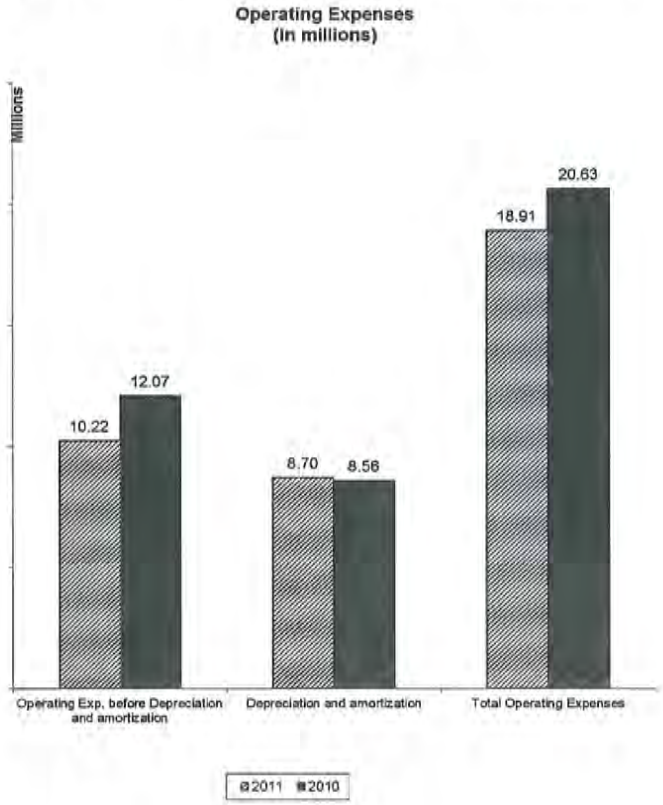
	Years Ended December 31,	
	2011	2010
Operating expenses	**$ 18,914,348**	$ 20,631,255
Non-operating expenses	**4,195,822**	4,511,858
Total Expenses	**$ 23,110,170**	$ 25,143,113

Operating Expenses

The District's expenses are comprised of the following: salaries and benefits, supplies, airport operations, travel and education, outside professional services, bad debt expense, marketing, and depreciation. Operating expenses before depreciation were $10.2 million, a decrease of $1.9 million from the 2010 amount.

Salaries and benefits decreased $1.9 million while Non-salary operating expenses were materially the same as in 2010. The District's final 2011 payroll included 13 fewer regular positions than 2010. Combined with the lack of severance incentives included in the 2010 expense, these measures resulted in the decreased cost.

Depreciation expense of $8.7 million was an increase of $0.1 million over 2010, primarily due to a full year of depreciation on 2010 additions. The reclassification of intangible assets from Capital Assets to Other Assets has been considered in the comparative depreciation and amortization expenses presented in the Statement of Revenues, Expenses, and Changes in Net Assets. This reclassification and restatement of 2010 expenses did not produce a change in the Net Change in Net Assets amount.



Non-Operating Revenues and Expenses

Non-operating revenues and expenses is comprised of Passenger and Contract Facility Charges (PFC's and CFC's, respectively), investment income, interest expense, and other income and expense items.

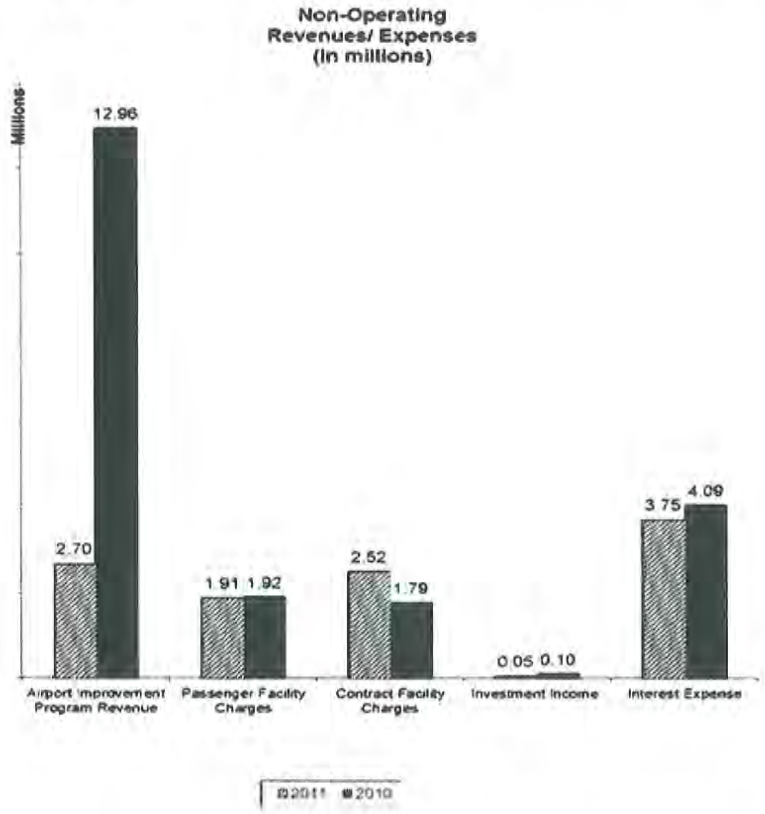
PFC revenues of $1.9 million were approximately $10,000 (0.5%) less than 2010 collections, which is consistent with the comparison of enplanements between 2011 and 2010. CFC revenue of $2.5 million was $0.5 million more than 2010 collections, which also satisfied a $0.2 million receivable from 2009. 2011 was a full year of the $6.00 daily CFC, which accounts for the increased revenue.

Investment income of $48,000 was approximately 50% less than 2010 income, reflecting the continued decline of interest rates. Interest expense was $0.3 million less than 2010, reflecting the reduced debt service attributable to the partial defeasances of Series 2001A bonds in 2010.

As noted in the Other Asset discussion, the reclassification of intangible assets increased amortization expense. Amortization expense for 2010 also includes the reclassified expense to provide the proper comparison of both years.

The $0.1 gain on the sale of assets is related to the sale of land and a building south of Runway 11/29.

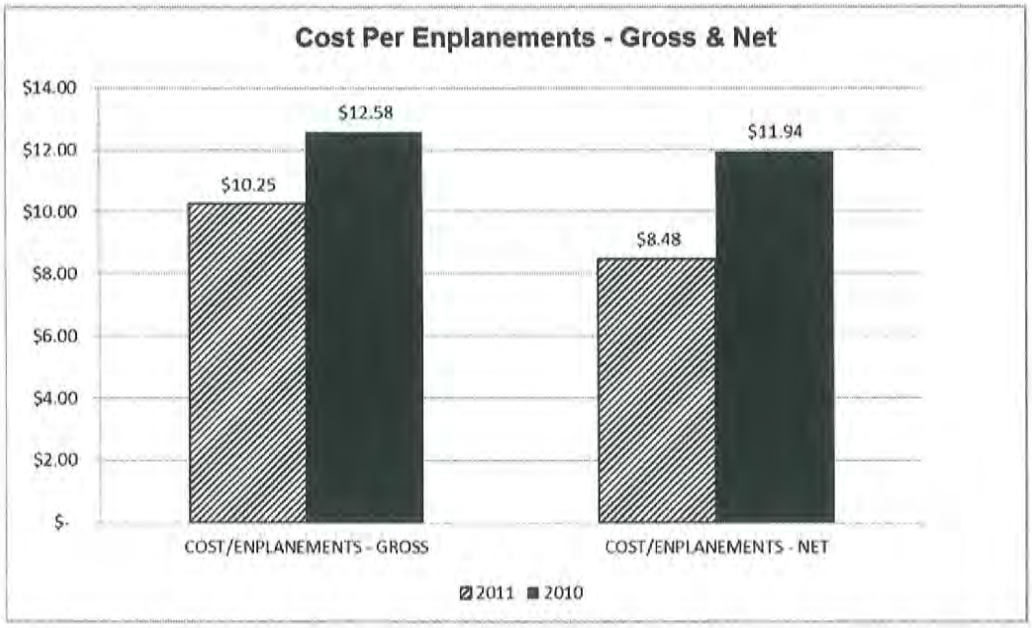
Airport Improvement Program ("AIP") grant revenue from the Federal Aviation Administration ("FAA") was $2.7 million. The $10.3 million decrease from 2010 reflects completion of the runway 11/29 project. The 2010 revenue included a significant level of discretionary grants from the FAA which was not available due to the size and scope of planned projects in 2011.



General Trends and Significant Events

Passenger traffic for 2011 was virtually equal to 2010, with six months of positive enplanement comparisons to the same six months of the previous year. One reason for this improvement is management's work with incumbent airlines to increase seat capacity and provide more competitive air fares. These results have alleviated concerns over the potential impact of Southwest Airlines serving two markets so close to our own.

As discussed in the 2010 MD&A, the District eliminated 37 positions during 2010, which produced a 15.7% decrease in total operating expense before depreciation. Additionally, non-operating expense was lower in 2011 due to the reduced Series 2001A interest expense. These measures had a direct impact on the expenses allocated to the airline cost centers and the "revenue balance" shared with the airlines. They produced both a lower "gross" (before revenue sharing) and "net" (after revenue sharing) cost per enplaned passenger in 2011, as shown in the below chart.



This measurement of an airline's cost to operate is the most important financial metric in the airport/airline relationship, and the District's improved performance has been well received by the signatory airlines.

Final Comments

The District's liquidity measurement of days cash on hand and operating measurement of cost per enplanement showed considerable improvement over the previous year. These results allow the District greater flexibility for future expense improvements in the areas of debt reduction and operating expense. In particular, cost per enplanement reduction is an attractive marketing tool in the competition for additional service and improved air fares.

