CHARLESTON COUNTY AIRPORT DISTRICT

REPORT ON FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JUNE 30, 2011 AND 2010

CHARLESTON COUNTY AIRPORT DISTRICT
Report on Financial Statements
For the years ended June 30, 2011 and 2010

TABLE OF CONTENTS

	Page No.
INDEPENDENT AUDITORS' REPORT	1 -2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 12
BASIC FINANCIAL STATEMENTS:	
Statements of Net Assets	13 - 14
Statements of Activities	15
Statements of Cash Flows	16 - 17
NOTES TO BASIC FINANCIAL STATEMENTS	18 - 31

elliott davis

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the
Charleston County Aviation Authority
Charleston, South Carolina

We have audited the accompanying financial statements of the business-type activities of Charleston County Airport District (the District) as of and for the years ended June 30, 2011 and 2010, which collectively comprise the District's basic financial statements, as listed in the table of contents. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of June 30, 2011 and 2010, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2011 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 considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 12 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic 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 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.

Elliott Davis, LLC

Charleston, South Carolina
October 17, 2011

CHARLESTON COUNTY AIRPORT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

The following Management Discussion and Analysis (MD&A) of the Charleston County Airport District (the District) activities and financial performance provides the reader with an introduction and overview to the financial statements of the Airport for the fiscal year ended June 30, 2011. Following this MD&A are the basic financial statements of the Airport together with the notes thereto which are essential to a full understanding of the data contained in the financial statements.

Organization

Charleston County Aviation Authority (the Authority) owns and operates the Charleston International Airport (the Airport), Charleston Executive Airport (Johns Island), and Mt. Pleasant Regional Airport. Chartered in 1970 by the State of South Carolina, it is responsible for managing, operating, and developing all public airports in the Charleston County Airport District. The Authority coordinates its activities with the Federal Aviation Administration and the South Carolina Aeronautics Commission.

The District is a municipal corporation established by the General Assembly of the State of South Carolina in 1970 and is governed by the Authority. The Authority is composed of seven members appointed to four-year terms by the Governor and six ex-officio members: the Mayor of the City of Charleston, the Mayor of the City of North Charleston, the Mayor of the Town of Mt. Pleasant, the Chairman of the Charleston County Council, and the Chairman and Vice-Chairman of the Charleston County Legislative Delegation.

The Airport System

The Authority operates the Charleston International Airport, Charleston Executive Airport, and Mt. Pleasant Regional Airport.

Charleston International Airport is centrally located in the Charleston metropolitan area in North Charleston. The Airport is situated adjacent to Charleston Air Force Base and uses the airfield facilities at the Air Force Base jointly with the United States Air Force (USAF). The runways, some taxiways, some navigational aids, and other airfield facilities are owned, operated, and maintained by the USAF.

The airfield has a main instrument runway which is 9,000 feet long and 200 feet wide and a crosswind runway which is 7,000 feet long and 150 feet wide. The runways are interconnected by a system of taxiways. Each runway is equipped with high intensity runway lighting and one runway has category II instrument landing systems to permit all weather operation. All runways are constructed on a firm foundation of compacted-base and are of sufficient strength to permit the operation of the largest existing commercial aircraft. The FAA control tower provides airport traffic and radar approach control service.

The present passenger terminal complex at the Airport was dedicated March 30, 1985. The terminal complex is a 270,000 square foot reinforced concrete frame structure on three levels, with ten gates. The landside of the terminal is served by an eight lane roadway fronting on the second level, connected to an access road loop. The three-story parking deck provides 1,267 spaces, in addition to a surface lot containing 1,896 spaces, two remote lots totaling 1,105 spaces, and valet parking with 195 spaces. A 40-space cell phone parking area is located adjacent to the terminal.

In Spring 2012, construction is expected to begin at the Charleston International Airport for Terminal Redevelopment and Improvement. This multi-million dollar project will strive to accommodate the current and growing passenger volumes, as well as improve space efficiency for the airlines and tenants. Additional public parking is also included as part of the overall redevelopment plan.

In October 2009 the Boeing Corporation announced its plans to build a second manufacturing plant to assemble the 787 Dreamliner on property owned by the District. Construction on several new buildings including a 1.1 million square foot assembly plant began in November 2009 and is substantially complete. The Dreamliner has become the fastest-selling new commercial jetliner in history. Delivery of the first 787 in Charleston is scheduled for 2012.

General aviation facilities on the Airport include two Fixed Base Operators on the east side of the airfield. Atlantic Aviation FBO occupies an 11.5 acre site including 80,000 square feet of hangar facilities, a 9,600 square foot terminal building and 7.5 acres of ramp area. Landmark Aviation FBO occupies a 10.6 acre site including a 40,000 square foot terminal/hangar facility and 3.9 acres of aircraft ramp area.

Air Cargo facilities include a 21,000 SY facility to the west of the passenger terminal, opened in January 1986.

The Authority is also responsible for two general aviation airports. The Charleston Executive Airport encompasses 1,373 acres and has two active runways. The primary runway is 5,350 feet long and is equipped with an FAA Instrument Landing System, Precision Approach Path Indicators (PAPIs) at both ends of the primary runway, and a UNICOM. Significant improvements to the runways and taxiways were completed in Fiscal 2011. The fixed based operations facility (Atlantic Aviation) includes a 6,000 square foot terminal, two open-bay hangars, several individual hangars and two 10-unit T-hangars. Airport services provided by the fixed based operator include fuel and major airframe and power plant repairs. Other tenants include the United States Coast Guard and Charleston County Mosquito Abatement.

Mt. Pleasant Regional Airport is a general aviation airport with a 3,700 foot runway and medium intensity lighting, a rotating beacon, Precision Approach Path Indicators (PAPIs) at both runway ends and a UNICOM. The facility also includes a maintenance hangar and six 10-unit T-hangars, two of which are privately owned. Airport services are provided by a fixed based operator including fuel and minor repairs.

Airport Activities and Highlights

The Airport primarily serves the Charleston Metropolitan Statistical Area (MSA) as defined by the federal government's Office of Management and Budget. The MSA consists of Berkeley, Charleston, and Dorchester counties. The Airport serves primarily origin and destination passengers, which is largely a function of the geographic location of the Airport in relation to the nation's overall air transportation system. Origin and destination activity accounts for virtually 100% of the District's passenger traffic.

The Airport is defined as a small hub airport under FAA enplanement criteria. The airlines serving the Airport at June 30, 2011, include American Eagle, Continental, Delta, Southwest, United Airlines and US Airways. Atlantic Southeast Airlines, Chautauqua, Comair, Compass, Pinnacle Air, and Shuttle America operate as regional carriers for Delta. Air Wisconsin, Chautauqua, Mesa Jet, PSA, and Republic Airlines are regional carriers operating as affiliates of US Airways. Atlantic Southeast Airlines, Express Jet, Mesa Jet, SkyWest, and Trans States are regional carriers operating as United Airlines. Continental Express Jet and Chautauqua are regional carriers operating as Continental.

In March 2011, Southwest Airlines began service in Charleston with seven flights a day with three to Baltimore, two to Chicago Midway and one each to Houston and Nashville.

HISTORICAL ENPLANMENTS BY AIRLINE
(unaudited)

Airline	FY2011 Enplanements	Share	FY2010 Enplanements	Share	FY2009 Enplanements	Share
Delta Air Lines [1]	426,275	38.2%	437,182	41.5%	406,438	36.7%
US Airways [1]	345,314	30.9%	329,293	31.2%	315,583	28.4%
United Airlines [1]	111,721	10.0%	114,899	10.9%	112,886	10.2%
AirTran Airways [2]	0	0%	40,045	3.8%	88,825	8.0%
Southwest Airlines [4]	89,750	8.0%	0	0%	0	0%
Continental Airlines [1]	77,693	7.0%	77,022	7.3%	82,586	7.4%
Northwest Airlink/Pinnacle [3]	0	0%	0	0%	55,253	5.0%
American Eagle	64,223	5.7%	52,726	5.0%	45,825	4.1%
Other	2,201	0.2%	2,678	0.3%	2,000	0.2%
Total	1,117,177	100%	1,053,845	100%	1,109,396	100%

Note: 1) Includes commuter and regional airlines
2) AirTran discontinued service December 2009
3) Northwest merged with Delta May 2009
4) Southwest Airlines began service March 2011.

Passenger enplanements for the fiscal year ended June 30, 2011, were 1,117,177. This represents an 6.0% increase from the previous fiscal year due to higher enplanements for several airlines and the initiation of service by Southwest Airlines in March 2011.

