GREENVILLE-SPARTANBURG AIRPORT DISTRICT

FINANCIAL STATEMENTS AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

As of and for the Years Ended June 30, 2014 and 2013

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

TABLE OF CONTENTS

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Commissioners of
Greenville-Spartanburg Airport District
Greer, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the Greenville-Spartanburg Airport District (the "Airport"), a political subdivision of the State of South Carolina, as of June 30, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Airport, as of June 30, 2014 and 2013, and the results of its operations and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming our opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2014 on our consideration of the Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Greenville, South Carolina
October 20, 2014

The following Management Discussion and Analysis ("MD&A") of Greenville-Spartanburg Airport District ("GSP," "District" or the "Airport") activities and financial performance for the fiscal years ended June 30, 2014 and 2013, is presented in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements — Management's Discussion and Analysis — For State and Local Governments*. The intent of the MD&A is to provide the reader with an introduction and overview to the financial statement package.

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. In addition to the basic financial statements and accompanying notes, this section also presents certain required supplementary information regarding debt service requirements to maturity.

Overview of Annual Financial Report

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

The Airport's financial statements include a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; a Statement of Cash Flows; and Notes to Financial Statements. The Statement of Net Position presents the financial position of the Airport on a full accrual historical cost basis and provides information about the nature and amount of resources and obligations at the end of a year.

The Statement of Revenues, Expenses, and Changes in Net Position present the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position 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 Airport's recovery of its costs. The Airport's rates and charges are based on a cost recovery methodology provided in its airline use agreements. The primary objective of the rates and charges model is to determine the costs not covered by non-airline sources and to annually compute landing fees and terminal rents which will provide sufficient funding to reimburse the Airport.

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 Airport's accounting policies, significant account balances, activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

The financial statements were prepared by the Airport's staff from the detailed books and records of the Airport.

FINANCIAL HIGHLIGHTS

STATEMENTS OF NET POSITION, JUNE 30, 2014 AND 2013

	June 30			
	2014	**2013**	**Change**	**%**
Assets:				
Cash and investments	$ 61,034,325	$ 79,192,211	$ (18,157,886)	(22.93)
Bond funds	377,355	366,221	11,134	3.04
Receivables	3,050,010	5,740,258	(2,690,248)	(46.87)
Capital assets – net	165,081,479	136,687,991	28,393,488	20.77
Other	511,914	307,698	204,216	66.37
Total assets	$ 230,055,083	$ 222,294,379	$ 7,760,704	3.49
Liabilities:				
Current liabilities	$ 5,192,067	$ 5,875,424	$ (683,357)	(11.63)
Long-term liabilities	5,411,629	5,864,508	(452,879)	(7.72)
Total liabilities	10,603,696	11,739,932	(1,136,236)	(9.68)
Net position:				
Net investment in capital assets	162,020,253	133,377,516	28,642,737	21.47
Restricted	1,930,726	1,737,152	193,574	11.14
Unrestricted	55,500,408	75,439,779	(19,939,371)	(26.43)
Total net position	$ 219,451,387	$ 210,554,447	$ 8,896,940	4.23

As can be seen from the above, the Airport has a very strong Statement of Net Position. Liquidity continues to be very strong. Total net position is $219,451,387 of which $55,500,408 is unrestricted.

- Total assets at June 30, 2014 were $230,055,083, which included $15,100,984 in cash and receivables, $46,516,797 million in investments, $377,355 in investments held by US Bank (GSP's Revenue Bond Trustee), and $165,081,479 in capital assets. Total liabilities were $10,603,696, $2,034,388 of which related to GSP's 2001 rental car facility bond issue outstanding at year end. The difference between the $230,055,083 in assets and the $10,603,696 in liabilities is categorized as Net Position ($219,451,387) and is composed of $162,020,253 of net investment in capital assets, $1,930,726 in restricted assets to be used for capital projects, and $55,500,408 in unrestricted assets.

FINANCIAL HIGHLIGHTS

STATEMENTS OF NET POSITION, JUNE 30, 2013 AND 2012

	June 30			
	2013	**2012**	**Change**	**%**
Assets:				
Cash and investments	$ 79,192,211	$ 87,843,801	$ (8,651,590)	(9.85)
Bond funds	366,221	354,406	11,815	3.33
Receivables	5,740,258	3,306,167	2,434,091	73.62
Capital assets – net	136,687,991	121,784,897	14,903,094	12.24
Other	307,698	492,219	(184,521)	(37.49)
Total assets	$ 222,294,379	$ 213,781,490	$ 8,512,889	3.98
Liabilities:				
Current liabilities	$ 5,875,424	$ 3,856,559	$ 2,018,865	52.35
Long-term liabilities	5,864,508	6,289,256	(424,748)	(6.75)
Total liabilities	11,739,932	10,145,815	1,594,117	15.71
Net position:				
Net investment in capital assets	133,377,516	115,872,574	17,504,942	15.11
Restricted	1,737,152	863,095	874,057	101.27
Unrestricted	75,439,779	86,900,006	(11,406,227)	(13.19)
Total net position	$ 210,554,447	$ 203,635,675	$ 6,918,772	3.40

As can be seen from the above, the Airport has a very strong Statement of Net Position. Liquidity continues to be very strong. Total net position is $210,554,447 of which $75,439,779 is unrestricted.

- Total assets at June 30, 2013 were approximately $222,294,379, which included $8,898,638 in cash and receivables, $73,382,918 in investments, $366,221 in investments held by US Bank (GSP's Revenue Bond Trustee), and $136,687,991 in capital assets. Total liabilities were $11,739,932, $2,240,614 of which related to GSP's 2001 rental car facility bond issue outstanding at year end. The difference between the $222,294,379 in assets and the $11,739,932 in liabilities is categorized as Net Position ($210,554,447) and is composed of $133,377,516 of net investment in capital assets, $1,737,152 in restricted assets to be used for capital projects, and $75,439,779 unrestricted assets.

