



**GREENVILLE-SPARTANBURG AIRPORT
DISTRICT**

FINANCIAL STATEMENTS AND SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

As of and for the Years Ended June 30, 2015 and 2014

And Report of Independent Auditor

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

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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, 2015 and 2014, 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, 2015 and 2014, 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.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, the Airport implemented the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, during the year ended June 30, 2015. Our opinion is not modified with respect to this matter

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 3 through 13 and the required supplementary information schedules on pages 31 and 32 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 23, 2015 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.



Greenville, South Carolina
October 23, 2015

GREENVILLE-SPARTANBURG AIRPORT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015 AND 2014 (UNAUDITED)

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, 2015 and 2014, 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.

**GREENVILLE-SPARTANBURG AIRPORT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2015 AND 2014 (UNAUDITED)

FINANCIAL HIGHLIGHTS

STATEMENTS OF NET POSITION, JUNE 30, 2015 AND 2014

	June 30		Change	%
	2015	2014		
Assets:				
Cash and investments	\$ 46,480,755	\$ 61,034,325	\$ (14,553,570)	(23.84)
Bond funds	382,807	377,355	5,452	1.44
Receivables	2,897,964	3,050,010	(152,046)	(4.99)
Capital assets – net	188,744,416	165,081,479	23,662,937	14.33
Other	438,329	511,914	(73,585)	(14.37)
Total assets	\$ 238,944,271	\$ 230,055,083	\$ 8,889,188	3.86
Deferred Outflow of Pension Resources	\$ 887,006	\$ -	\$ 887,006	100.00
Liabilities:				
Current liabilities	\$ 5,451,919	\$ 5,192,067	\$ 259,852	5.00
Long-term liabilities	14,211,384	5,411,629	8,799,755	162.61
Total liabilities	\$ 19,663,303	\$ 10,603,696	\$ 9,059,607	85.44
Deferred Inflow of Pension	\$ 853,882	\$ -	\$ 853,882	100.00
Net position:				
Net investment in capital assets	\$ 185,951,847	\$ 162,020,253	\$ 23,931,594	14.77
Restricted	2,395,378	1,930,726	464,652	24.07
Unrestricted	30,966,867	55,500,408	(24,553,541)	(44.20)
Total net position	\$ 219,314,092	\$ 219,451,387	\$ (137,295)	(0.06)

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 \$219,314,092 of which \$30,966,867 is unrestricted.

- Total assets at June 30, 2015 were \$238,944,271, which included \$10,245,062 in cash and receivables, \$36,261,894 million in investments, \$382,807 in investments held by US Bank (GSP's Revenue Bond Trustee), and \$188,744,416 in capital assets. Total liabilities were \$19,663,303, \$9,311,330 of which related to the unfunded portion of the South Carolina Retirement pension and \$2,575,000 of which related to GSP's 2001 rental car facility bond issue outstanding at year end. The difference between the \$238,944,271 in assets plus the \$887,006 in deferred outflows of resources and the \$19,663,303 in liabilities plus the \$853,882 in deferred inflows of resources is categorized as Net Position (\$219,314,092). Net Position is composed of \$185,951,847 of net investment in capital assets, \$2,395,378 in restricted assets to be used for capital projects, and \$30,996,867 in unrestricted assets.

**GREENVILLE-SPARTANBURG AIRPORT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2015 AND 2014 (UNAUDITED)

FINANCIAL HIGHLIGHTS

STATEMENTS OF NET POSITION, JUNE 30, 2014 AND 2013

	June 30		Change	%
	2014	2013		
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, \$2,855,000 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.

**GREENVILLE-SPARTANBURG AIRPORT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2015 AND 2014 (UNAUDITED)

FINANCIAL HIGHLIGHTS

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION, JUNE 30, 2015 AND 2014

	June 30		Change	%
	2015	2014		
Operating revenues:				
Landing and other airside fees	\$ 2,918,915	\$ 2,994,349	\$ (75,434)	(2.52)
Space and ground rental fees	8,053,184	8,011,832	41,352	0.52
Concessions revenue	13,342,259	12,597,222	745,037	5.91
Expense reimbursements	1,112,448	1,024,100	88,348	8.63
Other revenue	1,257,319	1,057,549	199,770	18.89
Total operating revenues	26,684,125	25,685,052	999,073	3.89
Operating expenses:				
Direct operating expenses	14,625,743	13,079,341	1,546,402	11.82
Loss on disposal of assets	490,095	2,027,434	(1,537,339)	(75.83)
Depreciation	9,725,558	10,050,973	(325,415)	(3.24)
Total operating expenses	24,841,396	25,157,748	(316,352)	(1.26)
Operating income	1,842,729	527,304	1,315,425	249.46
Non-operating income (expense)	711,738	178,663	533,075	298.37
Income before capital contributions	2,554,467	705,967	1,848,500	261.84
Capital contributions	6,523,985	8,190,973	(1,666,988)	(20.35)
Change in net position before cumulative change	9,078,452	8,896,940	181,512	2.04
Cumulative effect of the change in accounting principle	(9,215,747)	-	(9,215,747)	100.00
Change in net position	\$ (137,295)	\$ 8,896,940	\$ (9,034,235)	(101.54)