At the end of fiscal year 2011, the airlines serving Charleston International Airport provided 64 daily departures to 15 non-stop destinations. Total daily seat lift was 4,190 and approximately 63% of these seats were provided by mainliners. This pattern of activity is comparable to that of many other small-hub airports. Total fuel uplifted to schedule and charter airlines is approximately 16 million gallons which is a decrease of 8.6% as compared to 2010.

	FY2011	FY2010	FY 2009
ENPLANEMENTS	1,117,177	1,053,845	1,109,396
% increase/(decrease)	6%	(5%)	(8%)
NUMBER OF FLIGHTS	20,303	19,665	20,195
% increase/(decrease)	3%	(3%)	(8%)
TAKE-OFF WEIGHT	1,567,500	1,449,108	1,578,782
% increase/(decrease)	8%	(8%)	(6%)
DAILY DEPARTURES	64	58	57
% increase/(decrease)	10%	2%	(9%)
DAILY SEAT LIFT	5,056	3,955	4,534
% increase/(decrease)	28%	(13%)	(3%)

Airline market share for enplaned passengers and gross takeoff weight is provided for fiscal year 2009 through fiscal year 2011. In fiscal year 2011, Delta and its affiliates ranked first with 38.2% of enplaned passengers and 38.4% of gross takeoff weight. US Airways ranked second with 30.9% of enplaned passengers and 32.6% of gross takeoff weight.

HISTORICAL GROSS TAKEOFF WEIGHT (GTOW) BY AIRLINE
(000 LBS.)
(unaudited)

Airline	FY2011 GTOW	Share	FY 2010 GTOW	Share	FY2009 GTOW	Share
Delta Air Lines [1]	601,512	38.4%	611,288	42.2%	604,735	38.2%
US Airways [1]	511,466	32.6%	462,266	31.9%	453,595	28.7%
United Airlines [1]	147,122	9.4%	154,098	10.6%	155,736	9.9%
AirTran Airways [2]	0	0%	55,928	3.9%	123,046	7.8%
Southwest Airlines [4]	117,971	7.5%				
Continental Airlines [1]	95,710	6.1%	90,807	6.3%	103,904	6.6%
Northwest Airlink/Pinnacle [3]	0	0%	0	0%	75,251	4.8%
American Eagle	87,553	5.6%	67,503	4.7%	56,822	3.6%
Other	6,166	0.4%	7,218	0.4%	5,693	0.4%
Total	1,567,500	100%	1,449,108	100%	1,578,782	100%

Note: 1) Includes commuter and regional airlines
2) AirTran discontinued service December 2009
3) Northwest merged with Delta May 2009
4) Southwest began service March 2011

Overview of Annual Financial Report

MD&A serves as an introduction to the basic financial statements. MD&A represents management's examination and analysis of the District's financial condition and performance. Summary financial statement data and 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 a Statement of Net Assets, a Statement of Activities, a Statement of Cash Flows, and Notes to Financial Statements. The Statement of Net Assets presents the financial position of the district on a full accrual, historical cost basis, and provides information about the nature and amount of resources and obligations at the end of the year.

The Statement of Activities presents 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. This statement also provides certain information about the District's recovery of its costs. The District's rates and charges are based on a cost recovery methodology provided for in the airline ordinance. The primary objective of the rates and charges model is to determine the costs not covered by non-airline sources and to annually compute terminal rents and apron fees which will provide sufficient funding to reimburse the District.

The Statement of Cash Flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents 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, and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

The financial statements were prepared from the detailed books and records of the District.

FINANCIAL HIGHLIGHTS

Financial Position Summary

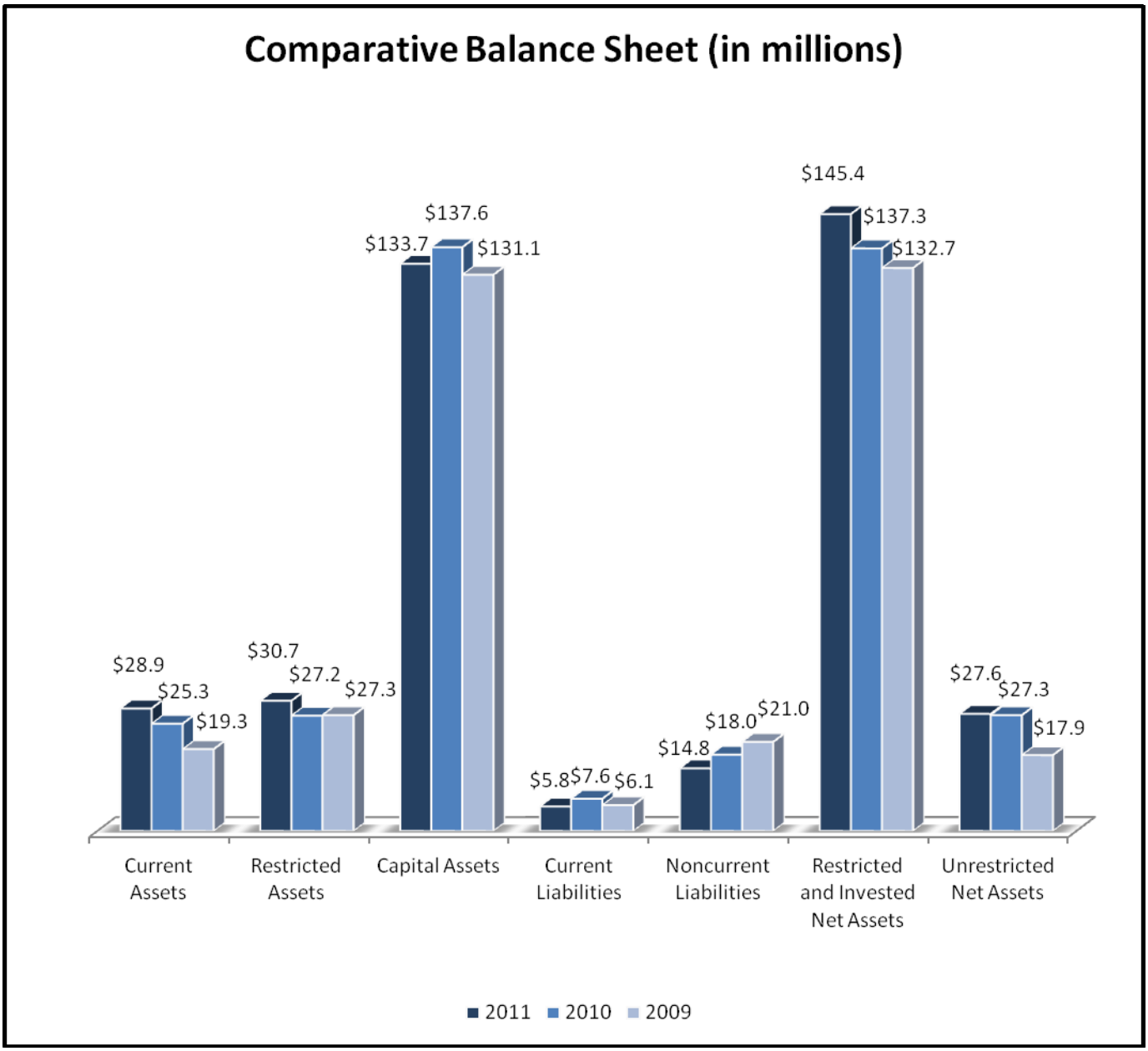
The Charleston County Airport District's assets exceeded liabilities by $172,979,724 at June 30, 2011, an increase of $8,355,717 from June 30, 2010.

A condensed summary of the District's total net assets at June 30 is shown below:

	FY2011	FY2010	FY2009
ASSETS:			
Current Assets	$28,979,723	$ 25,273,331	$ 19,270,235
Restricted Assets	30,724,294	27,228,082	27,178,850
Property, Plant & Equipment	133,705,730	137,637,850	131,100,500
Other	135,760	165,970	194,595
TOTAL ASSETS	193,545,507	190,305,233	177,744,180
LIABILITIES:			
Current Liabilities (payable from Current Assets)	3,800,365	3,244,925	3,138,776
Current Liabilities (payable from Restricted Assets)	1,976,135	4,432,225	2,898,960
Noncurrent Liabilities	14,789,283	18,004,076	21,046,931
TOTAL LIABILITIES	20,565,783	25,681,226	27,084,667
NET ASSETS:			
Invested in capital assets, net of related debt	115,612,092	113,994,559	107,232,824
Restricted by bond covenant	27,073,949	22,381,883	25,502,419
Restricted by contributor	2,670,604	973,167	41,615
Unrestricted	27,623,079	27,274,398	17,882,655
TOTAL NET ASSETS	$172,979,724	$164,624,007	$150,659,513

The largest portion of the District's net assets (67% at June 30, 2011) represents its investment in capital assets (i.e. land, buildings, improvements, and equipment), less the related indebtedness outstanding used to acquire those capital assets. The District uses these capital assets to provide services to its passengers and visitors to the Airport; therefore, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations.