FINANCIAL HIGHLIGHTS

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION, JUNE 30, 2014 AND 2013

	June 30			
	2014	**2013**	**Change**	**%**
Operating revenues:				
Landing and other airside fees	$ 2,994,349	$ 2,241,484	$ 752,865	33.59
Space and ground rental fees	8,011,832	6,526,942	1,484,890	22.75
Concessions revenue	12,597,222	12,383,451	213,771	1.73
Expense reimbursements	1,024,100	668,066	356,034	53.29
Other revenue	1,057,549	1,117,666	(60,117)	(5.38)
Total operating revenues	25,685,052	22,937,609	2,747,443	11.98
Operating expenses:				
Direct operating expenses	13,079,341	12,288,756	790,585	6.43
Loss on disposal of assets	2,027,434	59,975	1,967,459	3,280.47
Depreciation	10,050,973	9,657,926	393,047	4.07
Total operating expenses	25,157,748	22,006,657	3,151,091	14.32
Operating income	527,304	930,952	(403,648)	(43.36)
Non-operating income (expense)	178,663	1,357,178	(1,178,515)	(86.84)
Income before capital contributions	705,967	2,288,130	(1,582,163)	(69.15)
Capital contributions	8,190,973	4,630,642	3,560,331	76.89
Increase in net position	$ 8,896,940	$ 6,918,772	$1,978,168	28.59

- Total operating revenues were $25,685,052 for the fiscal year ended June 30, 2014, up 11.98% from $22,937,609 as compared to the prior year. This increase was the result of higher space and ground rentals from the rental car companies, a full year of space rentals from Southwest Airlines and an increase in landing rates, a byproduct of increased airfield costs.
- Total direct operating expenses were $13,079,341 for the fiscal year ended June 30, 2014, up 6.43% from $12,288,756 as compared to the prior year. This increase was largely due to employee benefits, business incentives and advertising expenses.
- The loss on disposal of assets was $2,027,434 for the fiscal year ended June 30, 2014, up 3,280.47% from $59,975 as compared to the prior year. This increase represented a major terminal asset disposal in fiscal year ended June 30, 2014.
- Total non-operating income was $178,663 for the fiscal year ended June 30, 2014, down 86.84% from $1,357,178 as compared to the prior year. This is due to a decrease in excess Contract Facility Charge ("CFC") revenues from the rental car companies, as a result of covering the space and ground rent as mentioned above.

- Depreciation expense was $10,050,973 for the fiscal year ended June 30, 2014, as compared to $9,657,926 in the fiscal year ended June 30, 2013.
- The debt service coverage ratio was 3,355%, which exceeded the 125% required by the debt covenants of GSP's various bond issues.
- The blended result of increased operating revenues and total operating expenses, along with a decrease in non-operating income, as discussed above, resulted in GSP's net income before capital contribution of $705,967 and $2,288,130 for fiscal year ended June 30, 2014 and fiscal year ended June 30, 2013, respectively.

FINANCIAL HIGHLIGHTS

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION, JUNE 30, 2013 AND 2012

	June 30			
	2013	**2012**	**Change**	**%**
Operating revenues:				
Landing and other airside fees	$ 2,241,484	$ 2,422,773	$ (181,289)	(7.48)
Space and ground rental fees	6,526,942	5,931,549	595,393	10.04
Concessions revenue	12,383,451	12,200,620	182,831	1.50
Expense reimbursements	668,066	530,631	137,435	25.90
Other revenue	1,117,666	1,182,843	(65,177)	(5.51)
Total operating revenues	22,937,609	22,268,416	669,193	3.01
Operating expenses:				
Direct operating expenses	12,288,756	11,759,238	529,518	4.50
Loss on disposal of assets	59,975	181,644	(121,669)	(66.98)
Depreciation	9,657,926	9,240,394	417,532	4.52
Total operating expenses	22,006,657	21,181,276	825,381	3.90
Operating income	930,952	1,087,140	(156,188)	(14.37)
Non-operating income (expense)	1,357,178	1,262,000	95,178	7.54
Income before capital contributions	2,288,130	2,349,140	(61,010)	(2.60)
Capital contributions	4,630,642	2,707,491	1,923,151	71.03
Increase in net position	$ 6,918,772	$ 5,056,631	$1,862,141	36.83

- Total operating revenues were $22,937,609 for the fiscal year ended June 30, 2013, up 3.01% from $22,268,416 as compared to the prior year. This increase was primarily the result of increased terminal space rent, the byproduct of increased indirect administrative costs spread.
- Total direct operating expenses were $12,288,756 for the fiscal year ended June 30, 2013, up 4.5% from $11,759,238 as compared to the prior year. This increase was largely due to new employee benefits.
- Depreciation expense was $9,657,926 for the fiscal year ended June 30, 2013, as compared to $9,240,394 in the fiscal year ended June 30, 2012.
- The debt service coverage ratio was 2,941%, which exceeded the 125% required by the debt covenants of GSP's various bond issues.
- The blended result of increased operating revenues, depreciation expense and operating expenses, as discussed above, resulted in GSP's net income before capital contribution of $2,288,130 and $2,349,140 for fiscal year ended June 30, 2013 and fiscal year ended June 30, 2012, respectively.

Description of significant capital and long-term debt expenditures

The Airport District is currently in the midst of a major terminal renovation with a project budget of about $123 million. The expected completion date is tentatively scheduled at the end of the 2nd quarter, 2016. Significant capital expenditures are underway and are reflected in increased Construction In Progress from $22.0 million at June 30, 2013 to $63.0 million at June 30, 2014.

The Airport District has incurred no additional long-term debt expenditures in either the fiscal year ended June 30, 2014 or June 30, 2013. The only expenditures related to long-term debt are those of normal debt service.

Changes in Credit Ratings and Debt Limitations

The Airport District has an A2 credit rating with a stable outlook from Moody's. There were no changes in our credit ratings or associated debt limitations in either the fiscal years ended June 30, 2014 or June 30, 2013.

All foreseeable capital projects within a ten year horizon are projected to be funded internally with Airport District reserve funds and/or with FAA grant funds.

Looking Ahead …

Aviation Industry Overview

The airline industry is particularly susceptible and sensitive to many variables we find in our world today:

- Terrorist events, like 9/11
- Domestic and global economic conditions
- Pandemics and other health concerns
- Aircraft accidents
- Fleet & maintenance issues / aircraft orders and delays
- Customer service issues / failures & resultant negative press
- Extreme volatility of fuel prices
- Volcanic activity
- Merger, acquisitions, bankruptcies of airlines

Any one of these can impact airline traffic dramatically, as recent experience has abundantly proven. Yet, when you combine these factors in an ever-changing world, you can expect very volatile results. Airlines have attempted to minimize financial losses through these periods of extreme volatility by lowering operating costs, merging, canceling unprofitable routes, charging for baggage/food/etc., and grounding older, less fuel-efficient aircraft.

Overall, it appears that many aviation industry prognosticators believe that:

- Air fares are likely to stay high most of this decade
- Airline capacity will shrink causing planes to get even more crowded.
- Passenger miles flown on domestic flights are expected to decrease or remain static this year and grow an average 2.0% per year over the next two decades
- Over the next two decades, U.S. airline travel is expected to nearly double
- Further airline consolidation in North America is likely
- Two of the larger risks facing airlines, especially those in Europe, include rising oil prices and Europe's sovereign debt crisis.