- Total operating revenues were \$26,684,125 for the fiscal year ended June 30, 2015, up 3.89% from \$25,685,052 as compared to the prior year. This increase was the result of higher auto parking revenues, higher rental car concessions and lease income from tenants acquired with the purchase of Runion properties.
- Total direct operating expenses were \$14,625,743 for the fiscal year ended June 30, 2015, up 11.82% from \$13,079,341 as compared to the prior year. This increase was largely due to employee benefits, consulting services, promotional expenses and unanticipated projects (terminal-related and economy lot drainage primarily).
- The loss on disposal of assets was \$490,095 for the fiscal year ended June 30, 2015, down 75.83% from \$2,027,434 as compared to the prior year. The current fiscal year mostly consisted of apron disposal while the prior fiscal year included large terminal assets.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015 AND 2014 (UNAUDITED)

- Total non-operating income was \$711,738 for the fiscal year ended June 30, 2015, up 298.37% from \$178,663 as compared to the prior year. This is due to an increase in excess Contract Facility Charge ("CFC") revenues from the rental car companies.
- Depreciation expense was \$9,725,558 for the fiscal year ended June 30, 2015, as compared to \$10,050,973 in the fiscal year ended June 30, 2014.
- The debt service coverage ratio was 3,158%, which exceeded the 125% required by the debt covenants of GSP's various bond issues.
- The blended result of increased operating revenues and non-operating income, along with a decrease in operating expense, loss on the disposal of assets and depreciation expense, as discussed above, resulted in GSP's net income before capital contribution of \$2,554,467 and \$705,967 for fiscal year ended June 30, 2015 and fiscal year ended June 30, 2014, respectively.
- Effective August 1, 2014, Greenville-Spartanburg Airport District adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 ("Statement No. 68")*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68 ("Statement No. 71")*. These provisions require government employers to recognize as a liability, their long-term obligation for these pension benefits. As a result of this implementation, Net Position of \$219,451,387 at July 1, 2014 was restated to reflect the net pension liability of \$9,790,540 and Deferred Outflows of Resources of \$540,793 to become \$210,235,640.

**GREENVILLE-SPARTANBURG AIRPORT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2015 AND 2014 (UNAUDITED)

FINANCIAL HIGHLIGHTS

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

	June 30		Change	%
	2014	2013		
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.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015 AND 2014 (UNAUDITED)

- 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..

GREENVILLE-SPARTANBURG AIRPORT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015 AND 2014 (UNAUDITED)

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 for some time in fall 2016. The first two of three project phases constituting approximately \$72.5 million was completed and capitalized in the fiscal year ended June 30, 2015. The final project phase will continue to be reflected in Construction In Progress, valued at \$21 million for the fiscal year ended June 30, 2015 versus \$63 million for the fiscal year ended June 30, 2014, until final completion and capitalization.

The Airport District has incurred no additional long-term debt expenditures in either the fiscal year ended June 30, 2015 or June 30, 2014. 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, 2015 or June 30, 2014.

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 2.2% 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.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015 AND 2014 (UNAUDITED)

- Airlines are recording historically high profitability levels ... these levels of higher profitability are expected to continue for the foreseeable future.

The Federal Aviation Administration ("FAA's") Aerospace Forecast for 2015-2035 contains the following "Forecast Highlights":

"Since its deregulation in 1978, the U.S. commercial air carrier industry has been characterized by boom-to-bust cycles. The volatility that was associated with these cycles was thought by many to be a structural feature of an industry that was capital intensive but cash poor. However the great recession of 2007-09 marked a fundamental change in the operations and finances of U.S Airlines. Air carriers fine-tuned their business models to minimize losses by lowering operating costs, eliminating unprofitable routes, and grounding older, less fuel efficient aircraft. To increase operating revenues, carriers initiated new services that customers were willing to purchase and started charging separately for services that were historically bundled in the price of a ticket. The industry experienced an unprecedented period of consolidation with four major mergers in five years. These changes along with capacity discipline exhibited by carriers have resulted in a fifth consecutive year of profitability for the industry in 2014. Looking ahead there is 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 since World War II and the slowest expansion in recent history, aviation will continue to grow over the long run. Fundamentally, over the medium and long term, demand for aviation is driven by economic activity. The 2015 FAA forecast calls for U.S. carrier passenger growth over the next 20 years to average 2.0% per year, slightly lower than last year's forecast. The sharp decline in the price of oil in 2015 is a catalyst for a short lived uptick in passenger growth. Although oil prices are projected to fall to around \$60 per barrel in 2015, our forecast assumes that they will rise over the next five years to exceed \$100 by 2021, keeping a lid on U.S. economic growth during the same period. 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. The uncertainty over the future course of oil prices is just one more item on the list. Although the U.S. economy has managed to avoid a double dip recession, a prolonged period of faster economic growth (e.g. > 3%) may not be forthcoming.

