

**Airport Authority of the City of
Lincoln, Nebraska**

Accountants' Report and Financial Statements

June 30, 2011 and 2010



**Airport Authority of the City of
Lincoln, Nebraska
June 30, 2011 and 2010**

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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Directors
Airport Authority of the City
of Lincoln, Nebraska

We have audited the accompanying financial statements of the Airport Authority of the City of Lincoln, Nebraska (the Authority) as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Authority'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. 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 financial statements referred to above present fairly, in all material respects, the financial position of the Airport Authority of the City of Lincoln, Nebraska as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Authority's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

/s/ **BKD, LLP**

October 10, 2011

Management Discussion and Analysis June 30, 2011 and 2010

The following discussion and analysis of the financial performance and activity of the Airport Authority of the City of Lincoln, Nebraska (LAA) is to provide an introduction and overview that users need to interpret the financial statements of LAA for the fiscal years ended June 30, 2011 and 2010, with selected comparative information for the fiscal year ended June 30, 2009. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follows this section.

LAA's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). LAA operates as a special purpose political subdivision of the State of Nebraska engaged in business-type activities. Tenants and other users of LAA's facilities and services provide the revenues to operate and maintain LAA's facilities.

LAA's financial statements consist of three statements – a balance sheet, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. These statements provide information about the activities of LAA, including resources held by LAA but restricted for specific purposes by creditors, contributors, or enabling legislation. LAA is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The balance sheets and the statements of revenues, expenses, and changes in net assets report information about LAA's resources and its activities. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report LAA's net assets and changes in them. LAA's total net assets – the difference between assets and liabilities – is one measure of LAA's financial health or financial position. Over time, increases or decreases in LAA's net assets are an indicator of whether its financial health is improving or deteriorating.

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

The LAA Board of Directors has retained staff to operate and manage the daily affairs and all of the assets of the Lincoln Airport Authority.

Airport Activity and Financial Highlights

The most current available passenger information is based on a calendar year comparison and is not available for a fiscal year comparison.

	2010	2009	Difference
Enplaned passengers	<u>143,152</u>	<u>142,025</u>	<u>1%</u>
Aircraft operations			
Air carrier	\$ 7,395	\$ 8,461	-13%
Air taxi	4,443	4,261	4%
General aviation	36,881	35,644	3%
Military	<u>14,303</u>	<u>17,051</u>	<u>-16%</u>
Total operations	<u>\$ 63,022</u>	<u>\$ 65,417</u>	<u>-4%</u>

Scheduled airlines operate in Lincoln under annual operating and lease agreements. The Airport Authority adjusts rates and charges for airline operations annually. Airline rates and charges for the noted calendar years are:

	2011	2010
Landing fee (per 1,000 lbs.)	\$ 1.79	\$ 1.69
Terminal lease rates		
Finished space (per yr.)	\$ 29.00/sq. ft.	\$ 27.59/sq. ft.
Unfinished space (per yr.)	\$ 22.25/sq. ft.	\$ 21.19/sq. ft.
Loading bridge fees (per mo.)	\$ 860.00	\$ 860.00

Airline service continues to be a challenge due to Lincoln's proximity to Omaha's Eppley Airfield.

Lincoln continues to be served by two air carriers that provide daily service. Delta provides three flights a day to its hub operation in Minneapolis. In addition, in June 2011, Delta added a fourth flight daily to its Memphis hub but this new flight was only designed to last through the summer and was pulled in August. United Airlines continues to provide four flights a day to Chicago and three to four flights daily to Denver. Both of these carriers provide service through the use of their regional airline affiliates utilizing 50 and 66 seat regional jets.

Overall, the Lincoln Airport showed a less than 1% increase in passengers for calendar year 2010 when compared to calendar year 2009. It is hoped that this level of activity represents a bottoming out of passenger declines over recent years. The airport continues to talk to airlines both currently serving Lincoln and those not serving Lincoln about adding service and it is hopeful that a southern hub could be added in the next year.

General Aviation continued to show signs of improvement from the lows of the 2008 economic recession. Duncan Aviation in particular showed a strengthening in their work activity especially in the large corporate jet category. Duncan broke ground this year for the construction of a new aircraft paint hangar designed to handle the largest of corporate jets. The Airport Authority will be providing airside infrastructure to include ramp and taxiway access for the new hangar.

Silverhawk Aviation also showed an increase in activity and reported bright prospects for the near future.

Fiscal year 2011 also represented a year in which the airport needed to renegotiate its Joint Use Agreement with the National Guard. While the final agreement was not signed before the end of the fiscal year the negotiations ended and an agreement was reached for a new Joint Use Agreement for a ten year period including the National Guard continuing to provide Aircraft Rescue and Fire Fighting service for the airfield.

There was definitely an increase in activity in Lincoln Air Park West over the course of the year. Only hard to lease buildings remain vacant and the vacancy rate overall has dropped. The year saw the north bomber hangar put back into aviation service for the first time since the Air Force left in the mid 1960's through a lease agreement with Duncan Aviation housing numerous corporate jets. In addition, many of the companies in Lincoln Air Park West are seeing a healthy increase in activity with expansions completed or planned at Tri-Con Stamping, GT Exhaust, and Sadoff Iron and Metal. Inquiries for space by existing and potential new tenants also continue to increase and there is a good possibility that new leases for new space will be finalized in the next twelve months. Also during the year, the airport in partnership with the Lincoln Partnership for Economic Development and the City of Lincoln, completed an Industrial Park Development Plan. While the Plan covered long term development of the entire industrial area it recommended concentration on the undeveloped northern portion both for its access to rail and its lower cost of development as a green field site. The strength of Lincoln Air Park West continues to be the wide variety of tenants which occupy the space. As the economy continues to slowly recover the Airport Authority and Lincoln Air Park West are well positioned to take advantage of increased growth opportunities.