An additional portion of the District's net assets is restricted by bond covenant (16% at June 30, 2011). The unrestricted portion of net assets (16% at June 30, 2011) may be used to meet any of the district's ongoing obligations.



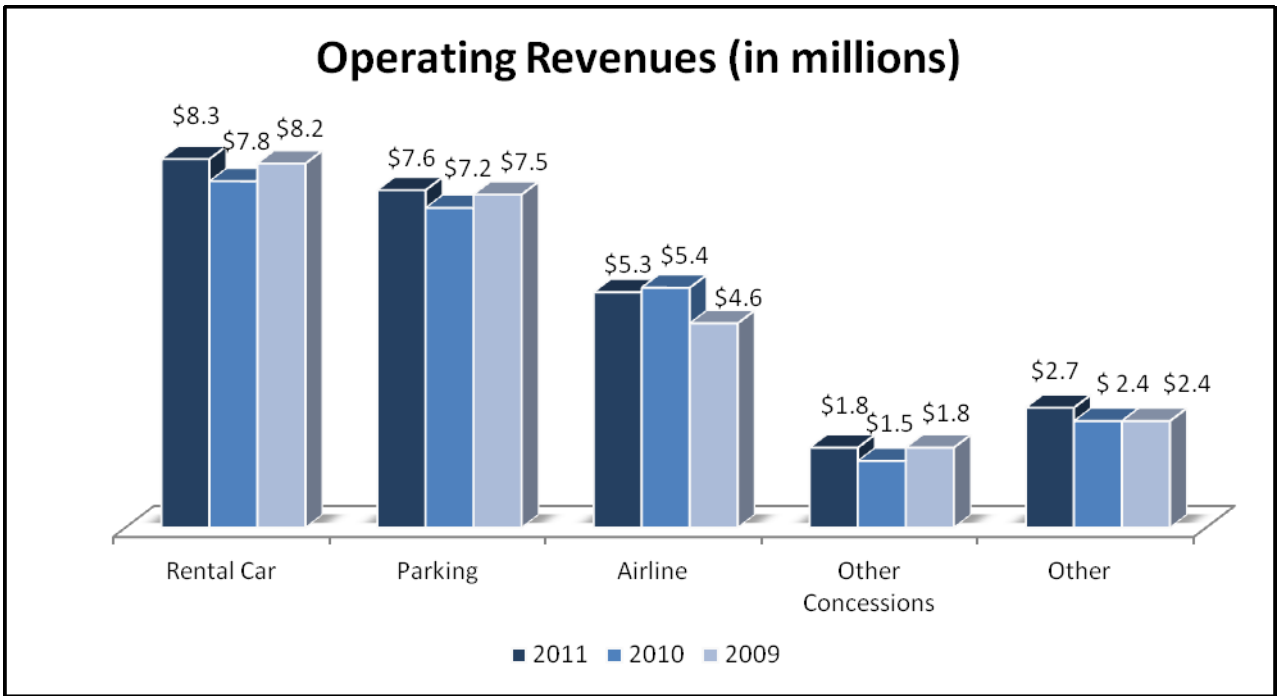
Summary of Operations and Changes in Net Assets

Operating revenues increased by 4.6% from $24,609,921 to $25,736,356 as a result of the following:

- Domestic and international terminal revenue increased due to higher Rental Car Revenue and general improvements in Concession income.

A summary of revenues for the year ended June 30, 2011, and the amount and percentage of change in relation to prior year amounts is as follows:

	2011	Percent of Total	2010	Increase (Decrease) from 2010	Percent Increase (Decrease)	2009
OPERATING REVENUE						
Aviation Support	$ 583,789	1.8%	$ 588,821	$(5,032)	(0.9)%	$ 538,085
Domestic and international terminal	12,153,439	37.2%	11,451,443	701,996	6.1%	10,561,066
Airfield area	312,578	1.0%	325,336	(12,758)	(3.9)%	359,549
Apron and Taxiway	283,938	0.9%	426,465	(142,527)	(33.4)%	398,884
Airline service area	166,926	0.5%	137,134	29,792	21.7%	147,203
Fuel Storage	974,525	3.0%	1,069,725	(95,200)	(8.9)%	1,092,673
Reliever airports	169,624	0.5%	130,067	39,557	30.4%	133,104
Commercial/industrial area	3,431,877	10.5%	3,246,099	185,778	5.7%	3,692,738
Parking/roadway area	7,659,660	23.5%	7,234,831	424,829	5.9%	7,566,307
TOTAL OPERATING REVENUE	25,736,356	83.7%	24,609,921	1,126,435	4.6%	24,489,609
NON-OPERATING INCOME						
Interest income	284,513	0.9%	360,674	(76,161)	(21.1)%	442,275
Gain (loss) on disposition of property, plant and equipment	(1,342)	0%	0	(1,342)	(100%)	0
Passenger Facility Charge	4,716,677	15.3%	931,220	3,785,457	406.5%	0
Miscellaneous non-operating income	57,487	0.2%	19,544	37,943	194.1%	14,840
TOTAL NON-OPERATING INCOME	5,057,335	16.4%	1,311,438	3,745,897	285.6%	457,115
TOTAL REVENUES	$30,793,691	100%	25,921,359	4,872,332	18.8%	$24,946,724

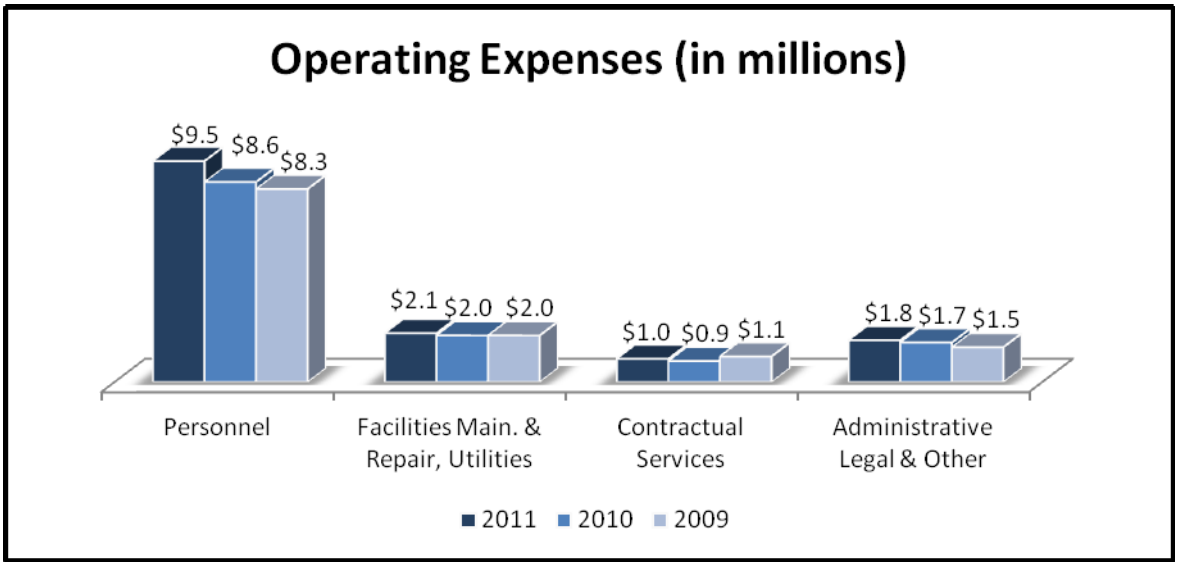


Operating Expenses increased by 10.6% from $13,232,983 to $14,629,752 as a result of the following:

- Personnel services increased as a result of higher employee health insurance premiums, merit-based salary increases and budgeted personnel changes.
- Utility expense increased due to higher rates and usage in most categories.
- Administrative Services increased due to efforts in air service development and public relations.
- Contractual Services increased due to several maintenance contracts for hardware/software functionality and various software programs.