Management believes that 2012 will be an important year for the District to continue the improvements that started in 2010. Continued focus on the core business travel market, continued revenue diversification efforts, and cost control are expected to yield positive results and an improved financial position.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

BALANCE SHEETS

DECEMBER 31, 2011
(With comparative amounts at December 31, 2010)

	2011	2010
Assets		
Current Assets:		
Cash and cash equivalents	$ 8,977,559	$ 5,344,580
Temporary investments	1,000,000	1,100,000
Receivables, net	1,847,247	1,417,028
Accrued interest receivable	1,011	3,431
Inventory	291,711	266,792
Prepaid expenses	304,825	320,374
	12,422,353	8,452,205
Restricted assets:		
Cash and cash equivalents	9,749,837	10,366,852
Temporary investments	410,353	484,421
Grant funds receivable	464,503	43,990
	10,624,693	10,895,263
Total current assets	23,047,046	19,347,468
Non-Current assets:		
Capital assets:		
Capital assets, net of depreciation	128,968,100	135,338,894
Capital assets not subject to depreciation	15,063,707	14,674,497
Total capital assets, net	144,031,807	150,013,391
Non-Current Restricted assets:		
Temporary investments	1,346,847	1,168,815
Other assets:		
Other assets, net	8,042,360	8,490,522
Total other assets	8,042,360	8,490,522
Total non-current assets	153,421,014	159,672,728
Total assets	$ 176,468,060	$ 179,020,196

-CONTINUED-

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

BALANCE SHEETS

-CONTINUED-

	2011	2010
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ **106,346**	$ 169,396
Accrued payroll and withholdings	**332,390**	731,218
Deferred revenue	**53,427**	27,886
Amounts due to airlines - signatory rebate	**1,081,934**	-
	1,574,097	928,500
Current liabilities payable from restricted assets:		
Construction project payable	**543,093**	685,758
Revenue bonds and accrued interest - current portion	**4,355,947**	4,303,804
	4,899,040	4,989,562
Total current liabilities	**6,473,137**	5,918,062
Non-current liabilities:		
Revenue bonds payable	**69,513,028**	72,018,721
OPEB obligation	**997,856**	868,024
Total non-current liabilities	**70,510,884**	72,886,745
Total liabilities	**76,984,021**	78,804,807
Net Assets:		
Invested in capital assets, net of related debt	**71,515,684**	74,948,911
Restricted for:		
Capital projects	**464,503**	43,990
Debt service	**6,491,491**	6,602,047
Other purposes	**3,092,965**	2,494,217
Unrestricted	**17,919,396**	16,126,224
Total net assets	**99,484,039**	100,215,389
Total liabilities and net assets	$ **176,468,060**	$ 179,020,196

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

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2011
(With comparative amounts year ended December 31, 2010)

	2011	2010
Operating Revenues		
Airfield landing fees	$ 3,370,969	$ 3,642,910
Leased sites	6,464,225	6,469,045
Terminal rents and commissions	5,909,693	6,302,656
Other	368,904	561,233
Total operating revenue before Signatory Airline (rebate) surcharge	16,113,791	16,975,844
Signatory Airline (rebate) surcharge	(1,081,934)	79,729
Net operating revenue	15,031,857	17,055,573
Operating Expenses		
Salaries and employee benefits	5,775,757	7,673,292
Supplies	94,541	94,548
Airport operations	3,420,416	3,536,842
Travel and education	279,510	264,354
Outside professional services	169,976	144,482
Marketing	429,129	207,943
Bad Debt Expense	46,719	147,490
Depreciation	8,698,300	8,562,304
Total operating expenses	18,914,348	20,631,255
Loss from operations	(3,882,491)	(3,575,682)
Non-operating Revenue (Expenses)		
Passenger Facility Charges (PFC's)	1,905,561	1,915,574
Contract Facility Charges (CFC's)	2,516,880	1,787,847
Investment income	48,018	95,809
Interest expense	(3,750,660)	(4,090,938)
Amortization expense	(445,162)	(420,920)
Gain (loss) on sale/retirement of assets	121,354	(1,511,460)
Other	56,485	-
Net non-operating revenues (expenses)	452,476	(2,224,088)
Loss from operations and net non-operating revenues (expenses) before capital contributions	(3,430,015)	(5,799,770)
Capital Contributions		
Grant revenue	2,698,665	12,963,580
Net change in net assets	(731,350)	7,163,810
Beginning of year, net assets	100,215,389	93,051,579
End of year, net assets	$ 99,484,039	$ 100,215,389

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

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2011
(With comparative amounts year ended December 31, 2010)

	2011	2010
Cash Flow from Operating Activities		
Cash received from customers	$ 15,932,113	$ 16,046,088
Cash paid to employees for services	(5,247,097)	(7,197,481)
Cash paid to suppliers	(5,310,367)	(4,455,232)
Net cash provided by operating activities	5,374,649	4,393,375
Cash Flow from Capital and Related Financing Activities		
Federal and state grants received	2,278,152	13,371,064
Acquisition and construction of capital assets	(3,190,049)	(14,776,461)
Principal paid on long term debt	(2,360,000)	(7,230,000)
Interest paid	(3,844,210)	(4,272,002)
Contract Facility Charges collected	2,516,880	2,026,423
Passenger Facility Charges collected	1,905,561	1,915,574
Proceeds from sale of capital assets	232,022	17,685
Net cash used in capital and related financing activities	(2,461,644)	(8,947,717)
Cash Flow from Investing Activities		
Purchases of investments	(2,757,200)	(2,753,236)
Proceeds from sales of investments	2,809,721	6,364,864
Investment income	50,438	95,658
Net cash provided by investing activities	102,959	3,707,286
Net increase (decrease) in cash and cash equivalents	3,015,964	(847,056)
Cash and cash equivalents at beginning of year	15,711,432	16,558,488
Cash and cash equivalents at end of year	$ 18,727,396	$ 15,711,432

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RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

STATEMENTS OF CASH FLOWS

-CONTINUED-

	2011	2010
Reconciliation of operating loss to net cash provided by operating activities		
Loss from operations	$ (3,882,491)	$ (3,575,682)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	8,698,300	8,562,304
Signatory rebate	1,081,934	(79,729)
Changes in other assets and liabilities:		
(Increase) decrease in accounts receivable	(207,219)	(613,732)
Decrease in inventory	(24,919)	8,764
(Increase) decrease in prepaid expenses	15,549	(42,135)
Increase in other assets	-	(279,174)
Decrease in accounts payable	(63,050)	(26,202)
Increase in accrued expenses	(398,828)	293,807
Decrease in deferred revenue	25,541	(36,850)
Increase in OPEB obligation	129,832	182,004
Net cash provided by operating activities	$ 5,374,649	$ 4,393,375
Reconciliation of cash and cash equivalents		
Cash and cash equivalents - unrestricted	$ 8,977,559	$ 5,344,580
Cash and cash equivalents - restricted	9,749,837	10,366,852
Total cash and cash equivalents	$ 18,727,396	$ 15,711,432
Supplemental disclosure of non-cash investing activities		
Net depreciation of investments reported at fair value	$ (32,994)	$ (4,819)

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

AUDITED BASIC FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

By State Statute in 1962, the Richland-Lexington Airport District, South Carolina (the "District") was created as a political subdivision of the State of South Carolina. Accordingly, the District operates as a special purpose entity under the laws of the State of South Carolina and is governed by an appointed commission. The District operates the Columbia Metropolitan Airport (the "Airport") in Lexington County, South Carolina.

The District's Commission consists of twelve members. Five members are nominated by the Richland County Delegation, five members are nominated by the Lexington County Legislative Delegation, and two members are nominated by the Columbia City Council. Following nomination, these persons are appointed by the Governor of the State of South Carolina to serve a term of four years.

Basis of Presentation and Accounting - The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

These financial statements are presented in accordance with GASB Statement No.34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*.

The District applies all GASB pronouncements as well as Financial Accounting Standards Board ("FASB") statements and interpretations issued on or before November 20, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary Fund - All activities of the District are accounted for within a single proprietary ("enterprise") fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary fund statements reflect net assets and revenues, expenses, and changes in net assets using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis concept, revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating expenses.

The District's significant accounting policies are described below:

Cash and Cash Equivalents - Cash includes amounts in demand deposits. The District considers all highly liquid investments (including restricted assets) with a maturity of three months or less, when purchased, to be cash equivalents.

Note 1. Summary of Significant Accounting Policies (continued)

Investments and Temporary Investments - Temporary investments represent certificates of deposit and repurchase agreements with maturities greater than three months but less than one year. The District's investments with maturities of greater than one year are included in non-current assets. The carrying value of the District's investments approximated fair value at December 31, 2011.

Accounts Receivable - The District's accounts receivable are stated at realizable values net of allowances for uncollectible accounts.

Inventory - Inventories, consisting primarily of supplies and parts held for consumption, are stated at lower of cost, determined using the first-in first-out ("FIFO") method, or market. Accordingly, the cost is recorded as an asset at the time individual inventory items are purchased and then expended as the supplies and parts are consumed ("consumption method").

Restricted Assets - Restricted assets represent monies or other resources, the use of which is either externally imposed or restricted by legal or contractual requirements. At December 31, 2011, the District's restricted asset accounts were derived from certain grants, bonds, and contract ordinances.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Capital Assets and Depreciation - Capital assets, which include land, construction-in-progress, airfield, buildings, and equipment are valued at historical cost if purchased or constructed, or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is recorded by using the straight-line method and is based on estimated useful lives and carrying values of the class of assets or individual assets ranging from 3-40 years. The construction-in-progress account consists of costs to date associated with construction projects.

Capital assets are defined by the District as those assets with an initial individual cost of more than $3,000 and an estimated useful life of three years or more.

Public domain (infrastructure) capital assets (e.g., original airfield – related runway and taxiways and navigational rights, roads, bridges, sidewalks, and other assets that are immovable and of value only to the District) have been capitalized using actual and estimated historical costs.

Depreciation of all exhaustible capital assets has been provided based on the estimated useful lives of the class of assets, or individual assets, using the straight-line method with service lives as follows:

Airfield – 20 to 30 years
Buildings – 15 to 40 years
Equipment – 3 to 8 years

Capitalization of Interest - Interest costs incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Note 1. Summary of Significant Accounting Policies (continued)

Other Assets – Included in other assets are bond issuance costs. Bond issuance costs incurred are deferred and amortized over the life of the related bond issue using the straight-line method, which approximates the effective-interest method, and are included in other assets.

Long-term Obligations - Long-term debt represents unmatured principal of revenue bonds. The Other Post-employment Benefits liability is also recorded as a long-term obligation (*See Note 11).*

Compensated Absences (Accrued Vacation) - The District maintains a policy that allows employees to carryover an amount not to exceed the maximum annual accrued leave to the subsequent year. The District considers this amount to be a current liability since it does not restrict the amount of leave used by an employee, subject to management approval. Accrued vacation is treated as a terminal benefit and is paid to the extent of the accumulated balance upon an employee's termination. Accumulated sick leave is not paid when the employee terminates their employment, and therefore, an accrual is not made for unpaid sick time.

Net Assets - Net assets comprise the various net earnings from operations, non-operating revenues, expenses, and contributions of capital. Net assets are classified in the following three components: invested in capital assets, net of related debt, which consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets. Unspent proceeds or other restricted cash and investments are added back to this balance, if applicable. Assets restricted for capital projects and debt service consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation. Unrestricted assets consist of all other net assets not included in the above categories.