The following condensed financial statements summarize the financial position of the Authority as of June 30, 2011, 2010 and 2009:

Condensed Balance Sheets

	June 30			Variance			
	2011	2010	2009	2011/2010		2010/2009	
				Dollars	Percent	Dollars	Percent
Current assets	\$ 9,747,262	\$ 8,710,779	\$ 8,822,012	\$ 1,036,483	11.90%	\$ (111,233)	-1.26%
Capital assets	61,231,965	64,371,956	64,273,965	(3,139,991)	-4.88%	97,991	0.15%
Investments, restricted for debt service	867,992	2,088,530	5,315,048	(1,220,538)	-58.44%	(3,226,518)	-60.71%
Deferred charges	190,632	168,121	181,856	22,511	13.39%	(13,735)	-7.55%
Total assets	\$ 72,037,851	\$75,339,386	\$ 78,592,881	\$ (3,301,535)	-4.38%	\$ (3,253,495)	-4.14%
Current liabilities	\$ 2,229,134	\$ 2,209,721	\$ 3,301,448	\$ 19,413	0.88%	\$(1,091,727)	-33.07%
Noncurrent liabilities	9,299,335	10,572,649	11,475,848	(1,273,314)	-12.04%	(903,199)	-7.87%
Total liabilities	11,528,469	12,782,370	14,777,296	(1,253,901)	-9.81%	(1,994,926)	-13.50%
Invested in capital assets, net of related debt	52,086,456	54,813,238	56,430,645	(2,726,782)	-4.97%	(1,617,407)	-2.87%
Restricted for debt service	715,835	660,228	483,008	55,607	8.42%	177,220	36.69%
Restricted for renewal and replacement	-	300,000	300,000	(300,000)	-100.00%	-	0.00%
Unrestricted	7,707,091	6,783,550	6,601,932	923,541	13.61%	181,618	2.75%
Total liabilities and net assets	\$ 72,037,851	\$75,339,386	\$ 78,592,881	\$ (3,301,535)	-4.38%	\$ (3,253,495)	-4.14%

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	June 30			Variance			
	2011	2010	2009	2011/2010		2010/2009	
				Dollars	Percent	Dollars	Percent
Operating revenue							
Airport revenue	\$ 10,021,806	\$ 9,589,452	\$ 9,578,791	\$ 432,354	4.51%	\$ 10,661	0.11%
Total operating revenue	10,021,806	9,589,452	9,578,791	432,354	4.51%	10,661	0.11%
Operating expenses							
Direct operating expenses	9,286,213	8,929,934	8,829,361	356,279	3.99%	100,573	1.14%
Indirect operating expenses	4,032,158	3,838,461	4,095,461	193,697	5.05%	(257,000)	-6.28%
Total operating expenses	13,318,371	12,768,395	12,924,822	549,976	4.31%	(156,427)	-1.21%
Operating loss	(3,296,565)	(3,178,943)	(3,346,031)	(117,622)	-3.70%	167,088	4.99%
Net nonoperating revenues	(305,658)	9,294	250,829	(314,952)	-3388.77%	(241,535)	-96.29%
Capital contributions	1,554,589	1,911,080	2,348,928	(356,491)	-18.65%	(437,848)	-18.64%
Change in net assets	\$ (2,047,634)	\$ (1,258,569)	\$ (746,274)	\$ (789,065)	-62.70%	\$ (512,295)	-68.65%

In comparing fiscal year 2010 to fiscal year 2011, the change in net assets decreased due to a decrease in grant revenue due to the completion of projects and an increase in Air Park West expenses and general and administrative expenses related to the May 2011 election.

Additional debt of \$2,435,000 was issued in fiscal year 2011 to refund the 1999 Series, 2002A Series and 2002B Series issuances. At the time of the transaction, existing debt reserves were used to pay off the remaining 2002B Series issuance therefore reducing the amount of debt outstanding. In fiscal year 2009, \$5,425,000 in debt was issued to fund the construction of the Nebraska State Patrol radio maintenance facility and a 35,000 square foot addition to Building No. 310 rented by long time tenant Plastic Companies Enterprises (HTI Plastics).

Normal depreciation was taken on capital assets during fiscal years 2011 and 2010. As of June 30, 2011, the Authority has commitments under construction in the amount of \$4,320,000 as compared to June 30, 2010 of \$800,000.

Between fiscal years 2010 to 2011, the landing fee rate was increased from \$1.69 per 1,000 pounds to \$1.79 per 1,000 pounds. In fiscal year 2010, landing field revenue decreased due to a decrease in the number of landings. The landing field revenue increased between 2010 and 2011 due to the increase in landing fee.

During fiscal year 2010, terminal area revenues experienced a decrease due to decreases in restaurant and parking concessions and the vacancy of the Air Freight Building. In fiscal year 2011, terminal area revenues show an increase primarily due to the classification of reimbursements received from the TSA for law enforcement. In the prior year it was considered grant income and due to changes made in that reimbursable agreement it is no longer necessary to classify it as grant income.

Revenues in the General Aviation area decreased in fiscal year 2010 due to a vacancy in the Amen Building. During fiscal year 2011, revenues in the General Aviation area increased due to hangar rental rate adjustments.

Revenues in Lincoln Air Park West increased in fiscal year 2010 due Plastic Companies' expansion and a full year of rent on Bay B in Building No. 93. During fiscal year 2011, revenues in Lincoln Air Park West increased due to additional rent generated by Plastic Companies' expansion of Building 320.

Investment income decreased between fiscal year 2010 and 2011 due to the declining interest rates and less funds to invest. Federal grant income from capital grants decreased from \$1,911,080 in fiscal year 2010 to \$1,554,589 in fiscal year 2011 due to completion of a variety of federal projects.

Landing field expenses remained relatively flat from 2010 to 2011.

Terminal area costs increased in 2010 due Standard Parking fees, escalating utility costs and HVAC contracted services. Terminal area costs increased by approximately \$87,500 in fiscal year 2011 due to escalating utility costs and a lease addendum with Air Host which was completed in order to secure continuation of service.

Air Park West costs for fiscal year 2010 decreased by approximately \$121,000 due primarily to lower contracted services, repairs, maintenance, salaries, and benefits. Fiscal year 2011 experienced an increase of approximately \$114,000 due to general inflation in all expense areas.

Public safety costs in fiscal year 2010 and 2011 increased due to the use of the Lincoln Police Department contracted personnel and LAA employees to maintain TSA required staffing levels and equipment needs. LAA receives reimbursement from the Transportation Security Administration for a portion of the costs associated with this staffing requirement.

General and administrative expenses increased in 2011 primarily due to it being an election year and added marketing costs associated with the new Delta flight to Memphis.

The Airport Authority remains on a sound financial footing. There have been some economic challenges highlighted by a continued slide in airline passenger traffic.

Modernizing and redeveloping Lincoln Air Park West will position the park to recruit new tenants and create new jobs for the Lincoln area. The recent new tenants mentioned previously are an indication of the positive effects of the improvements.