System capacity in available seat miles (ASMs) – the overall yardstick for how busy aviation is both domestically and internationally – is projected to increase by 2.4% this year after posting a 2.2% increase in 2014; it will then grow at an average annual rate of 2.5% through 2035. In the domestic market, capacity growth in 2015 is forecast to be 2.8% and then grow at an average annual rate of 1.8% for the remainder of the forecast period. Domestic mainline carrier capacity is projected to increase 2.6% in 2014 after rising 1.8% in 2014. For the regional carriers, domestic capacity growth is projected to be 4.0 % in 2015 after falling in each of the past three years, including a 1.5% decline in 2014. Commercial air carrier domestic revenue passenger miles (RPMs) are forecast to increase 2.8% in 2015, and then grow at an average of 1.9 % per year through 2035; domestic enplanements in 2015 will increase 2.6%, and then grow at an average annual rate 1.6% for the remainder of the forecast period.

The average size of domestic aircraft is expected to increase by 1.1 seats in FY 2015 to 128.2 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 2015 by 0.8 seats to 57.8 seats per mile. Passenger trip length in all domestic markets will increase by 2.8 miles during the same period.

General aviation market continues its recovery. In 2014, the turbo jet sector recorded its first increase in deliveries by U.S. manufacturers since 2008. For a third year in a row, single engine piston deliveries have

GREENVILLE-SPARTANBURG AIRPORT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015 AND 2014 (UNAUDITED)

increased. The long term outlook for general aviation is favorable, and near term also looks promising especially for piston aircraft activity which is sensitive to fuel price movements. While it is slightly lower than predicted last year, the growth in business aviation demand over the long term continues. As the fleet grows, the number of general aviation hours flown is projected to increase an average of 1.4% per year through 2035.

After sputtering in the early part of 2014, the U.S. economy began to show improvement in the latter half of 2014 while the economies in the rest of the world showed mixed results. With lower energy prices, U.S. carrier profitability should remain steady or increase as an economy in its sixth year of recovery leads to strengthening demand and increased revenues, while operating costs are falling or stable. 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 2015-2035

Moody's Investor Service Airport Industry Outlook

Moody's has assigned a **positive** outlook for the short-term (12-18 months) U.S. Airport industry sector as economic growth brings more travelers. This outlook is summarized in the following press release on December 12, 2014:

Global Credit Research - 12 Dec 2014

- New York, December 12, 2014 -- Moody's Investors Service has changed its outlook for the US airport sector to positive from stable, as better economic growth in the US leads to more domestic travel, adding to the number of people at the airports.
- More seat capacity on US airlines, combined with growth in the US economy, will push growth in enplanements to between 3% - 4% for 2014 and 2015, exceeding Moody's expectation of up to 2% enplanement growth for 2014. Enplanements, or the number of passengers using an airport to depart on a flight, is a key driver of the outlook because growth in this number usually translates into more parking and concession fees, approximately half of airport revenue.
- "We expect to see positive enplanement growth trends across the industry and not just in one category of airport, although large hubs will continue to perform best," says Earl Heffintrayer, a Moody's Assistant Vice President and Analyst.
- Moody's Heffintrayer notes that in recent years, the airlines have been concentrating service in the larger, more profitable markets at the expense of small- and medium-sized markets.
- The growth in enplanements in 2015 will also be assisted by the airlines adding seats. There will be moderate growth at the large US carriers, while smaller airlines like JetBlue, Alaska Airlines and Spirit Airlines will be adding significant capacity.
- Overall, Moody's expects seat capacity on US airlines to rise 3% - 4% next year.
- Growth in the US economy, which Moody's forecasts at about 3% next year, will support demand for US travel. However, foreign travel to the US faces pressure, says Moody's, because of a stronger dollar and slower economic growth in Europe and Latin America. For example, enplanement growth at Miami International airport, a major hub for Latin America, stalled in 2014.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015 AND 2014 (UNAUDITED)

- For most airports, however, the 3%-4% enplanement growth for the year exceeds the 0-2% growth they had budgeted for, and Moody's expects 2015 enplanement growth to exceed budgeted forecasts as well. The higher-than-expected enplanement growth and resulting stronger-than-expected financial performance will provide a financial cushion against downside risks, says Moody's.
- Moody's outlook reflects the rating agency's expectations for the fundamental business conditions in the industry over the next 12 -- 18 months. Moody's outlook for the US airports had been stable since February 2013.