Lease Accounting - Revenue from terminal building space rentals and other leased sites is accounted for under the operating lease method. Base monthly rentals are computed on the square footage occupied by the tenant times the rent per square foot which varies with options to renew; however, lease terms provide for early termination by either party with a 30-day notification. Annual rent increases are primarily based on annual increases in the Consumer Price Index, where applicable.

In addition, lease revenues from airlines for the year ended December 31, 2011 were based on certain "signatory" and "non-signatory" airline lease and use agreements. Beginning January 1, 2010, $332,858 of contract development costs will be amortized over the five year term of the airline-airport use agreement. At December 31, 2011, the District had $199,714 of unamortized contract development costs.

Grant Revenue and Non-exchange Transactions - Pursuant to GASB No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, non-operating grants, Passenger and Contract Facility Charges and other contributed capital have been recognized as non-operating revenue. The District is a recipient of certain Federal Aviation Administration (FAA) Airport Improvement Program (AIP) grants. These cost-reimbursed grants have been recognized as capital contributions.

Note 1. Summary of Significant Accounting Policies (continued)

Passenger Facility Charges - Passenger Facility Charges ("PFC's") collected pursuant to Federal Aviation Administration (FAA) regulations from enplaned passengers via airlines' remittances are restricted for future construction, capitalization, and related debt service of the Airport as approved by the FAA. On November 1, 1993, the FAA approved the District to impose a $3.00 PFC fee. Effective December 1, 2001, the FAA approved a $1.50 fee increase for a total $4.50 per enplaned passenger, less a prescribed airline administrative cost. These amounts have been recognized when receipted as non-operating revenue.

Contract Facility Charges - Contract Facility Charges ("CFC's"), collected pursuant to certain agreements on automobile rentals, are restricted for debt service, ground use charges, and operations and maintenance expense related to automobile rental tenants. These amounts have been recognized when receipted as non-operating revenue. In the event of a CFC shortfall the District establishes an accounts receivable for the difference between CFC collections and above mentioned expenses.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts receivable, bad debt expense, Signatory Airline rebate or surcharge (as applicable for the year ended December 31, 2011), and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

Comparative Data and Reclassifications – The 2010 financial statements include certain prior year comparative and summarized information. Such information does not include sufficient detail in the Notes to the Financial Statements to constitute a complete financial statement presentation in conformity with generally accepted accounting principles (GAAP). Accordingly, such information should be read in conjunction with the District's audited financial statements for the year ended December 31, 2010, from which the summarized information was derived. For conformity with the 2011 presentation, aviation easements obtained from previous years FAA-funded noise programs previously included in Capital Assets, net of depreciation have been reclassified to Other Assets, net to reflect the intangible nature of these assets. The related amortization expense has also been reclassified from depreciation expense in the 2010 financial statements. There was no impact to the change in net assets as a result of these reclassifications.

Note 2. Legal Compliance – Budgets

The District follows the procedures noted below in establishing its annual budget:

During the month of October, the Executive Director submits to the Commission a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenses and the means of financing them. Prior to January 1, the budget is adopted by the Commission.

Formal budgetary integration is employed as a management control device during the year. The budget is adopted on a basis consistent with GAAP.

Note 2. Legal Compliance – Budgets (continued)

For the year ended December 31, 2011, the District operated under a $17,303,350 budget, of which $6,251,892 was related to the District's long-term debt service, $10,513,550 was related to the District's operations before depreciation and $537,908 was related to capital expenditures funded by the District, net of FAA Airport Improvement Program reimbursement.

Note 3. Deposits and Investments

The District has no formal policy addressing risks (credit risk, custodial credit risk, interest rate risk, and/or concentration of credit risk) associated with its deposits and investments other than the provisions of South Carolina Law for public funds as summarized below.

Deposits

Custodial credit risk of deposits is the risk that, in the event of bank failure, the District's deposits may not be returned to it. At December 31, 2011, the carrying amount of the District's cash deposits with financial institutions was $18,726,822 and the financial institution's balances totaled $18,828,486. Of the balance, $2,667,145 was covered by Federal Depository Insurance and the remaining balance was covered by collateral held by the financial institutions' trust departments in the District's name.

Deposits include demand deposits, repurchase agreements, and money market funds at December 31, 2011 as follows:

		Bank Balances		
	Carrying Amounts	Demand Deposits	Money Market Funds	Totals
Funds with financial institutions	$ 8,976,984	$ 3,071,526	$ 6,007,122	$ 9,078,648
Funds on hand	575	–	–	–
Unrestricted cash and equivalents	$ 8,977,559	$ 3,071,526	$ 6,007,122	$ 9,078,648
Restricted cash and cash equivalents	$ 9,749,837	$ 3,015,546	$ 6,734,291	$ 9,749,837

Note 3. Deposits and Investments (continued)

Investments

State statute authorizes the District to invest in obligations of the United States and agencies thereof; general obligations of the state of South Carolina or any of its political units provided such obligations are rated as an "A" or better by Moody's Investors Service, Inc. and Standard and Poor's Corporation or their respective successors; interest bearing accounts in savings and loan associations to the extent that the same are insured by an agency of the Federal government; certificates of deposit where the certificates are collaterally secured by securities of the type described above, held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest provided, however, such collateral shall not be required to the extent the same are insured by an agency of the United States Government; or deposit accounts with banking institutions insured and secured in the same manner.

The District's investments are carried at fair value at December 31, 2011 and are as follows:

Investment	Maturities	Fair Value
U.S. agencies	Less than one year	$ 258,748
U.S. agencies	More than one year	1,056,872
U.S. treasury notes	Less than one year	151,605
U.S. treasury notes	More than one year	289,975
Certificates of deposit	Less than one year	1,000,000
Total investments		$ 2,757,200

Reconciliations of Accounts	Balance
Temporary investments	$ 1,000,000
Restricted current investments	410,353
Restricted non-current investments	1,346,847
Total investments	$ 2,757,200

Of the $2,757,200 depicted as investments, $1,000,000 represents funds invested in certificates of deposit. Investments of $2,507,200 are collateralized as described above.

Note 4. Receivables

Receivables include amounts due the District for landing fees, leases of sites and terminal spaces, and parking fees. At December 31, receivables consisted of the following:

Accounts:	**2011**	2010
Airfield landing fees	**$ 525,210**	$ 474,929
Leased sites	**76,189**	40,691
Terminal building	**607,460**	525,141
Parking and other fees	**327,523**	296,537
Due from signatory airlines-net	**—**	79,730
Other	**310,865**	—
Net receivables	**$ 1,847,247**	$ 1,417,028

Note 4. Receivables (continued)

Management considers the allowance for uncollectible accounts at December 31, 2011 to be immaterial.

Restricted grant funds receivable consist of $464,503 due from the Federal Aviation Administration ("FAA") Airport Improvement Grant and have been recognized as part of restricted assets.

Note 5. Capital Assets

A summary of changes in capital assets during the year ended December 31, 2011 is as follows:

	Balance 12/31/2010	Additions	Retirements	Transfers	Balance 12/31/2011
Capital Assets					
Not subject to depreciation:					
Land	$ 13,646,627	$ —	$ (121,646)	$ —	$ 13,524,981
Construction- in- progress	1,027,870	2,327,036	(14,207)	(1,801,973)	1,538,726
Total capital assets not depreciated	14,674,497	2,327,036	(135,853)	(1,801,973)	15,063,707
Subject to depreciation:					
Airfield	109,104,547	27,839	—	1,794,193	110,926,579
Buildings	118,252,013	105,000	—	7,780	118,364,793
Furniture, Vehicles, and Equipment	8,042,396	392,694	(213,655)	—	8,221,435
Total capital assets subject to depreciation	235,398,956	525,533	(213,655)	1,801,973	237,512,807
Less, accumulated depreciation					
Airfield	(42,455,134)	(4,103,151)	—	—	(46,558,285)
Buildings	(51,142,617)	(3,994,891)	—	—	(55,137,508)
Furniture, Vehicles, and Equipment	(6,462,311)	(600,258)	213,655	—	(6,848,914)
Total accumulated depreciation	(100,060,062)	(8,698,300)	213,655	—	(108,544,707)
Net capital assets subject to depreciation	135,338,894	(8,172,767)	—	1,801,973	128,968,100
Net capital assets	$ 150,013,391	$(5,845,731)	$ (135,853)	$ —	$ 144,031,807

Total depreciation expenses for the year ended December 31, 2011 equaled $8,698,300.

As stated in Note 1, certain intangible assets reported as "Airfield" for the year ended December 31, 2010 have been reclassified to "Other Assets, net", requiring reclassification of the Balance Sheet and Note presentation above.

Note 5. Capital Assets (continued)

Funded by Airport Improvement Program grants (AIP#'s 34, 36, 38, 39, & 40), the District added approximately $3.0 million of assets to the terminal and airfield consisting of apron and runway rehabilitation, airport master planning document, stormwater detention and a runway clearing project.

The District also disposed of several fully-depreciated vehicles which accounted for approximately $214,000 of cost and accumulated depreciation.