This financial report is designed to provide the Airport's management, creditors, customers and citizens with a general view of LAA's finances and to demonstrate LAA's accountability for the funds it receives and expends. For additional information about this report or, if you need additional financial information, please contact:

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Airport Authority of the City of Lincoln, Nebraska

Balance Sheets June 30, 2011 and 2010

Assets

	2011	2010
Current Assets		
Cash and cash equivalents	\$ 5,917,427	\$ 3,398,047
Investments	2,648,415	4,278,261
Accounts receivable	528,017	411,451
Grants receivable	334,683	298,371
Prepaid expenses	318,720	324,649
Total current assets	9,747,262	8,710,779
Restricted Cash and Cash Equivalents	867,992	1,447,530
Restricted Investments	-	641,000
Capital Assets, At Cost, Net of Accumulated Depreciation	61,231,965	64,371,956
Unamortized Bond Issue Costs	190,632	168,121
Total assets	\$ 72,037,851	\$ 75,339,386

Liabilities and Net Assets

Current Liabilities		
Accounts payable and accrued expenses	\$ 973,365	\$ 731,694
Current maturities of long-term debt	690,000	790,000
Deferred revenue	413,612	491,369
Interest payable	152,157	196,658
Total current liabilities	2,229,134	2,209,721
Noncurrent Liabilities		
Long-term debt	8,390,000	9,660,000
Compensated absences	281,386	317,521
Deferred revenue	627,949	595,128
Total noncurrent liabilities	9,299,335	10,572,649
Total liabilities	11,528,469	12,782,370
Net Assets		
Invested in capital assets, net of related debt	52,086,456	54,813,238
Restricted for debt service	715,835	660,228
Restricted for renewal and replacement	-	300,000
Unrestricted	7,707,091	6,783,550
Total net assets	60,509,382	62,557,016
Total liabilities and net assets	\$ 72,037,851	\$ 75,339,386

**Airport Authority of the City of
Lincoln, Nebraska**
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Revenues		
Landing field	\$ 411,439	\$ 405,021
Terminal	2,420,346	2,224,259
General aviation	1,569,127	1,554,378
Air Park West	5,408,175	5,208,547
Air Park South	212,719	197,247
	<u>10,021,806</u>	<u>9,589,452</u>
Total operating revenues		
Direct Operating Expenses		
Landing field	1,066,247	1,083,179
Terminal	1,867,192	1,779,664
General aviation	180,012	194,084
Air Park West	523,008	408,106
Air Park South	43,301	48,801
Depreciation	5,606,453	5,416,100
	<u>9,286,213</u>	<u>8,929,934</u>
Total direct operating expenses		
Operating Income After Direct Expenses	<u>735,593</u>	<u>659,518</u>
Indirect Operating Expenses		
Public safety	1,220,082	1,197,252
Service equipment	475,677	465,502
General and administrative	2,085,443	1,884,276
Depreciation	250,956	291,431
	<u>4,032,158</u>	<u>3,838,461</u>
Total indirect operating expenses		
Operating Loss	<u>(3,296,565)</u>	<u>(3,178,943)</u>
Nonoperating Revenues (Expenses)		
Investment income	21,964	59,054
Federal grant	-	132,333
Insurance recoveries	249	2,093
Interest expense	(397,908)	(286,822)
Farm income, net of expense	70,037	71,010
Gain on sale of assets	-	31,626
	<u>(305,658)</u>	<u>9,294</u>
Net nonoperating revenues (expenses)		
Decrease in Net Assets Before Capital Grants	(3,602,223)	(3,169,649)
Capital Grants		
Federal grants	<u>1,554,589</u>	<u>1,911,080</u>
Decrease in Net Assets	(2,047,634)	(1,258,569)
Net Assets, Beginning of Year	<u>62,557,016</u>	<u>63,815,585</u>
Net Assets, End of Year	<u>\$ 60,509,382</u>	<u>\$ 62,557,016</u>

**Airport Authority of the City of
Lincoln, Nebraska
Statements of Cash Flows
Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Operating Activities		
Cash received from providing services	\$ 9,714,397	\$ 9,278,708
Cash paid to suppliers	(3,406,124)	(3,418,861)
Cash paid to employees	(3,877,613)	(3,718,453)
	<u>2,430,660</u>	<u>2,141,394</u>
Noncapital Financing Activities		
Federal grant for other than capital purposes	-	132,576
	<u>-</u>	<u>132,576</u>
Capital and Related Financing Activities		
Purchase of property and equipment	(2,523,455)	(6,721,160)
Proceeds from issuance of long-term debt	2,390,730	-
Federal grants received	1,518,277	2,147,567
Principal payments on long-term debt	(3,805,000)	(655,000)
Proceeds from sale of equipment	-	41,860
Interest paid	(434,466)	(401,023)
Insurance proceeds for capital repairs	249	2,093
	<u>(2,853,665)</u>	<u>(5,585,663)</u>
Investing Activities		
Proceeds from sale of investments	5,561,028	5,609,879
Purchases of investments	(3,290,182)	(5,808,015)
Farm income	70,037	71,010
Interest received on investments	21,964	59,054
	<u>2,362,847</u>	<u>(68,072)</u>
Increase (Decrease) in Cash and Cash Equivalents	1,939,842	(3,379,765)
Cash and Cash Equivalents, Beginning of Year	<u>4,845,577</u>	<u>8,225,342</u>
Cash and Cash Equivalents, End of Year	<u>\$ 6,785,419</u>	<u>\$ 4,845,577</u>
Reconciliation of Cash and Cash Equivalents to Balance Sheets		
Cash and cash equivalents	\$ 5,917,427	\$ 3,398,047
Restricted cash and cash equivalents	867,992	1,447,530
	<u>\$ 6,785,419</u>	<u>\$ 4,845,577</u>

Airport Authority of the City of Lincoln, Nebraska

Statements of Cash Flows - Continued Years Ended June 30, 2011 and 2010

	2011	2010
Reconciliation of Loss from Operations to Net Cash Provided by		
Operating Activities		
Loss from operations	\$ (3,296,565)	\$ (3,178,943)
Items not requiring cash		
Depreciation	5,857,409	5,707,531
Changes in		
Receivables	(116,566)	(37,400)
Prepaid expenses	5,929	(43,208)
Accounts payable and accrued expenses	180,389	(33,242)
Deferred revenue	(199,936)	(273,344)
Net Cash Provided by Operating Activities	\$ 2,430,660	\$ 2,141,394
Supplemental Cash Flows Information		
Capital asset acquisitions included in accounts payable	\$ 65,509	\$ 40,362
Capital asset acquired from tenant under leasing arrangement	\$ 155,000	\$ -

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements

June 30, 2011 and 2010

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Airport Authority of the City of Lincoln, Nebraska (Authority) was created pursuant to Nebraska State Law on February 25, 1959. The affairs of the Authority are conducted by a Board whose members are elected by citizens of the City.

Operating income is generated primarily from terminal, general aviation and industrial park areas pursuant to lease agreements which are recognized on the operating method. The Authority does not receive any property tax revenue.

Basis of Accounting and Presentation

The financial statements of the Authority have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific, investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. The Authority first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

The Authority prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, the Authority has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, and do not conflict with or contradict GASB pronouncements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that 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 and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**Airport Authority of the City of
Lincoln, Nebraska
Notes to Financial Statements
June 30, 2011 and 2010**

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Cash Equivalents

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2011 and 2010, cash equivalents consisted primarily of money market funds and investment pool funds.

Investments and Investment Income

All investments are carried at fair value. Fair value is determined using quoted market prices.

Fair value of the equity in the External Investment Pool is the same as the value of the pool shares determined using the fair value of the pool's underlying investment portfolio.