Source: Moody's Investor Service outlook on US Airport Industry "US Airport outlook raised to positive as economic growth brings more travelers"... December 12, 2014

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 and 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.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
STATEMENTS OF NET POSITION

JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets:		
Cash	\$ 9,620,747	\$ 14,517,528
Receivables	624,315	583,456
Inventories and prepaid insurance	438,329	511,914
Investments	36,261,894	46,516,797
Notes receivable - current portion	217,568	206,226
Total current assets	<u>47,162,853</u>	<u>62,335,921</u>
Restricted assets:		
Cash	598,114	-
Receivables	239,261	225,940
Investments - held by Trustee	382,807	377,355
Total restricted assets	<u>1,220,182</u>	<u>603,295</u>
Notes receivable - net of current portion	<u>1,816,820</u>	<u>2,034,388</u>
Capital assets - at cost:		
Land	41,074,047	38,909,689
Buildings and equipment	182,061,017	109,448,992
Runways	60,789,646	68,012,061
Construction-in-progress	20,890,224	62,776,367
Total capital assets	304,814,934	279,147,109
Less accumulated depreciation	<u>(116,070,518)</u>	<u>(114,065,630)</u>
Capital assets - net	<u>188,744,416</u>	<u>165,081,479</u>
Total Assets	<u>\$ 238,944,271</u>	<u>\$ 230,055,083</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow Related to State Pension	<u>\$ 887,006</u>	<u>\$ -</u>

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

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
STATEMENTS OF NET POSITION (CONTINUED)

JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
LIABILITIES		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable and accrued liabilities	\$ 4,851,546	\$ 4,608,487
Unearned credits - current portion	<u>217,568</u>	<u>206,226</u>
Total payable from unrestricted assets	<u>5,069,114</u>	<u>4,814,713</u>
Payable from restricted assets:		
Accrued interest payable	87,805	97,354
Revenue bonds - current portion	<u>295,000</u>	<u>280,000</u>
Total payable from restricted assets	<u>382,805</u>	<u>377,354</u>
Total current liabilities	<u>5,451,919</u>	<u>5,192,067</u>
Unearned credits - net of current portion	1,816,820	2,034,388
Long-term employee benefits	803,234	802,241
SCRS Pension liability	9,311,330	-
Revenue bonds payable - net of current portion	<u>2,280,000</u>	<u>2,575,000</u>
Total liabilities	<u>\$ 19,663,303</u>	<u>\$ 10,603,696</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow Related to State Pension	<u>\$ 853,882</u>	<u>\$ -</u>
NET POSITION		
Net investment in capital assets	<u>185,951,847</u>	<u>162,020,253</u>
Restricted:		
Held by Trustee	295,003	280,003
Contract facility charges	<u>2,100,375</u>	<u>1,650,723</u>
Total restricted	<u>2,395,378</u>	<u>1,930,726</u>
Unrestricted	<u>30,966,867</u>	<u>55,500,408</u>
Total net position	<u>\$ 219,314,092</u>	<u>\$ 219,451,387</u>

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Airside	\$ 2,918,915	\$ 2,994,349
Space and ground rental	8,053,184	8,011,832
Concessions	13,342,259	12,597,222
Other	<u>2,369,767</u>	<u>2,081,649</u>
Total operating revenues	<u>26,684,125</u>	<u>25,685,052</u>
Operating expenses before loss on disposal of assets and depreciation:		
Airfield	223,299	273,926
Terminal building	2,218,801	1,725,825
Administrative	4,787,066	4,120,058
Maintenance and operations	3,177,589	3,104,747
Fire and crash department	1,106,173	1,040,878
Security	1,242,102	1,160,393
Other direct expenses	<u>1,870,713</u>	<u>1,653,514</u>
Total operating expenses before loss on disposal of assets and depreciation	<u>14,625,743</u>	<u>13,079,341</u>
Operating income before loss on disposal of assets and depreciation	12,058,382	12,605,711
Net loss on disposal of assets	490,095	2,027,434
Depreciation	<u>9,725,558</u>	<u>10,050,973</u>
Operating income	<u>1,842,729</u>	<u>527,304</u>
Nonoperating revenues (expenses):		
Contract facility charges	856,591	318,044
Interest on accounts	22,685	55,981
Change in fair value of investments	8,076	(651)
Interest and other financing costs - net	<u>(175,614)</u>	<u>(194,711)</u>
Nonoperating revenues - net	<u>711,738</u>	<u>178,663</u>
Income before capital contributions	2,554,467	705,967
Capital contributions	<u>6,523,985</u>	<u>8,190,973</u>
Increase in net position before cumulative change	9,078,452	8,896,940
Cumulative effect of the change in accounting principle	<u>(9,215,747)</u>	<u>-</u>
Change in net position	(137,295)	8,896,940
Net position:		
Beginning of year	<u>219,451,387</u>	<u>210,554,447</u>
End of year	<u>\$ 219,314,092</u>	<u>\$ 219,451,387</u>