The Federal Aviation Administration ("FAA's") Aerospace Forecast for 2014-2034 contains the following "Forecast Highlights":

> "Since the beginning of the century, the commercial air carrier industry has suffered several major shocks that have led to reduced demand for air travel. These shocks include the terror attacks of September 11, skyrocketing prices for fuel, debt restructuring in Europe and the United States (U.S.), and a global recession. To manage this period of extreme volatility, air carriers have fine-tuned their business models with the aim of minimizing financial losses by lowering operating costs, eliminating unprofitable routes and grounding older, less fuel efficient aircraft. To increase operating revenues, carriers have initiated new services that customers are willing to purchase. Carriers have also started charging separately for services that were historically bundled in the price of a ticket. The capacity discipline exhibited by carriers and their focus on additional revenue streams bolstered the industry to profitability in 2013 for the fourth consecutive year. Going into the next decade, there is cautious optimism that the industry has been transformed from that of a boom-to-bust cycle to one of sustainable profits.
>
> As the economy recovers from the most serious economic downturn and slow recovery in recent history, aviation will continue to grow over the long run. Fundamentally, demand for aviation is driven by economic activity. As economic growth picks up, so will growth in aviation demand. The 2014 FAA forecast calls for U.S. carrier passenger growth over the next 20 years to average 2.2 percent per year, unchanged from last year's forecast. After another year of slow growth in 2014, growth over the next five years will be higher than the long run rate as we assume U.S. economic growth accelerates. One of the many factors influencing the muted recovery is the uncertainty that surrounds the U.S. and the global economy. The global economy has been hit by a number of headwinds during the past few years, from recession in Europe to a "soft landing" in China and inconsistent performance in other emerging economies. This has not helped the pace of U.S. economic growth given the increasing importance of its trade with Europe and the rest of the world. Despite this and the ambiguity surrounding its own fiscal imbalances, the U.S. economy has managed to avoid a double dip recession and trudges along the path of slow recovery.
>
> System capacity in available seat miles (ASMs) – the overall yardstick for how busy aviation is both domestically and internationally – is projected to increase by 1.5 percent this year after posting a 0.8 percent increase in 2013; it will then grow at an average annual rate of 2.7 percent through 2034. In the domestic market, capacity growth in 2014 is forecast to be 1.0 percent and then grow at an average annual rate of 2.1 percent for the remainder of the forecast period. Domestic mainline carrier capacity is projected to increase 0.8 percent in 2014 after rising 1.3 percent in 2013. For the regional carriers, domestic capacity growth is projected to be 2.2 percent in 2014 after declining 2.8 percent in 2013. Commercial air carrier domestic revenue passenger miles (RPMs) are forecast to increase 0.9 percent in 2014, and then grow at an average of 2.2 percent per year through 2034; domestic enplanements in 2014 will increase 0.6 percent, and then grow at an average annual rate of 1.9 percent for the remainder of the forecast period.
>
> The average size of domestic aircraft is expected to increase by 1.3 seats in FY 2014 to 126.3 seats. Average seats per aircraft for mainline carriers are projected to increase by 1.2 seats as network carriers continue to reconfigure their domestic fleets. While demand for 70-90 seat aircraft continues to increase, we expect the number of 50 seat regional jets in service to fall, increasing the average regional aircraft size in 2014 by 1.4 seats to 57.5 seats per mile. Passenger trip length in all domestic markets will increase by 2.6 miles during the same period.

The long term outlook for general aviation is favorable even though the slow growth of the U.S. economy, contributed by uncertainties caused by debt ceiling crises, sequestration, government shutdown, and the European recession have affected the near term growth, particularly for the turbo jet sector. While it is slightly lower than predicted last year, the growth in business aviation demand over the long term continues, driven by a growing U.S. and world economy especially in the turbo jet, turboprop, and turbine rotorcraft markets. As the fleet grows, the number of general aviation hours flown is projected to increase an average of 1.4 percent a year through 2034.

After sputtering in the early part of 2013, both the U.S. and global economies began to show improvement in the latter half of 2013 and appear poised to grow faster in 2014. Assuming energy prices remain relatively stable, U.S. carrier profitability should increase as an improving economy in its fifth year of recovery leads to strengthening demand, which coupled with continuing capacity discipline results in higher fares (and increased ancillary revenues). Over the long term, we see a competitive and profitable aviation industry characterized by increasing demand for air travel and airfares growing more slowly than inflation, reflecting over the long term a growing U.S. economy."

Source: FAA Forecast Highlights 2014-2034

Moody's Investor Service Airport Industry Outlook

Moody's has assigned a **stable** outlook for the short-term (12-18 months) U.S. Airport industry sector. This outlook is summarized in the following press release on December 10, 2013:

Global Credit Research - 10 Dec 2013

"New York, December 10, 2013 -- The outlook for the US airport industry remains stable as airlines push up enplanements by adding to their total number of seats, says Moody's Investors Service in its "2014 Outlook -- US Airports." As the US economy posts slight gains, Moody's expects enplanements to continue growing.

"The first quarter of next year will see the first increase in the number of flights in almost three years," says Earl Heffintrayer, a Moody's Assistant Vice President and Analyst. "The enplanement growth in 2014 will support the additional debt airports have taken on in the past two years."

The growth in enplanements, along with de-leveraging at midsize and small airports, will blunt the impact of higher debt service at the large hub airports, says Moody's. Numerous major hubs have taken on more debt to fund terminal renovation projects.

Rated airports, excluding combined airport and port enterprises, have issued about $4.7 billion of new debt since the end of fiscal 2012. However, approximately $4.4 billion of that was at large hub airports.

Moody's calculates total debt service at rated airports will grow from $5.1 billion in fiscal 2013 to a peak of $5.7 billion in fiscal 2016.

The large hub airports, however, continue to have greater growth in enplanements than smaller hub airports.

Moody's changed its outlook for US airports to stable from negative in February 2013. The outlook expresses Moody's expectations for the fundamental business conditions in the industry over the next 12 to 18 months.

Possible but unlikely events that would probably shift the outlook back to negative include reductions in airline services should oil prices increase above $135 a barrel, and reductions in government operational or grant funding, which would lead to increased debt funding."

Source: Moody's Investor Service 12-18 month outlook on US Airport Industry "Outlook for US airports remains stable in 2014"… December 10, 2013

Greenville-Spartanburg International Airport ("GSP") Outlook

Although profitability levels have been strong historically, management is focused on and remains committed to providing increased levels of air service for the surrounding population base. We continue to work diligently towards attracting greater levels of air service for the Upstate region and are ever mindful about posturing ourselves from a competitive standpoint in the face of increased competition from Charlotte and Atlanta.