Investment income includes dividend and interest income.

Capital Assets

Capital assets are recorded at cost at the date of the acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following useful lives are being used by the Authority:

Buildings and improvements	10 - 40 years
Furniture and equipment	25 - 40 years
Runways	3 - 10 years

For taxable borrowings, the Authority capitalizes interest costs as a component of construction in progress, based on the weighted-average rates paid for long-term borrowing. For tax-exempt borrowings, the Authority capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments, acquired with the proceeds of the borrowing. Total interest incurred was:

	<u>2011</u>	<u>2010</u>
Interest costs capitalized	\$ 10,662	\$ 162,779
Interest costs charged to expense	<u>397,908</u>	<u>286,822</u>
Total interest incurred	<u>\$ 408,570</u>	<u>\$ 449,601</u>

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements June 30, 2011 and 2010

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Unamortized Bond Issue Costs

Bond issue costs have been deferred and are being amortized over the life of the bonds using the straight-line method. Total amortization for the years ended June 30, 2011 and 2010, were \$18,605 and \$13,735, respectively.

Grants

Certain outlays for airport capital improvements involve significant federal funding through the Airport Improvement Program of the Federal Aviation Administration (FAA). Capital and law enforcement funding provided under government grants is considered earned as the related approved outlays are incurred. Costs claimed from reimbursement are subject to audit and acceptance by the granting agency.

Compensated Absences

Authority policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, partially, as a cash payment. The Authority also has a deferred compensation program for management employees, which accrues as service is provided. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned up to a certain percentage to the extent the employee is expected to realize the benefit in cash upon retirement or death. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Deferred Revenue

Deferred revenue consists primarily of rental payments received in advance and lump-sum payments made by tenants, which relate to future year commitments. The Authority recorded deferred revenue of \$1,041,561 and \$1,086,497, for the years ended June 30, 2011 and 2010, respectively.

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements

June 30, 2011 and 2010

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Net Assets Classification

Net assets are required to be classified into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, net of accumulated depreciation, 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. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt.

Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), contributors, or law or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Reclassifications

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 financial statement presentation. These reclassifications had no effect on change in net assets.

Note 2: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government’s deposits may not be returned to it. The Authority’s deposit policy for custodial credit risk requires compliance with the provisions of state law. State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities having an aggregate value at least equal to the amount of the deposits.

Effective July 21, 2010, the Federal Deposit Insurance Corporation’s (FDIC) insurance limits were permanently increased to \$250,000. Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions. At June 30, 2011 and 2010, none of the Authority’s bank balances exceeded federally insured limits.

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements June 30, 2011 and 2010

Note 2: Deposits, Investments and Investment Income - Continued

Investments

The Authority may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in repurchase agreements collateralized by U.S. Treasury securities and U.S. government agencies. It may also invest to a limited extent in municipal bonds.

At June 30, 2011 and 2010, the Authority had the following investments, all of which mature in less than one year:

Type	Fair Value		Credit Rating
	2011	2010	Moody's / S&P
External investment pool	\$ 2,718,215	\$ 2,686,261	N/A
Negotiable certificates of deposit	248,000	2,233,000	Not rated
Government securities money market funds	4,205,903	3,141,415	Aaa / AAAM
	<u>\$ 7,172,118</u>	<u>\$ 8,060,676</u>	

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy requires that market conditions and investment securities be monitored to determine the maximum yield that can be obtained while minimizing the impact of rising interest rates. The government securities money market funds and external investment pool are presented as investments with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Authority's policy to limit its investments in municipal bonds to the top two ratings issued by nationally recognized statistical rating Authorities.

Credit ratings of the external investment pool are not available, however, the pool is invested in U.S. agency obligations.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Negotiable certificates of deposit are held in the custodian's name for the benefit of the Authority.

Concentration of Credit Risk - The Authority's investment policy places no limit on the amount that may be invested in any one issuer. All of the money market funds held at June 30, 2011 and 2010 are invested with one financial depository. This financial depository also serves as the Trustee or Paying Agent for all of the Authority's bonded debt.

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements June 30, 2011 and 2010

Note 2: Deposits, Investments and Investment Income - Continued

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

	2011	2010
Deposits	\$ 2,261,716	\$ 1,704,162
Investments	7,172,118	8,060,676
	\$ 9,433,834	\$ 9,764,838

Included in the following balance sheet captions:

	2011	2010
Current assets		
Operations and maintenance fund	\$ -	\$ (498)
Employee pay flex	13,301	11,861
Revenue fund	1,015,233	494,179
Airport parking account	889,114	681,917
Renewal and replacement fund	56,905	-
Capital improvement fund	256,499	184,241
Insurance fund	3,686,375	2,026,347
Total cash and cash equivalents	5,917,427	3,398,047
Investments - insurance fund	2,648,415	4,278,261
Restricted cash and cash equivalents		
Airport bond fund	867,992	850,886
Airport bond project fund	-	296,644
Renewal and replacement fund	-	300,000
Total restricted cash and cash equivalents	867,992	1,447,530
Restricted investments	-	641,000
	\$ 9,433,834	\$ 9,764,838

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements June 30, 2011 and 2010

Note 2: Deposits, Investments and Investment Income - Continued

Summary of Carrying Values - Continued

Funds in the capital improvement fund are a result of monies transferred from the revenue fund and the airport parking account, which are to be used for improvements, extensions, betterments, renewals and replacements, payment of principal and interest on any subordinate indebtedness, purchase or redemption of bonds or for any other lawful purpose. The Authority has established an insurance fund for the purpose of self-insurance on losses on property damage not covered by insurance and environmental protection costs. Funds in the airport bond fund are to be applied solely for the purpose of paying the principal and interest on bonds when due.

Investment Income

Investment income was \$21,964 and \$59,054 for the years ended June 30, 2011 and 2010, respectively, and was comprised entirely of interest and dividend income.