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

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received from providing services	\$ 26,643,266	\$ 28,190,939
Cash payments to suppliers for goods and services	(7,018,728)	(5,142,380)
Cash payments to employees for services	(7,226,920)	(6,767,704)
Net cash provided by operating activities	<u>12,397,618</u>	<u>16,280,855</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(33,878,590)	(42,517,261)
Net proceeds from sale of investments - held by Trustee	(5,452)	(11,134)
Principal payments on bonds	(280,000)	(260,000)
Interest payment on bonds	(185,162)	(203,577)
Capital contributions	6,523,985	8,190,973
Contract facility charges	843,270	306,928
Net cash used in capital and related financing activities	<u>(26,981,949)</u>	<u>(34,494,071)</u>
Cash flows from investing activities		
Net purchase and maturity of investment securities	10,262,979	26,865,470
Investment income	22,685	55,981
Net cash provided by investing activities	<u>10,285,664</u>	<u>26,921,451</u>
Net increase (decrease) in cash	(4,298,667)	8,708,235
Cash and cash equivalents, beginning of year	<u>14,517,528</u>	<u>5,809,293</u>
Cash and cash equivalents, end of year	<u>\$ 10,218,861</u>	<u>\$ 14,517,528</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,842,729	\$ 527,304
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	9,725,558	10,050,973
Net loss on disposal of capital assets	490,095	2,027,434
Change in assets and liabilities:		
Trade and other receivables	(40,859)	2,505,889
Inventories and prepaid insurance	73,585	(204,216)
Deferred outflows related to state pension	(312,214)	-
Trade accounts payable and accrued liabilities	243,059	1,340,124
Other long-term liabilities	(478,217)	33,347
Deferred pension investment earnings	853,882	
Total adjustments	<u>10,554,889</u>	<u>15,753,551</u>
Net cash provided by operating activities	<u>\$ 12,397,618</u>	<u>\$ 16,280,855</u>

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

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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, 2015 and 2014 were \$29,999,961 and \$30,093,046, 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, 2015 and 2014, 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 position.

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 trustee funds include debt service reserve, construction, and principal and interest accounts. These investments consist primarily of U.S. Treasury securities.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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

Change in Accounting Principle – Effective August 1, 2014, Greenville-Spartanburg Airport District adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 (“Statement No. 68”)*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68 (“Statement No. 71”)*. The provisions of Statement No. 68 and Statement No. 71 (the “standards”) relevant to the Airport relate to changes in the accounting and financial reporting of pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The standards require government employers to recognize as a liability, for the first time, their long-term obligation for these 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 standards also require more immediate recognition of annual service cost, interest and changes in benefits for pension expense, require deferred outflow be presented for employer contributions made subsequent to the measurement date of net pension liability, specify requirements for discount rates and actuarial methods, and provide changes to disclosure requirements. As of July 1, 2014, the deferred outflows, net pension liability, deferred inflows and net position have been adjusted as follows due to the implementation of these standards:

	Net Pension Liability	Deferred Outflows of Resources	Net Position
June 30, 2014, as previously reported	\$ -	\$ -	\$ 219,451,387
Change in accounting principle	(9,790,540)	574,793	(9,215,747)
July 1, 2014, adjusted balance	<u>\$ (9,790,540)</u>	<u>\$ 574,793</u>	<u>\$ 210,235,640</u>

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 2015 and 2014 are as follows:

	Fixed Assets Acquired by FAA Grants	Other Fixed Assets	Total Fixed Assets
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
Fiscal year 2015 depreciation	5,260,913	4,464,645	9,725,558
Less - 2015 capital asset write-offs	(6,720,054)	(1,000,616)	(7,720,670)
Accumulated depreciation - June 30, 2015	<u>\$ 65,910,014</u>	<u>\$ 50,160,504</u>	<u>\$ 116,070,518</u>

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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

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, 2015 and 2014. 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, 2015 and 2014, as notes receivable and unearned credits totaling \$2,034,388 and \$2,240,614, respectively, in the accompanying statements of net position.

For the years ended June 30, 2015 and 2014, the Airport has recorded CFCs related to space and ground rental as operating revenue of \$1,345,198 and \$1,099,942, respectively, in addition to non-operating revenue consisting of the following:

	<u>2015</u>	<u>2014</u>
Funding of Series 2001 Bonds	\$ 465,163	\$ 463,577
Reimbursement of Airport-funded construction	329,460	329,460
CFC surplus receipts/(deficit)	61,968	(474,993)
	<u>\$ 856,591</u>	<u>\$ 318,044</u>

Additionally, as of June 30, 2015 and 2014, the Airport had received but not yet spent CFCs totaling \$1,263,000 and \$1,424,783, 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 position, after non-operating revenues (expenses), as capital contributions.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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

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 position.

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.

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, the Airport 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 the Airport. 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, 2015 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.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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 \$9,679,960 and \$13,202,373 as of June 30, 2015 and 2014, 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, 2015 and 2014, the carrying amount for Airport's cash totaled \$11,599,322 and \$17,259,382, 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, 2015 and 2014, no allowance for uncollectible amounts was recorded.