A major project initiative currently underway is a redesign of our aging terminal facilities. This project started in 2012 and has a completion date tentatively scheduled for the 2nd quarter, 2016.

Management agrees with the FAA forecasts and continues to plan for long-term growth in accordance with local initiatives/demands, planning forecasts, and the approved 2003 Airport Master Plan update. Management's assessment of our long-term forecast continues to be favorable largely due to our lack of debt, competitive airline rates & charges, aggressive air service development efforts, regional economic trends, healthy catchment area/size, and many other factors.

Management is committed to providing our customers with the highest level of service possible in these challenging and exciting times and look forward to the future.

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GREENVILLE-SPARTANBURG AIRPORT DISTRICT

STATEMENTS OF NET POSITION

JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
Current assets:		
Cash	$ 14,517,528	$ 5,809,293
Receivables	583,456	3,089,345
Inventories and prepaid insurance	511,914	307,698
Investments	46,516,797	73,382,918
Notes receivable - current portion	206,226	195,475
Total current assets	62,335,921	82,784,729
Restricted assets:		
Receivables	225,940	214,824
Investments - held by Trustee	377,355	366,221
Total restricted assets	603,295	581,045
Notes receivable - net of current portion	2,034,388	2,240,614
Capital assets - at cost:		
Land	38,909,689	40,534,358
Buildings and equipment	109,448,992	137,565,416
Runways	68,012,061	67,846,864
Construction-in-progress	62,776,367	22,048,412
Total capital assets	279,147,109	267,995,050
Less accumulated depreciation	(114,065,630)	(131,307,059)
Capital assets - net	165,081,479	136,687,991
Total Assets	$ 230,055,083	$ 222,294,379

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

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

STATEMENTS OF NET POSITION

JUNE 30, 2014 AND 2013

	2014	2013
LIABILITIES		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable and accrued liabilities	$ 4,608,487	$ 5,313,729
Unearned credits - current portion	206,226	195,475
Total payable from unrestricted assets	4,814,713	5,509,204
Payable from restricted assets:		
Accrued interest payable	97,354	106,220
Revenue bonds - current portion	280,000	260,000
Total payable from restricted assets	377,354	366,220
Total current liabilities	5,192,067	5,875,424
Unearned credits - net of current portion	2,034,388	2,240,614
Long-term employee benefits	802,241	768,894
Revenue bonds payable - net of current portion	2,575,000	2,855,000
Total liabilities	10,603,696	11,739,932
NET POSITION		
Net investment in capital assets	162,020,253	133,377,516
Restricted:		
Held by Trustee	280,003	260,003
Contract facility charges	1,650,723	1,477,149
Total restricted	1,930,726	1,737,152
Unrestricted	55,500,408	75,439,779
Total net position	$ 219,451,387	$ 210,554,447

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Operating revenues:		
Airside	$ 2,994,349	$ 2,241,484
Space and ground rental	8,011,832	6,526,942
Concessions	12,597,222	12,383,451
Other	2,081,649	1,785,732
Total operating revenues	25,685,052	22,937,609
Operating expenses before loss on disposal of assets and depreciation:		
Airfield	273,926	26,563
Terminal building	1,725,825	1,782,034
Administrative	4,120,058	3,816,812
Maintenance and operations	3,104,747	2,973,643
Fire and crash department	1,040,878	1,007,352
Security	1,160,393	1,021,931
Other direct expenses	1,653,514	1,660,421
Total operating expenses before loss on disposal of assets and depreciation	13,079,341	12,288,756
Operating income before loss on disposal of assets and depreciation	12,605,711	10,648,853
Net loss on disposal of assets	2,027,434	59,975
Depreciation	10,050,973	9,657,926
Operating income	527,304	930,952
Nonoperating revenues (expenses):		
Contract facility charges	318,044	1,514,162
Interest on accounts	55,981	111,342
Change in fair value of investments	(651)	8,822
Interest and other financing costs - net	(194,711)	(277,148)
Nonoperating revenues - net	178,663	1,357,178
Income before capital contributions	705,967	2,288,130
Capital contributions	8,190,973	4,630,642
Increase in net position	8,896,940	6,918,772
Net position:		
Beginning of year	210,554,447	203,635,675
End of year	$ 219,451,387	$ 210,554,447

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

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Cash flows from operating activities:		
Cash received from providing services	$ 28,190,939	$ 20,313,259
Cash payments to suppliers for goods and services	(5,142,380)	(3,592,417)
Cash payments to employees for services	(6,767,704)	(6,490,356)
Net cash provided by operating activities	16,280,855	10,230,486
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(42,517,261)	(24,678,922)
Net proceeds from sale of investments - held by Trustee	(11,134)	(11,815)
Principal payments on bonds	(260,000)	(240,000)
Interest payment on bonds	(203,577)	(221,282)
Capital contributions	8,190,973	4,630,642
Contract facility charges	306,928	1,519,138
Net cash used in capital and related financing activities	(34,494,071)	(19,002,239)
Cash flows from investing activities		
Net purchase and maturity of investment securities	26,865,470	9,096,916
Investment income	55,981	111,341
Net cash provided by investing activities	26,921,451	9,208,257
Net increase in cash	8,708,235	436,504
Cash:		
Beginning of year	5,809,293	5,372,789
End of year	$ 14,517,528	$ 5,809,293
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 527,304	$ 930,952
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	10,050,973	9,657,927
Net loss on disposal of capital assets	2,027,434	59,975
Change in assets and liabilities:		
Trade and other receivables	2,505,889	(2,624,350)
Inventories and prepaid insurance	(204,216)	120,471
Trade accounts payable and accrued liabilities	1,340,124	2,054,784
Other long-term liabilities	33,347	30,727
Total adjustments	15,753,551	9,299,534
Net cash provided by operating activities	$ 16,280,855	$ 10,230,486

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

Note 1—Organization

The Greenville-Spartanburg Airport District (the “Airport”) is a political subdivision of the State of South Carolina (the “State”). Commissioners of the Airport are recommended for appointment by a majority of the Greenville and Spartanburg County Delegations and appointed by the governor of the State.

Note 2—Summary of significant accounting and reporting policies

Basis of Presentation – Due to its organizational structure, the Airport is subject to the application of accounting pronouncements issued by the Governmental Accounting Standards Board (“GASB”).

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 during the reporting period. Actual results could differ from those estimates.

Cash – For purposes of the statements of cash flows, certain highly liquid investments (including restricted assets) not otherwise defined as an investment by State of South Carolina statute (see “Investments” below) with an original maturity of three months or less, are considered to be cash equivalents and are recorded at fair market value. The cash equivalents as of June 30, 2014 and 2013 were $30,093,046 and $52,122,348, respectively.