Note 6. Long-Term Debt

Bonds Payable

The District had the following outstanding revenue bond issues at December 31, 2011:

Airport Revenue Bonds, Series 2001A $31,590,000 Bonds of 2001A are due in annual installments of $580,000 to $2,000,000 beginning January 1, 2004 through January 1, 2031 with interest at 3.35% to 5.00%	$ 21,270,000
Taxable Airport Revenue Bonds, Series 2001B $16,790,000 Bonds of 2001B are due in annual installments of $230,000 to $1,255,000 beginning January 1, 2006 through January 1, 2031 with interest at 5.33% to 6.74%	14,505,000
Airport Refunding Revenue Bonds, Series 2004 $24,390,000 Bonds of 2004 are due in annual installments of $595,000 to $1,985,000 through January 1, 2025 with interest at 4.00% to 5.13%	19,320,000
Airport Refunding Revenue Bonds, Series 2005 $19,645,000 Bonds of 2005 are due in annual installments of $590,000 to $1,530,000 through January 1, 2026 with interest at 4.00% to 5.00%	16,345,000
Total revenue bonds payable	$ 71,440,000

Changes in revenue bonded debt for the year ended December 31, 2011 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Revenue bonds payable	$ 73,800,000	$ —	$ (2,360,000)	$ 71,440,000
Plus, net amounts for original issuance premiums and discounts				533,028
Less, current portion due within one year				(2,460,000)
Net long-term revenue bonds payable				$ 69,513,028

Note 6. Long-Term Debt (continued)

Bonds Payable (continued)
The future annual requirements of revenue bonded debt at December 31, 2011 are as follows:

Years Ended December 31,	Principal	Interest	Total
2012	$ 2,460,000	$ 3,729,920	$ 6,189,920
2013	2,585,000	3,602,336	6,187,336
2014	2,715,000	3,467,269	6,182,269
2015	3,485,000	3,308,532	6,793,532
2016	3,260,000	3,134,538	6,394,538
2017-2021	19,080,000	12,848,188	31,928,188
2022-2026	23,220,000	7,147,021	30,367,021
Thereafter	14,635,000	2,162,795	16,795,795
	$ 71,440,000	$ 39,400,599	$ 110,838,599

Reconciliation of "current portions" of long-term debt at December 31, 2011 follows:

	Current Liabilities Payable From Restricted Assets
Revenue bonds	$ 2,460,000
Accrued interest	1,895,947
	$ 4,355,947

Pledged Revenue
Pursuant to Bond Indenture of Trusts, substantially all of the District's operating revenues, net of expenses, are pledged for bonds repayment. Additionally, the District collects Passenger Facilities Charges (PFC's) from airlines at a rate of $4.50 per enplaned passenger, net of allowable administrative costs of $0.11, which is pledged as Series Security for the Airport Refunding Revenue Bond Series 2004 and 2005. Proceeds from the bonds were used to refund the outstanding Series 1995 and 1996A Bonds, respectively, which were used to construct certain terminal building improvements and other projects. Approximately 82% of the Series 2004 and 34% of the Series 2005 annual debt service are eligible for funding with PFC's, which produces an average annual maximum Series Security of approximately $1.8 million. Annual principal and interest payments on those bonds required 94% of the series security. The remaining principal and interest requirement on the Series 2004 bonds is $27.4 million payable through January 1, 2025. The remaining principal and interest requirement on the Series 2005 bonds is $23.1 million payable through January 1, 2026.

Note 6. Long-Term Debt (continued)

The following table depicts the other obligations for which the District has pledged future revenue net of specified operating expenses. Annual principal and interest requirements on those obligations are expected to require 45% of net revenues.

Series	Purpose	Remaining Principal and Interest	Principal and Interest paid during 2011
Airport Revenue Bonds Series 2001A	Parking improvements	$ 34,087,218	$ 1,956,450
Taxable Airport Revenue Bonds Series 2001B	Rental car facility improvements	$ 26,316,674	$ 1,334,685

Principal and interest paid during the current year and total net revenues (before Passenger Facilities Charges) were $6,203,610 and $7,380,707, respectively.

Note 7. Restricted and Other Assets

Restricted Assets

Certain resources set aside for revenue bond repayment or to satisfy certain restrictive covenants of the bond agreements are classified as restricted assets. The restricted cash and cash equivalents and investments of $9,749,838 and $1,757,200, respectively, represent the District's funds restricted for such purposes, and are reported as both current and non-current assets, based on investment maturity dates.

The $464,503 grant funds receivable represents resources for use in the FAA's Airport Improvement Program.

Other Assets

The District's other assets totaling $8,042,360 consists of improvements to the investment in the CAE Enterprise Park ($1,872,017), held for future aviation-related use and sale; bond issue costs ($5,225,833), net of accumulated amortization expenses ($1,722,953); signatory airline agreement costs net of accumulated amortization ($199,714); and other assets ($500).

Other Assets also include intangible aviation easements net of accumulated amortization ($2,467,249) obtained in the course of executing the Federal Aviation Administration-funded Noise Improvement Program in fiscal years 2009 and 2010. These assets were previously recorded as Capital Assets, net of depreciation, but have been reclassified as Other Assets to reflect the intangible nature of the easement asset obtained by the District in exchange for certain noise mitigation improvements made to nearby residences within FAA-designated noise contours. As stated in Note 1, certain intangible assets reported as "Airfield" for the year ended December 31, 2010 have been reclassified to "Other Assets, net", requiring restatement of the Balance Sheet.

Note 8. Employee Retirement Systems

The South Carolina Retirement System ("SCRS") and the Police Officers Retirement System ("PORS") are cost-sharing multi-employer defined benefit pension plans administered by the SCRS, a Division of the State Budget and Control Board.

Both the South Carolina Retirement System and Police Officers Retirement System offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits. The Plans' provisions are established under Title 9 of SC Code of Laws.

A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System and Police Officers Retirement System is issued and publicly available by writing the South Carolina Retirement System, P.O. Box 11960, Columbia, SC 29211-1960.

Both employees and employers are required to contribute to the Plans under authority of Title 9 of SC Code of Laws.

Employee required contributions to the Plans are as follows:

SCRS Class II	**6.5% of salary**
PORS Class II	**6.5% of salary**

Employers are required to contribute at the following actuarially determined rates:

SCRS	
State Agencies and Public Schools	9.39%
PORS	
Class II	11.36%

In addition to the above rates, participating employers of the SCRS contribute 0.15% of payroll ($3,962) to provide a group life insurance benefit for their participants. Participating employers under the PORS also contribute 0.2% of payroll ($2,419) to provide a group life insurance benefit for their participants.

The District's total covered payroll for the year ended December 31, 2011 was $3,874,969, of which $2,665,388 was for all employees covered by SCRS, and $1,209,581 was for PORS covered employees.

The District contributed 100% of the required contribution for each of the years ended December 31, 2011, 2010, and 2009. The District's contributions to the SCRS for the years ended December 31, 2011, 2010, and 2009 were $425,476, $313,811, and $340,650, respectively. Contributions to PORS for the years ended December 31, 2011, 2010, and 2009 were $217,063, $163,477, and $168,847, respectively.

Note 9. Net Assets

Net assets represent the difference between total assets and liabilities. Under terms of the Rental Car Concession Agreement, Contract Facility Charges ("CFC") receivables or collections in excess of contract requirements are restricted to use in future periods.

As stated in Note 1 and 5, certain intangible assets reported as "Airfield" for the year ended December 31, 2010 have been reclassified to "Other Assets, net", requiring restatement of the Balance Sheet and the schedule of Net Assets Invested in Capital Assts, Net of Related Debt below.

Reconciliations of the restricted components of net asset amounts are as follows:

	2011	2010
Invested in Capital Assets, Net of Related Debt		
Net property, plant, and equipment in service	**$ 142,493,079**	$ 148,985,522
Construction in progress	**1,538,728**	1,027,869
Less:		
Revenue bonds payable, net	**(71,973,030)**	(74,378,722)
Construction project payable	**(543,093)**	(685,758)
Invested in capital assets, net of related debt	**$ 71,515,684**	$ 74,948,911
Restricted for Capital Projects		
Grant funds receivable	**464,503**	43,990
Restricted for Debt Service	**$ 6,491,491**	$ 6,602,047
Restricted for Other Purposes		
Law enforcement activities	**$ 170,297**	$ 180,720
Passenger Facility Charges	**1,886,696**	1,785,098
Victims-Rights assistance programs	**49,583**	48,417
CFCs and CFC receivable	**981,586**	473,803
Other purposes	**4,803**	6,179
Total restricted for other purposes	**$ 3,092,965**	$ 2,494,217

Note 10. Commitments and Contingencies

Litigation

The District is party to legal proceedings that normally occur in governmental operations. District officials believe the legal proceedings are not likely to have a material adverse impact on the affected funds of the District.

Note 10. Commitments and Contingencies (continued)

Federal and State Assisted Programs

In the normal course of operations, the District receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Such audits could result in the refund of grant monies to the grantor agencies. However, management believes that any required refunds would be immaterial and no provision has been made in the accompanying financial statements for the refund of grant monies.

Commitments

At December 31, 2011, the District had outstanding contractual commitments approximating $989,000 for the completion of several construction projects.

Debt Service Coverage

The District has a rate covenant associated with its outstanding revenue bonds which requires the District to establish rates and charges that generate "net revenues" as defined by the Indenture of Trust that are at least equal to 125% of the "Adjusted Debt Service Requirement" as defined by the same indenture. For the year ended December 31, 2011, the District is compliant with the coverage test.

Note 11. Post-Employment Benefits Other Than Pension

Plan Description

In addition to the pension benefits described in *Note 8*, the District maintains a policy whereby an employee who qualifies for Regular Service retirement under any SCRS plan will have the opportunity to participate in the employee group health insurance plan (including dental).

The Program covers the retired employee until Medicare eligibility. The district currently administers the program and the Commissioners maintain the authority for establishing and amending benefits and funding policy. The program does not issue separate stand alone financial statements and is not included in the financial statements of another entity.

Funding Policy

The District's contributions are financed on a pay-as-you-go basis and therefore, no trust fund has been established which would maintain plan net assets. At December 31, 2011, the District had 12 retired employees with an average age of 59 years covered by the program with monthly premium costs averaging $842.08 per participant. Total expenses incurred by the District for the year ended December 31, 2011 were $121,937 or 50.04% of the annual required contribution.

Annual OPEB Cost

The Annual Required Contribution ("ARC") represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's annual other post-employment benefits ("OPEB") cost for the years ended December 31, 2011 and December 31, 2010 and the related information for the program is as follows:

Note 11. Post-Employment Benefits Other Than Pension (continued)

	2011	2010
Employer normal costs	$ 142,000	$ 163,500
Amortization of UAL	101,700	85,900
Annual required contribution (ARC)	243,700	249,400
Interest on net OPEB obligation	39,061	30,871
Adjustment to ARC	(30,991)	(24,500)
Annual OPEB cost	251,770	255,771
Contributions made	(121,938)	(73,767)
Increase in net OPEB obligation	129,832	182,004
Net OPEB obligation – beginning of year	868,024	686,020
NET OPEB obligation – end of year	$ 997,856	$ 868,024

A summary of the annual OPEB cost, percentage of the annual OPEB cost contributed, and the year end net OPEB obligation for the year ended December 31, 2011 and the two preceding years is as follows:

Trend Information

Year ended December 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$ 253,700	7.41	$ 686,020
2010	255,771	28.84	868,024
2011	251,770	48.43	997,856

Funded Status and Funding Progress

The actuarial accrued liability for benefits was $3,365,800, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $3,874,969, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 86.9 percent.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the OPEB and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress, presented as required supplementary information, provides multi-year trend information that shows whether the actuarial value of OPEB assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 11. Post-Employment Benefits Other Than Pension (continued)

Projections of benefits are based on the substantive program (the program as understood by the District and participants) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the District and the participants to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in the actuarial accrued value of OPEB liabilities and the actuarial value of OPEB assets.