Receivables (including restricted assets) consisted of the following as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Trade and contract facility charge	\$ 668,808	\$ 583,872
FAA and other grants	7,097	-
Interest and other	<u>187,671</u>	<u>225,524</u>
	<u>\$ 863,576</u>	<u>\$ 809,396</u>

Note 5—Investments

At June 30, 2015 and 2014, the Airport's investment balances, recorded at fair value, were \$36,261,894 and \$46,516,797, respectively. At June 30, 2015 the entire amount was invested in U.S. Treasury bills. 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.

All investments held at June 30, 2015 and 2014 have maturities of less than one year and have an AAA rating. In addition, investments with fair values of \$382,807 and \$377,355 as of June 30, 2015 and 2014, respectively, were held by a trustee.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 5—Investments (continued)

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.

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 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.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 6—Capital assets

A summary of changes in capital assets during fiscal 2015 and 2014 is as follows:

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>June 30, 2015</u>
Capital assets not being depreciated:				
Land	\$ 38,909,689	\$ 2,164,358	\$ -	\$ 41,074,047
Construction-in-process	62,776,367	31,588,710	(73,474,854)	20,890,223
Total capital assets not being depreciated	<u>101,686,056</u>	<u>33,753,068</u>	<u>(73,474,854)</u>	<u>61,964,270</u>
Capital assets being depreciated:				
Buildings and equipment	109,448,992	208,640	72,403,386	182,061,018
Runways	68,012,061	-	(7,222,415)	60,789,646
Total capital assets being depreciated	<u>177,461,053</u>	<u>208,640</u>	<u>65,180,971</u>	<u>242,850,664</u>
Total accumulated depreciation	<u>(114,065,630)</u>	<u>(9,725,558)</u>	<u>7,720,670</u>	<u>(116,070,518)</u>
Net capital assets	<u>\$ 165,081,479</u>	<u>\$ 24,236,150</u>	<u>\$ (573,213)</u>	<u>\$ 188,744,416</u>

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

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Transfers/ Disposals</u>	<u>June 30, 2014</u>
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	<u>62,582,770</u>	<u>41,268,362</u>	<u>(2,165,076)</u>	<u>101,686,056</u>
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	<u>205,412,280</u>	<u>1,201,461</u>	<u>(29,152,688)</u>	<u>177,461,053</u>
Total accumulated depreciation	<u>(131,307,059)</u>	<u>(10,050,972)</u>	<u>27,292,401</u>	<u>(114,065,630)</u>
Net capital assets	<u>\$ 136,687,991</u>	<u>\$ 32,418,851</u>	<u>\$ (4,025,363)</u>	<u>\$ 165,081,479</u>

Interest costs charged to expense for the years ended June 30, 2015 and 2014 totaled \$175,614 and \$194,711, respectively.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 7—Revenue bonds

A summary of the revenue bond changes during fiscal 2015 and 2014 is as follows:

	<u>Outstanding June 30, 2014</u>	<u>Net Cash Disbursement</u>	<u>Outstanding June 30, 2015</u>	<u>Current Portion</u>
Revenue bonds:				
Series 2001B	\$ 2,855,000	\$ (280,000)	\$ 2,575,000	\$ 295,000
Total	<u>\$ 2,855,000</u>	<u>\$ (280,000)</u>	<u>\$ 2,575,000</u>	<u>\$ 295,000</u>
	<u>Outstanding June 30, 2013</u>	<u>Net Cash Disbursement</u>	<u>Outstanding June 30, 2014</u>	<u>Current Portion</u>
Revenue bonds:				
Series 2001B	\$ 3,115,000	\$ (260,000)	\$ 2,855,000	\$ 280,000
Total	<u>\$ 3,115,000</u>	<u>\$ (260,000)</u>	<u>\$ 2,855,000</u>	<u>\$ 280,000</u>

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 are 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, 2015 and 2014, Airport management believes the Airport is in compliance with these restrictive covenants.

The future debt service requirements of the Series 2001 Bonds are as follows as of June 30, 2015:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	390,000	85,591	475,591
2021-2022	865,000	89,342	954,342
Total	<u>\$ 2,575,000</u>	<u>\$ 750,200</u>	<u>\$ 3,325,200</u>

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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 unearned 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, 2015 and 2014, is \$206,226 and \$195,475, respectively, with a remaining balance of \$2,034,388 and \$2,240,614, respectively.

Note 9—Capital contributions

For the years ended June 30, 2015 and 2014, the Airport recognized capital contributions primarily from the FAA totaling \$6,523,985 and \$8,190,973, respectively, in its statements of revenues, expenses, and changes in net position.

Note 10—Commitments and contingencies

The Airport is party to various legal actions 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 \$49,889,497, of which \$39,141,673 is outstanding at June 30, 2015.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 11—Pension plan and post-retirement benefits

Pension Plan – All Airport permanent employees are members of either the South Carolina Retirement System (“SCRS”) or the Police Officers Retirement System (“PORS”), collectively the “Plans”, cost-sharing multiple-employer defined benefit pension plans administered by the Retirement Division of the State Budget and Control Board. The Plans offer retirement and disability benefits, cost of living adjustments on an ad hoc basis, life insurance benefits, and survivor benefits. The Plans’ provisions are established under Title 9 of the South Carolina Code of Laws.