Inventories – Inventories are stated at the lower of cost (first-in, first-out method) or market.

Investments – The Airport’s investments, consisting of U.S. Treasury bills and notes at June 30, 2014 and 2013, are carried at fair value. All investments are carried in the Airport’s name and held by the dealer/safekeeping agent. Investment maturities are currently spread up to six months in such a fashion that a portion of the portfolio matures each month and, as such, are reported in current assets in the accompanying statements of net assets.

Investments – Held by Trustee – Investments – Held by Trustee represent funds held by a trustee under bond indenture agreements as required by provisions of the Series 2001 Bonds. Such trusteed funds include debt service reserve, construction, and principal and interest accounts. These investments consist primarily of U.S. Treasury securities.

Note 2—Summary of significant accounting and reporting policies (continued)

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, effective for periods beginning after December 15, 2012, identifies deferred outflows and inflows that are to be separated from assets and liabilities under GASB Statement No. 63 and provides for immediate recognition of certain costs and fees. This standard also provides financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. This statement was implemented during the year beginning July 1, 2013, and had no material impact on the financial statements.

Upcoming Pronouncements – The GASB has issued several statements which have not yet been implemented by the Airport. Those statements which may have a future impact on the Airport include:

GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, effective for periods beginning after June 15, 2014, replaces the requirements of Statement No. 27 and No. 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The standard requires government employers to recognize as a liability, for the first time, their long-term obligation for pension benefits. The employer liability is to be measured as the difference between the present value of projected benefit payments to be provided through the pension plan for past periods of service less the amount of the pension plan's fiduciary net position, with obligations for employers with cost sharing plans based on their proportionate share of contributions to the pension plan. The standard also requires more immediate recognition of annual service cost, interest and changes in benefits for pension expense, specifies requirements for discount rates and actuarial methods and changes disclosure requirements.

Note 2—Summary of significant accounting and reporting policies (continued)

Capital Assets – Capital assets are stated at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets ranging from 3 to 25 years. The Airport's threshold for capitalization is $10,000. Repair and maintenance costs are expensed when incurred. Changes in accumulated depreciation during 2014 and 2013 are as follows:

	Fixed Assets Acquired by FAA Grants	Other Fixed Assets	Total Fixed Assets
Accumulated depreciation – July 1, 2012	$ 63,555,105	$ 59,342,192	$ 122,897,297
Fiscal year 2013 depreciation	5,522,496	4,135,430	9,657,926
Less – 2013 capital asset write-offs	(119,265)	(1,128,899)	(1,248,164)
Accumulated depreciation – June 30, 2013	68,958,336	62,348,723	131,307,059
Fiscal year 2014 depreciation	5,519,354	4,531,619	10,050,973
Less – 2014 capital asset write-offs	(7,108,535)	(20,183,867)	(27,292,402)
Accumulated depreciation – June 30, 2014	$ 67,369,155	$ 46,696,475	$ 114,065,630

Contract Facility Charge – Contract Facility Charges ("CFCs") are levied by the Airport pursuant to a Memorandum of Understanding signed with the rental car companies serving the Airport. This rate is adjusted from time to time as deemed necessary by airport management in order to cover the related annual expenses. The CFC rate was $4.00 per contract rental day as of June 30, 2013 and 2012. Up to the date of beneficial occupancy, April 1, 2003, the amounts received were recorded as non-operating revenues when earned and were to be used for construction of the rental car facility in addition to funding the debt service requirements of the associated Series 2001 Bonds. Subsequent to April 1, 2003, CFCs received are recorded as space and ground rental operating revenue in addition to non-operating revenue related to the continued funding of the related Series 2001 Bonds. The Airport is to receive the CFCs for the term of the related bonds (through fiscal 2020).

The Memorandum of Understanding between the Airport and rental car companies serving the Airport also provides for the reimbursement of the construction costs which the Airport funded out of operations. The Airport is to be reimbursed over a 20-year period, payable monthly, including a 5.5% per annum finance charge. Upon receipt, the Airport records such reimbursement as operating revenue in the accompanying statements of revenues, expenses, and changes in net position. The Airport has recorded the total amount of reimbursement outstanding from the rental car companies at June 30, 2014 and 2013, as notes receivable and unearned credits totaling $2,240,614 and $2,436,089, respectively, in the accompanying statements of net position.

Note 2—Summary of significant accounting and reporting policies (continued)

For the years ended June 30, 2014 and 2013, the Airport has recorded CFCs related to space and ground rental as operating revenue of $1,099,942 and $686,072, respectively, in addition to non-operating revenue consisting of the following:

	2014	2013
Funding of Series 2001 Bonds	$ 463,577	$ 472,443
Reimbursement of Airport-funded construction costs	329,460	329,460
CFC surplus receipts/(deficit)	(474,793)	712,259
	$ 318,244	$ 1,514,162

Additionally, as of June 30, 2014 and 2013, the Airport had received but not yet spent CFCs totaling $1,424,783 and $1,262,325, respectively, which are reported as restricted in the accompanying statements of net position until expended.

Net Position – Net position is classified as net investment in capital assets, restricted and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law.

Capital Contributions – Certain expenditures for airport capital improvements are significantly funded through the Airport Improvement Program (“AIP”) of the Federal Aviation Administration (“FAA”) or from various State allocations or grant programs. Capital funding provided under government grants is considered earned as the related allowable expenditures are incurred.

Grants for capital asset acquisition and facility development and rehabilitation are reported in the accompanying statements of revenues, expenses, and changes in net assets, after non-operating revenues (expenses), as capital contributions.

Operating Revenues and Expenses – All of the Airport’s activities relate to the operation of the airport except for the investment of residual cash and investments and financing-related activities. Accordingly, all of the Airport’s revenues and expenses, except for investment income and financing-related costs and charges, are classified as operating in the accompanying statements of revenues, expenses, and changes in net assets.

Revenue Recognition – Airside and space and ground rental revenues consist of amounts received under Airline Operating Agreements with the major airlines serving the Airport, certain fixed fees for nonscheduled airlines and private users of the Airport, and certain fixed fees for other ancillary services provided. The Airline Operating Agreements stipulate that landing fees and space rental revenues will be based on maintenance and operations costs, as defined in the agreements. Additionally, the Series 2000 and 2001 Bonds contain a restrictive covenant which provides that the aggregate of airline fees and charges together with other revenues, including nonairline revenues, for each fiscal year should be sufficient to pay the operating expenses and to make all deposits and payments under bond ordinances. Airside and space and ground rental fees are recognized as revenue when the related services are provided and facilities utilized.