A summary of expenses for the year ended June 30, 2011, and the amount and percentage of change in relation to prior year amounts is as follows:

	2011	Percent of Total	2010	Increase (Decrease) from 2010	Percent Increase (Decrease)	2009
OPERATING EXPENSES						
Personnel services	$9,559,242	39.4%	$ 8,596,970	$962,272	11.2%	$8,266,302
Administrative Services	952,569	4.0%	843,770	108,799	12.9%	760,951
Utilities	1,290,993	5.3%	1,161,955	129,038	11.1%	1,082,165
Building repairs and maintenance	203,448	0.8%	177,358	26,090	14.7%	180,022
Heating, ventilation, and air conditioning	100,325	0.4%	80,193	20,132	25.1%	87,840
Field Maintenance	210,641	0.9%	236,798	(26,157)	(11.0)%	264,738
Vehicle Maintenance	104,255	0.4%	106,052	(1,797)	(1.7)%	119,478
Loading Bridges	20,830	0.1%	58,312	(37,482)	(64.3)%	63,954
Supplies	254,118	1.0%	213,429	40,689	19.1%	214,822
Contractual services	1,020,787	4.2%	893,506	127,281	14.2%	1,078,172
Insurance	295,120	1.2%	292,117	3,003	1.0%	288,197
Professional services	182,753	0.8%	143,999	38,754	26.9%	89,767
Legal Services	235,000	1.0%	235,000	0	0.0%	235,000
Other Expenses	199,671	0.8%	193,524	6,147	3.2%	204,437
TOTAL OPERATING EXPENSES	14,629,752	60.2%	13,232,983	1,396,769	10.6%	12,935,845
Depreciation	8,860,558	36.3%	8,452,585	407,973	4.8%	8,425,572
NON-OPERATING EXPENSES						
Interest expense	841,414	3.5%	944,323	(102,909)	(10.9)%	1,067,239
Miscellaneous non-operating expenses	0	0%	0	0	0%	138,299
TOTAL NON-OPERATING EXPENSES	841,414	3.5%	944,323	(102,909)	(10.9)%	1,205,538
TOTAL EXPENSES	$24,331,724	100%	$ 22,629,891	$1,701,833	7.5%	$ 22,566,955



The net result of the above was operating income before depreciation decreased by $270,334. Depreciation increased from $8,452,585 in 2010 to $8,860,558 in 2011. Operating income after depreciation but before non-operating revenue and expenses decreased from $2,924,353 in fiscal year 2010 to $2,246,046 in fiscal year 2011.

Non-operating Revenue (Expenses) increased from net revenue of $367,115 in FY 2010 to net revenue of $4,215,921 in fiscal year 2011, due to income from Passenger Facility Charges.

Capital contributions decreased from $10,673,026 in fiscal year 2010 to $1,893,750 in fiscal year 2011.

Effective March 1, 2010, the FAA approved the implementation of the Passenger Facility Charge at $4.50. This fee must be used for projects that preserve or enhance safety, security, or capacity of the national air transportation system.

A condensed summary of the District's increase in net assets at June 30, 2011, 2010, and 2009 is shown below.

	FY2011	FY2010	FY2009
Operating revenues	$25,736,356	$ 24,609,921	$ 24,489,609
Operating expenses	(14,629,752)	(13,232,983)	(12,935,845)
Operating income before depreciation	11,106,604	11,376,938	11,553,764
Depreciation	(8,860,558)	(8,452,585)	(8,425,572)
Operating income	2,246,046	2,924,353	3,128,192
Non-Operating revenues (expenses)	4,215,921	367,115	(748,423)
Income before contributions	6,461,967	3,291,468	2,379,769
Capital contributions	1,893,750	10,673,026	5,457,599
Increase in net assets	$8,355,717	$ 13,964,494	$ 7,837,368

Capital Acquisitions and Construction Activities

During fiscal year ended June 30, 2011, the District expended $4,929,780 on capital activities.

During fiscal year ended June 30, 2011, several construction projects totaling $2,138,208 were completed or were substantially complete. This included $843,127 for Accessibility Improvements (Elevators), $740,373 for Parking Deck Repairs and $335,649 for Drainage Ditch Improvements and Erosion Repairs at Charleston International Airport and $219,059 for Water Service Improvements at Mt. Pleasant Regional Airport.

Property and Equipment are capitalized at cost. Acquisitions are funded using federal grants and airport revenues. Please see the notes to the financial statements for more detailed information on capital asset activity.

Construction commitments remaining on June 30, 2011 total $9,574,437. This includes $9,090,118 representing the contract for Taxiway F Improvements, Apron C Expansion, Terminal Annex, and Design of the Terminal Redevelopment and Expansion at Charleston International Airport.

During fiscal year 2011, new grant awards were as follows:

GRANT TYPE/ NUMBER	DESCRIPTION	TOTAL AWARD
Airport Improvement Programs		
3-45-0012-35	Terminal Annex Facility Improvements (Design & Construction)	$6,249,630
3-45-0013-17	Land Acquisition / Aviation Easement at JZI	$216,321
3-45-0042-15	Construct Terminal Building, Phase IV at LRO	$299, 631

Long-Term Debt Administration (CUSIP #160070XXX)

In 1993, the Airport issued $28,400,000 of Airport System Revenue Bonds dated May 5, 1993, maturing annually from 1994 through 2015. Interest rates ranged from 4.75% to 8.25%. In January 2004, the Authority issued $17,585,000 in Airport System Revenue Bonds to advance refund the outstanding Series 1993 Bonds. The Series 1993 Bonds were redeemed in February 2004, at a net present value savings of approximately $1,600,000. During fiscal year 2011, principal and interest payments of $1,535,000 and $415,793 respectively were made.

In May 2005, the Airport executed a loan agreement with Bank of America in an amount not to exceed $16,000,000 which financed construction of a new service facility for rental car companies. Construction was completed in January 2006. Interest expense for fiscal year 2011 was $525,856.

A summary of debt outstanding as of June 30, 2011, 2010 and 2009 is provided below:

	2004 Revenue Refunding Bond	2005 Promissory Note
FY 2011	$ 9,249,913	$ 8,676,299
FY 2010	$ 10,862,778	$ 10,110,372
FY 2009	$ 12,401,558	$ 11,466,118

Please see the notes to the financial statements for more detailed information on long-term debt activity.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the Director of Airports, Charleston County Aviation Authority, 5500 International Boulevard, #101, Charleston, South Carolina 29418.
Respectfully submitted,

Judith W. Olmstead
Director of Finance & Administration

CHARLESTON COUNTY AIRPORT DISTRICT
STATEMENTS OF NET ASSETS

	JUNE 30,	
	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 21,342,935	$ 18,435,870
Investments	4,497,905	4,438,160
Accrued interest receivable	20,498	32,662
Accounts receivable, net of allowance for uncollectible accounts of $3,115 in 2011 and $3,671 in 2010	2,184,175	1,467,448
Inventories	563,647	512,880
Prepaid expenses	370,563	386,311
Total current assets	28,979,723	25,273,331
NONCURRENT ASSETS		
Restricted assets		
Cash and cash equivalents	12,941,460	9,097,723
Investments	17,071,311	16,068,854
Accrued interest receivable on restricted funds	71,110	82,368
Government grants receivable	640,413	1,979,137
Total restricted assets	30,724,294	27,228,082
Capital assets		
Nondepreciable		
Land	17,070,259	16,848,806
Construction in progress	1,508,380	460,974
Depreciable, net	115,127,091	120,328,070
Total capital assets	133,705,730	137,637,850
Other assets		
Bond issuance costs, net	135,760	165,970
Total noncurrent assets	164,565,784	165,031,902
Total assets	**$ 193,545,507**	**$ 190,305,233**

(Continued)

CHARLESTON COUNTY AIRPORT DISTRICT
STATEMENTS OF NET ASSETS, CONTINUED

	JUNE 30,	
	2011	2010
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and other accrued expenses	$ 747,815	$ 639,120
Accrued liabilities	653,629	377,376
Accrued annual leave and benefits	339,470	308,270
Due to other governments	88,362	74,397
Deposits	206,236	154,258
Deferred revenue	207,218	209,995
Capital improvements contracts payable	92,546	1,660,861
Retainage payable	74,880	1,009,280
Accrued interest payable	40,706	47,435
Notes payable, current portion	1,516,929	1,434,074
Accrued interest payable, revenue bonds	188,709	227,084
Revenue bonds payable, current portion	1,620,000	1,535,000
Total current liabilities	5,776,500	7,677,150
NONCURRENT LIABILITIES		
Notes payable	7,159,370	8,676,298
Revenue bonds payable	7,629,913	9,327,778
Total noncurrent liabilities	14,789,283	18,004,076
Total liabilities	20,565,783	25,681,226
NET ASSETS		
Invested in capital assets, net of related debt	115,612,092	113,994,559
Restricted by bond covenant	27,073,949	22,381,883
Restricted by contributor	2,670,604	973,167
Unrestricted	27,623,079	27,274,398
Total net assets	**$ 172,979,724**	**$ 164,624,007**