Plan members were required to contribute 8% and 8.41% of their annual covered salary to the Plan for SCRS and PORS, respectively, and the Airport contributes 10.9% and 13.41% for SCRS and PORS, respectively, which is an actuarially determined rate. The Airport’s Plan-matching contribution in fiscal years 2015, 2014 and 2013 was approximately \$689,240, \$585,900 and \$533,700, respectively, and equaled the required contributions for those years.

At June 30, 2015, Greenville-Spartanburg Airport District reported a liability of \$9,311,330 for its proportionate share of the net pension liability of SCRS and PORS. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013. The Airport’s proportion of the net pension liability was based on Greenville-Spartanburg Airport District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the Airport’s proportion was 0.041344% and 0.114560% of the total SCRS and PORS pension liability, respectively.

The Airport reported deferred outflows of resources and deferred inflows of resources related to the SCRS and PORS retirement plans from the following sources as of June 30, 2015:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on SCRS and PORS investments	\$ -	\$ 853,882
Contributions subsequent to the measurement date	626,782	-
Difference in expected and actual experience in measurement of pension liability	260,224	-
	<u>\$ 887,006</u>	<u>\$ 853,882</u>

The Airport’s contributions subsequent to the measurement date of \$626,782 will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Total pension expense for the period year ended June 30, 2015 was \$689,240.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 11—Pension plan and post-retirement benefits (continued)

The following schedule reflects the Airport's proportion of the amortization of the net balance of remaining deferred outflows / (inflows) of resources of the SCRS at the measurement date of June 30, 2014:

<u>Measurement Period Ending June 30,</u>	<u>SCRS</u>	<u>PORS</u>
2015	\$ (87,640)	\$ (48,264)
2016	(87,640)	(48,264)
2017	(87,640)	(48,264)
2018	(135,490)	(50,449)
Thereafter	-	-
Net Balance of Deferred Outflows/(Inflows) of Resources	<u>\$ (398,410)</u>	<u>\$ (195,241)</u>

Actuarial Assumptions – Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, morality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

The most recent annual actuarial valuation reports adopted by the Public Employee Benefit Authority Board and the SC Budget and Control Board are as of July 1, 2013. The total pension liability in that report was determined using the following actuarial assumptions, applied to all periods included in the measurement.

	<u>SCRS</u>	<u>PORS</u>
Actuarial cost method	Entry age	Entry age
Investment rate of return	7.5%	7.5%
Projected salary increases	Levels off at 3.5%	Levels off at 4%
Inflation	2.75%	2.75%
Benefit adjustment	Lesser of 1% or \$500	Lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in morality using published Scale AA projected from the year 2000.

<u>Former Job Class</u>	<u>Males</u>	<u>Females</u>
Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	PR-2000 Females multiplied by 90%
Public Safety, Firefighters and members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 11—Pension plan and post-retirement benefits (continued)

Actuarial Assumptions (continued) – The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30-year capital market outlook at the end of the third quarter of 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (“RSIC”) using a building-block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds’ assets. As co-fiduciary of the SCRS, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation. For actuarial purposes, the 7.50% assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75% real rate of return and a 2.75% inflation component. The target asset allocations and the long-term expected real rates of return are as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Rate of Return</u>
Short-term	5%	0.03%
Domestic fixed income	13%	0.26%
Global fixed income	9%	0.27%
Global public equity	31%	2.42%
Global tactical asset allocation	10%	0.51%
Alternatives	32%	2.39%
Total expected rate of return	<u>100%</u>	<u>5.88%</u>
Inflation for actual purposes		<u>2.75%</u>
Total expected nominal return		<u>8.63%</u>

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determine rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, the fiduciary net position of SCRS was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 11—Pension plan and post-retirement benefits (continued)

Sensitivity of the Airport's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the net pension liability the Airport calculated using the discount rate of 7.50%, as well as what the Airport's net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.50%) or 1.00% higher (8.50%) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase Rate (8.50%)
SCRS	\$ 9,211,218	\$ 7,118,066	\$ 5,371,777
PORS	\$ 3,064,895	\$ 2,193,168	\$ 1,471,886

Plan Fiduciary Net Position and Required Supplementary Information – The SCRS issues a publicly available Comprehensive Annual Financial Report that includes the fiduciary net position and required supplementary information for the SCRS. The pension plan's fiduciary net position has been determined on the same basis used by the pension plan. The report is publicly available on the South Carolina Public Employee Benefit Authority's ("PEBA") Retirement Benefits' website at <http://www.retirement.sc.gov>, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, South Carolina 29211-1960.

Other Post-retirement Benefits – The Airport matches 100% of employee contributions to the South Carolina Deferred Compensation Program ("SCDCP") 401(k) and/or 457 plans up to 5% of the employee's gross income.