Note 3: Capital Assets

Capital asset activity for the years ended June 30, 2011 and 2010 was:

	Beginning Balance	2011			Ending Balance
		Additions	Less Retirements	Transfers	
Land	\$ 2,350,187	\$ -	\$ -	\$ -	\$ 2,350,187
Buildings	105,198,243	2,391	-	6,004,939	111,205,573
Furniture and equipment	6,856,665	-	-	139,887	6,996,552
Runways	58,265,856	-	-	1,763,807	60,029,663
Construction in progress	5,437,329	2,715,027	-	(7,908,633)	243,723
	<u>178,108,280</u>	<u>2,717,418</u>	<u>-</u>	<u>-</u>	<u>180,825,698</u>
Less accumulated depreciation					
Buildings	62,249,786	3,881,354	-	-	66,131,140
Furniture and equipment	5,843,187	237,922	-	-	6,081,109
Runways	45,643,351	1,738,133	-	-	47,381,484
	<u>113,736,324</u>	<u>5,857,409</u>	<u>-</u>	<u>-</u>	<u>119,593,733</u>
Capital assets, net	<u>\$ 64,371,956</u>	<u>\$ (3,139,991)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,231,965</u>

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements June 30, 2011 and 2010

Note 3: Capital Assets - Continued

	2010				Ending Balance
	Beginning Balance	Additions	Less Retirements	Transfers	
Land	\$ 2,350,187	\$ -	\$ -	\$ -	\$ 2,350,187
Buildings	103,710,196	-	-	1,488,047	105,198,243
Furniture and equipment	6,769,010	-	172,853	260,508	6,856,665
Runways	54,895,672	-	-	3,370,184	58,265,856
Construction in progress	4,740,312	5,815,756	-	(5,118,739)	5,437,329
	<u>172,465,377</u>	<u>5,815,756</u>	<u>172,853</u>	<u>-</u>	<u>178,108,280</u>
Less accumulated depreciation					
Buildings	58,521,011	3,728,775	-	-	62,249,786
Furniture and equipment	5,727,602	278,204	162,619	-	5,843,187
Runways	43,942,799	1,700,552	-	-	45,643,351
	<u>108,191,412</u>	<u>5,707,531</u>	<u>162,619</u>	<u>-</u>	<u>113,736,324</u>
Capital assets, net	<u>\$ 64,273,965</u>	<u>\$ 108,225</u>	<u>\$ 10,234</u>	<u>\$ -</u>	<u>\$ 64,371,956</u>

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements

June 30, 2011 and 2010

Note 4: Long-Term Liabilities

The following is a summary of long-term obligation transactions for the Authority for the years ended June 30, 2011 and 2010:

Type of Debt	2011			June 30, 2011	Due Within One Year
	July 1, 2010	Additions	Reductions		
3.6%-5.2% Airport Refunding Bonds, Series 1999, due semi-annually on January 1 and July 1 with a final payment due July 1, 2019; these bonds were refunded by the Series 2010 issuance	\$ 2,565,000	\$ -	\$ 2,565,000	\$ -	\$ -
1.65%-4.0% Airport Bonds, Series 2002A, due semi-annually on January 1 and July 1 with a final payment due July 1, 2012; these bonds were refunded by the Series 2010 issuance	355,000	-	355,000	-	-
1.85%-4.2% Airport Bonds, Series 2002B, due semi-annually on January 1 and July 1 with a final payment due July 1, 2012; these bonds were refunded by the Series 2010 issuance	625,000	-	625,000	-	-
3.65%-4.4% Airport Bonds, Series 2007A, due semi-annually on January 1 and July 1 with a final payment due July 1, 2027	650,000	-	25,000	625,000	25,000
3.70%-4.75% Airport Bonds, Series 2007B, due semi-annually on January 1 and July 1 with a final payment due July 1, 2027	915,000	-	35,000	880,000	35,000
0.90%-4.45% Airport Bonds, Series 2009A, due semi-annually on June 15 and December 15 with a final payment due December 15, 2028	1,585,000	-	65,000	1,520,000	65,000
1.50%-4.875% Airport Bonds, Series 2009B, due semi-annually on January 1 and July 1 with a final payment due July 1, 2029	3,755,000	-	135,000	3,620,000	140,000
0.80%-3.80% Airport Bonds, Series 2010, due semi-annually on January 1 and July 1 with a final payment due July 1, 2019	-	2,435,000	-	2,435,000	425,000
Total bonds payable	10,450,000	2,435,000	3,805,000	9,080,000	690,000
Compensated absences	588,521	340,640	323,775	605,386	324,000
Deferred revenue	1,086,497	470,019	514,955	1,041,561	413,612
Total long-term liabilities	<u>\$ 12,125,018</u>	<u>\$ 3,245,659</u>	<u>\$ 4,643,730</u>	<u>\$ 10,726,947</u>	<u>\$ 1,427,612</u>

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements

June 30, 2011 and 2010

Note 4: Long-Term Liabilities - Continued

Type of Debt	2010				
	July 1, 2009	Additions	Reductions	June 30, 2010	Due Within One Year
3.6%-5.2% Airport Refunding Bonds, Series 1999, due semi-annually on January 1 and July 1 with a final payment due July 1, 2019	\$ 2,770,000	\$ -	\$ 205,000	\$ 2,565,000	\$ 215,000
1.65%-4.0% Airport Bonds, Series 2002A, due semi-annually on January 1 and July 1 with a final payment due July 1, 2012	465,000	-	110,000	355,000	115,000
1.85%-4.2% Airport Bonds, Series 2002B, due semi-annually on January 1 and July 1 with a final payment due July 1, 2012	820,000	-	195,000	625,000	200,000
3.65%-4.4% Airport Bonds, Series 2007A, due semi-annually on January 1 and July 1 with a final payment due July 1, 2027	675,000	-	25,000	650,000	25,000
3.70%-4.75% Airport Bonds, Series 2007B, due semi-annually on January 1 and July 1 with a final payment due July 1, 2027	950,000	-	35,000	915,000	35,000
0.90%-4.45% Airport Bonds, Series 2009A, due semi-annually on June 15 and December 15 with a final payment due December 15, 2028	1,670,000	-	85,000	1,585,000	65,000
1.50%-4.875% Airport Bonds, Series 2009B, due semi-annually on January 1 and July 1 with a final payment due July 1, 2029	3,755,000	-	-	3,755,000	135,000
Total bonds payable	11,105,000	-	655,000	10,450,000	790,000
Compensated absences	572,017	287,606	271,102	588,521	271,000
Deferred revenue	1,359,841	315,666	589,010	1,086,497	491,369
Total long-term liabilities	<u>\$ 13,036,858</u>	<u>\$ 603,272</u>	<u>\$ 1,515,112</u>	<u>\$ 12,125,018</u>	<u>\$ 1,552,369</u>

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements June 30, 2011 and 2010

Note 4: Long-Term Liabilities - Continued

The basic resolutions authorizing the issuance of all the Airport Bonds require compliance with certain covenants and debt service coverage ratios. Management believes the Authority is in compliance with these requirements. The bonds are not general obligations of the City of Lincoln, Nebraska, but are general obligations of the Authority. The bonds are secured by a pledge of all revenues and income derived by the Authority directly or indirectly from the ownership, use, and operation of the Airport. The total principal and interest remaining to be paid on the bonds is \$12,259,070, with annual payments expected to require approximately 10 percent of net revenues. Principal and interest for the current year and net operating revenues were \$1,224,434 and \$10,021,806, respectively.

The Series 2007A and 2007B bonds are subject to early redemption at the Authority's option on or after July 1, 2012 at 100% of face value. The Series 2009A and 2009B bonds are subject to early redemption at the Authority's option on or after December 15, 2013 and July 1, 2014, respectively, at 100% of face value. The Series 2010 bonds are subject to early redemption at the Authority's option on or after July 1, 2015 at 100% of face value.