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

CHARLESTON COUNTY AIRPORT DISTRICT
STATEMENTS OF ACTIVITIES

	For the years ended JUNE 30, 2011	2010
OPERATING REVENUES		
Aviation support	$ 583,789	$ 588,821
Domestic and international terminal	12,153,439	11,451,443
Airfield area	312,578	325,336
Apron and taxiway	283,938	426,465
Airline service area	166,926	137,134
Fuel storage	974,525	1,069,725
Reliever airports	169,624	130,067
Commercial/industrial area	3,431,877	3,246,099
Parking/roadway area	7,659,660	7,234,831
Total operating revenues	25,736,356	24,609,921
OPERATING EXPENSES		
Personnel services	9,559,242	8,596,970
Administrative services	952,569	843,770
Utilities	1,290,993	1,161,955
Building repairs and maintenance	203,448	177,358
Heating, ventilation, and air conditioning	100,325	80,193
Field maintenance	210,641	236,798
Vehicle maintenance	104,255	106,052
Loading bridges	20,830	58,312
Supplies	254,118	213,429
Contractual services	1,020,787	893,506
Insurance	295,120	292,117
Professional services	182,753	143,999
Legal services	235,000	235,000
Other expenses	199,671	193,524
Total operating expenses without depreciation	14,629,752	13,232,983
Operating income before depreciation	11,106,604	11,376,938
DEPRECIATION	8,860,558	8,452,585
Operating income	2,246,046	2,924,353
NONOPERATING REVENUE (EXPENSE)		
Interest on investments	284,513	360,674
Loss on disposal of capital assets	(1,342)	-
Passenger facility charge	4,716,677	931,220
Other	57,487	19,544
Interest expense	(841,414)	(944,323)
Total nonoperating revenue	4,215,921	367,115
Income before contributions	6,461,967	3,291,468
CAPITAL CONTRIBUTIONS	1,893,750	10,673,026
INCREASE IN NET ASSETS	8,355,717	13,964,494
NET ASSETS, BEGINNING OF YEAR	164,624,007	150,659,513
END OF YEAR	**$ 172,979,724**	**$ 164,624,007**

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

CHARLESTON COUNTY AIRPORT DISTRICT
STATEMENTS OF CASH FLOWS

	For the years ended June 30,	
	2011	**2010**
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating cash receipts from customers and users	$ 25,068,830	$ 25,874,378
Cash payments to suppliers for goods and services	(4,706,616)	(4,685,518)
Cash payments to employees for services	(9,528,042)	(8,559,311)
Net cash provided by operating activities	10,834,172	12,629,549
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Other nonoperating revenues	56,145	19,544
Net cash provided by noncapital financing activities	56,145	19,544
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from passenger facility charge	4,716,677	931,220
Proceeds from government grant contributions	3,232,474	8,900,132
Principal payments - bonds	(1,535,000)	(1,465,000)
Principal payments - notes	(1,434,073)	(1,355,746)
Acquisition and construction of capital assets	(7,416,947)	(13,428,126)
Interest paid on revenue bonds, general obligation bonds and notes payable	(948,379)	(1,094,382)
Net cash used in capital and related financing activities	(3,385,248)	(7,511,902)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(19,719,463)	(17,554,928)
Proceeds from sale of investments	18,657,261	11,067,273
Interest received on investments	307,935	328,954
Net cash used in investing activities	(754,267)	(6,158,701)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	6,750,802	(1,021,510)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	27,533,593	28,555,103
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 34,284,395**	**$ 27,533,593**

(Continued)

CHARLESTON COUNTY AIRPORT DISTRICT
STATEMENTS OF CASH FLOWS

	For the years ended June 30, 2011	For the years ended June 30, 2010
RECONCILIATION OF OPERATING INCOME TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 2,246,046	$ 2,924,353
Adjustments to reconcile net operating income		
to net cash provided by operating activities		
Depreciation	8,860,558	8,452,585
Provision for change in allowance	556	471
Increase (decrease) in		
Receivables	(717,283)	1,281,716
Inventory and prepaid expenses	(35,019)	(63,756)
(Increase) decrease in		
Accounts payable and other liabilities	430,113	51,911
Deferred revenue and deposits	49,201	(17,731)
Net cash provided by operating activities	**$ 10,834,172**	**$ 12,629,549**
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Amortization of bond issuance costs	**$ 30,210**	**$ 28,625**
Decrease in debt obligations due to amortization of premium and deferred refunding costs	**$ 77,865**	**$ 73,780**
Interest capitalized on assets	**$ 14,206**	**$ 69,244**
RECONCILIATION TO STATEMENT OF NET ASSETS		
Unrestricted cash and cash equivalents	$ 21,342,935	$ 18,435,870
Restricted cash and cash equivalents	12,941,460	9,097,723
TOTAL CASH AND CASH EQUIVALENTS	**$ 34,284,395**	**$ 27,533,593**

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

CHARLESTON COUNTY AIRPORT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Charleston County Airport District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance. The more significant of the government's accounting policies are described below.

A. Organization

Charleston County Aviation District owns and operates the Charleston International Airport, Charleston Executive Airport (Johns Island), and the Mt. Pleasant Regional Airport (formerly East Cooper). Chartered in 1970 by the State of South Carolina, it is responsible for managing, operating, and developing all public airports in the District and supervising the financial operations of the District. The District coordinates its activities with the Federal Aviation Administration and the South Carolina Division of Aeronautics.

The District is a municipal corporation established by the General Assembly of the State of South Carolina in 1970 and is governed by the District. The District is composed of seven members appointed to four-year terms by the Governor and six ex-officio members: the Mayor of the City of Charleston, the Mayor of the City of North Charleston, the Mayor of the Town of Mt. Pleasant, the Chairman of the Charleston County Council, and the Chairman and Vice-Chairman of the Charleston County Legislative Delegation.

The major sources of revenues include airline revenues (rentals, fees, and charges to airlines), concession revenues, other airport operating revenues, reliever airport revenues, and interest income.

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

Proprietary Funds are accounted for on the flow of economic resources, measurement focus, and use the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. The accounting objective of this measurement focus is the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Enterprise Funds are a type of proprietary fund used to account for those operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.

The District accounts for its activities in an enterprise fund.

C. Assets, Liabilities and Net Assets

Cash and Cash Equivalents and Investments - The District has not adopted a formal deposit and investment policy. The funds contained in restricted assets follow the investment restrictions specified in applicable bond debentures.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Assets, Liabilities and Net Assets, continued

Cash and Cash Equivalents and Investments, continued

All demand deposits and short-term investments that are highly liquid are considered to be cash and cash equivalents, regardless of restrictions on their use. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date within three (3) months of the date acquired.

The District has a number of financial instruments, none of which are held for trading purposes. Except for nonparticipating investment contracts, investments are reported at the lower of cost or amortized cost, or fair value. Cost and amortized cost are determined by the specific identification method. Nonparticipating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost. Debt securities are reported at cost or amortized cost.

Allowance for Uncollectible Accounts - The District has adopted the allowance method of accounting for bad debts. At year-end the allowance account is adjusted to an amount based on prior years' experience and an analysis of specific accounts. The allowance for uncollectible accounts was $3,115 and $3,671 at June 30, 2011 and 2010, respectively.

Inventories - Inventory consists of various spare parts and supplies used in the maintenance of the airport system. Inventory is valued at the lower of cost (first-in, first-out) or market. The District uses the consumption method of accounting to record inventory under which the cost of inventory is recorded as an expense when consumed rather than when purchased.

Prepaid Expenses - Payments made to vendors for services that will benefit periods beyond year-end are recorded as prepaid expenses.

Governmental grants receivable -Funds that have been expended in accordance with grant requirements, but not yet reimbursed by grant funds are recorded as governmental grants receivable.

Restricted Assets - Certain proceeds of the District's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statements of Net Assets because they are maintained in separate accounts and their use is limited by applicable bond covenants. The bonds established the following fund restrictions:

- Construction Fund is used to pay the costs of the District's projects as provided in the provisions of the bond covenants. As of June 30, 2011 and 2010 there were no funds restricted for construction.
- Gross Revenue Fund receives the revenues to be distributed in the following order as provided in the provisions of the bond covenants:
    - Operation and Maintenance Reserve, which includes the Operation and Maintenance Reserve Account - an amount equal to three-months of the annual budgeted operation and maintenance reserve
    - Debt Service Account and Debt Service Reserve Account - balance equal to the accrued aggregate debt service
    - Equipment and Capital Outlay Fund - six monthly deposits of the annual budget
    - Renewal and Replacement Fund - current year's renewal and replacement budget
    - Development and Contingency Fund - amount appropriated as set forth in the annual budget
    - Airport System Surplus Fund - funds not required by the above funds

Funds collected under the passenger facility charge are restricted by law for specific airport improvement projects. Receivables under government grants also constitute a restricted asset because the use of those funds is limited by the terms of the grants. All donor restricted support is reflected as restricted assets.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Assets, Liabilities and Net Assets - (Continued)

Capital Assets - Capital assets, which include property, plant, and equipment, are defined by the District as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are stated at cost less accumulated depreciation. Assets acquired through contributions are capitalized at their estimated fair market value. Interest incurred during the construction phase of assets is included in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Interest capitalized on assets not acquired with debt is the product of the average accumulated expenditures during the year for such assets and the weighted average interest rate on debt. Interest is not capitalized on assets acquired or constructed with gifts and grants. Interest costs are not capitalized for small projects under $200,000 or those for which the construction period is less than six months in the current year.