In the actuarial valuation at December 31, 2011, the Projected Unit Credit cost method and the Level Percentage Payroll Amount, Open amortization method were used. The Unfunded Actuarial Accrued Liability ("UAAL") amortization payment is the level percent of payroll required to fully amortize the UAAL over a 30 year period. The remaining amortization period is 28 years. The actuarial assumptions included an estimated investment rate of return of 4.50% (which is the annual return net of both administrative and investment related expenses) and a healthcare inflation rate of 6.90% graded to 4.60% over 80 years.

Note 12. Insurance Fund

The District is a participant in the Insurance Reserve Fund of South Carolina, which is a self-insuring fund. The fund is available for all qualifying municipalities and instrumentalities of government in the State. The limit of the tort insurance is $1,000,000 per occurrence while the limits for casualty insurance vary depending on the value of the property.

Note 13. Operating Leases – Lessor Agreements

The District, as lessor, leases land, buildings, and terminal space to air carriers, aeronautical schools, and concessionaires on a fixed fee as well as a contingent fee basis. All leases of the District are treated as operating leases for accounting purposes. The portions of the District's capital assets subject to these leases cost $118 million with a carrying value of $63 million. Depreciation expense for 2011 totaled $4.0 million. Because most of the leases provide for an annual review and redetermination of the rental amounts, a schedule of future minimum rentals receivable on noncancelable operating leases is not readily determinable.

Note 14. Major Customers and Economic Conditions

The District derives a substantial portion of its revenue from charges to air carriers, fixed base operators, concessionaires, rental car companies, and the operation of parking facilities. These revenues are shown by function in the following table.

	2011		2010	
	Revenue	**%**	Revenue	%
Air carriers	**$ 5,976,834**	**40**	$ 7,848,039	46
Parking	**4,701,252**	**31**	4,640,267	27
Rental car operations	**2,135,173**	**14**	2,103,855	13
Other tenant and concessionaires	**1,849,692**	**12**	1,902,179	11
Other operating revenue	**368,906**	**3**	561,233	3
Net operating revenue	**$ 15,031,857**	**100%**	$ 17,055,573	100%

Note 14. Major Customers and Economic Conditions (continued)

A new Signatory Airline Use Agreement became effective January 1, 2010. The new agreement has a five year term, expiring December 31, 2014. Signatory airlines pay their proportionate share of airfield and terminal building costs, and non-signatory airlines are assessed a premium computed as an additional percentage of the signatory airline cost. Signatory airlines participate in a defined distribution of net revenues or revenue deficits, depending on the annual results of the District's operations.

At December 31, 2011, Signatory Airlines consisted of Delta Airlines, US Airways, United Airlines, Continental Airlines, United Parcel Service, and Federal Express.

At December 31, 2011, air carrier revenues, which include leased sites and terminal rental, are concentrated among air carriers as follows:

	2011		2010	
	Revenue	**%**	Revenue	%
Delta Airlines	**$ 1,760,287**	**29**	$ 2,402,023	31
US Airways	**1,229,747**	**21**	1,648,351	21
United Parcel Service	**749,133**	**13**	1,086,538	14
United Airlines	**648,192**	**11**	1,085,123	14
American Airlines	**526,009**	**9**	623,164	8
Federal Express	**382,802**	**6**	458,012	6
Continental	**234,355**	**4**	425,014	5
All Other Carriers	**446,309**	**7**	119,814	1
Total air carriers	**$ 5,976,834**	**100%**	$ 7,848,039	100%

The decreased airline revenue is a direct effect of the airline-airport use agreement that began January 1, 2010. The airline landing fees, terminal rents, and security reimbursement fees are computed based on the District's cost in the airfield and terminal cost centers. The District reduced costs in 2011 compared to 2010, and the cost center allocations produced lower airline requirements, resulting in lower airline revenue and an amount due to airlines of approximately $1,082,000 at December 31, 2011.

Throughout 2010, certain measures were implemented to reduce operating costs as well as capital costs associated with general aviation revenue bond debt service. The impact of these measures are notable in the comparison between 2010 and 2011 of airline revenues required as well as the expense comparisons between years.

REQUIRED SUPPLEMENTARY INFORMATION

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFITS

YEAR ENDED DECEMBER 31, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
12/31/2011	$ –	$ 3,365,800	$ 3,365,800	0%	$ 3,874,969	86.9%
12/31/2010	$ –	$ 2,407,100	$ 2,407,100	0%	$ 4,923,366	48.9%
12/31/2009	$ –	$ 2,407,100	$ 2,407,100	0%	$ 5,295,300	45.5%

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

ANNUAL OTHER POST-EMPLOYMENT BENEFIT COSTS

YEAR ENDED DECEMBER 31, 2011

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Contribution	Percentage of Annual OPEB Cost Contributed	Net Unfunded OPEB Obligation
12/31/2011	$ 251,770	$121,938	48.43%	$997,856
12/31/2010	$ 255,771	$ 73,767	28.84%	$868,024
12/31/2009	$ 253,700	$ 18,800	7.41%	$686,020
12/31/2008	$ 496,000	$ 30,914	6.23%	$451,120

OTHER FINANCIAL INFORMATION

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF OPERATING REVENUES

YEAR ENDED DECEMBER 31, 2011
(With comparative amount year ended December 31, 2010)

	2011	2010
Airfield Landing Fees		
United Parcel Service	$ 875,867	$ 1,052,162
Delta Airlines	858,703	186,416
ASA	82	846,598
Mesa	-	99,079
Comair	-	48,213
United Airlines	334,975	-
Allegiant Air	4,877	-
Federal Express	271,112	296,298
American	173,559	201,397
Continental	58,989	155,570
Air Wisconsin	5,155	381,897
Northwest	-	14,585
PSA	-	90,386
Piedmont	-	47,259
Vision Airlines	13,705	-
Mountain Air Cargo	38,354	40,085
Chautauqua	-	181,697
US Airways	655,588	1,268
Martinaire	30,980	-
Air Cargo Carriers	37,483	-
Wiggins	11,540	-
Total airfield landing fees	3,370,969	3,642,910
Leased Sites		
Bell Aviation / Aviation Assoc	18,427	16,290
Eagle Aviation	279,193	286,340
Columbia Aviation	66,689	67,619
United Parcel Service	34,663	34,376
FAA Sector Office	84,535	82,645
Weather Bureau	76,071	76,071
GADO	78,387	66,658
FAA New FSDO	162,369	158,779

-CONTINUED-

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF OPERATING REVENUES

-CONTINUED-

	2011	2010
Leased Sites (continued)		
Delta Airlines	**26,207**	26,207
Berry's Expediting - Cargo	**31,031**	28,031
ASA - Cargo	-	52,829
Mesa	-	640
U.S. Postal Service	-	48,019
Federal Express Cargo	**161,713**	161,713
United Parcel Service COD Facility	**155,110**	169,211
S.C. Department of Commerce - Division of Aeronautics	**57,441**	57,441
Parking	**4,701,252**	4,640,266
Outdoor Advertising	**2,551**	3,400
SCANA	**8,357**	7,738
Kingston Metal	**20,260**	22,102
Lexington County School District 2	-	7,778
FTZ - INDUCON Joint Ventures	**56,920**	53,735
Doolittle Hangar	**240,616**	202,672
West Star Aviation - Land Lease	**68,664**	65,235
Avis	**55,020**	51,060
Hertz	**35,700**	34,850
National	**30,030**	31,980
Budget	-	2,650
Thrifty	**13,019**	12,710
Total Leased Sites	**6,464,225**	6,469,045
Terminal Rents and Commissions		
Delta Airlines	**1,267,721**	1,405,422
US Airways / Piedmont	**852,395**	983,214
American Airlines	**352,450**	421,767
Continental Airlines	**228,390**	269,444
Air Wisconsin	**15,038**	-
Vision Airlines	**40,967**	-
Allegiant	**7,769**	-

-CONTINUED-

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF OPERATING REVENUES

-CONTINUED-

	2011	2010
Terminal Rents and Commissions (continued)		
TSA	**127,044**	127,044
United Airlines / DGS	**459,568**	567,117
Restaurant rental	**186,157**	188,952
Gift shop rental	**211,674**	213,495
Prime Flight Aviation Service	**1,470**	588
Taxi and Limousine service	**61,918**	72,680
Bank rental	**9,460**	9,520
Display Advertising	**50,244**	45,283
Travel Service	**16,974**	16,974
Miscellaneous concessions and office space	**19,051**	11,024
Avis	**289,906**	294,703
Hertz	**524,848**	544,322
National	**491,361**	501,407
Budget	**97,974**	115,846
Thrifty	**107,855**	118,448
Enterprise / Dollar	**489,459**	385,503
Off - airport rental car service	**-**	9,903
Total terminal rents and commissions	**5,909,693**	6,302,656
Other		
Telephone commissions	**21,716**	8,835
Police fines	**1,319**	146,229
Property rental income	**5,458**	7,200
TSA Grant	**162,084**	176,819
Miscellaneous	**170,889**	222,150
Golf / Race Event	**7,438**	-
Total other	**368,904**	561,233
Total operating revenues before Signatory Airline (rebate) surcharge	**$ 16,113,791**	$ 16,975,844

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF OPERATING EXPENSES

YEAR ENDED DECEMBER 31, 2011
(With comparative amount year ended December 31, 2010)

	2011	2010
Salaries and Employee benefits		
Salaries	$ 3,852,228	$ 5,322,654
Overtime	97,538	122,773
Payroll taxes	279,820	387,400
Retirement	390,647	474,658
Group insurance	1,136,092	1,326,417
Uniforms and other benefits	19,432	39,390
Total salaries and employee benefits	5,775,757	7,673,292
Supplies		
Office supplies	20,685	16,686
Cleaning supplies	65,953	74,066
Fire fighting and first aid supplies	7,903	3,796
Total supplies	94,541	94,548
Airport Operations		
Utilities	1,313,250	1,454,308
Repairs and maintenance	615,381	646,330
Parking management fee	548,145	558,835
Service contracts	435,069	342,431
Insurance	390,031	436,094
Fuel	74,275	60,307
Change in inventory valuation	-	5,155
Miscellaneous	44,265	33,382
Total airport operations	3,420,416	3,536,842
Travel and Education		
Dues and subscriptions	34,653	62,698
Training	103,347	91,562
Travel	141,510	110,094
Total travel and education	279,510	264,354