The debt service requirements at June 30, 2011 are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2012	\$ 998,833	\$ 690,000	\$ 308,833
2013	1,112,176	815,000	297,176
2014	764,864	480,000	284,864
2015	757,891	485,000	272,891
2016	759,205	500,000	259,205
2017 - 2021	3,555,728	2,525,000	1,030,728
2022 - 2026	2,598,350	2,005,000	593,350
2027 - 2030	1,712,023	1,580,000	132,023
	<u>\$ 12,259,070</u>	<u>\$ 9,080,000</u>	<u>\$ 3,179,070</u>

Bond Refunding

On December 21, 2010, the Authority issued \$2,435,000 of Airport Bonds, Series 2010, to advance refund \$2,350,000 of Airport Bonds, Series 1999; \$240,000 of Airport Bonds, Series 2002A; and \$425,000 of Airport Bonds, Series 2002B. The net proceeds of the Series 2010 issuance, plus approximately \$700,000 of existing bond reserve funds, were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the Series 1999, Series 2002A and Series 2002B bonds are considered defeased and the liability for those bonds has been removed from the financial statements. The advance refunding resulted in a cash flow differential of approximately \$1,000,000 and an economic gain of approximately \$205,000.

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements

June 30, 2011 and 2010

Note 5: Retirement Plans

The Authority has a 414(d) retirement plan commonly known as a governmental money purchase pension plan. Under this Plan, employees are required to contribute 6% of their annual compensation and the Authority contributes 12% of each participant's annual compensation to the plan. For employees hired after August 1, 2009, the Authority will contribute 6% of the participant's annual compensation to the plan. Employees' contributions to the plan were approximately \$142,000 and \$136,000 for 2011 and 2010, respectively. Contributions to the plan by the Authority were approximately \$283,000 and \$195,000 for 2011 and 2010, respectively.

The Authority also offers employees a deferred compensation plan created in accordance with provisions in IRS Section 457. The deferred compensation plan allows employees to defer a portion of current salary to future years, but the deferred balance is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation under the plan and income attributed to such amounts are placed in a trust which is not under the Authority's custody. Therefore, assets and liabilities related to the deferred compensation plan are not included in the basic financial statements.

Note 6: Leases

Substantially all of the Authority's revenues from the terminal, fixed base and industrial park are derived pursuant to lease agreements. The terms of the various leases provide for fixed rentals or rentals contingent upon revenues, with or without a fixed minimum, for the term of the lease. There are also leases that are maintained on a month-to-month basis.

A schedule of approximate minimum future rentals from noncancellable operating leases in each of the five years subsequent to June 30, 2011, is as follows:

2012	\$ 6,254,175
2013	3,596,997
2014	3,108,320
2015	2,652,113
2016	2,117,475

Note 7: Commitments

The Authority participates in federally assisted grant programs related to airport security and capital improvements. Federal financial assistance programs are subject to financial and compliance audits. There are no expenditures which were disallowed and no instances of noncompliance considered material to the financial statements at this time.

The Authority has commitments under major construction contracts of approximately \$4,320,000 at June 30, 2011, which are expected to be funded through federal grants or by the use of bond proceeds.

Airport Authority of the City of Lincoln, Nebraska

Notes to Financial Statements

June 30, 2011 and 2010

Note 8: Risk Management

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illness; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from matters relating to theft of, damage to and destruction of assets and natural disasters, errors and omissions and employee injuries and illness. Settled claims did not exceed the commercial coverage for the years ended June 30, 2011, 2010 and 2009. The Authority is self-insured for claims for theft, damage to and destruction of assets and natural disasters up to \$50,000 per occurrence. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Management of the Authority believes no liability accrual was required at June 30, 2011 and 2010.

Note 9: Significant Estimates and Concentrations

Concentration of Accounts Receivable

At June 30, 2011 and 2010, approximately 64% and 40% of total accounts receivable were owed from three and two customers, respectively.

Current Economic Conditions

The current protracted economic decline continues to present governmental entities with difficult circumstances and challenges, which in some cases have resulted in large and unanticipated declines in the fair value of investments and other assets, declines in revenues, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Authority.

Although the Authority has not currently identified any specific circumstances which would cause the difficulties noted above, economic conditions could cause a decrease in air passenger levels and create financial difficulties for tenants, which could have an adverse impact on the future operating results of the Authority.

Note 10: Subsequent Events

In September 2011, the Authority issued \$1,150,000 of Airport Bonds, Series 2011A to finance the improvement and extension of the Airport's runway system.

Supplementary Information

**Airport Authority of the City of
Lincoln, Nebraska**
Cash and Investments and Changes in Account Balances (Cash Basis)
Year Ended June 30, 2011

	Total	Airport Bonds Series 1999		Airport Bonds Series 2002A		Airport Bonds Series 2002B	
		Debt Service	Debt Reserve	Debt Service	Debt Reserve	Debt Service	Debt Reserve
Account Balance, Beginning of Year	\$ 9,752,577	\$ 171,498	\$ 348,000	\$ 121,994	\$ 106,000	\$ 212,923	\$ 187,000
Receipts							
Operations	9,873,049	-	-	-	-	-	-
Interest	47,760	21	3,988	4	1,090	3	2,203
Bond Proceeds	2,390,730	2,390,730	-	-	-	-	-
Other	89,167	-	-	-	-	-	-
Grants	1,618,339	-	-	-	-	-	-
Total Receipts	<u>14,019,045</u>	<u>2,390,751</u>	<u>3,988</u>	<u>4</u>	<u>1,090</u>	<u>3</u>	<u>2,203</u>
Disbursements							
Operations and maintenance	7,272,310	-	-	-	-	-	-
Renewal and replacement	352,702	-	-	-	-	-	-
Property and equipment acquisition	2,464,523	-	-	-	-	-	-
Retirement of long-term debt	3,805,000	2,565,000	-	355,000	-	625,000	-
Interest	434,432	134,741	-	12,192	-	22,781	-
Other	22,522	-	2,356	-	-	-	-
Total Disbursements	<u>14,351,489</u>	<u>2,699,741</u>	<u>2,356</u>	<u>367,192</u>	<u>-</u>	<u>647,781</u>	<u>-</u>
Transfers, net	-	137,492	(349,632)	245,194	(107,090)	434,855	(189,203)
Account Balance, End of Year	<u>\$ 9,420,133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Represented by							
Current Assets							
Cash and cash equivalents	\$ 5,903,726	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment securities	2,648,415	-	-	-	-	-	-
	<u>8,552,141</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Bond Restricted Assets							
Cash and cash equivalents	867,992	-	-	-	-	-	-
	<u>867,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,420,133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note: The composition of cash and investments for this supplemental schedule does not include accrued interest or adjustments to fair market value, which have been included in the primary financial statements.