Note 2—Summary of significant accounting and reporting policies (continued)

Concessions and other revenue consist primarily of rental car, parking, and other ancillary services revenue. Such revenue is generally based on a fixed percentage of tenant revenues subject to certain minimum monthly fees or a fixed fee schedule. Concessions and other revenue are recognized when earned.

Other Direct Expenses – Other direct expenses consist primarily of the upkeep of the cargo, rental car, and parking lot facilities. Other direct expenses are recognized when incurred.

Post-Employment Benefits – During the 2010 fiscal year, GSP implemented a new personnel policy in which it will pay for a portion of an eligible retiree's health insurance premiums between ages 60 to 65 who also have at least 10 years of service with GSP. The liability related to this new benefit was not material; however, a liability related to this benefit is included in the long-term employee benefits in the statements of net position.

Compensated Absences – Employees earn vacation leave at a rate of 80 to 160 hours per year dependent upon length of service. Unused vacation hours can be carried over from year to year up to a maximum of 480 hours and are payable upon termination, resignation, retirement, or death in accordance with the Airport's personnel policy. The noncurrent portion of the accrued liability related to vacation hours is included in long-term employee benefits and the current portion in accrued liabilities in the statements of net position.

Regular full-time employees accumulate sick leave at the rate of 96 hours per year and can accrue up to 720 hours. All employees who properly resign, are laid off, or otherwise separated from the Airport in good standing are entitled to be paid 33% of any unused sick balance not to exceed 240 hours. An accrual for sick leave has been made as of June 30, 2014 and has been categorized into a short-term and long-term portion. Sick leave can be taken for medical appointments, personal illness or illness of a member of the immediate family. Sick leave may be used in the determination of length of service for retirement benefit purposes. The noncurrent portion of the accrued liability related to sick leave is included in long-term employee benefits and the current portion in accrued liabilities in the statements of net position.

Note 3—Cash and other financial instruments

All the cash deposits of the Airport are in a single financial institution and are carried at cost plus interest which approximates fair value. The carrying amount of cash deposits is separately reported as cash in the accompanying statements of net position. These deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits are collateralized with securities held by the Airport. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer.

Airport cash accounts are part of a nightly multi-account sweep with a major financial institution's automated investment system repurchase agreement. The balance of the overnight agreement was $13,202,373 and $7,578,947 as of June 30, 2014 and 2013, respectively. The overnight repurchase agreements are collateralized by the underlying U.S. government securities utilizing the Dedicated Method. Under the dedicated method, the bank custodian is required to pledge specific securities for collateralized balances in excess of the amounts covered by the Federal Depository Insurance Corporation.

At June 30, 2014 and 2013, the carrying amount for Airport's cash totaled $17,259,382 and $7,071,618, respectively. Of the Airport's bank balance, $250,000 was covered by federal depository insurance, while the remainder of the Airport's deposits were covered by collateral held under the Dedicated Method.

Note 4—Receivables

Receivables are recorded at their gross value when earned and are reduced, if applicable, by the estimated portion that is expected to be uncollectible. The allowance for uncollectible amounts, when applicable, is based on collection history, aviation industry trends, and current information regarding the creditworthiness of the tenants and others doing business with the Airport. As of June 30, 2014 and 2013, no allowance for uncollectible amounts was recorded.

Receivables (including restricted assets) consisted of the following as of June 30, 2014 and 2013:

	2014	2013
Trade and contract facility charge	$ 583,872	$ 609,981
FAA and other grants	-	2,661,168
Interest and other	225,524	33,020
	$ 809,396	$ 3,304,169

Note 5—Investments

At June 30, 2014 and 2013, the Airport's investment balances, recorded at fair value, were $46,516,797 and $73,382,918, respectively. Of these amounts, at June 30, 2014, $31,423,607 was invested in U.S. Treasury bills and notes and $15,093,190 in the Capital Bank CDARS (Certificate of Deposit Account Registry Service) program. Of these amounts, at June 30, 2013, $46,259,420 was invested in U.S. Treasury bills and notes, $12,052,836 in the South Carolina Local Government Investment Pool program, and $15,070,662 in the Capital Bank CDARS program.

All investments held at June 30, 2014 and 2013 have maturities of less than one year and have an AAA rating. In addition, investments with fair values of $377,355 and $366,221 as of June 30, 2014 and 2013, respectively, were held by a trustee.

Types of Allowable Investments – in accordance with the South Carolina State Statutes and the Airport District's approved investment policy, the following investments are permitted:

1. Checking accounts in U.S. federally insured banks and savings and loans not to exceed federally insured amounts;

2. Money market funds that invest in U.S. Government backed securities;

3. U.S. Treasury Obligations to include U.S. Treasury bills and notes, or any other obligation or security issued by or backed by the full faith and credit of the U.S. Treasury;

4. Federal Agency Obligations including bonds, notes, debentures, or other obligations or securities issued by, or backed by, full faith and credit of any U.S. Government agency or sponsored enterprise.

5. South Carolina Local Government Investment Pool ("SCLGIP") limited to 25% of investment portfolio.

Note 5—Investments (continued)

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Airport generally limits a portion of its investment portfolio to maturities of less than 12 months. Also, the Airport's purchases of securities are laddered with staggered maturity dates.

Credit Risk – The Airport has no written policy regarding credit risk. However, a conservative investment strategy is maintained. Currently, most investments are in T-bills, securities backed by U.S. Treasuries, or deposits which fall within the Federal Deposit Insurance Corporation ("FDIC") limits.

Custodial Credit Risk – For an investment, the custodial credit risk is the risk that in the event of the failure of the counterparty, the Airport will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Since a large majority of the Airport's investments are with the U.S. Treasury Department in the form of T-bills, or other securities backed by the U.S. Treasury, management views custodial credit risk as minimal, and consequently, has no written policy on this particular form of risk.

Concentration of Credit Risk – The Airport places no limit on the amount that the Airport may invest in any one issuer, with the exception of the 25% limitation on the SCLGIP. All of the Airport's investments are in, or backed by, U.S. Treasury bills and the SCLGIP.