Depreciation of property, plant, and equipment is computed by using the straight-line method over the following estimated useful lives:

Assets	Years
Terminal building, improvements, and land improvements	15 - 40
Other buildings and improvements	15 - 25
Runways, taxiways, aprons, and airfield lighting	10 - 20
Vehicles, furniture, and equipment	5 - 10
Parking lot and parking lot equipment	5 - 10

Major refurbishing and replacements are capitalized at cost, while replacements, maintenance, and repairs that do not extend the life of the respective assets are charged to expense in the current period. Gains and losses arising from the sale of disposition of property are included in current year income.

Bond Issuance Costs - Bond issue costs consist of underwriters' discount fees, insurance premiums on policies guaranteeing payment of the bonds, payments for bond counsel, payments to rating services for rating the bonds, and various other costs directly associated with the issuance of bonds. These costs are reported as deferred charges (other assets) and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method.

Accrued Annual Leave and Benefits - Vested or accumulated vacation leave is recorded as an expense and a liability as the benefits accrue to employees. It is the District's policy to allow employees to accumulate earned but unused annual leave benefits up to a maximum of 100% of their allowed annual leave. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Deferred Revenue - Deferred revenue consists of amounts prepaid by the customers of the District. The prepayments are primarily for rents earned by the District in July of the following fiscal year.

Noncurrent Liabilities - Long-term debt and other obligations financed by the District are reported as liabilities on the Statements of Net Assets. Bond premiums and discounts, as well as deferred refunding costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and, if applicable, deferred refunding costs.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Assets, Liabilities and Net Assets - (Continued)

Net Assets Classifications - Net assets are classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets - consists of net assets with constraints placed on the use either by (i) external groups such as creditors, bond covenants, grantors, contributors, or laws or regulations of other governments; or (ii) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - all other net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted".

Landing Fees Paid to USAF - The District operates a joint-use airfield in conjunction with the United States Air Force (USAF). Under the joint-use agreement between the District and the USAF, the District will make payments equal to one-half of the total landing fees and are included in other expenses on the statements of activities.

Operating and Nonoperating Revenues and Expenses - Proprietary funds distinguish operating revenues and expenses from nonoperating 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. The principal operating revenues of the District are terminal, parking lot, and roadway revenues. Terminal revenues primarily represent terminal use rental and privilege charges to airlines, rental car, and food and beverage concession companies. Parking lot and roadway revenues represent public parking fees, other ground transportation fees, and rental car fees. Operating expenses for the District include the cost of sales and services, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition, such as operating grant proceeds, payments to other governments, interest income, and expense, are reported as nonoperating revenues and expenses. The District has also reported fees received and expenses paid related to prior year operations that were not measurable in the prior year as nonoperating revenues/expenses. Grants constitute nonexchange transactions, in which the District receives value without directly giving equal value in return. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been met.

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. Tenant leases are normally for periods of three to five years with options to renew. At June 30, 2011, the airlines operating within the District consisted of American Eagle, Continental Airlines, Delta Airlines, Southwest, USAirways, and United Airlines. The airlines are subject to Ordinance #2001-02 *Air Transportation Companies*, which places airline rentals on a month-to-month rental term. Lease costs, if material, are deferred and amortized as expenses over the life of the lease. There were no material lease costs for the years ended June 30, 2011 and 2010.

Capital Contributions - The District has received federal grants to pay a portion of the construction costs of airport improvements. The contributions are recorded when grant expenditures are made and grant funds are earned.

Budgets - Budgets are adopted on a basis consistent with GAAP. Prior to the end of each fiscal year, an appropriated budget for the subsequent fiscal year is presented and approved by the District to be used as a management tool. All annual appropriations lapse at year-end other than the capital budget.

Accounting Estimates - The preparation of financial statements in accordance with GAAP requires the District's management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. DETAILED NOTES ON ALL FUNDS

NOTE 1 - DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. In accordance with state law, the District's informal policy requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. Deposited funds may be invested in demand or time deposits, continuously and fully secured with direct obligations guaranteed by the United States of America having a market value not less than the amount of such monies. Custodial credit risk for deposits is not formally addressed by bond indentures. Indentures require that restricted deposits be maintained by the trustee bank, as custodian, specified in the indenture. Deposits of the District are also subject to South Carolina state statutes for custodial credit risk. The statutes provide that banks accepting deposits of funds from local government units must furnish an indemnity bond or pledge as collateral obligations of the United States, South Carolina, political subdivisions of South Carolina, the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Farm Credit Bank, or the Federal Home Loan Mortgage Corporation.

As of June 30, 2011, $1.1 million of the District's bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized. The lapse was due to exceptionally large deposits made on June 30, 2011 and was covered the next business day.

Custodial Credit Risk - Investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District utilizes the investment policy of the bond debentures, which requires the depository to hold deposits and investments in trust.

As of June 30, 2011 and 2010, the investments of $2,852,209 and $2,952,084, respectively, were in a US Treasury cash management fund held by the counterparty, or its trust department or agent for the District.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District's investments are selected based on anticipated cash flows. The District limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities are limited, to the fullest extent possible, to not later than such time as shall be necessary to provide money when needed but not longer than twelve months. All of the District’s investments at June 30, 2011 and 2010 had maturities of less than one year.

Credit Risk - Credit risk is the risk that an issuer to an investment will not fulfill its obligations. Investing is performed in accordance with state statues. State statues authorize the District to invest in the following:

1. Obligations of the United States and agencies thereof;
2. General obligations of the State of South Carolina or any of its political units;
3. Savings and loan association deposits to the extent insured by the Federal Deposit Insurance Corporation;
4. Certificates of deposit and repurchase agreements collateralized by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of certificates of deposit and repurchase agreements so secured, including interest; and
5. No-load open and closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company, savings and loan association, or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit.

The District has no investment policy that would further limit its investment choices. As of June 30, 2011 and 2010, the District's investment in mutual funds was rated AAAm by Standard & Poor's and Aaa by Moody's.

II. DETAILED NOTES ON ALL FUNDS - (Continued)

NOTE 1 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District places no limit on the amount it may invest in any one issuer.

A reconciliation of cash and investments shown on the comparative statements of net assets at June 30 follows:

	2011	2010
Cash on hand	$ 6,920	$ 5,465
Carrying amounts of cash in banks	34,277,476	26,505,313
Certificates of deposit	18,717,006	18,577,745
Mutual funds	2,852,209	2,952,084
	$ 55,853,611	**$ 48,040,607**
Statement of net assets:		
Cash and cash equivalents	$ 21,342,935	$ 18,435,870
Investments	4,497,905	4,438,160
Cash and cash equivalents - restricted	12,941,460	9,097,723
Investments - restricted	17,071,311	16,068,854
	$ 55,853,611	**$ 48,040,607**

NOTE 2 - RESTRICTED ASSETS

The balance of the restricted asset accounts at June 30 are as follows:

	2011	2010
Restricted for:		
Bond restrictions/reserves:		
Operation and maintenance reserve	$ 4,908,194	$ 4,913,558
Bond fund debt service account	1,808,709	1,762,219
Bond fund debt service reserve	1,043,500	1,190,000
Equipment and capital outlay fund	613,528	642,947
Renewal and replacement fund	7,566,848	4,836,201
Development and contingency fund	11,352,619	10,885,642
Other restrictions/reserves:		
Federal grants	640,413	1,979,137
Passenger facility charge	2,699,665	931,313
Other restrictions	90,818	87,065
	$ 30,724,294	**$ 27,228,082**