Airport Authority of the City of Lincoln, Nebraska

Cash and Investments and Changes in Account Balances (Cash Basis) - Continued Year Ended June 30, 2011

	Airport Bonds Series 2007A	Airport Bonds Series 2007B	Airport Bonds Series 2009A Debt Service	Project Fund	Airport Bonds Series 2009B Debt Service	Project Fund	Airport Bonds Series 2010
Account Balance, Beginning of Year	\$ 38,241	\$ 54,978	\$ 42,343	\$ 128,837	\$ 208,909	\$ 167,807	\$ -
Receipts							
Operations	-	-	-	-	-	-	-
Interest	-	-	3	7	8	8	6
Bond Proceeds	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-
Total Receipts	<u>-</u>	<u>-</u>	<u>3</u>	<u>7</u>	<u>8</u>	<u>8</u>	<u>6</u>
Disbursements							
Operations and maintenance	-	-	-	-	-	-	-
Renewal and replacement	-	-	-	-	-	-	-
Property and equipment acquisition	-	-	-	62,059	-	91,973	-
Retirement of long-term debt	25,000	35,000	65,000	-	135,000	-	-
Interest	25,970	39,287	52,672	-	146,789	-	-
Other	-	-	-	-	-	-	-
Total Disbursements	<u>50,970</u>	<u>74,287</u>	<u>117,672</u>	<u>62,059</u>	<u>281,789</u>	<u>91,973</u>	<u>-</u>
Transfers, net	<u>50,508</u>	<u>73,625</u>	<u>184,397</u>	<u>(66,785)</u>	<u>285,786</u>	<u>(75,842)</u>	<u>453,906</u>
Account Balance, End of Year	<u>\$ 37,779</u>	<u>\$ 54,316</u>	<u>\$ 109,071</u>	<u>\$ -</u>	<u>\$ 212,914</u>	<u>\$ -</u>	<u>\$ 453,912</u>
Represented by							
Current Assets							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment securities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Bond Restricted Assets							
Cash and cash equivalents	<u>37,779</u>	<u>54,316</u>	<u>109,071</u>	<u>-</u>	<u>212,914</u>	<u>-</u>	<u>453,912</u>
	<u>37,779</u>	<u>54,316</u>	<u>109,071</u>	<u>-</u>	<u>212,914</u>	<u>-</u>	<u>453,912</u>
	<u>\$ 37,779</u>	<u>\$ 54,316</u>	<u>\$ 109,071</u>	<u>\$ -</u>	<u>\$ 212,914</u>	<u>\$ -</u>	<u>\$ 453,912</u>

Note: The composition of cash and investments for this supplemental schedule does not include accrued interest or adjustments to fair market value, which have been included in the primary financial statements.

Airport Authority of the City of Lincoln, Nebraska

Cash and Investments and Changes in Account Balances (Cash Basis) - Continued Year Ended June 30, 2011

	Operations and Maintenance Fund	Revenue Fund	Renewal and Replacement Fund	Capital Improvement Fund	Airport Parking Fund	Insurance Fund
Account Balance, Beginning of Year	\$ (498)	\$ 494,179	\$ 300,000	\$ 184,241	\$ 681,517	\$ 6,304,608
Receipts						
Operations	-	8,953,827	-	-	919,222	-
Interest	-	454	131	101	162	39,571
Bond Proceeds	-	-	-	-	-	-
Other	-	12,325	-	76,842	-	-
Grants	-	51,491	-	1,566,848	-	-
Total Receipts	<u>-</u>	<u>9,018,097</u>	<u>131</u>	<u>1,643,791</u>	<u>919,384</u>	<u>39,571</u>
Disbursements						
Operations and maintenance	7,256,790	-	-	-	15,520	-
Renewal and replacement	-	-	352,702	-	-	-
Property and equipment acquisition	-	-	-	2,301,950	-	8,541
Retirement of long-term debt	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Other	-	4,077	-	92	15,149	848
Total Disbursements	<u>7,256,790</u>	<u>4,077</u>	<u>352,702</u>	<u>2,302,042</u>	<u>30,669</u>	<u>9,389</u>
Transfers, net	<u>7,257,288</u>	<u>(8,492,966)</u>	<u>109,476</u>	<u>730,509</u>	<u>(681,518)</u>	<u>-</u>
Account Balance, End of Year	<u><u>\$ -</u></u>	<u><u>\$ 1,015,233</u></u>	<u><u>\$ 56,905</u></u>	<u><u>\$ 256,499</u></u>	<u><u>\$ 888,714</u></u>	<u><u>\$ 6,334,790</u></u>
Represented by						
Current Assets						
Cash and cash equivalents	\$ -	\$ 1,015,233	56,905	\$ 256,499	\$ 888,714	\$ 3,686,375
Investment securities	-	-	-	-	-	2,648,415
	<u>-</u>	<u>1,015,233</u>	<u>56,905</u>	<u>256,499</u>	<u>888,714</u>	<u>6,334,790</u>
Bond Restricted Assets						
Cash and cash equivalents	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>\$ -</u></u>	<u><u>\$ 1,015,233</u></u>	<u><u>\$ 56,905</u></u>	<u><u>\$ 256,499</u></u>	<u><u>\$ 888,714</u></u>	<u><u>\$ 6,334,790</u></u>

Note: The composition of cash and investments for this supplemental schedule does not include accrued interest or adjustments to fair market value, which have been included in the primary financial statements.

**Airport Authority of the City of
Lincoln, Nebraska
Operating Revenues
Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>
Landing Field			
Landing Fees			
Delta Airlines	\$ 80,526	\$ 79,967	\$ 559
United Airlines	155,524	204,140	(48,616)
Flowage Fees			
Duncan Aviation	32,954	32,728	226
Silverhawk Aviation	37,087	28,765	8,322
Corporate	3,240	1,440	1,800
Other	<u>102,108</u>	<u>57,981</u>	<u>44,127</u>
Total landing field	<u>411,439</u>	<u>405,021</u>	<u>6,418</u>
Terminal			
Airline Rentals			
Delta Airlines	255,802	246,317	9,485
United Airlines	316,658	334,387	(17,729)
Land Transportation Facilities			
Avis	129,795	129,716	79
Budget Rent-A-Car	66,499	69,500	(3,001)
Enterprise Rent-A-Car	109,728	85,200	24,528
Hertz Rent-A-Car	136,461	132,057	4,404
National Car Rental System	140,681	124,632	16,049
Cab companies	1,260	1,260	-
Concessions			
Air Host - catering	18,653	26,425	(7,772)
Standard Parking	919,222	893,269	25,953
Interspace	30,623	30,453	170
Utility surcharges	171,979	46,814	125,165
Air Freight terminal	16,380	-	16,380
Other	<u>106,605</u>	<u>104,229</u>	<u>2,376</u>
Total terminal	<u>2,420,346</u>	<u>2,224,259</u>	<u>196,087</u>