The Airport's SCDCP matching contribution in the fiscal years ended June 30, 2015 and 2014 was \$98,137 and \$98,331, 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, 2015 and 2014. 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.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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 and 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.

* * * * *

GREENVILLE-SPARTANBURG AIRPORT DISTRICT

SCHEDULE OF THE AIRPORT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

JUNE 30, 2015 (UNAUDITED)

Fiscal year*	Airport's proportion of net pension liability	Airport's proportionate share of the net pension liability	Airport's total payroll	Airport's proportionate share of the net pension liability as a percentage of total payroll	Plan fiduciary net position as a percentage of the total pension liability
South Carolina Retirement System					
2014	0.041344%	\$ 7,118,066	\$ 5,594,937	127.2%	59.9%
2013	0.041344%	7,415,639	5,251,528	141.2%	56.4%
Police Officers Retirement System					
2014	0.114560%	\$ 2,193,168	\$ 5,594,937	39.2%	67.5%
2013	0.114560%	2,374,797	5,251,528	45.2%	63.0%

*Represents South Carolina Retirement System's and Police Officers' Retirement System's fiscal year
This data is presented for those years which information is available

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
SCHEDULE OF THE AIRPORT'S PENSION CONTRIBUTION

JUNE 30, 2015 (UNAUDITED)

Fiscal year*	Actuarial required contribution	Actual contributions	Contribution deficiency (excess)	Airport's total payroll	Contributions as a percentage of total payroll
South Carolina Retirement System					
2015	\$ 429,644	\$ 429,644	\$ -	\$ 5,594,937	7.7%
2014	400,220	400,220	-	5,251,528	7.6%
Police Officers Retirement System					
2015	\$ 188,544	\$ 188,544	\$ -	\$ 5,594,937	3.4%
2014	172,838	172,838	-	5,251,528	3.3%

*Represents South Carolina Retirement System's and Police Officers' Retirement System's fiscal year
This data is presented for those years which information is available

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by 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, 2015. 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, 2015.

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.

A handwritten signature in black ink that reads "Cherry Behaert LHP". The signature is written in a cursive, slightly slanted style.

Greenville, South Carolina
October 23, 2015

**Report of Independent Auditor 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 the Greenville Spartanburg Airport District (the "Airport"), as of and for the year ended June 30, 2015, 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 23, 2015.

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.

A handwritten signature in black ink that reads "Cherry Behaert LHP". The signature is written in a cursive style with a large initial 'C'.

Greenville, South Carolina
October 23, 2015

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2015

Project Number and Description (Notes 1 and 2)	CFDA Number	Total Project Costs Incurred		Total Federal Expenditures	Grant Status - Grant Funds Received from FAA		
		July 1, 2014 to June 30, 2015	Cumulative to June 30, 2015	July 1, 2014 to June 30, 2015	July 1, 2014 to June 30, 2015	Cumulative to June 30, 2015	Maximum Federal Participation
Department of Transportation - Airport Improvement Program:							
* Grant No. 3-45-0028-48 Rehabilitate Terminal Building - (Constr) Phase II; Rehabilitate Terminal Apron	20.106	\$ 5,890,077	\$ 51,953,804	\$ 3,875,292	\$ 3,875,292	\$ 11,750,913	\$ 11,750,913
* Grant No. 3-45-0028-49 Apron Rehabilitation - (Constr) Phase I	20.106	2,942,992	2,942,992	2,641,596	2,641,596	2,641,596	2,828,410
Transportation Security Administration	97.090	120,450	2,237,981	50,490	50,490	2,088,217	2,223,365
Total		<u>\$ 8,953,519</u>	<u>\$ 57,134,777</u>	<u>\$ 6,567,378</u>	<u>\$ 6,567,378</u>	<u>\$ 16,480,726</u>	<u>\$ 16,802,688</u>

* Major program

See notes to schedule of expenditures of federal awards.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2015

Note 1—Summary of significant accounting policies

Basis of Presentation— The accompanying schedule of expenditures of federal awards for the year ended June 30, 2015, for projects in effect from August 15, 2011 through June 30, 2015, 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 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.
- b. Grant agreement dated June 3, 2015 (Project #3-45-0028-49), provides funds to rehabilitate the Terminal Apron. Under the provisions of the grant agreement, the FAA is to reimburse the airport for 90% of the allowable costs (60%) not to exceed \$2,828,410.

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, 2015. 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, 2015, the following projects were open:

- Project #3-45-0028-49
- 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, 2015.

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GREENVILLE-SPARTANBURG AIRPORT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2015

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 no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no

Noncompliance material to federal awards: yes 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 no

Identification of major programs:

<u>CFDA#</u>	<u>Program Name</u>
20.106	Department of Transportation- Airport Improvement Program

**GREENVILLE-SPARTANBURG AIRPORT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED JUNE 30, 2015

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.

GREENVILLE-SPARTANBURG AIRPORT DISTRICT
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

Section IV. Summary of Prior Year Findings

There were no prior year findings.