-CONTINUED-

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF OPERATING EXPENSES

-CONTINUED-

	2011	2010
Outside Professional Services		
Legal and other professional fees	**83,429**	95,826
Planning and development	**41,852**	41,044
Consulting	**39,520**	4,960
Outside printing	**5,175**	2,652
Total outside professional services	**169,976**	144,482
Marketing		
Marketing and public relations	**212,828**	122,656
Advertising	**214,387**	81,917
Postage and mailing	**1,914**	3,370
Total marketing	**429,129**	207,943
Bad Debt Expense	**46,719**	147,490
Depreciation	**8,698,300**	8,562,304
Total operating expenses	**$ 18,914,348**	$ 20,631,255

VICTIM'S RIGHTS ASSISTANCE

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

VICTIM'S RIGHTS ASSISTANCE
SCHEDULE OF COURT FINES, ASSESSMENTS, AND SURCHARGES

YEAR ENDED DECEMBER 31, 2011

Court Fines and Assessments		
Court fines and assesments collected	$	1,231
Court fines and assesments remitted to State Treasurer		(65)
Total court fines and assessments retained	$	1,166
Fund Allocated to Victims Services		
Carryover funds from prior year	$	48,417
Charges and assessments retained		1,166
Expenditures for victims service		-
Total unexpended victims rights assistance funds	$	49,583

STATISITCAL SECTION

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

NET ASSETS BY COMPONENT
(Accrual basis of accounting)

LAST EIGHT FISCAL YEARS

	2011	2010	2009	2008	2007	2006	2005	2004	2003
Invested in capital assets, net of related debt	$ 71,515,684	$ 74,948,911	$ 71,069,607	$ 72,431,212	$ 67,413,810	$ 66,821,307	$ 60,516,521	$ 59,005,269	$ 64,998,886
Restricted for:									
Capital projects	464,503	43,990	451,474	625,240	1,241,798	896,972	349,065	426,964	605,263
Debt service	6,491,491	6,602,047	6,586,507	7,464,277	7,310,851	7,188,414	7,008,886	8,191,416	2,206,839
Other purposes	3,092,965	2,494,217	2,253,020	1,802,644	1,887,440	1,654,120	951,786	322,140	526,245
Unrestricted	17,919,396	16,126,224	12,690,971	13,440,972	11,881,669	10,827,835	14,695,368	13,014,241	13,213,850
Total net assets	$ 99,484,039	$ 100,215,389	$ 93,051,579	$ 95,764,345	$ 89,735,568	$ 87,388,648	$ 83,521,626	$ 80,960,030	$ 81,551,083

Note: The District did not prepare this schedule prior to 2003 and chooses to implement such data prospective of implementing GASB Statement 34.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

LAST EIGHT FISCAL YEARS

	2011	2010	2009	2008	2007	2006	2005	2004	2003
Operating Revenue									
Airfield landing fees	$ 3,370,969	$ 3,642,910	$ 2,167,511	$ 2,612,124	$ 2,531,524	$ 2,116,514	$ 2,240,932	$ 2,161,684	$ 1,690,793
Leased sites	6,464,225	6,469,045	6,673,715	7,369,583	8,199,709	8,119,345	9,042,371	7,900,860	5,951,656
Terminal rents and commissions	5,909,693	6,302,656	5,722,960	5,824,151	6,558,619	5,751,191	5,774,283	5,211,555	4,590,754
Other	368,904	561,233	318,949	258,641	162,531	180,815	94,475	110,974	111,987
Total operating revenue before Signatory Airline surcharge (rebate)	16,113,791	16,975,844	14,883,135	16,064,499	17,452,383	16,167,865	17,152,061	15,385,073	12,345,190
Signatory Airline surcharge (rebate)	(1,081,934)	79,729	-	272,239	123,760	(20,840)	(1,684,355)	(457,437)	896,481
Change in allowance for doubtful accounts and collection on past due accounts	-	-	-	760,539	65,587	-	(614,132)	-	-
Net operating revenue	15,031,857	17,055,573	14,883,135	17,097,277	17,641,730	16,147,025	14,853,574	14,927,636	13,241,671
Operating Expenses									
Salaries and employee benefits	5,775,757	7,673,292	7,598,559	7,877,990	7,337,687	6,931,997	6,576,262	6,291,465	5,877,161
Supplies	94,541	94,548	108,195	126,599	137,313	113,838	147,622	101,466	83,806
Airport operations	3,420,416	3,536,842	3,510,081	3,673,853	3,616,886	3,328,759	3,102,026	2,744,288	2,889,802
Travel and education	279,510	264,354	352,013	405,203	461,903	383,939	321,837	391,546	330,073
Outside professional services	169,976	144,482	172,705	124,216	125,028	158,648	78,538	84,554	85,730
Marketing	429,129	207,943	187,370	387,346	318,880	401,121	467,864	395,018	356,345
Bad debt expense	46,719	147,490	-	-	-	-	-	-	-
Depreciation	8,698,300	8,562,304	8,532,885	8,152,567	7,774,984	7,788,237	7,140,091	7,533,824	6,447,352
Total operating expenses	18,914,348	20,631,255	20,461,808	20,747,774	19,772,681	19,106,539	17,834,240	17,542,161	16,070,269
Loss from operations	(3,882,491)	(3,575,682)	(5,578,673)	(3,650,497)	(2,130,951)	(2,959,514)	(2,980,666)	(2,614,525)	(2,828,598)

Note: The District did not prepare this schedule prior to 2003 and chooses to implement such data prospective of implementing GASB Statement 34.

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RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

(CONTINUED)

	2011	2010	2009	2008	2007	2006	2005	2004	2003
Non-operating Revenue (Expenses)									
Passenger Facility Charges (PFC's)	$ 1,905,561	$ 1,915,574	$ 2,065,765	$ 2,285,543	$ 2,491,711	$ 2,596,863	$ 3,020,908	$ 2,380,287	$ 2,045,211
Contract Facility Charges (CFC's)	2,516,880	1,787,847	1,613,904	1,568,153	1,590,219	1,281,300	1,354,093	1,383,786	1,238,192
Investment income	48,018	95,809	84,903	606,301	1,122,087	995,269	734,618	400,556	404,372
Interest expense-net of capitalization	(3,750,660)	(4,090,938)	(4,204,442)	(4,339,560)	(4,455,635)	(4,616,787)	(5,068,766)	(5,401,246)	(4,177,084)
Amortization expense-bond issuance costs	(445,162)	(420,920)	(238,227)	(238,227)	(242,123)	(280,152)	(198,883)	(146,967)	(131,069)
Natural resources revenue (timber sales)	-	-	48,000	-	-	-	-	33,854	139,138
Capital assets transferred to City of Cayce	-	-	-	-	-	-	-	(441,443)	-
Gain (loss) on sale / retirement of assets	121,354	(1,511,460)	-	(744,087)	(1,077,466)	517,219	-	-	-
Other revenue	56,485	-	-	-	-	-	-	647	432
Net non-operating revenue (expenses)	452,476	(2,224,088)	(630,097)	(861,877)	(571,207)	493,712	(158,030)	(1,790,526)	(480,808)
Loss from operations and net non-operating revenue (expenses) before capital contributions	(3,430,015)	(5,799,770)	(6,208,770)	(4,512,374)	(2,702,158)	(2,465,802)	(3,138,696)	(4,405,051)	(3,309,406)
Capital Contributions									
Grant revenue	2,698,665	12,963,580	3,496,004	10,541,151	5,049,078	6,332,824	5,700,292	3,669,794	2,558,850
Changes in net assets before special items	(731,350)	7,163,810	(2,712,766)	6,028,777	2,346,920	3,867,022	2,561,596	(735,257)	(750,556)
Special Items									
Arbitrage rebate refund (charge)	-	-	-	-	-	-	-	144,204	(330,444)
Proceeds of litigation settlement	-	-	-	-	-	-	-	-	231,000
Net special items	-	-	-	-	-	-	-	144,204	(99,444)
Net change in net assets	(731,350)	7,163,810	(2,712,766)	6,028,777	2,346,920	3,867,022	2,561,596	(591,053)	(850,000)
Beginning of year, net assets	100,215,389	93,051,579	95,764,345	89,735,568	87,388,648	83,521,626	80,960,030	81,551,083	82,401,083
End of year, net assets	$ 99,484,039	$ 100,215,389	$ 93,051,579	$ 95,764,345	$ 89,735,568	$ 87,388,648	$ 83,521,626	$ 80,960,030	$ 81,551,083

Note: The District did not prepare this schedule prior to 2003 and chooses to implement such data prospective of implementing GASB Statement 34.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

REVENUES BY SOURCE

LAST TEN FISCAL YEARS

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Operating Revenue										
Airfield landing fees	$ 3,370,969	$ 3,642,910	$ 2,167,511	$ 2,612,124	$ 2,531,524	$ 2,116,514	$ 2,240,932	$ 2,161,684	$ 1,690,793	$ 1,468,540
Leased sites	6,464,225	6,469,045	6,673,715	7,369,583	8,199,709	8,119,345	9,217,485	7,900,860	5,951,656	4,954,300
Terminal rents and commissions	5,909,693	6,302,656	5,722,960	5,824,151	6,558,619	5,751,191	5,774,283	5,211,555	4,590,754	4,286,443
Other	368,904	561,233	318,949	258,641	162,531	180,815	94,475	110,974	111,987	156,614
Signatory Airline surcharge (rebate)	(1,081,934)	79,729	-	272,239	123,760	(20,840)	(1,684,355)	(457,437)	896,481	461,210
Change in allowance for doubtful accounts and collection on past due accounts	-	-	-	760,539	65,587	-	(614,132)	-	-	-
Total operating revenue	15,031,857	17,055,573	14,883,135	17,097,277	17,641,730	16,147,025	15,028,688	14,927,636	13,241,671	11,327,107
Non-Operating Revenue										
Passenger Facility Charges	1,905,561	1,915,574	2,065,765	2,285,543	2,491,711	2,596,863	3,020,908	2,380,287	2,045,211	1,967,326
Contract Facility Charges	2,516,880	1,787,847	1,613,904	1,568,153	1,590,219	1,281,300	1,178,979	1,383,786	1,238,192	1,247,397
Investment income	48,018	95,809	84,903	606,301	1,122,087	995,269	734,618	400,556	404,372	1,450,076
Gain (loss) on sale of investments	-	-	-	-	-	-	-	-	-	(494,503)
Land right-of-way sales	-	-	-	-	-	-	-	-	-	-
Gain on sale/retirement of assets	121,354	-	48,000	-	-	517,219	-	-	-	81,739
Timber sales	-	-	-	-	-	-	-	33,854	139,138	394,153
Other revenues	56,485	-	-	-	-	-	-	647	432	10,283
Grant revenue	2,698,665	12,963,580	3,496,004	10,541,151	5,049,078	6,332,824	5,700,292	3,669,794	2,558,850	7,155,505
Arbitrage rebate refund	-	-	-	-	-	-	-	144,204	-	-
Total revenue	$ 22,378,820	$ 33,818,383	$ 22,191,711	$ 32,098,425	$ 27,894,825	$ 27,870,500	$ 25,663,485	$ 22,940,764	$ 19,627,866	$ 23,139,083