Note 6—Capital assets

A summary of changes in capital assets during fiscal 2014 and 2013 is as follows:

	June 30, 2013	Additions	Transfers/ Disposals	June 30, 2014
Capital assets not being depreciated:				
Land	$ 40,534,358	$ 281,126	$ (1,905,795)	$ 38,909,689
Construction-in-process	22,048,412	40,987,236	(259,281)	62,776,367
Total capital assets not being depreciated	62,582,770	41,268,362	(2,165,076)	101,686,056
Capital assets being depreciated:				
Buildings and equipment	137,565,416	1,083,399	(29,199,823)	109,448,992
Runways	67,846,864	118,062	47,135	68,012,061
Total capital assets being depreciated	205,412,280	1,201,461	(29,152,688)	177,461,053
Total accumulated depreciation	(131,307,059)	(10,050,972)	27,292,401	(114,065,630)
Net capital assets	$ 136,687,991	$32,418,851	$ (4,025,363)	$ 165,081,479

Note 6—Capital assets (continued)

	June 30, 2012	Additions	Transfers/ Disposals	June 30, 2013
Capital assets not being depreciated:				
Land	$ 40,113,111	$ 421,247	$ -	$ 40,534,358
Construction-in-process	7,237,846	17,189,207	(2,378,641)	22,048,412
Total capital assets not being depreciated	47,350,957	17,610,454	(2,378,641)	62,582,770
Capital assets being depreciated:				
Buildings and equipment	127,210,069	7,130,506	3,224,841	137,565,416
Runways	70,121,168	-	(2,274,304)	67,846,864
Total capital assets being depreciated	197,331,237	7,130,506	950,537	205,412,280
Total accumulated depreciation	(122,897,297)	(9,657,926)	1,248,164	(131,307,059)
Net capital assets	$ 121,784,897	$ 15,083,034	$ (179,940)	$ 136,687,991

Interest costs charged to expense for the years ended June 30, 2014 and 2013 totaled $194,711 and $213,098, respectively.

Note 7—Revenue bonds

A summary of the revenue bond changes during fiscal 2014 and 2013 is as follows:

	Outstanding June 30, 2013	Net Cash Disbursements	Outstanding June 30, 2014	Current Portion
Revenue bonds:				
Series 2001B	$ 3,115,000	$ (260,000)	$ 2,855,000	$ 280,000
Total	$ 3,115,000	$ (260,000)	$ 2,855,000	$ 280,000

	Outstanding June 30, 2012	Net Cash Disbursements	Outstanding June 30, 2013	Current Portion
Revenue bonds:				
Series 2001B	$ 3,355,000	$ (240,000)	$ 3,115,000	$ 260,000
Total	$ 3,355,000	$ (240,000)	$ 3,115,000	$ 260,000

Note 7—Revenue bonds (continued)

Series 2001 Bonds – In August 2001, the Airport issued $4,990,000 of taxable revenue bonds ("Series 2001B Bonds"). Proceeds of the issuances were used to construct a new rental car facility and related improvements. Interest is payable semiannually on July 1 and January 1. Annual principal installments are due on July 1 and commenced on July 1, 2003. The Series 2001B Bonds is composed of serial bonds which bear interest at rates between 4.4% and 6.2% annually. In addition, the Series 2001B Bonds include $3,355,000 of 6.82% term bonds due July 1, 2021.

Under the terms of the Series 2001 Bonds, the Airport is subject to certain covenants including, but not limited to, limitations on the transfer or sale of assets, limitations on the incurrence of additional indebtedness, maintenance of adequate insurance coverage on property, and maintenance of a minimum level of net revenues, as defined, to aggregate annual debt service. As of June 30, 2014 and 2013, the Airport was in compliance with these restrictive covenants.

The future debt service requirements of the Series 2001 Bonds are as follows as of June 30, 2014:

	Principal	Interest	Total
2015	$ 280,000	$ 194,711	$ 474,711
2016	295,000	175,615	470,615
2017	320,000	155,496	475,496
2018	340,000	133,672	473,672
2019	365,000	110,484	475,484
2020-2023	1,255,000	174,933	1,429,933
Total	$ 2,855,000	$ 944,911	$ 3,799,911

Note 8—Unearned credits

In accordance with the Rental Car bond resolution, the Airport lent the service center project $3,500,000 plus $400,000 in capitalized interest. $3,900,000 was recorded as a Notes Receivable and Deferred Revenue as of June 30, 2003. This amount is being amortized over 20 years at 5.5% and repaid out of CFC funds. The portion that reduced Notes Receivable and Unearned Revenue for the fiscal years ended June 30, 2014 and June 30, 2013, is $195,475 and $185,284, respectively, with a remaining balance of $2,240,614 and $2,436,089, respectively.

Note 9—Capital contributions

For the years ended June 30, 2014 and 2013, the Airport recognized capital contributions primarily from the FAA totaling $8,190,973 and $4,630,642, respectively, in its statements of revenues, expenses, and changes in net assets.

Note 10—Commitments and contingencies

The Airport is party to various legal action in the ordinary course of business from time to time. Management believes that such matters will not have a material adverse effect on the Airport's financial condition, results of operations or cash flows.

The Airport's ability to derive net revenues from operations depends upon various factors, many of which are not within the control of the Airport. The primary sources of net revenues are parking revenues and the Airline Operating Agreements between the Airport and the airlines. The Airline Operating Agreements provide for the landing fees, terminal rentals, and ramp fees to be charged to the airlines. Should an airline default under the terms of the Airline Operating Agreement, management believes it can take certain actions to mitigate any potential adverse impact.

At any point in time, the U.S. economy, excess airline capacity, and industry-wide competition through airfare discounting may create significant constraints on the operations of the airlines. Due to these factors, the financial results of the Airport are largely dependent upon conditions in the national economy and the U.S. airline industry.

The scheduled debt service requirements on the 2001 Bonds are guaranteed by third-party insurers. Debt service on the Series 2001 Bonds is insured by Financial Security Assurance, Inc. The ultimate ability of such insurers to meet their obligations with respect to the debt service requirements will be predicated on their future financial condition.

Additionally, the Airport receives significant financial assistance from federal governmental agencies in the form of grants and other awards. The disbursement of resources received under such programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by grantor agencies. Management believes the Airport is in compliance with all such terms and conditions.

The Airport had entered into commitments for construction contracts for $72,984,931, of which $15,095,471 is outstanding at June 30, 2014.

Note 11—Pension plan and post-retirement benefits

All Airport permanent employees are members of the South Carolina Retirement System (the "Plan"), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the State Budget and Control Board. The Plan offers retirement and disability benefits, cost of living adjustments on an ad hoc basis, life insurance benefits, and survivor benefits. The Plan's provisions are established under Title 9 of the South Carolina Code of Laws. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the Plan is issued and is publicly available by writing to the South Carolina Retirement System, P.O. Box 11960, Columbia, South Carolina 29211-1960.

Plan members were required to contribute 7.5% (8.0% as of July 2014) of their annual covered salary to the Plan, and the Airport contributes 10.6% (10.9% as of July 2014), which is an actuarially determined rate. The Airport's Plan-matching contribution in fiscal years 2014, 2013 and 2012 was approximately $585,900, $533,700 and $464,500, respectively, and equaled the required contributions for those years.