**Airport Authority of the City of
Lincoln, Nebraska
Operating Revenues - Continued
Years Ended June 30, 2011 and 2010**

	2011	2010	Increase (Decrease)
General Aviation			
U.S. Government	\$ 140,605	\$ 138,149	\$ 2,456
State of Nebraska	97,988	100,369	(2,381)
Nation Air insurance	-	7,210	(7,210)
Duncan Aviation, Inc., shop hangar	545,593	545,592	1
Silverhawk Aviation	159,742	151,497	8,245
Hill Aero	47,560	51,523	(3,963)
Executive T-Hanger	160,132	160,132	-
Other T-Hangers	410,877	390,561	20,316
Utility surcharges	837	923	(86)
Other	5,793	8,422	(2,629)
	<u>1,569,127</u>	<u>1,554,378</u>	<u>14,749</u>
Air Park West			
Lincoln Air Park West	4,782,731	4,697,386	85,345
Storage annex	68,942	66,307	2,635
Air Park aviation	431,230	379,646	51,584
Other	125,272	65,208	60,064
	<u>5,408,175</u>	<u>5,208,547</u>	<u>199,628</u>
Air Park South			
Lincoln Air Park South	212,719	197,247	15,472
	<u>212,719</u>	<u>197,247</u>	<u>15,472</u>
Total operating revenues	<u>\$ 10,021,806</u>	<u>\$ 9,589,452</u>	<u>\$ 432,354</u>

**Airport Authority of the City of
Lincoln, Nebraska
Direct Operating Expenses
Years Ended June 30, 2011 and 2010**

	2011	2010	Increase (Decrease)
Landing Field			
Salaries	\$ 418,440	\$ 452,465	\$ (34,025)
Employee benefits	150,745	144,359	6,386
Repairs and maintenance	229,767	232,228	(2,461)
Contracted services	136,782	130,261	6,521
Utilities	86,311	83,775	2,536
Insurance	41,095	36,328	4,767
Other	3,107	3,763	(656)
	<u>1,066,247</u>	<u>1,083,179</u>	<u>(16,932)</u>
Total landing field			
Terminal			
Salaries	475,007	470,438	4,569
Employee benefits	161,232	150,570	10,662
Repairs and maintenance	109,598	126,801	(17,203)
Contracted services	273,374	297,247	(23,873)
Utilities	374,366	356,814	17,552
Insurance	67,915	58,958	8,957
Professional services	315,700	318,836	(3,136)
Other	90,000	-	90,000
	<u>1,867,192</u>	<u>1,779,664</u>	<u>87,528</u>
Total terminal			
General Aviation			
Salaries	32,839	41,131	(8,292)
Employee benefits	11,871	13,049	(1,178)
Repairs and maintenance	12,333	12,533	(200)
Contracted services	40,600	49,376	(8,776)
Utilities	51,909	46,281	5,628
Insurance	30,340	26,131	4,209
Other	120	5,583	(5,463)
	<u>180,012</u>	<u>194,084</u>	<u>(14,072)</u>
Total general aviation			

Airport Authority of the City of Lincoln, Nebraska

Direct Operating Expenses – Continued Years Ended June 30, 2011 and 2010

	2011	2010	Increase (Decrease)
Air Park West			
Salaries	\$ 172,620	\$ 143,480	\$ 29,140
Employee benefits	70,664	56,125	14,539
Repairs and maintenance	42,370	26,223	16,147
Contracted services	57,719	23,761	33,958
Utilities	79,922	76,156	3,766
Insurance	94,913	81,361	13,552
Professional services	4,800	1,000	3,800
	<u>523,008</u>	<u>408,106</u>	<u>114,902</u>
Air Park South			
Salaries	8,627	10,819	(2,192)
Employee benefits	2,779	3,154	(375)
Repairs and maintenance	11,662	11,877	(215)
Contracted services	1,987	5,689	(3,702)
Utilities	15,758	15,090	668
Insurance	2,488	2,172	316
	<u>43,301</u>	<u>48,801</u>	<u>(5,500)</u>
Subtotal Direct Operating Expenses	<u>3,679,760</u>	<u>3,513,834</u>	<u>165,926</u>
Depreciation Expense			
Landing field	1,980,855	1,889,564	91,291
Terminal	846,456	907,262	(60,806)
General Aviation	533,078	534,785	(1,707)
Lincoln Air Park West	2,207,452	2,045,877	161,575
Lincoln Air Park South	38,612	38,612	-
	<u>5,606,453</u>	<u>5,416,100</u>	<u>190,353</u>
Total depreciation expense	<u>5,606,453</u>	<u>5,416,100</u>	<u>190,353</u>
	<u>\$ 9,286,213</u>	<u>\$ 8,929,934</u>	<u>\$ 356,279</u>

**Airport Authority of the City of
Lincoln, Nebraska
Indirect Operating Expenses
Years Ended June 30, 2011 and 2010**

	2011	2010	Increase (Decrease)
Public Safety			
Salaries	\$ 778,344	\$ 736,731	\$ 41,613
Employee benefits	275,168	239,690	35,478
Repairs and maintenance	67,713	89,173	(21,460)
Contracted services	32,140	46,040	(13,900)
Utilities	5,376	5,376	-
Professional services	49,166	76,981	(27,815)
Other	12,175	3,261	8,914
Total public safety	<u>1,220,082</u>	<u>1,197,252</u>	<u>22,830</u>
Service Equipment			
Salaries	130,559	124,478	6,081
Employee benefits	47,739	43,716	4,023
Repairs and maintenance	128,130	133,485	(5,355)
Contracted services	4,861	9,145	(4,284)
Utilities	121,715	109,020	12,695
Insurance	42,673	45,658	(2,985)
Total service equipment	<u>475,677</u>	<u>465,502</u>	<u>10,175</u>
General and Administrative			
Salaries	566,788	618,015	(51,227)
Employee benefits	518,830	518,553	277
Repairs and maintenance	31,837	25,405	6,432
Contracted services	19,719	24,345	(4,626)
Utilities	58,742	66,571	(7,829)
Insurance	88,380	80,239	8,141
Professional services	688,099	455,800	232,299
Other	113,048	95,348	17,700
Total general and administrative	<u>2,085,443</u>	<u>1,884,276</u>	<u>201,167</u>
Depreciation Expense			
Service equipment	190,968	221,266	(30,298)
General and administrative	59,988	70,165	(10,177)
Total depreciation expense	<u>250,956</u>	<u>291,431</u>	<u>(40,475)</u>
Total Indirect Operating Expenses	<u>\$ 4,032,158</u>	<u>\$ 3,838,461</u>	<u>\$ 193,697</u>