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

EXPENSES BY TYPE

LAST TEN FISCAL YEARS

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Operating Expenses										
Salaries and employee benefits	$ 5,775,757	$ 7,673,292	$ 7,598,559	$ 7,877,990	$ 7,337,687	$ 6,931,997	$ 6,576,262	$ 6,291,465	$ 5,877,161	$ 5,541,035
Supplies	94,541	94,548	108,195	126,599	137,313	113,838	147,622	101,466	83,806	78,229
Airport operations	3,420,416	3,536,842	3,510,081	3,673,853	3,563,102	3,413,442	3,202,979	2,744,288	2,889,802	2,399,638
Travel and education	279,510	264,354	352,013	405,203	461,903	383,939	321,837	391,546	330,073	311,741
Outside professional services	169,976	144,482	172,705	124,216	125,028	158,648	78,538	84,554	85,730	187,740
Marketing	429,129	207,943	187,370	387,346	318,880	401,121	467,864	395,018	356,345	358,504
Bad debt expense	46,719	147,490	-	-	-	-	-	-	-	-
Change in inventory valuation	-	-	-	-	53,784	(84,683)	(100,953)	-	-	-
Depreciation	8,698,300	8,562,304	8,532,885	8,152,567	7,774,984	7,788,237	7,140,091	7,533,824	6,447,352	6,115,240
Total operating expenses	18,914,348	20,631,255	20,461,808	20,747,774	19,772,681	19,106,539	17,834,240	17,542,161	16,070,269	14,992,127
Non-operating Expenses										
Interest expense-net of capitalization	3,750,660	4,090,938	4,204,442	4,339,560	4,455,635	4,616,787	5,068,766	5,401,246	4,177,084	4,537,576
Amortization expense	445,162	420,920	238,227	238,227	242,123	280,152	198,883	146,967	131,069	147,233
Other expenses	-	-	-	-	-	-	-	-	-	-
Loss on sale of capital assets	-	1,511,460	-	744,087	1,077,466	-	-	-	-	-
Capital assets transferred to City of Cayce	-	-	-	-	-	-	-	441,443	-	-
Total non-operating expenses	4,195,822	6,023,318	4,442,669	5,321,874	5,775,224	4,896,939	5,267,649	5,989,656	4,308,153	4,684,809
Special Items										
Arbitrage rebate amount	-	-	-	-	-	-	-	144,204	(330,444)	-
Proceeds of litigation settlement	-	-	-	-	-	-	-	-	231,000	-
Net special items	-	-	-	-	-	-	-	144,204	(99,444)	-
Total expenses by type	$ 23,110,170	$ 26,654,573	$ 24,904,477	$ 26,069,648	$ 25,547,905	$ 24,003,478	$ 23,101,889	$ 23,676,021	$ 20,278,978	$ 19,676,936

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

PASSENGER ENPLANEMENTS BY AIRLINE

LAST TEN FISCAL YEARS

Airline	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Delta & Affiliates:										
Delta Airlines	62,906	27,169	14,091	44,422	63,292	79,563	98,256	93,201	81,319	136,852
Atlantic Coast Airlines	-	-	-	-	-	-	-	25,324	30,435	35,881
Atlantic Southeast	126,052	142,941	147,752	124,637	130,291	127,623	108,954	96,520	89,298	48,224
Chautauqua	10,825	8,315	1,618	1,740	9,848	10,746	7,220	9,816	13,741	13,205
Comair	2,190	10,198	5,333	7,747	6,508	9,213	100,503	73,685	46,415	30,782
Shuttle America	-	64	396	3,354	-	-	-	-	-	-
Mesa / Freedom	-	3,485	10,161	7,188	-	-	-	-	-	-
Pinnacle	10,388	9,943	1,167	-	-	-	-	-	-	-
US Airways & Affiliates:										
Piedmont	11,154	13,408	27,730	28,304	22,991	15,072	14,478	25,780	51,443	74,456
Chautauqua	43,625	32,114	9,416	9,517	-	-	-	-	-	-
PSA	18,320	18,924	46,027	50,623	77,467	58,735	-	3,843	21,936	24,918
Mesa	-	-	-	-	-	-	126,913	96,587	47,401	31,948
Mesa / Freedom	-	-	-	-	19,805	50,770	2,976	-	-	-
Air Wisconsin	68,489	80,456	54,280	43,485	-	-	-	-	-	-
Republic	848	331	-	-	-	-	-	-	-	-
Allegiant Air	1,032	-	10,045	-	1,088	789	-	-	-	-
American Eagle	40,476	40,713	40,570	38,808	40,627	42,480	6,992	-	-	-
Atlantic Coast Airlines / United Express (Mesa)	61,228	70,288	83,141	91,444	106,661	114,838	102,924	92,067	82,839	70,696
Continental Express Jet/United	11,111	8,907	-	-	-	-	-	-	-	-
Continental	21,017	23,254	38,875	52,610	49,769	60,117	49,427	41,317	39,097	36,828
Corporate Express	-	-	-	-	-	-	-	-	-	-
Independence Air	-	-	-	-	-	578	72,248	46,547	-	-
Midway	-	-	-	-	-	-	-	-	-	-
Northwest	-	2,088	27,500	49,194	48,912	44,004	37,483	29,418	5,158	-
Spirit Airlines	-	-	2,260	15,447	-	-	-	-	-	-
US Air	-	-	-	-	35,974	28,320	4,251	-	-	-
Vision	2,260	-	-	-	-	-	-	-	-	-
Total passenger enplanements	491,921	492,598	520,362	568,520	613,233	642,848	732,625	634,105	509,082	503,790

Source: Richland-Lexington Airport District

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

AIRLINE REVENUES PER ENPLANED PASSENGER

LAST TEN FISCAL YEARS

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Airfield landing fees	$ 3,370,969	$ 3,642,910	$ 2,167,511	$ 2,612,124	$ 2,531,524	$ 2,116,514	$ 2,240,932	$ 2,161,684	$ 1,690,793	$ 1,468,540
Less: Cargo landing fees	(1,265,591)	(1,388,546)	(954,498)	(1,301,172)	(1,208,494)	(991,571)	(973,581)	(949,336)	(809,274)	(736,365)
Passenger airline landing	2,105,378	2,254,364	1,213,013	1,310,952	1,323,030	1,124,943	1,267,351	1,212,348	881,519	732,175
Terminal rentals	3,224,603	3,646,964	3,021,039	2,888,848	3,597,581	2,864,561	2,979,561	2,709,191	2,437,026	1,925,789
Total	$ 5,329,981	$ 5,901,328	$ 4,234,052	$ 4,199,800	$ 4,920,611	$ 3,989,504	$ 4,246,912	$ 3,921,539	$ 3,318,545	$ 2,657,964
Enplaned passengers	491,921	492,598	520,362	568,520	613,233	642,848	732,625	634,105	509,082	503,790
Airline revenue per enplaned passenger	$ 10.84	$ 11.98	$ 8.14	$ 7.39	$ 8.02	$ 6.21	$ 5.80	$ 6.18	$ 6.52	$ 5.28

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

OPERATING EXPENSES (BEFORE DEPRECIATION) PER ENPLANED PASSENGER

LAST TEN FISCAL YEARS

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Total operating expenses	$ 18,914,348	$ 20,631,255	$ 20,480,774	$ 20,747,774	$ 19,772,681	$ 19,106,539	$ 17,834,240	$ 17,542,161	$ 16,070,269	$ 14,992,127
Less, depreciation	(8,698,300)	(8,562,304)	(8,532,885)	(8,152,567)	(7,774,984)	(7,788,237)	(7,140,091)	(7,533,824)	(6,447,352)	(6,115,240)
Total operating expenses before drpreciation	$10,216,048	$12,068,951	$11,947,889	$12,595,207	$11,997,697	$11,318,302	$10,694,149	$10,008,337	$9,622,917	$8,876,887
Enplaned passengers	491,921	492,598	520,362	568,520	613,233	642,848	732,625	634,105	509,082	503,790
Operating expense (before depreciation) per enplaned passengers	$ 20.77	$ 24.50	$ 22.96	$ 22.15	$ 19.56	$ 17.61	$ 14.60	$ 15.78	$ 18.90	$ 17.62

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF DEBT SERVICE COVERAGE

LAST TEN FISCAL YEARS

Year	Gross Revenue	Net Revenue	Other Available Funds	Series Security	Net Revenue Available For Debt Service	Annual Debt Service Requirement	Coverage
2011	22,378,820	6,560,834	2,000,000	1,905,561	10,466,395	6,204,210	1.69
2010	32,306,923	4,940,086	3,000,000	1,915,574	9,855,660	6,446,065	1.53
2009	22,191,711	4,528,262	4,000,000	2,065,765	10,594,027	7,220,756	1.47
2008	32,098,425	5,141,685	3,000,000	2,285,543	10,427,228	7,287,914	1.43
2007	27,894,825	6,532,548	3,000,000	2,491,711	12,024,259	7,372,872	1.63
2006	27,870,500	5,545,013	3,000,000	2,238,970	10,783,983	6,480,922	1.66
2005	25,663,485	5,100,973	2,000,000	2,096,362	9,197,335	6,185,682	1.49
2004	22,940,764	5,845,677	2,000,000	2,131,132	9,976,809	7,149,187	1.40
2003	19,627,866	4,438,407	—	2,045,211	6,483,618	5,150,294	1.26
2002	23,139,083	2,998,133	—	1,967,326	4,965,459	3,839,609	1.29

Note: The District has pledged future revenue net of specified operating expenses.