The Airport matches 100% of employee contributions to their 401(k) and/or 457 plans up to 5% of the employee's gross income.

The Airport's 401(k) matching contribution in the fiscal years ended June 30, 2014 and 2013 was $98,331 and $86,790, respectively.

Note 12—Restricted assets

Certain proceeds from the Airport's debt service accounts and reserve funds held by their bond trustee, as well as its CFC receipts and receivables not yet spent at year-end, are classified as restricted assets on the statements of net position because their use is limited by applicable bond covenants and concession agreements. The Investments – Held by Trustee account is used to represent resources set aside to subsidize potential deficiencies from the Airport's operations that could adversely affect debt service payments. The Cash and Receivables accounts represent contract facility charges that have either been received or earned by the Airport but not yet spent as of June 30, 2014 and 2013. These funds are to be used by the Airport to either prepay their 2001 revenue bonds or to fund additional improvements to the rental car facilities at the Airport.

Note 13—Risk management

The Airport, like other business enterprises, is exposed to various risks including, but not limited to, fire, accident, natural disasters, fraud, torts, error & omissions, environmental incidents, cybercrime, damage/destruction of assets, as well as other causal factors. The following polices are carried by the Airport to protect against such risks and are competitively bid out each year with an insurance brokerage firm:

- General liability, war risk, non-owned aircraft liability, and hangarkeepers,
- Commercial Crime (Dishonesty, Forgery, Computer and Funds Transfer Fraud),
- Public officials liability (Directors & Officers ("D&O") liability, Professional Liability Insurance),
- Workers Compensation,
- Auto comprehensive/collision/liability,
- Building and personal property,
- Environmental mitigation,
- Terminal Improvement Program Builder's Risk, and
- Inland marine

The Airport has not significantly reduced any of its insurance coverage from the prior year, and settled claims have not exceeded the Airport's insurance coverage in the past five years.

* * * * *

Cherry Bekaert LLP
CPAs & Advisors

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

To the Commissioners of
Greenville-Spartanburg Airport District
Greer, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Greenville Spartanburg Airport District (the "Airport"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements, and have issued our report thereon dated October 20, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Airport's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Greenville, South Carolina
October 20, 2014

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

To the Commissioners of
Greenville-Spartanburg Airport District
Greer, South Carolina

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Greenville-Spartanburg Airport District's (the "Airport") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Airport's major federal programs for the year ended June 30, 2014. The Airport's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Airport's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Airport complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Cherry Bekaert LLP

Greenville, South Carolina
October 20, 2014

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2014

Project Number and Description (Notes 1 and 2)	CFDA Number	Total Project Costs Incurred July 1, 2013 to June 30, 2014	Total Project Costs Incurred Cumulative to June 30, 2014	Total Federal Expenditures July 1, 2013 to June 30, 2014	Grant Status - Grant Funds Received from Granting Agency July 1, 2013 to June 30, 2014	Grant Status - Grant Funds Received from Granting Agency Cumulative to June 30, 2014	Grant Status - Grant Funds Received from Granting Agency Maximum Federal Participation
Department of Transportation - Airport Improvement Program:							
Grant No. 3-45-0028-46 Rehabilitate Terminal Building (design)	20.106	$ -	$ 7,992,080	$ -	$ 1,064,376	$ 3,770,082	$ 3,770,082
Grant No. 3-45-0028-47 Rehabilitate Terminal Building - (Constr) Phase I	20.106	-	7,868,251	-	1,596,792	3,565,266	3,565,266
Grant No. 3-45-0028-48 Rehabilitate Terminal Building - (Constr) Phase II; Rehabilitate Terminal Aprol	20.106	46,063,727	46,063,727	7,875,621	7,875,621	7,875,621	11,750,913
Transportation Security Administration	N/A	120,450	2,117,531	110,220	110,220	2,037,727	2,102,915
Total		$ 46,184,177	$ 64,041,589	$ 7,985,841	$ 10,647,009	$ 17,248,696	$ 21,189,176

See notes to schedule of expenditures of federal awards.

Note 1—Summary of significant accounting policies

Basis of Presentation — The accompanying schedule of expenditures of federal awards for the year ended June 30, 2014, for projects in effect from August 15, 2011 through June 30, 2014, was prepared using the accrual basis of accounting, taking into consideration costs incurred and payable at year end.

Grant Descriptions — The Greenville-Spartanburg Airport District (the "Airport") and the Federal Aviation Administration (FAA) entered into the following agreements:

a. Grant agreement dated August 15, 2011 (Project #3-45-0028-46), provided funds to rehabilitate the Terminal Building. Under the provisions of the grant agreement, the FAA is to reimburse the Airport for 95% of allowable costs (60%) not to exceed $3,770,082.

b. Grant agreement dated September 13, 2012 (Project #3-45-0028-47), provided funds to rehabilitate the Terminal Building. Under the provisions of the grant agreement, the FAA is to reimburse the airport for 90% of the allowable costs (60%) not to exceed $3,565,266.

c. Grant agreement dated August 13, 2013 and September 5, 2013 (Project #3-45-0028-48), provides funds to rehabilitate the Terminal Building. Under the provisions of the grant agreement, the FAA is to reimburse the airport for 90% of the allowable costs (60%) not to exceed $11,750,913.

The Airport and the Transportation Security Administration (TSA) are parties to a Law Enforcement Officer Agreement dated September 2, 2003, which provides reimbursement for the cost of law enforcement officers at the Airport's passenger screening locations. This agreement was extended multiple times, with the most recent being October 1, 2010 to September 30, 2014. Under the provisions of the agreement, the TSA is to reimburse the Airport for 100% of the cost of law enforcement, not to exceed $361,350.

Note 2—Status of Projects

As of June 30, 2014, the following projects were open:

- Project #3-45-0028-48
- Transportation Security Administration

Note 3—Audits Performed by Other Organizations

There were no audits performed by other organizations of the Airport's federal award program for the year ended June 30, 2014.

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Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?	______	yes	X	no
• Significant deficiency(ies) identified?	______	yes	X	none reported
Noncompliance material to financial statements noted?	______	yes	X	no

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	______	yes	X	no
• Significant deficiency(ies) identified?	______	yes	X	no
Noncompliance material to federal awards:	______	yes	X	no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	______	yes	X	no

Identification of major programs:

CFDA#	Program Name
20.106	Department of Transportation- Airport Improvement Program

Section I. Summary of Auditor's Results (continued)

Dollar threshold used to distinguish between type A and type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	__X__ yes ____ no

Section II. Financial Statement Findings

No findings reported.

Section III. Federal Award Findings and Questioned Costs

No findings reported.

Section IV. Summary of Prior Year Findings

There were no prior year findings.