II. DETAILED NOTES ON ALL FUNDS - (Continued)

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	June 30, 2010	Increases	Decreases	Transfers	June 30, 2011
Capital assets, not being depreciated					
Land	$ 16,848,806	$ -	$ -	$ 221,453	$ 17,070,259
Construction in progress	460,974	4,490,096	-	(3,442,690)	1,508,380
Total capital assets, not being depreciated	17,309,780	4,490,096	-	(3,221,237)	18,578,639
Capital assets, being depreciated					
Runways, taxiways, aprons, and airfield lighting	81,227,402	-	-	746,174	81,973,576
Land improvements	652,247	-	-		652,247
Terminal buildings and improvements	120,239,914	-	(2,196,645)	1,563,436	119,606,705
Parking lots and improvements	7,652,990	-	-	740,373	8,393,363
Furniture and equipment	4,507,966	340,554	(121,036)	171,254	4,898,738
Vehicles	746,315	99,130	-		845,447
Total capital assets being depreciated	215,026,834	439,684	(2,317,681)	3,221,237	216,370,074
Less accumulated depreciation					
Runways, taxiways, aprons, and airfield lighting	(36,042,876)	(3,235,206)	-	-	(39,278,082)
Land improvements	(344,154)	(16,306)	-	-	(360,460)
Terminal buildings and improvements	(50,509,659)	(4,597,058)	2,196,645	-	(52,910,072)
Parking lots and improvements	(3,888,878)	(480,420)	-	-	(4,369,298)
Furniture and equipment	(3,302,847)	(450,835)	119,694	-	(3,633,988)
Vehicles	(610,350)	(80,733)	-	-	(691,083)
Total accumulated depreciation	(94,698,764)	(8,860,558)	2,316,339	-	(101,242,983)
Total capital assets being depreciated, net	120,328,070	(8,420,874)	(1,342)	3,221,237	115,127,091
Total capital assets, net of depreciation	**$ 137,637,850**	**$ (3,930,778)**	**$ (1,342)**	**$ -**	**$ 133,705,730**

II. DETAILED NOTES ON ALL FUNDS - (Continued)

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

	June 30, 2009	Increases	Decreases	Transfers	June 30, 2010
Capital assets, not being depreciated					
Land	$ 16,848,806	$ -	$ -	$ -	$ 16,848,806
Construction in progress	2,702,640	14,736,646	-	(16,978,312)	460,974
Total capital assets, not being depreciated	19,551,446	14,736,646	-	(16,978,312)	17,309,780
Capital assets, being depreciated					
Runways, taxiways, aprons, and airfield lighting	70,457,810	-	-	10,769,592	81,227,402
Land improvements	652,247	-	-	-	652,247
Terminal buildings and improvements	114,213,464	-	-	6,026,450	120,239,914
Parking lots and improvements	7,655,180	-	(2,190)	-	7,652,990
Furniture and equipment	4,188,829	207,720	(70,853)	182,270	4,507,966
Vehicles	700,746	45,569	-	-	746,315
Total capital assets being depreciated	197,868,276	253,289	(73,043)	16,978,312	215,026,834
Less accumulated depreciation					
Runways, taxiways, aprons, and airfield lighting	(33,002,843)	(3,040,033)	-	-	(36,042,876)
Land improvements	(327,848)	(16,306)	-	-	(344,154)
Terminal buildings and improvements	(46,136,388)	(4,373,271)	-	-	(50,509,659)
Parking lots and improvements	(3,418,043)	(473,025)	2,190	-	(3,888,878)
Furniture and equipment	(2,900,133)	(473,567)	70,853	-	(3,302,847)
Vehicles	(533,967)	(76,383)	-	-	(610,350)
Total accumulated depreciation	(86,319,222)	(8,452,585)	73,043	-	(94,698,764)
Total capital assets being depreciated, net	111,549,054	(8,199,296)	-	16,978,312	120,328,070
Total capital assets, net of depreciation	**$ 131,100,500**	**$ 6,537,350**	**$ -**	**$ -**	**$ 137,637,850**

Interest Costs - Interest costs incurred in the years ended June 30, 2011 and 2010 totaled $855,620 and $1,013,567, respectively, inclusive of amortization expense (see Notes 4 and 5). Of those amounts, interest of $14,206 and $69,244 was capitalized as part of the cost of capital assets under construction in connection with airport construction projects in the years ended June 30, 2011 and 2010, respectively.

II. DETAILED NOTES ON ALL FUNDS - (Continued)

NOTE 4 - BOND ISSUE COSTS

Bond issue costs being amortized over the life of the outstanding bonds are summarized as follows:

	June 30, 2010	Increases	Decrease	June 30, 2011
Bond issue costs				
2004 Bond	$ 327,930	$ -	$ -	$ 327,930
Less accumulated amortization				
2004 Bond	(161,960)	(30,210)	-	(192,170)
Net bond issue costs	**$ 165,970**	**$ (30,210)**	**$ -**	**$ 135,760**

	June 30, 2009	Increases	Decrease	June 30, 2010
Bond issue costs				
2004 Bond	$ 327,930	$ -	$ -	$ 327,930
Less accumulated amortization				
2004 Bond	(133,335)	(28,625)	-	(161,960)
Net bond issue costs	**$ 194,595**	**$ (28,625)**	**$ -**	**$ 165,970**

Amortization expense recognized in 2011 and 2010 is $30,211 and $28,625, respectively, and is included in interest expense.

NOTE 5 - LONG-TERM DEBT

2004 Revenue Refunding Bonds - The Airport System Revenue Bonds, Refunding Series 2004 of $17,585,000 were issued, in part, for the advance refunding of the Airport's Airport System Revenue Bonds, Refunding Series 1993. The District has pledged income derived from operations to pay debt service. The bonds have a stated interest rate ranging from 2.0% to 5.0% and will mature in July 2015.

2005 Note Payable - The 2005 note payable was issued for construction. The note has a stated rate of interest of 5.63% and will mature in July 2016. A summary of changes in long-term debt for the years ended June 30, 2011 and 2010 is as follows:

	Balance, June 30, 2010	Additions	Reductions	Balance, June 30, 2011	Amounts due in one year
Revenue bonds payable					
Airport System 2004 Bonds	$ 10,435,000	$ -	$ (1,535,000)	$ 8,900,000	$ 1,620,000
Plus (less) deferred amounts:					
Bond premiums	572,089	-	(103,761)	468,328	-
Refunding costs	(144,311)	-	25,896	(118,415)	-
Notes payable 2005	10,110,372	-	(1,434,073)	8,676,299	1,516,929
Total long-term liabilities	**$ 20,973,150**	**$ -**	**$ (3,046,938)**	**$ 17,926,212**	**$ 3,136,929**

II. DETAILED NOTES ON ALL FUNDS - (Continued)

NOTE 5 - LONG-TERM DEBT - (Continued)

	Balance, June 30, 2009	Additions	Reductions	Balance, June 30, 2010	Amounts due in one year
Revenue bonds payable					
Airport System 2004 Bonds	$ 11,900,000	$ -	$ (1,465,000)	$ 10,435,000	$ 1,535,000
Plus (less) deferred amounts:					
Bond premiums	668,361	-	(96,272)	572,089	-
Refunding costs	(166,803)	-	22,492	(144,311)	-
Notes payable 2005	11,466,118	-	(1,355,746)	10,110,372	1,434,074
Total long-term liabilities	**$ 23,867,676**	**$ -**	**$ (2,894,526)**	**$ 20,973,150**	**$ 2,969,074**

The combined long-term debt requirements are as follows:

Year ending June 30	Principal	Interest	Total
2012	$ 3,136,929	$ 827,148	$ 3,964,077
2013	3,319,570	658,507	3,978,077
2014	3,472,275	514,352	3,986,627
2015	3,635,338	360,821	3,996,159
2016 - 2017	4,012,186	165,860	4,178,046
	17,576,298	2,526,688	20,102,986
Plus deferred amounts:			
Bond premiums	468,328	-	468,328
Refunding costs	(118,414)	-	(118,414)
	$ 17,926,212	**$ 2,526,688**	**$ 20,452,900**

The Airport System Revenue Bonds, together with the interest thereon, are payable from revenues derived by the District from the operation of its system and monies on deposit in any fund or account established pursuant to the bond ordinance.

There are a number of limitations, restrictions, and covenants contained in the various bond indentures and ordinances. According to management, at June 30, 2011 and 2010, the District was in compliance with all significant restrictions and covenants, and no events of default occurred during 2011 and 2010.