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

AIRLINE OPERATION DATA (LANDINGS AND TAKEOFFS)

LAST TEN FISCAL YEARS

Passenger Airlines	2011 Market Share	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Air Wisconsin(3)	13.12%	2,064	2,415	1781	1,378	1,062	820	161	—	—	—
Allegiant Air	0.03%	4	—	110	—	18	—		—	—	—
American Eagle	6.71%	1,056	1,083	1,084	1,148	1,076	1,177	186	—	—	—
Atlantic Coast Airlines (1)	12.06%	1,897	1,705	—	—	—	—	0	2,635	2,661	2,403
Delta Air Lines	4.15%	653	325	231	539	669	910	1,046	1,376	1,201	1,774
Atlantic Coast Airlines	0.00%	—	—	—	—	—	—		1,246	1,492	2,093
Atlantic Southeast Airlines (2)	18.64%	2,932	3,554	3,707	3,232	3,248	3,210	3,131	2,957	2,785	1,721
Comair (2)	0.35%	55	287	172	257	166	254	3,018	2,663	2,005	1,154
Independence Air	0.00%	—	—	—	—	—	—	2,282	1,589		—
Continental Express(1)	1.95%	306	238								
Continental Express	3.51%	552	662	1,123	1,550	1,358	1,731	1,456	1,306	1,349	1,167
Northwest	0.00%	—	91	896	1,390	1,374	1,396	1,132	—	165	—
Piedmont (3)	2.27%	357	340	860	1,147	742	497	429	958	1,898	2,934
Pinnacle (2)	1.63%	256	269	22	—	—	—	—	—	—	—
PSA (3)	3.83%	602	558	1,422	1,897	2,379	1,952	—	762	1,322	1,459
Chautauqua (3)	9.10%	1,432	1,005	319	342	305	321	273	194	690	614
Chautauqua (2)	2.30%	362	245	55	47	—	—	—	453	—	—
Republic (3)	0.09%	14	6	—	—	—	—	—	—	—	—
Mesa (3)	0.04%	6	8	4	11	2,988	2,939	3,940	—	2,251	1,089
Mesa(1)	0.03%	4	506	2,708	—	3	986	2,508	3,607	—	—
Mesa /Freedom(2)	0.00%	—	94	262	233	618	493	—	—	—	—
Shuttle America (2)	0.00%	—	1	14	78	—	—	—	—	—	—
Spirit	0.00%	—	—	25	158	—	—	—	—	—	—
United	0.00%	—	—	—	2,919	—	—	—	—	—	—
Vision Air	0.23%	36	—	—	—	—	—	—	—	—	—
Subtotal	80.03%	12,588	13,392	14,795	16,326	16,006	16,686	19,562	19,746	17,819	16,408

(CONTINUED)

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

AIRLINE OPERATION DATA (LANDING AND TAKEOFFS)

LAST TEN FISCAL YEARS

(CONTINUED)

Cargo Airlines	2011 Market Share	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Airborne Express	0.00%	—	—	11	511	507	509	420	521	510	512
Air Cargo Carriers	3.03%	477	—	—	—	—	—	—	—	—	—
Bankair	0.00%	—	—	—	8	77	246	396	565	646	601
Federal Express	3.03%	477	460	433	362	471	473	480	305	296	297
Martinaire	4.59%	722	—	—	—	—	—	—	—	—	—
Mountain Air	1.67%	262	328	287	459	766	873	883	844	792	698
United Parcel Service	6.08%	957	1,094	1,611	2,680	2,594	2,595	2,611	2,969	2,698	2,922
Wiggins Airways	1.56%	246	—	—	—	—	—	—	—	—	—
Subtotal	19.97%	3,141	1,882	2,342	4,020	4,415	4,696	4,790	5,204	4,942	5,030
Totals	100.00%	15,729	15,274	17,137	20,346	20,421	21,382	24,352	24,950	22,761	21,438

(1) d/b/a United Express
(2) d/b/a Delta Connection
(3) d/b/a US Airways Express

Source: Richland-Lexington Airport District

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF INSURANCE IN FORCE

Type of Coverage	Insurer	Coverage Amount	Expiration Date
Worker's Compensation	South Carolina Accident Fund	Actual	2/1/2012
Auto Comprehensive and Collision	South Carolina Insurance Reserve Fund	$ 1,000,000.00	2/17/12
Data Processing	South Carolina Insurance Reserve Fund	$ 500,000.00	2/17/12
Building and Personal Property	South Carolina Insurance Reserve Fund	$ 94,328,780.00	2/17/12
Auto Liability	South Carolina Insurance Reserve Fund	$ 1,000,000.00	2/17/12
Inland Marine	South Carolina Insurance Reserve Fund	$ 872,060.00	2/17/12
General Tort Liabiltiy	South Carolina Insurance Reserve Fund	$ 1,000,000.00	2/17/12
Director/Officer	Illinois National Insurance Company	$ 1,000,000.00	8/1/12
Employee Dishonsety	Travlers Insurance Company	$ 500,000.00	7/14/14
Airport Liability Insurance	Global Aerospace, Inc.	$ 150,000,000.00 (General Limit)	8/16/14
Medical Professional Liability	SC Insurance Reserve Fund	$300K/$600K Per Occurrence No Aggregate	2/17/2012

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

MAJOR INDUSTRIAL EMPLOYERS IN THE AIR SERVICE AREA

DECEMBER 31, 2011

Employer	Number of Employees	Major Product/Service
Palmetto Health Alliance	8,400	Healthcare
Blue Cross & Blue Shield of S.C.	6,792	Insurance
University of South Carolina	4,500	Education
Husqvarna Outdoor Products	2,000	Manufacturing
Kraft Foods	2,700	Manufacturing
Lexington Medical Center	5,200	Healthcare
SCANA	2,485	Utilities
AT&T	2,400	Communication
Providence Hospitals	1,900	Healthcare
Amick Farms	1,700	Poultry
Totals	38,077	

Source: Central SC Alliance (www.centralsc.org)

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

DEMOGRAPHIC STATISTICS

DECEMBER 31, 2011

	Air Service Area	South Carolina	United States
Population	1,039,870	4,679,230	311,591,917
Annual Compound Growth Rate (2010-2015)	0.38%	0.08%	.96%
Projected Population (2015)	1,077,330	4,642,137	322,365,787
Unemployment Rate	10.50%	9.6%	8.5%
Per Capita Income	$ 30,699	$ 38,560	$ 45,230

Source: *US Census Bureau*
South Carolina Budget and Control Board, Office of Research and Statistics
US Bureau of Labor Statistics
SC Association of Counties

SUPPLEMENTARY FEDERAL FINANCIAL ASSISTANCE REPORTS

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2011

FEDERAL GRANTOR	Federal CFDA	Program / Contract	Total Expenditures
U.S. Department of Transportation			
Airport Improvement Program	20.106	3-45-0018-33	$ 400
Airport Improvement Program	20.106	3-45-0018-34	34,818
Airport Improvement Program	20.106	3-45-0018-36	337,149
Airport Improvement Program	20.106	3-45-0018-38	730,894
Airport Improvement Program	20.106	3-45-0018-39	890,146
Airport Improvement Program	20.106	3-45-0018-40	705,258
			2,698,665
U.S. Department of Homeland Security			
Law Enforcement Officer Reimbursement Agreement Program	97.09	HSTS0208HSLR302	162,084
Total Expenditures of federal awards			$ 2,860,749

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA

SCHEDULE OF PASSENGER FACILITY CHARGES (PFC's) AND EXPENSES

YEAR ENDED DECEMBER 31, 2011

FEDERAL GRANTOR	Award Number	Beginning Balance	Receipts and Interest	Expenses	Ending Balance
U.S. Department of Transportation					
Federal Aviation Administration:					
Passenger Facility Charge Program	93-01-C-02-CAE	$ 1,785,098	$ 1,907,430	$ (1,805,832)	$ 1,886,696

RICHLAND-LEXINGTON AIRPORT DISTRICT, SOUTH CAROLINA
NOTES TO FEDERAL FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2011

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting and is being reported upon in accordance with OMB Circular A-133 *Audits of State and Local Governments and Non-Profit Organizations* (as amended).

The financial activity shown in the Schedule of Expenditure of Federal Awards reflects amounts recorded by the District during its fiscal year January 1, 2011 through December 31, 2011.

2. Passenger Facility Charge (PFC) Program

The accompanying Schedule of Passenger Facility Charges (PFC's) and Expenses has been prepared pursuant to the *Passenger Facility Charge Audit Guide for Public Agencies* Issued by the Federal Aviation Administration. Specific provisions of OMB Circular A-133 and related documents such as OMB Compliance Supplement and Data Collection Form are not applicable to the PFC program.

The financial activity shown in the Schedule of Passenger Facility Charges (PFC's) and Expenses reflects amounts recorded by the District during its fiscal year January 1, 2011 through December 31, 2011.

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

Board of Commissioners
Richland-Lexington Airport District, South Carolina

We have audited the financial statements of Richland-Lexington Airport District, South Carolina (the "District"), as of and for the year ended December 31, 2011, and have issued our report thereon dated April 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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Compliance And Other Matters

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

This report is intended solely for the information and use of the District's Board, management, applicable federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Scott and Company LLP

Columbia, South Carolina
April 12, 2012

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*

Board of Commissioners
Richland-Lexington Airport District, South Carolina

Compliance

We have audited the compliance of Richland-Lexington Airport District, South Carolina, (the "District"), with the types of compliance requirements described in the U. S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2011. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program, is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2011.

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Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

This report is intended solely for the information and use of the District's Board, management, applicable federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Scott and Company LLP

Columbia, South Carolina
April 12, 2012

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE *PASSENGER FACILITIES CHARGE PROGRAM* AND INTERNAL CONTROL OVER COMPLIANCE

Board of Commissioners
Richland-Lexington Airport District, South Carolina

Compliance

We have audited the compliance of Richland-Lexington Airport District, South Carolina (the "District") with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies,* issued by the Federal Aviation Administration (the "Guide"), for its passenger facility charge program for the year ended December 31, 2011. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the District. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended December 31, 2011.

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Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program as a basis for designing our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with applicable requirements of laws and regulations in relation to the passenger facility charge program on a timely basis. A *material weakness in internal control over compliance* is a deficiency in internal control over compliance, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis

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

This report is intended solely for the information and use of the District's Board, management, applicable federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Scott and Company LLP

Columbia, South Carolina
April 12, 2012

Richland-Lexington Airport District,
South Carolina
Schedule of Findings and Questioned Costs
Year ended December 31, 2011

Section I - Summary of Auditors' Results

Financial Statements:

We have issued an unqualified opinion dated April 12, 2012 on the financial statements of the District.

Internal control over financial reporting:

- Material weaknesses identified? NO
- Significant deficiencies identified that are not considered to be material weaknesses? NO
- Non-compliance material to financial statements noted? NO

Federal Awards:

We have issued an unqualified opinion dated April 12, 2012 on the District's compliance for its major program.

Internal control over major program:

- Material weaknesses identified? NO
- Significant deficiencies identified that are not considered to be material weaknesses? NO
- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? NO

Identification of Major Program:

CFDA Number	Program
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? YES

Section II—Financial Statement Findings

None Noted

Section III—Federal Award Findings and Questioned Costs

None Noted

Prior Year Audit Comments

There were no findings in the prior year audit.