NOTE 6 - CHANGES IN COMPENSATED ABSENCES

A summary of changes in compensated absences for the years ended June 30, 2011 and 2010 is as follows:

	Balance, June 30, 2010	Additions	Deductions	Balance, June 30, 2011	Amounts due in one year
Accrued annual leave	**$ 308,270**	**$ 339,469**	**$ 308,269**	**$ 339,470**	**$ 339,470**

	Balance, June 30, 2009	Additions	Deductions	Balance, June 30, 2010	Amounts due in one year
Accrued annual leave	**$ 270.611**	**$ 335,643**	**$ 297,984**	**$ 308,270**	**$ 308,270**

II. DETAILED NOTES ON ALL FUNDS - (Continued)

NOTE 7 - LEASE AGREEMENTS

The leasing operations of the District consist principally of the leasing of District land and buildings to various customers. Leases for space in the main terminal allow for annual recalculation of square footage rental rates based on financial performance of the terminal as a separate cost center. Minimum future rentals under noncancellable lease agreements as of June 30, 2011, are as follows:

Year ending June 30	
2012	$ 1,295,799
2013	922,943
2014	908,535
2015	905,803
2016	714,823
2017 - 2021	3,562,634
2022 - 2026	1,737,932
2027 - 2028	335,674
	$ 10,384,143

Airlines are subject to month-to-month rental terms in accordance with Ordinance #2001-02, and are therefore not included as non-cancellable leases (see Note I-C).

NOTE 8 - RESTRICTED NET ASSETS

The detail of restricted net assets as of June 30 is as follows:

	2011	2010
Restricted by bond covenant for:		
Operations and maintenance	$ 4,918,808	$ 4,913,556
Development and contingency	11,306,540	10,563,546
Renewal and replacement	7,580,089	3,542,026
Equipment and capital outlay	604,877	637,620
Future debt service	2,663,635	2,725,135
Total restricted by bond covenant	**$ 27,073,949**	**$ 22,381,883**
Restricted by contributor for:		
Beautification of airport	$ 42,049	$ 41,854
Capital projects	2,628,555	931,313
Total restricted by contributor	**$ 2,670,604**	**$ 973,167**

III. OTHER INFORMATION

NOTE 9 - PENSION PLANS

South Carolina Retirement System

Plan Description - The District contributes to both the South Carolina Retirement System (SCRS) and to the South Carolina Police Officers' Retirement System (PORS), which are cost-sharing multiple-employer defined benefit pension plans administered by the Retirement Division of the State Budget and Control Board. Both the SCRS and PORS offer retirement and disability benefits, cost of living adjustments on an adhoc basis, life insurance benefits and survivor benefits. The Plan's provisions are established under Title 9 of the South Carolina Code of Laws. A publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the South Carolina Retirement Systems is available and may be obtained by writing the South Carolina Retirement System, Post Office Box 11960, Columbia, South Carolina 29211-1960.

III. OTHER INFORMATION - (Continued)

NOTE 9 - PENSION PLANS - (Continued)

Funding Policy - SCRS plan members are required to contribute 6.5% of their annual covered salary, and the District is required to contribute at an actuarially determined rate. The current rate is 9.24% of annual covered payroll. The District's contributions to SCRS for the years ended June 30, 2011, 2010 and 2009 in the amounts of $479,986, $442,110 and $423,604, respectively, are equal to the required contributions for those years. Participating employers of the SCRS also contribute 0.15% of payroll to provide group life insurance benefits for their participants.

PORS Plan members are required to contribute 6.5% of their annual covered salary, and the District is required to contribute at an actuarially determined rate. The current rate is 10.65% of annual covered payroll for the years ended June 30, 2011 and 2010. The District's contributions to PORS for the years ended June 30, 2011, 2010 and 2009, in the amounts of $205,917, $176,975 and $173,306, respectively, are equal to the required contributions for those years. Participating employers of the PORS also contribute 0.4% of payroll to provide group life and disability insurance benefits for their participants.

Deferred Compensation Plans

The District offers its employees a deferred compensation plans, offered through the State of South Carolina, created in accordance with Internal Revenue Code Sections 457 and 401(k). The 457 plan, available to all regular full-time and part-time employees, permits participants to defer a portion of their salaries until future years. The deferred compensation is not available to the employee or his beneficiaries until termination, retirement, death, disability, or an approved hardship.

The District also offers its employees participation in a defined contribution plan, offered through the State of South Carolina, created in accordance with Internal Revenue Code Section 401(k). The 401(k) plan has the same eligibility requirements as the 457 plan, although the withdrawal provisions are more lenient under the 401(k) plan. All amounts of compensation deferred under the plan are held in trust for the contributing employee and are not subject to claims of the employer's general creditors. The plan is administered by the State of South Carolina.

All amounts of compensation deferred under the plans are held in trusts for the contributing employee and are not subject to claims of the employer's general creditors. The plans are administered by the State of South Carolina.

NOTE 10 - POSTEMPLOYMENT HEALTH BENEFIT

The District has offered its retired employees a defined contribution plan for health insurance benefits. A retired employee can receive $10 per month for each year of service up to a maximum of $250 per month toward District-provided health insurance. When a retiree reaches age 65 and is eligible for Medicare, the insurance premium is reduced to 75% of the full premium. Therefore, the contribution can be reduced to $7.50 per month for each year of service. The Plan is financed on a pay-as-you-go basis. For the year ended June 30, 2011, the District paid $10,718 toward the cost of retiree health insurance for nine eligible retired employees.

In 2004, the Governmental Accounting Standards Board issued GASB 45 “Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions.” Under GASB 45, determination of an employer's benefit obligation typically requires that an actuarial valuation be performed by a specialist. However, as a sole employer in a plan with fewer than one hundred total plan members the District has the option to apply a simplified *alternative measurement method* that does not require obtaining an actuarial valuation. The alternative method includes the same broad measurement steps as an actuarial valuation (projecting future cash outlays for benefits, discounting projected benefits to present value, and allocating the present value of benefits

III. OTHER INFORMATION - (Continued)

NOTE 10 - POSTEMPLOYMENT HEALTH BENEFIT, (Continued)

to periods using an actuarial cost method). However, it permits simplification of certain assumptions to make the method potentially usable by non specialists. As a result of applying the alternative measurement method, the management of the District determined the calculated liability is not material.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

State Unemployment Taxes

In accordance with Chapter 31, Article 5, of the South Carolina Employment Security Law, the District has elected to reimburse the Employment Security Commission for any unemployment benefits paid to former employees that are attributable to services performed while employed by the District. The reimbursements are in lieu of quarterly contributions that would otherwise be required. Based on prior experience, management believes such payments, if any, will not be material.

Grants

The District receives significant financial assistance, in the form of grants for specific purposes, from federal and state agencies. The disbursements of funds under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audits by the grantor agencies or their designees. Such audits could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grants. Based on prior experience, management believes such disallowances, if any, will not be material.

Litigation

The District is party to various legal proceedings incidental to its operation. Certain claims, suits, and complaints arising in the ordinary course of business have been filed or are pending. In the opinion of management, all such matters are adequately covered by insurance or, if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position of the District if disposed of unfavorably.

III. OTHER INFORMATION - (Continued)

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Construction Commitments

The District has entered into contracts for various construction projects. Outstanding obligations at June 30, 2011, are as follows:

Project	Contract Amounts	Expended to Date	Remaining Commitment
Update Master Plan	$ 723,873	$ 591,185	$ 132,688
Airfield drainage improvements - JZI	34,548	29,969	4,579
Taxiway F improvements	671,150	72,502	598,648
Terminal annex rehabilitation	6,291,062	-	6,291,062
Apron C expansion	1,287,583	116,947	1,170,636
Terminal redevelopment and expansion	1,106,068	76,296	1,029,772
Apron expansion - JZI	1,641,459	1,606,933	34,526
Parking deck repairs	828,096	718,012	110,084
Replace call boxes	205,065	21,455	183,610
Expand RAC ready car lot	53,609	34,777	18,832
	$ 12,842,513	**$ 3,268,076**	**$ 9,574,437**

The District obtains grant funding when available to fund airport improvement projects. The amounts covered by these grants are included in the obligations above.

NOTE 12 - RISK MANAGEMENT - INSURANCE

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters, for which the District carries commercial insurance and policies with the South Carolina Insurance Reserve Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments. The District pays annual premiums to the State Insurance Reserve Fund for certain general insurance coverage. The State Insurance Reserve Fund is self-sustaining through member premiums and reinsures through commercial companies for certain claims.

In addition, the District insures the risk of job related injury or illness of its employees through the South Carolina Accident Fund, a public entity risk pool operating for the benefit of local governments. The District pays an annual premium to the State Accident Fund for its insurance coverage. Additional premium assessments may be required for workers' compensation claims based on the District's claims experience.

For the above risk management programs, the District has not significantly reduced insurance coverage from the previous year, and settled claims in excess of insurance coverage for the last three years were immaterial.

For each of the insurance programs and public entity risk pools in which it participates, the District has effectively transferred all risk with no liability for unfunded claims, other than ordinary policy deductibles.